STRATEGIC PLANNING:
An Exploratory Study of its practice by Agro-based Public Enterprises in Malaysia.

by

Zainal Abidin Mohamed
[B.Agric.Sc(Hons); Malaya 1974]
[MBA; Madison, Wisconsin 1976]

thesis submitted for the
PhD Degree in Business Studies
University of Edinburgh
1989
ACKNOWLEDGEMENT

The names of personnel and institutions to be acknowledged for their roles in enabling me to complete and write this thesis are many. To my father (who passed away in the midst of this research) and mother, I pray to God to give them blessings and protection. I can never thank them enough for the sacrifices they make in laying the foundation during the early stages of my life and I know of their constant prayer for my continued safety that brought me to where I am today.

I am honoured to have Professor Simon Coke as my supervisor whose reputation as a scholar and administrator is well known and respected. I am greatly indebted to him for he steered me through the difficult task, tolerating my moods, peculiarities and weaknesses, always finding time to fit my demands into his busy schedule of not only teaching but also as the Department Head and later the co-ordinator of the MBA programmes. I will remember the numerous long hours of discussions that were held at his apartment to avoid being interrupted by his administrative duties. I hope the eye operation that he had to undergo, had no relationship to the long hours of reading my literary creations. I wondered how he managed, as I found it laborious and taxing. His sacrifices and perseverance will be remembered.

There are other members of the department that contributed significantly to the research. Mr. David Reid, the co-supervisor during the early stage of the research jointly provided the crucial initial impetus. His departure to Hong Kong was a loss to me. My gratitude and appreciation to Professor Norman Hunt, who came in at the later stage of the research. Although retired, he meticulously went through the thesis text and from whose comment the thesis benefited. His precious time and dedication on this mundane exercise is much appreciated. There were several other staff in the Faculty that I have approached for certain specific advise and assistance and received sincere and full co-operation; to them I say many thanks.

To the Department of Business Studies and Edinburgh University, I thank them for the use of excellent facilities in computer, references and a room for me to work in.

Outside the University, I am indebted to the planning personnel in ICI, Sunderland and Forestry Commission, Edinburgh for their participation in the research. The discussion and exposure of strategic planning as practised by them provided invaluable insights and made me better prepared for the research. In London, I would also like to thank Malaysian managers at Malaysian Airline System, Federal Land Development Authority, Malaysian Industrial Development Authority and The Tourist
Development Corporation who gave me the opportunity for pretesting the research questions with their personnel.

In Malaysia, my gratitude and appreciation goes to the two sponsors, Universiti Pertanian and the Public Services Department for without their approval and financing I can never afford in pursuing this noble exercise. I hope to repay by giving them the services needed, to the best of my capability and in an area that I am capable of. I am aware of the taxpayers' money being spent on me and I know that the services to be rendered will not be enough to repay all. The services provided by the Malaysian Students Department in administering all the financial transactions necessary is commended.

Almost a year was spent in collecting relevant data and I am not proud of the lengthy period taken for it. But personally it was fruitful. I owe to all the fifty-nine personnel of the twelve public enterprises that participated in the research. They ranged from several high ranking dignitaries (Board members), to total strangers, my seniors in universities and schools, former class mates, family friends, former superiors (former Deans and Vice Chancellors who left the university) and former students. To all of them, I am greatly indebted for it was information from them that became the backbone of this research. To some of them, the discussions outside office hours and into the early hours of the morning were more revealing and candid.

Back in Edinburgh, I wish to record my gratitude and appreciation to the Malaysian community of 1984-88, of which 99% were strangers when we first met, but ended with so much closeness. How I wish that all of them could continue and live near each other to continue living as a big family. My daily trips to the school was chauffeur driven, meals ready when my wife was indisposed, lending ears to listen to my sorrows, friends in support when I needed assistance and advise and most of all their encouragement and spiritual assistance to help me sail through. May you all achieve success in your studies.

Last, but not least, to my wife and three daughters, I only wish that I could have spent more time with them. The sacrifices that my wife made in rendering full support and encouragement, meeting my priorities, selfishness, even when she was ill, in bringing up the children and in ensuring them to be ever bubbling will be remembered forever. They were the source of energy that inspires, pushes, motivates and drives me to finish what I started. To my relatives and friends in Malaysia who took care of my dealings, needs and transactions, and pray for my family's safety, they were part of this endeavour. "Tuhan sahaja yang akan dapat membalas mereka."

To God, "alhamdulillah."
ABSTRACT

The research is on twelve public enterprises (PEs) with the main objective being to explore the extent of strategic planning as practised in these public enterprises and in particular the systems, process and personnel involved.

Strategic planning is fully established and practised in different degree in western industrialised countries. Its acceptance, understanding and ultimately its practice in the developing countries is less understood. In fact very little has been reported, researched or documented on strategic planning in the third world.

Agrobased public enterprises in Malaysia were chosen because of their significant role in the economic development of the country. Very few studies of the subject have been done on such enterprises. The fact that these concerns are influenced greatly by the government made the study more appropriate. Fifty nine senior management personnel in twelve public enterprises were interviewed. For each public enterprises, the Chief Executive Officer, the corporate planner and two to five other managers who were involved in the planning process participated.

The main findings were:

a) strategic planning is practised to varying degrees ranging from an extended budget system to a fully fledged system,

b) formal strategic planning is most practised by public enterprises that are financially independent of the government, that relies for more than half of their income on the exports of their processed produce and had more than ten active subsidiaries.

c) the level of strategic planning analysis are associated with the public enterprises characteristics listed in (b) above, i.e. more sophisticated techniques are employed by public enterprises that are export oriented and financially independent.
d) most of the public enterprises are more comfortable with the incremental rather than the "major change" approach when making strategic decisions.

e) the problems related to the practice of strategic planning are found in two major areas; personal relation between the planners and the functional managers and problems related to the reliability and availability of relevant data.

f) there is a clear relationship between five variables namely; formal strategic planning, financial independence from the government, dependency on export earnings, active subsidiaries and the level of sophistication of their planning analysis.

g) the Malaysian cultural values do not seem to interfere in the main concept of strategic planning but rather on style of implementation.

The greatest implication of the research is the relationship of the formalised corporate planning with that of the characteristics of the public enterprises. The formalised planners are also those that export most of their products, and are financially independent. Whether this is caused by the formal corporate planning system or the result of it was not ascertained but the relationship is clear. To enable them to export and compete in the international market and to seek funds for their own operations, these public enterprises have to have sound long term plans.

It is strongly recommended that the government should encourage the practice of strategic planning in their public enterprises and organise necessary training programmes along with it.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>i</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>v</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF CHARTS</td>
<td>xiii</td>
</tr>
</tbody>
</table>

Chap. 1: INTRODUCTION AND RESEARCH LAYOUT 1

1.1: Introduction .................................. 2
1.2: Research Focus .................................. 3
1.3: Objectives of Research ..................... 4
1.4: Justification of Research .................. 5
1.5: Layout of Thesis ................................ 6

Chap. 2: RESEARCH METHODOLOGY 9

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>10</td>
</tr>
<tr>
<td>2.1: Introduction</td>
<td>10</td>
</tr>
<tr>
<td>2.2: Research Design</td>
<td>10</td>
</tr>
<tr>
<td>2.3: The Population</td>
<td>15</td>
</tr>
<tr>
<td>2.4: Participating Public Enterprises</td>
<td>16</td>
</tr>
<tr>
<td>2.5: Personnel Expected to Participate</td>
<td>18</td>
</tr>
<tr>
<td>2.6: The Survey and Interview Techniques</td>
<td>19</td>
</tr>
<tr>
<td>2.7: Research Framework</td>
<td>21</td>
</tr>
<tr>
<td>2.8: Dimensions to be investigated</td>
<td>24</td>
</tr>
<tr>
<td>2.9: Sources and Kinds of data sought</td>
<td>30</td>
</tr>
<tr>
<td>2.10: Preliminary Preparation</td>
<td>30</td>
</tr>
<tr>
<td>2.11: Methodology for analysis</td>
<td>32</td>
</tr>
<tr>
<td>2.12: Questions to be Answered</td>
<td>33</td>
</tr>
<tr>
<td>2.13: Summary</td>
<td>35</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>37</td>
</tr>
<tr>
<td>Chap. 3</td>
<td>MALAYSIA</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>40</td>
</tr>
<tr>
<td>3.1: Introduction</td>
<td>40</td>
</tr>
<tr>
<td>3.2: The Country; MALAYSIA</td>
<td>40</td>
</tr>
<tr>
<td>3.3: Development since Independence</td>
<td>45</td>
</tr>
<tr>
<td>3.4: After the 1969 Racial Violence and the New Economic Policy</td>
<td>49</td>
</tr>
<tr>
<td>3.5: Critical Issues Faced by Malaysia</td>
<td>51</td>
</tr>
<tr>
<td>3.6: Planning at the National level</td>
<td>60</td>
</tr>
<tr>
<td>3.7: Comments and summary</td>
<td>71</td>
</tr>
<tr>
<td>Attachment 3.1. Planning Flow Chart</td>
<td>75</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>77</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chap. 4</th>
<th>ECONOMIC DEVELOPMENT AND THE DEVELOPING COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>80</td>
</tr>
<tr>
<td>4.1: Introduction</td>
<td>80</td>
</tr>
<tr>
<td>4.2: Definition of Terms</td>
<td>82</td>
</tr>
<tr>
<td>4.3: Desire for Economic Development</td>
<td>84</td>
</tr>
<tr>
<td>4.4: Theories of Economic Development</td>
<td>85</td>
</tr>
<tr>
<td>4.5: Economic Systems</td>
<td>88</td>
</tr>
<tr>
<td>4.6: Realities of the Third World Countries</td>
<td>89</td>
</tr>
<tr>
<td>4.7: Reformulation of Economic Development</td>
<td>91</td>
</tr>
<tr>
<td>4.8: The Process of Economic Development</td>
<td>92</td>
</tr>
<tr>
<td>4.9: What Direction?</td>
<td>94</td>
</tr>
<tr>
<td>4.10. Economic Development and TWCS</td>
<td>100</td>
</tr>
<tr>
<td>4.11. Summary and Conclusion</td>
<td>104</td>
</tr>
</tbody>
</table>

Attachments:
4.1: Theories of Economic Development .... 107
4.2: Types of Economic Systems .......... 108
REFERENCES .................. 110
<table>
<thead>
<tr>
<th>Chap. 5</th>
<th>PUBLIC ENTERPRISE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ABSTRACT</strong></td>
<td></td>
<td>116</td>
</tr>
<tr>
<td>5.1: Introduction</td>
<td></td>
<td>116</td>
</tr>
<tr>
<td>5.2: Definitions</td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>5.3: Types of Public Enterprises</td>
<td></td>
<td>119</td>
</tr>
<tr>
<td>5.4: Public Enterprises in Industrialised Countries</td>
<td></td>
<td>121</td>
</tr>
<tr>
<td>5.5: Public Enterprises in Third World Countries</td>
<td></td>
<td>128</td>
</tr>
<tr>
<td>5.6: Public Enterprises in Malaysia</td>
<td></td>
<td>136</td>
</tr>
<tr>
<td>5.7: Summary and Conclusion</td>
<td></td>
<td>146</td>
</tr>
<tr>
<td>REFERENCES</td>
<td></td>
<td>149</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chap. 6</th>
<th>CORPORATE PLANNING: GENERAL OVERVIEW</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ABSTRACT</strong></td>
<td></td>
<td>153</td>
</tr>
<tr>
<td>6.1: Introduction</td>
<td></td>
<td>153</td>
</tr>
<tr>
<td>6.2: Definition of Crucial Terms</td>
<td></td>
<td>154</td>
</tr>
<tr>
<td>6.3: Historical Development of Corporate Planning</td>
<td></td>
<td>159</td>
</tr>
<tr>
<td>6.4: Reports of Surveys on Practices of Corporate Planning</td>
<td></td>
<td>164</td>
</tr>
<tr>
<td>6.5: Does Corporate Planning Pay?</td>
<td></td>
<td>173</td>
</tr>
<tr>
<td>6.6: Comments on Survey Articles</td>
<td></td>
<td>177</td>
</tr>
<tr>
<td>6.7: Corporate Planning in Public Enterprises of Industrialised Countries</td>
<td></td>
<td>179</td>
</tr>
<tr>
<td>6.8: Corporate Planning in Third World Countries</td>
<td></td>
<td>185</td>
</tr>
<tr>
<td>6.9: Corporate Planning in Malaysia</td>
<td></td>
<td>193</td>
</tr>
<tr>
<td>6.10: Summary of Overview of Corporate Planning</td>
<td></td>
<td>195</td>
</tr>
<tr>
<td>REFERENCES</td>
<td></td>
<td>198</td>
</tr>
<tr>
<td>Chapter</td>
<td>Title</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Chap. 8</td>
<td>The Corporate Planning Process</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>Depth of Analysis</td>
<td>367</td>
</tr>
<tr>
<td></td>
<td>The Chief Executive Officer</td>
<td>382</td>
</tr>
<tr>
<td></td>
<td>Other Participants</td>
<td>399</td>
</tr>
<tr>
<td></td>
<td>The Corporate Planner</td>
<td>393</td>
</tr>
<tr>
<td></td>
<td>Linkages</td>
<td>406</td>
</tr>
<tr>
<td></td>
<td>System Start-up</td>
<td>410</td>
</tr>
<tr>
<td></td>
<td>Overall System</td>
<td>412</td>
</tr>
<tr>
<td></td>
<td>Conclusions</td>
<td>416</td>
</tr>
<tr>
<td></td>
<td>ATTACHMENTS</td>
<td>421</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chap. 9</th>
<th>DISCUSSION OF FINDINGS AND CONCLUSION</th>
<th>428</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Introduction</td>
<td>429</td>
</tr>
<tr>
<td></td>
<td>Core Findings</td>
<td>429</td>
</tr>
<tr>
<td></td>
<td>Findings on Other Components</td>
<td>433</td>
</tr>
<tr>
<td></td>
<td>Implication of Findings and Recommendations</td>
<td>437</td>
</tr>
<tr>
<td></td>
<td>Limitations of the Research and suggestions for Future Research</td>
<td>443</td>
</tr>
<tr>
<td></td>
<td>Conclusion</td>
<td>446</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REFERENCES</th>
<th></th>
<th>449</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book references</td>
<td></td>
<td>449</td>
</tr>
<tr>
<td>Journal references</td>
<td></td>
<td>459</td>
</tr>
</tbody>
</table>
**LIST OF TABLES**

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chap. 2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Analysis of Articles in Journals</td>
<td>12</td>
</tr>
<tr>
<td>Chap. 3:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Basic Economics Statistics of Malaysia</td>
<td>43</td>
</tr>
<tr>
<td>3.2</td>
<td>Import-Export Statistics of Malaysia</td>
<td>44</td>
</tr>
<tr>
<td>3.3</td>
<td>Rural-Urban Population Distribution</td>
<td>52</td>
</tr>
<tr>
<td>3.4</td>
<td>Incidence of Poverty in Malaysia</td>
<td>54</td>
</tr>
<tr>
<td>3.5</td>
<td>Ownership and Control of Corporate Sector</td>
<td>56</td>
</tr>
<tr>
<td>3.6</td>
<td>Ownership of Selected Industries</td>
<td>56</td>
</tr>
<tr>
<td>3.7</td>
<td>Average Annual Growth of GDP</td>
<td>58</td>
</tr>
<tr>
<td>3.8</td>
<td>Percentage GDP of Malaysia by Sector</td>
<td>58</td>
</tr>
<tr>
<td>Chap. 4:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>%Share of Manufactured Output of GDP</td>
<td>98</td>
</tr>
<tr>
<td>Chap. 5:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Number of Non-Financial Public Enterprises in selected developing countries</td>
<td>130</td>
</tr>
<tr>
<td>5.2</td>
<td>Budget Allocation for Development</td>
<td>142</td>
</tr>
<tr>
<td>Chap. 6:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Responses Froma Past Survey Reports</td>
<td>178</td>
</tr>
<tr>
<td>Chap. 7:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>Management Style and Competitive Growth</td>
<td>268</td>
</tr>
<tr>
<td>Chap. 8:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Long Term Planning of PEs</td>
<td>315</td>
</tr>
<tr>
<td>8.2</td>
<td>Information of Planning Horizon</td>
<td>321</td>
</tr>
<tr>
<td>8.3</td>
<td>Identifying Formal Corporate Plan</td>
<td>325</td>
</tr>
<tr>
<td>8.4</td>
<td>Information on PEs Formal Corporate Plan, Dependency on Exports and Government Funding and Number of Subsidiaries</td>
<td>328</td>
</tr>
<tr>
<td>8.5</td>
<td>Relationship of Former Corporate Plan With PEs Characteristics</td>
<td>328</td>
</tr>
<tr>
<td>8.6</td>
<td>Degree of Formality of Corporate Planning</td>
<td>331</td>
</tr>
</tbody>
</table>
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.7</td>
<td>External Variables Considered in Corporate Planning Process</td>
<td>337</td>
</tr>
<tr>
<td>8.8</td>
<td>Analysis Performed on External Data</td>
<td>345</td>
</tr>
<tr>
<td>8.9</td>
<td>The Crucial External Variables</td>
<td>347</td>
</tr>
<tr>
<td>8.10</td>
<td>Crucial External Variables Tabulated Against PEs Corporate Plans</td>
<td>347</td>
</tr>
<tr>
<td>8.11</td>
<td>The Variables in Internal Analysis</td>
<td>351</td>
</tr>
<tr>
<td>8.12</td>
<td>Crucial Internal Variables Tabulated Against PEs with/without Formal Corporate Plans</td>
<td>352</td>
</tr>
<tr>
<td>8.13</td>
<td>Pressures Encountered in Choice Making Process</td>
<td>356</td>
</tr>
<tr>
<td>8.14</td>
<td>Pressures Encountered Tabulated Against PE with/without Formal Corporate Plans</td>
<td>356</td>
</tr>
<tr>
<td>8.15</td>
<td>Influence of Analysis on Choice Process</td>
<td>359</td>
</tr>
<tr>
<td>8.16</td>
<td>Analysis of Numerical Data from Table 8.15</td>
<td>359</td>
</tr>
<tr>
<td>8.17</td>
<td>Non-parametric Analysis of Table 8.15</td>
<td>359</td>
</tr>
<tr>
<td>8.18</td>
<td>Closeness of Projects to Plan</td>
<td>363</td>
</tr>
<tr>
<td>8.19</td>
<td>Closeness of Projects to Plan Tabulated Against PEs with/without Formal Corporate Plan</td>
<td>363</td>
</tr>
<tr>
<td>8.20</td>
<td>Data on Evaluation and Control Process</td>
<td>366</td>
</tr>
<tr>
<td>8.21</td>
<td>Categorisation of External Variables</td>
<td>369</td>
</tr>
<tr>
<td>8.22</td>
<td>Categories of External Analysis Tabulated Againsts PEs' Characteristics</td>
<td>372</td>
</tr>
<tr>
<td>8.23</td>
<td>Categories of Internal Variables</td>
<td>377</td>
</tr>
<tr>
<td>8.24</td>
<td>Categorisation of Internal Analysis Tabulated Against PEs' Characteristics</td>
<td>378</td>
</tr>
<tr>
<td>8.25</td>
<td>Roles of Corporate Planner Perceived According to Financial Dependency</td>
<td>384</td>
</tr>
<tr>
<td>8.26</td>
<td>More Important Corporate Planning Roles as Identified by CEOs</td>
<td>384</td>
</tr>
<tr>
<td>8.27</td>
<td>Relative Time Spent on Corporate Planning Activities by CEOs</td>
<td>387</td>
</tr>
<tr>
<td>8.28</td>
<td>Pressures Faced by CEO in Corporate Planning Activities</td>
<td>388</td>
</tr>
<tr>
<td>8.29</td>
<td>Expected Roles of the Corporate Planner</td>
<td>390</td>
</tr>
<tr>
<td>Table</td>
<td>Title</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>8.30</td>
<td>Determining the Ranking of The Corporate Planners' Role As Seen by the CEOs</td>
<td>390</td>
</tr>
<tr>
<td>8.31</td>
<td>Reclassification Of the Roles of Corporate Planners</td>
<td>395</td>
</tr>
<tr>
<td>8.32</td>
<td>Problems Faced by Corporate Planners</td>
<td>396</td>
</tr>
<tr>
<td>8.33</td>
<td>Problems Faced Tabulated Against Financial Dependency of PEs</td>
<td>397</td>
</tr>
<tr>
<td>8.34</td>
<td>Roles Played by Other Managers in Corporate Planning</td>
<td>401</td>
</tr>
<tr>
<td>8.35</td>
<td>Roles of Other Managers Against Financial Dependency of PEs</td>
<td>401</td>
</tr>
<tr>
<td>8.36</td>
<td>Problems Encountered by Other Managers</td>
<td>404</td>
</tr>
<tr>
<td>8.37</td>
<td>Classification of Problems Faced With Financial Dependency</td>
<td>405</td>
</tr>
<tr>
<td>8.38</td>
<td>Linkages of Corporate Plan with Others</td>
<td>409</td>
</tr>
<tr>
<td>8.39</td>
<td>System Start-Up, Routine and Emergency</td>
<td>411</td>
</tr>
<tr>
<td>8.40</td>
<td>Dominant Planning Decisions in the PEs</td>
<td>413</td>
</tr>
<tr>
<td>8.41</td>
<td>Occurrences of Lindblom's and Ansoff's Styles</td>
<td>414</td>
</tr>
<tr>
<td>8.42</td>
<td>Top-Down or Bottom-up Information Flow</td>
<td>415</td>
</tr>
<tr>
<td>8.43</td>
<td>Averaging the Top-Down Percentage Scores</td>
<td>415</td>
</tr>
</tbody>
</table>
## LIST OF CHARTS

<table>
<thead>
<tr>
<th>CHART</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chap. 2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 :</td>
<td>Dimensions in a Strategic Planning System.</td>
<td>22</td>
</tr>
<tr>
<td>2.2 :</td>
<td>Glueck's Strategic Planning Model</td>
<td>23</td>
</tr>
<tr>
<td>Chap. 3:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 :</td>
<td>Structure of the Planning Organisation</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>for the National Five Year Plan</td>
<td></td>
</tr>
<tr>
<td>3.2 :</td>
<td>Planning Pathways at National Level</td>
<td>66</td>
</tr>
<tr>
<td>Chap. 5:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1 :</td>
<td>The Structural Relationship of Ministry</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>and the Public Enterprises</td>
<td></td>
</tr>
<tr>
<td>Chap. 6:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1 :</td>
<td>Historical Development of Corporate Planning</td>
<td>161</td>
</tr>
<tr>
<td></td>
<td>in Relation to the Environment</td>
<td></td>
</tr>
<tr>
<td>6.2 :</td>
<td>Evolution of Management Systems</td>
<td>161</td>
</tr>
<tr>
<td>6.3 :</td>
<td>Comparing Corporate Planning USA/UK/Japan</td>
<td>171</td>
</tr>
<tr>
<td>Chap. 7:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1 :</td>
<td>Corporate Planning System Development</td>
<td>210</td>
</tr>
<tr>
<td>7.2 :</td>
<td>Components of the Corporate Planning System</td>
<td>212</td>
</tr>
<tr>
<td>7.3 :</td>
<td>Glueck's Strategic Planning Model</td>
<td>215</td>
</tr>
<tr>
<td>7.4 :</td>
<td>Classification of Environmental Factors</td>
<td>218</td>
</tr>
<tr>
<td>7.5 :</td>
<td>Strategic Response to the Environment</td>
<td>223</td>
</tr>
<tr>
<td>7.6 :</td>
<td>Breakdown of Strategy for Implementation</td>
<td>249</td>
</tr>
<tr>
<td>7.7 :</td>
<td>Start-up Points for Strategic Actions</td>
<td>281</td>
</tr>
<tr>
<td>Chap. 8:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1 :</td>
<td>Full Name of Participating Public Enterprises</td>
<td>304</td>
</tr>
<tr>
<td>8.2 :</td>
<td>The Agribusiness System</td>
<td>310</td>
</tr>
<tr>
<td>8.3 :</td>
<td>Relationship of the Long Term Documents</td>
<td>316</td>
</tr>
<tr>
<td>8.4 :</td>
<td>3-D Relationship of External Analysis</td>
<td>375</td>
</tr>
<tr>
<td>8.5 :</td>
<td>3-D Relationship of Internal Analysis</td>
<td>381</td>
</tr>
<tr>
<td>8.6 :</td>
<td>List of Findings on Corporate Planning</td>
<td>419</td>
</tr>
</tbody>
</table>

xiii
Chap. 9:
9.1 : 3x3x3 Model of Formal Corporate Plan With Export Dependency and Government Financing. 432
9.2 : 3x3x3 Model of Formal Corporate Plan With Levels of Analysis and Subsidiaries.......... 432
9.3 : Five-Sided Polygon to Depict the Possible Relation between the Five Variables.......... 438

LIST OF ATTACHMENTS

<table>
<thead>
<tr>
<th>ATTACHMENT</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 :</td>
<td>Sequence of Planning Process in Government.</td>
<td>75</td>
</tr>
<tr>
<td>4.1 :</td>
<td>Classification of Economic Theories .......</td>
<td>107</td>
</tr>
<tr>
<td>4.2 :</td>
<td>Classification of Economic Systems ........</td>
<td>108</td>
</tr>
<tr>
<td>8.1 :</td>
<td>General Characteristics of Participating PEs</td>
<td>421</td>
</tr>
<tr>
<td>8.2 :</td>
<td>Financial Information and Manpower Data of the PEs</td>
<td>422</td>
</tr>
<tr>
<td>8.3 :</td>
<td>Activities of PEs ..................................</td>
<td>423</td>
</tr>
<tr>
<td>8.4 :</td>
<td>Illustration of Flow of Documents for the Preparation of the Five-Year and Corporate Plans in a State Economic Corporation ....</td>
<td>424</td>
</tr>
<tr>
<td>8.5 :</td>
<td>Internal Variables Considered and Analysed in the Corporate Planning Process ..........</td>
<td>425</td>
</tr>
<tr>
<td>8.6 :</td>
<td>Corporate Planning Roles as Perceived by CEOs ........................................</td>
<td>426</td>
</tr>
<tr>
<td>8.7 :</td>
<td>Roles Performed by The Corporate Planner (% time spent) ..................................</td>
<td>429</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION AND RESEARCH LAYOUT

CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. INTRODUCTION</td>
<td>2</td>
</tr>
<tr>
<td>1.2. RESEARCH FOCUS</td>
<td>3</td>
</tr>
<tr>
<td>1.3. OBJECTIVES OF RESEARCH</td>
<td>4</td>
</tr>
<tr>
<td>1.4. JUSTIFICATION OF RESEARCH</td>
<td>5</td>
</tr>
<tr>
<td>1.5. LAYOUT OF THESIS</td>
<td>6</td>
</tr>
</tbody>
</table>
1.1. INTRODUCTION

During the past two to three decades, the rate of growth in activities of the business sector and the opportunities that arise out of it, have been tremendous. The recessions, economic slowdown and the recent market crash have dented this steady increase but generally the trend continues. The Third World Countries (TWCs) are trying to jump into and be part of this bandwagon. Some are extremely successful like the group which has been labelled the New Industrial Countries (NICs). But the majority are still in the doldrums, searching, struggling and ever willing to try but with mixed results. There are more reports of failures than success.

Malaysia, one of the TWCs, once had a per capita income higher than South Korea but today has fallen behind it. The struggle for economic development is still continuing but the rate of growth achieved is not as high as it had wished for. Diagnosing the problems and overcoming them has been a hectic task for the country's managers. While the agricultural and industrial sectors have been two of the more important pathways for the country to achieve economic development, the public enterprises (PEs) have been the main vehicle to travel the pathways.

This research intends to study certain management aspects of agro-based PEs in Malaysia with the hope that some light can be shed regarding the PEs' contributions towards economic development.
1.2. THE RESEARCH FOCUS

The title of the research is "Strategic Planning: An Exploratory Study of its Practice by Agro-based Public Enterprises of Malaysia". The underlined words indicate the focus of the research. These are described briefly below as detailed discussions will be done later in the appropriate chapters in the text.

1.2.1. Malaysia: There is a full chapter on Malaysia but at this stage suffice to say that it is the country of origin of the writer. It is one of the TWCs and by its standards, the economy of the country is strong and prosperous. The mixed economy system of the country works well with the private and public sectors playing their role alongside each other.

1.2.2. Agro-based Public Enterprises: This is the population of the research. There are altogether thirty nine such enterprises that perform commercial activities. Malaysia basically has an agricultural-based economy and its economy has been built from this.

1.2.3. Strategic Planning: As far as this research is concerned, the term "strategic planning" is synonymous with "corporate planning" and "long range planning". This is an area of management that has been developed in the early sixties and since then has spread and attracted the interest of the management sector especially in the industrial countries. The research, however, is confined only to the systems and process aspects of it.
1.2.4. Exploratory Study: This denotes the methodology of the research. While more explanation will be given in the research methodology chapter, such technique is felt to be most appropriate for an area of study that is still unclear, not much reported on and documented but yet recognised as important in the business world.

1.2.5. Practised: This is an important qualifying term of the research topic. It emphasises the focus of the research towards the "actual act of the art". It avoids the sticky and sometimes sensitive aspect of the subject which is appraising the effectiveness of the system.

1.3. OBJECTIVES OF THE RESEARCH

The overall objective of the research is to investigate how corporate planning is being practised by the Malaysian agro-based PEs.

But the specific objectives will be to get as much information as possible on the practice of corporate planning especially on the following:

a) whether the PEs practise any long term planning and is it in line with corporate planning as in the west; is it formally done or otherwise?

b) the degree of formality that the PEs practise,

c) the planning horizon of their long range plans,

d) the procedure and the pathway of the process that each
long term plan would go through so as to understand the process of corporate planning,

e) the kinds and depth of analysis that were performed in each PE,
f) the roles performed and the problems that were encountered by three groups of managers namely the Chief Executive Officer (CEO), the Corporate Planner and the other top managers that participate in the process,
g) to establish the kinds of linkages between other plans within each PE to the corporate plans,
h) to determine the various mechanisms established within the PEs that would trigger the corporate planning process and finally
i) to highlight any other findings that are of interest and contribute towards the subject of corporate planning.

All the above parameters to be studied will be done by comparisons amongst the participating PEs and in the light of current knowledge of the system and process as made available in the western literature.

1.4. JUSTIFICATION OF THE RESEARCH

Findings from the parameters of the research as listed above will add to the knowledge and understanding of the subject especially to its application in the TWC.
This should be valuable to the:

a) practitioners when trying to apply such tools in their respective organisations, to indicate that there are several components that need to be looked into.

b) managerial staff in general for the exposure of the information in relation to its application, to appreciate the problems that are being faced by the various managers,

c) the senior managers for the variation in its practice as will be evidenced from the study, that there is no one right way of implementing corporate planning,

d) to the academics and students especially in Malaysia as it will add a new source of local references on the local situation, one that is long overdue,

e) for multinationals as an understanding of such practices by the Malaysians as may be advantageous to them when running operations in the country or during negotiations for joint ventures.

f) government administrators and politicians since the study will highlight some of the planning culture that could be made use of for their future considerations.

1.5. LAYOUT OF THE THESIS

The thesis is made up of three parts of a total of nine chapters as listed below:
Part I: RESEARCH BACKGROUND AND METHODOLOGY:

Chapter 1: Introduction and Definition of the Research.
Chapter 2: Research Methodology.

Part II: LITERATURE SEARCH:

Chapter 3: Malaysia.
Chapter 4: Economic Development.
Chapter 5: Public Enterprises.
Chapter 6: Corporate Planning; General Overview.
Chapter 7: Corporate Planning; The system.

Part III: ANALYSIS AND FINDINGS:

Chapter 8: Information Gathered and Findings.
Chapter 9: Implication of Findings, Summary and Conclusion.

Part I is made up of two chapters. It describes the background and foundation that sets up the research undertaking. The research methodology chapter is longer than normal for it also lists out and deliberates the components of corporate planning that are to be investigated.

Part II scans the literature of the subject and is necessarily long. This is unavoidable as the research topic crosses two major subject area of studies, namely corporate planning and public enterprises. It was also carried out in Malaysia, a foreign country, different from Britain. Thus these three at least deserve a chapter each.
Agro-based PEs in Malaysia are the source of the research data and are used by the government for economic development purposes. Economic development itself is a vast and totally separate area of study. Its inclusion though relatively superficial was felt necessary so as to bring the whole research into the right perspective especially in bridging the commercial and social objectives of the PEs. After all, PEs and economic development are quite inseparable; at least as far as Malaysia is concerned.

At the latter half of each of the chapters in Part II (except for chapter three which is on Malaysia), there is a section specifically referring to the TWCs or PEs or Malaysia. Hopefully this will narrow and focus the discussion as most of the literature is dominated by the industrialised countries.

Part III is the section on the results of the study. It is made up of two chapters of which the analysis and findings are laid out in one and the implications of the findings and summary in the other. The research, being exploratory and the interview techniques used being semi-structured, the amount of qualitative information is voluminous. Thus the chapters are long. Consolidation of such data is difficult and further condensation than what has been done might render it meaningless. It is hoped that its length does not repel too many readers.
# CHAPTER TWO

## RESEARCH METHODOLOGY

<table>
<thead>
<tr>
<th>CHAPTER LAYOUT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>10</td>
</tr>
<tr>
<td>2.1. INTRODUCTION</td>
<td>10</td>
</tr>
<tr>
<td>2.2. RESEARCH DESIGN</td>
<td>10</td>
</tr>
<tr>
<td>2.3. THE POPULATION</td>
<td>15</td>
</tr>
<tr>
<td>2.4. PARTICIPATING PUBLIC ENTERPRISES</td>
<td>16</td>
</tr>
<tr>
<td>2.5. PERSONNEL EXPECTED TO PARTICIPATE</td>
<td>18</td>
</tr>
<tr>
<td>2.6. THE SURVEY AND INTERVIEW TECHNIQUES</td>
<td>19</td>
</tr>
<tr>
<td>2.7. RESEARCH FRAMEWORK</td>
<td>21</td>
</tr>
<tr>
<td>2.8. DIMENSIONS TO BE INVESTIGATED</td>
<td>24</td>
</tr>
<tr>
<td>2.9. SOURCES AND KINDS OF DATA Sought</td>
<td>30</td>
</tr>
<tr>
<td>2.10. PRELIMINARY PREPARATION</td>
<td>30</td>
</tr>
<tr>
<td>2.11. METHODOLOGY FOR ANALYSIS</td>
<td>32</td>
</tr>
<tr>
<td>2.12. QUESTIONS TO BE ANSWERED</td>
<td>33</td>
</tr>
<tr>
<td>2.13. SUMMARY</td>
<td>35</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>37</td>
</tr>
</tbody>
</table>
ABSTRACT: The method used for gathering data was the semistructured interview in twelve agro-based public enterprises (PEs). They were from the twenty-one that responded positively to the invitation to participate. An average of five personnel from each PE were interviewed. Although it was an exploratory research, two models namely Steiner's and Glueck's were used as the research framework. The corporate planning system to be investigated was made up of nine components. The non-parametric approach was used to organise the data gathered.

2.1. INTRODUCTION

A study of corporate planning by Malaysian corporations could be conducted in several ways. An in depth study of just one enterprise and a blanket survey of all corporations registered with the Registrar of Companies are two extremes. The former would have high internal validity while the latter would have high external validity.¹¹

2.2. RESEARCH DESIGN

Research on corporate planning in the industrialised countries has been documented widely, but research on it in the developing countries is limited especially so on Malaysia. Thus corporate planning in Malaysia is "scantily reported" and "unknown" in the sense that there is an absence of documented proof of its practice made available to the public.
As such, it was decided that an exploratory design research as opposed to a descriptive and causal-testing research design would be best suited for the situation in Malaysia. This is the design best suited for studies in areas unknown or unfamiliar (Denzin, 1970). At the same time, it provides the flexibility and the openness needed to explore the various dimensions that are possibly embedded in the corporate planning system and the processes that are being practised.

The descriptive and causal-testing types of research usually follow after exploratory research has already been done. They require some concrete findings of other research to work upon. However, in the subject area of business administration, causal testing can be regarded as too theoretical, for no business environment, business corporations or business operations are the same so as to make causal findings of use universally. Thus the use of such methods for research in this field in Malaysia might be premature.

There are several research strategies that are commonly employed in exploratory research, such as those listed below:

i) case studies,
ii) surveys,
iii) longitudinal studies,
iv) cross-sectional studies,
v) observational methods.
A tabulation of the articles that appeared in two prominent journals on the subject indicate that the use of mailed questionnaires is the most common method employed (55-75% as shown in Table 2.1). The concept, the practice and the terminologies used in corporate planning are widely understood and therefore the use of questionnaires is valid.

**TABLE 2.1. TYPE OF ARTICLES IN TWO PROMINENT JOURNAL ON STRATEGIC PLANNING (in 1984)**

<table>
<thead>
<tr>
<th>NAME OF JOURNAL:</th>
<th>TYPE OF ARTICLE</th>
<th>METHOD OF DATA COLLECTION OF RESEARCH ARTICLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LONG RANGE PLANNING:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ISSUE NO.</td>
<td>OPINION</td>
<td>CASES</td>
</tr>
<tr>
<td>FEB 11</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>APR 12</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>JUN 14</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>AUG 14</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>OCT 15</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>DEC 14</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>TOT 80</td>
<td>53</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NAME OF JOURNAL:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STRATEGIC MANAGEMENT JOURNAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAN 5</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>APR 7</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>JUL 7</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>OCT 5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>TOT 24</td>
<td>14</td>
<td>1</td>
</tr>
</tbody>
</table>

_(total does not tally because of overlap)_

This might not be the case for Malaysia. Although the majority of top level managers in the big corporations both in the private or the public sector, are highly educated and trained and have been through western systems of education and understand western language-literature, not much has been documented on their corporate planning practices.

Similarly, although the big corporations and PEs in Malaysia do have personnel designated as "corporate planner" and other similar titles, their actual method and operation are not known. Thus it is not established whether they follow similar models and use the same terminologies as in industrialised countries. It was therefore felt that a mail questionnaire, which assumes a good understanding of the terminologies and language to be used, might not be appropriate.

In addition, it was decided that a longitudinal study would take too long a time to complete, because it is a study across a time dimension. A cross sectional study was also ruled out, as it would have meant studying across several industrial sectors and require the selection of several companies in each sector. The time period necessary for the data gathering would have to be much longer than was available. It was therefore decided that only one sector, the agribusiness sector should be chosen (as will be explained later). Observational methods such as participant observation are suitable for studies focusing on managerial behaviour but this was not the research interest and therefore this method was not considered suitable.
A detailed study of the subject on just one PE (case study approach) was initially envisaged but this was expanded to a wider spectrum since it would enrich the study.

The personnel to be interviewed varied greatly in their character, knowledge of the subject, age, experience, style and sensitivity. Because of this, and the subjective nature of corporate planning it was decided to use the semi-structured personal interview as the technique for this particular project.

The structured element was more on the basic issues of the corporate planning process and systems. The structured questions were used on these issues but they were also open-ended in nature. There followed a series of questions like "how", "why", "when", "who", "why not" and many others which were meant to probe more deeply into the subject. The sequence of questions asked had to follow the trend of discussion, the mood of the interviewee, his field of competence and his knowledge of the subject. The main aim was to have a smooth and free flow of ideas and discussion.

For the above reasons, it was felt that an exploratory research design using a combination of case method and personal interview techniques was the most appropriate strategy for data gathering. There was a need to find as much information as possible about the process and system of strategic planning practised in Malaysia, how it is done, the process at the top management level, the paper work, thinking, factors that influence decisions, value systems and many more that result ultimately in the strategic decision.
2.3. THE POPULATION: THE AGRO-BASED SECTOR

The next problem was to determine an appropriate population where the number of companies participating and the personnel that were to be interviewed would give a fair understanding of the corporate planning system and process. It was decided that choosing PEs that were related to agro-based activities was an appropriate way to identify the population for the research.

Malaysia is actively pursuing an industrialisation programme. Although the country has achieved some impressive records in the electronic, textile and furniture industries\(^7\) it is the agro-based sector that is given special attention to spearhead the country's industrialisation programme.\(^8\) Malaysia's economic growth since independence in 1957 was founded on its agricultural commodities and until today the sector is still contributing about 35% of the country's gross domestic product (GDP).\(^9\) Malaysia is still one of the world's top producers of natural rubber, oil palm, cocoa and pepper. It was therefore felt to be appropriate that such an important sector should be the target population for the research.

There was also a healthy rapport and an established contact between the researcher's university and this particular sector. This would facilitate the data gathering process. Furthermore during the preliminary stage of the work, a short questionnaire was sent to about 100 PEs in the various industrial sectors and
the majority of the positive responses came from the agro-based sector. This further supported the choice of that sector as the population for the research.

2.4. PARTICIPATING PUBLIC ENTERPRISES

Initially, a mailed questionnaire was sent to all the 39 agro-based PEs to inquire about the existence of any long range plans in their organisations and whether they were willing to participate in the research. The term "long term plan" was preferred and used initially for the reason that the term was more familiar to the managers. It was assumed that they would be more at ease and willing to participate if such a familiar term was used. Twenty-three responded and indicated that they had long range plans but only twenty-one agreed to participate in the research. Amongst them, twelve PEs were finally selected.

The final list of twelve PEs was decided after the first three interviews had started. It was realised that the time needed per interview was more than estimated if detailed data were to be sought and validated. Thus the twenty-one PEs that responded had to be reduced. Of the twenty-one, there was one that dealt with padi production and was chosen, six regional development agencies (three were chosen), four state corporations (two were chosen), six federal agencies (four were chosen) and four former foreign-owned plantations from which two were selected.
It has to be admitted that there was some bias in the selection of the twelve PEs. PEs that had top management personnel acquainted with the researcher or the faculty staff were preferred. The nature and validity of the research data require that discussions are open and sincere. Such good rapport would be an added advantage to the research. (Indeed it was, for some invaluable information was exchanged during informal meetings such as during lunches and dinners outside office hours.)

The twelve PEs were:

a) Muda River Agricultural Development Authority (MADA),  
b) Kedah Region Development Authority (KEDA),  
c) South-East Johore Development Authority (KEJORA),  
d) South-East Pahang Development Authority (DARA),  
e) Johore State Economic Development Corporation,  
f) Trengganu State Economic Development Corporation,  
g) Rubber Small-holders Development Authority (MARDEC),  
h) Federal Land Development Authority (FLDA),  
i) Food Industries of Malaysia (FIMA),  
j) Malaysian Rubber Development Corporation (MARDEC),  
k) Harrisons Malaysia Plantation Berhad (HMPB),  
l) Guthrie Holdings.
2.5. PERSONNEL EXPECTED TO PARTICIPATE

To gather a fair amount of information regarding the process and system of corporate planning being practised in the PEs, it was felt that three different groups of personnel had to be interviewed and they are:

a) The Chief Executive Officer or executive who had the highest level of executive authority and responsibility. Other similar designations were General Manager, Managing Director, Executive Chairman or Executive Director.

b) The Corporate Planner or the personnel who performed the duties of strategic planning. In cases where there was no such designation and where the strategic planning was done by a committee, then the chairman of this committee would be the personnel targeted. If this was the same as (a) then the secretary of this committee would be the one to be interviewed.

c) Three to five other senior personnel that participated in the strategic planning process or were members of the committee that made strategic decisions.
2.6. THE SURVEY AND INTERVIEW METHOD

This was the main data gathering strategy employed.

"If we want to know why, what and seek opinions, why not ask"

Becker and Greer

This is the common quote researchers who believe in questionnaires and interviews would cite in support of this method. Both rely heavily on the subject's verbal or written report for information that is important to the research. There are differences between the two and they will be discussed separately.

Questionnaires, when used, rely heavily on the information obtained through written responses of the subjects. They require much less skill to administer than do interviews. They can be administered to a large number of individuals simultaneously (mail) and can cover a wide area. Their standardised nature ensures some uniformity amongst subjects. In addition their anonymity may result in more freedom of expression and less pressure for immediate response. However they assume that respondents understand fully the questions that are asked and this is one of the major weaknesses of the method.

Interviews on the other hand have a special advantage in that the interviewer can respond to the subjects' uncertainty in understanding the questions asked. Further clarification can be sought and unclear answers can be further probed into. They can
be used across the populations as questions can be varied according to the level of perception of the subjects. The % of response is usually higher. One of the outstanding advantages of the interview is its ability to reveal information about complex, emotionally laden subjects and to probe the sentiments that may underlie an expressed opinion.

In strategic planning, the research that has been done has used these two methods extensively. As shown in Table 2.1, about 90% of the research used these two methods. As mentioned earlier, because of the wide variability of corporations with no two corporation being the same, any attempt to compare and generalise has to be made with the utmost care. The common comparisons made are those between countries, industries, sizes, using specific variables like turnover, sales, investments and level of diversification.

The weaknesses of these two methods are commonly focused on their validity. Problems include the subject's ability to exercise judgement, his regard for the truth, that what was written was not influenced by elements of prestige, status or with a purpose to deceive. These are some of the common factors that affect validity. Only an experienced researcher and a well-prepared questionnaire are able to minimise such happenings through adequate pretesting and probing.

The content of the questionnaire and the questions asked are other aspects that give rise to biases and misinterpretation.
Problems of leading questions, suggested answers, wrong perception, words used and even at what time of the day can affect the responses. Furthermore, the answers given can be interpreted and recorded wrongly. This all points to the difficulty of administering such a method and requires extra effort to do it right. How these are minimised will be explained in a later section in this chapter.

### 2.7. RESEARCH FRAMEWORK

An exploratory research is a fact finding mission and theoretically does not need to employ any model. However, the use of a model(s) might be necessary to guide the interviewer during the discussions or to draw the boundary within which discussion will take place.\[12\] It can also be helpful to give guidelines as to the subject and area of emphasis for discussion.

The overall research framework employed was guided by two models on strategic planning. The first was on the strategic planning system and reference is made to the dimensions suggested by Peter Lorange and Richard Vancil(77)\[13\] and George Steiner(79)\[14\] and are shown as Chart 2.1

The dimensions listed are thought to encompass the important components of a strategic planning system which should be covered in any discussion of the subject (discussed in greater detail in later chapter on corporate planning). Lorange and Vancil suggested six dimensions while Steiner proposed nine.
<table>
<thead>
<tr>
<th>AS PROPOSED BY STEINER</th>
<th>AS PROPOSED BY LORANGE AND VANCIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Completeness of System</td>
<td>a) Communication of Corporate Goals.</td>
</tr>
<tr>
<td>2) Depth of Analysis</td>
<td>b) Environmental Scanning</td>
</tr>
<tr>
<td>3) Degree of Formality</td>
<td>c) Goal Setting Process</td>
</tr>
<tr>
<td>4) Participation</td>
<td>d) Subordinate Managers' Role</td>
</tr>
<tr>
<td>5) Corporate Planner</td>
<td>e) Role of Corporate Planner</td>
</tr>
<tr>
<td>6) Linkages</td>
<td>f) Linkages</td>
</tr>
<tr>
<td>7) Time Horizon</td>
<td></td>
</tr>
<tr>
<td>8) Role of CEO</td>
<td></td>
</tr>
<tr>
<td>9) Getting System Started</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this research, Steiner's model with the nine dimensions was the model used for gathering data.

The second is the model suggested by Glueck.\cite{15} This is graphically shown in Chart 2.2. Since "the process of strategic planning" is the main area of interest in the research, the process was followed through during the information gathering and discussion process. This process is embedded in the first component of Steiner's model. Readers familiar with the subject will notice that Glueck's model is similar to other models regarding strategic planning process as first proposed by Ansoff in 1965 until today. Its preference however was merely because of personal communication with the late professor when he was at University of Georgia way back in 1978 and the model being used
frequently when teaching Business Policy at Universiti Pertanian Malaysia.

CHART 2.2. THE STRATEGIC PLANNING MODEL AS PROPOSED BY GLUECK

modified from Glueck's model.\textsuperscript{15}
2.8. DIMENSIONS TO BE INVESTIGATED

The contents of the nine dimensions that were researched into are further explained below:

2.8.1. Completeness of the System

The whole system is thought to be complete if the five components mentioned below exist in the participating PEs. They are:

a) clarity of objectives ie. some articulated and/or written concepts of "mission" and medium and long range objectives and targets.
b) there is external environmental evaluation and internal analysis,
c) there is the generation of strategic alternatives and the selection process,
d) there is an implementation plan,
e) and there is a system for feedback and control.

These five components are also similar to the corporate planning model as described by Glueck. Individual PEs would have different levels/degrees of complexity, effectiveness and efficiency and comparing between them will be challenging.
2.8.2. **Depth of Analysis**

The contents of the depth of analysis dimension refer to the various activities that are carried out in the external environmental and internal analyses.

a) **external environmental analysis**: the measurement of this component focuses on what external variables are analysed and whether there is a prioritising of these external variables that influence the enterprise's operations. The level of analysis focuses on the tools used ie. from simple extrapolation to sophisticated forecasting techniques. These are done both at the micro and macro level and finally to see whether a threat and opportunity scenario is developed out of the various analyses before the PEs make their strategic decisions.

b) **the internal analysis**: the search is on the kinds of data that are being used and analysed; and the extent of the analysis. There should also be some consideration of the need for monitoring their own resources and the limitations that they have to face in the light of the threats and opportunities that they foresee (if any) and to round it all up whether a strength and weakness profile is charted.

From the above information, an attempt is made to classify the activities of each analysis into different levels based on
some logical criteria. Investigation is made to identify whether these levels have any relationship with the characteristics of the PEs.

2.8.3. The Chief Executive Officer

The CEO (or the executive that is given the same responsibility and authority and sometimes given the designation General Manager, Managing Director or other name) is the most senior personnel interviewed. He is expected to give his opinion and stand on strategic planning from the top level point of view. Examples of issues that are considered are:

a) his role in strategic planning,
b) his contribution,
c) the time spent on strategic planning,
d) his perception of the role of strategic planning and to what degree does it guide the direction of the enterprise's future.
e) his perception of the contribution made by the other managers that participate in the strategic planning process.

As can be seen, each requires a fair amount of deliberation and discussion.
2.8.4. **The Strategic Planner**

This is the key personnel who was probably interviewed longest. He was the first to be interviewed to give information on the overall strategic planning process and system within the enterprise. He was also interviewed a second time at the end of the data gathering period for that enterprise, to clarify discrepancies (if any) or give further information on certain issues.

In addition, he was questioned on:

a) his duties,

b) his time allocation for strategic planning activities,

c) his perception of what a strategic planner should be doing,

d) his perception of the contribution made by the other managers towards the strategic plan and the process.

Thus, as can be seen, although some of the information to be obtained is quite direct, there are other items that need to be probed into, discussed, counter-checked, verified and certified.

2.8.5. **Participation**

The operation of the strategic planning process usually involves several personnel. How these personnel are involved in the process or contribute to the operation of the system is
determined. Information is sought from the corporate planner on the following:

a) who are the personnel that are usually involved,

b) how often are they brought in,

c) is there a fixed committee that handles strategic decisions,

d) are the members participating in this committee fixed.

In addition, information is obtained from three to five other executives regarding:

a) their level of participation in the process,

b) their perception of the role that they play in strategic planning,

c) the time they spend in strategic planning activities,

d) their opinion of the whole process.

2.8.6. The Time Horizon

This is quite a straightforward dimension which does not involve subjective or value judgements. The components include:

a) the time span of the strategic plan,

b) frequency of review and any changes made on the strategic plan,

c) reason for such time span.
2.8.7. **Degree of Formality**

The first step towards probing into this dimension is whether there is a formal strategic plan, i.e., a strategic plan that is in the form of a document that can be made available on request at least to the senior executives. In addition, discussion also covers other related areas such as:

a) the structure of the strategic planning process,
b) whether the reports made by the various sectors are standardised and follow a certain format,
c) the flow of information: whether it is unidirectional, bottom-up, top-bottom or otherwise,
d) whether there is a fixed schedule for various strategic planning operations to be implemented and
e) when such formal strategic planning started.

2.8.8. **Linkages**

The PEs also have other plans and programmes. It is an added dimension to monitor how other plans are related to the strategic plan. Specifically, it is noted how closely are the following plans linked to the strategic plan.

a) financial plan,
b) personnel plan,
c) operational plan,
d) marketing plan.
2.8.9. Getting the systems started

In a system that is well established, there are embedded in the organisation, trigger points for the corporate planning system and the personnel to react and start the whole process operating. Whether such a system exists has to be determined. Although the literature names various possible starting points, the research seeks to identify actual start-up points that are normal as well as extraordinary.

2.9. SOURCES AND KINDS OF DATA SOUGHT

The sources and types of data that are sought can be classified into three different groupings. They are:

a) The enterprises' annual reports which may contain financial statements, activities, objectives and general future plans.

b) Other documents that are made available to the public. These include monthly bulletins, newsletter etc.

c) Primary data to be gathered from the various personnel that are interviewed.

2.10. PRELIMINARY PREPARATIONS

Once the agro-based sector had been identified as the population, then the subject matter of the interview and the technique of interviewing were considered. The weaknesses
mentioned earlier were minimised when two "test-runs" were performed on two occasions during the early stage of the research. These were:

a) discussions conducted with the managers of four Malaysian PEs that had offices in United Kingdom. These were carried out in September 1985 in the Federal Land Development Authority (FLDA), the Malaysian Industrial Development Authority (MIDA), the Malaysian Airline System (MAS) and the Tourist Development Corporation (TDC). The subject discussed was the process of strategic planning that they themselves are aware of that is being practised either in the United Kingdom offices or in Malaysia. These gave fruitful insights into the practice of such planning by Malaysian companies.

b) interviews done at the Forestry Commission Headquarters\textsuperscript{16} at Edinburgh and the Agricultural Division of ICI\textsuperscript{17} at Sunderland. The interviews conducted were more objective and in detail in line with the dimensions introduced in the research framework discussed earlier. The objective was to experience a "trial-run" in preparation for the actual interviews that would be conducted in Malaysia later. It was also a "trial-run" to see whether a complete report of the corporate planning system and process as carried out by these two organisations could be drawn out satisfactorily from
the questions asked and the discussions undertaken during the interviews.

2.11. METHODOLOGY FOR ANALYSIS

"non parametric techniques of hypothesis testing are uniquely suited to the data of the behavioural sciences....."

Siegel

The information gathered during the personal interviews were inevitably a mixture of qualitative and quantifiable data. These were compiled together with data and information obtained from annual reports, company profile information and other documents which were made available. A case study for each enterprise was written on the corporate planning system and process where each is unique to itself.

To benefit more from the research, the twelve cases were further synthesised and analysed for meaningful associations that might exist between them. These associations may have implications that could prove valuable later on. It was at this juncture that non-parametric methods of analysis were utilised.

The nature of data gathered from the interviews was mainly qualitative, descriptions of opinions and perceptions, not exact in any numerical sense. They were messy in that there were very few similar answers. Nevertheless, they were then clustered or grouped in a systematic way so that a meaningful relationship
could be derived. Non-parametric techniques of classifying them according to their nominal, ordinal or interval characteristics were the mechanism to facilitate the search for associations.

While detailed statistical analysis is not possible (because of the small sample size) the use of non-parametric approach can be employed.

2.12. QUESTIONS TO BE PROBED AND ANSWERED

From the information gathered and the analysis done, it was expected that some of these questions would be answered:

1. corporate plan: overall.
   a) do firms in the study have long range plans,
   b) could they qualify corporate/strategic plans,

2. time horizon:
   a) what is the time frame of the strategic plan,
   b) how often is it reviewed,
   c) rolling or fixed.

3. degree of formality:
   a) are there standard procedures to be followed,
   b) are the documents standard,
   c) is it done at a specific time of the year,
   d) and done by the same personnel,
4. the corporate planning process:
   a) what are the various processes?
   b) what kinds of analysis do the PEs do?
   c) what are the parameters that were considered?

5. depth of analysis:
   a) how detailed and systematic are the analyses,
   b) what are the kinds of data that are commonly used,
   c) how are these analysed,
   d) what kinds of analytical tools are used,

6. the CEO:
   a) what are his responsibilities,
   b) his own personal perception of strategic planning,
   c) the time spent on strategic planning,
   d) the pressures that he faces.

7. the corporate planner:
   a) what are his responsibilities,
   b) where is his position in the organisation structure,
   c) the problems that he faces,
   d) his perception of strategic planning,

8. participation:
   a) who are the personnel that are usually involved,
   b) the problems that they face,
   c) their roles in corporate planning.
9. **linkages:**
   a) what are the other planning activities,
   b) how are they linked to strategic planning,
   c) what is the sequence of the various plans during the year.

10. **system start-up:**
    a) what is the normal mechanism for the corporate planning process to begin,
    b) who initiates it,
    c) any special incidents that trigger the process,

11. **relationship with organisational characteristics:**
    This is where comparisons were attempted to see whether there were any similarities amongst the twelve PEs. There are different levels of sophistication in carrying out the strategic planning process and these are related to the characteristics of the PEs.

### 2.13. **SUMMARY**

Based on the scarcity of published reports of corporate planning in Malaysia, an exploratory design research is justifiable. A semi-structured interview is appropriate for an in-depth study of the corporate planning system and process of agro-based PEs in Malaysia.
The agro-based sector was chosen as the population for the research because it has been identified by the government of Malaysia to spearhead the country's industrialisation programmes. This sector and especially the twelve selected PEs were also chosen because of the good rapport that already existed between Universiti Pertanian and that particular sector.

Although only twelve PEs were selected, they are representative of the twenty-three PEs that responded from the agro-based sector. With an average of five personnel being interviewed in each PE, a total of 59 interviews was conducted.

An exploratory research using a semi-structured interview technique has several weaknesses. These were minimised when two "trial-runs" were conducted in United Kingdom prior to the actual field survey.

The information gathered was initially compiled and written as twelve separate case studies. The more important task that followed was to synthesise the information and derive meaningful inferences from the whole group. Since the data gathered on the process and system of corporate planning are data in ordinal and categorical form, they were processed using the non-parametric method of analysis. Specifically, the strategic planning model with the nine components as proposed by Steiner and the corporate planning process model as proposed by Glueck were the two models employed as guidelines for investigation and analysis. The nine dimensions as defined in the two models were examined thoroughly to identify any forms of association or difference amongst the PEs.
REFERENCES

1. Internal and external validity are normally used in connection with experimental research designs but it has also been used recently in connection with survey research. Belson, W.A.: Some Problems of Reliability and Validity on Qualitative Interview Data, McGraw Hill, 1970.


# CHAPTER THREE

MALAYSIA

## CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>40</td>
</tr>
<tr>
<td>3.1. INTRODUCTION</td>
<td>40</td>
</tr>
<tr>
<td>3.2. THE COUNTRY: MALAYSIA</td>
<td>40</td>
</tr>
<tr>
<td>3.3. DEVELOPMENT SINCE INDEPENDENCE</td>
<td>45</td>
</tr>
<tr>
<td>3.4. AFTER THE 1969 RACIAL VIOLENCE AND THE NEW ECONOMIC POLICY</td>
<td>49</td>
</tr>
<tr>
<td>3.5. CRITICAL ISSUES FACED BY MALAYSIA</td>
<td>51</td>
</tr>
<tr>
<td>3.5.1. The Population Composition</td>
<td>51</td>
</tr>
<tr>
<td>3.5.2. Poverty</td>
<td>53</td>
</tr>
<tr>
<td>3.5.3. Business Ownership</td>
<td>55</td>
</tr>
<tr>
<td>3.5.4. The Malaysian Economy</td>
<td>57</td>
</tr>
<tr>
<td>3.6. PLANNING AT THE NATIONAL LEVEL IN MALAYSIA</td>
<td>60</td>
</tr>
<tr>
<td>3.7. COMMENTS AND SUMMARY</td>
<td>71</td>
</tr>
<tr>
<td>Attachment 3.1. Planning Flow Chart</td>
<td>75</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>77</td>
</tr>
</tbody>
</table>

## 3.5.1. The Population Composition

## 3.5.2. Poverty

## 3.5.3. Business Ownership

## 3.5.4. The Malaysian Economy

## 3.6. PLANNING AT THE NATIONAL LEVEL IN MALAYSIA

## 3.7. COMMENTS AND SUMMARY

Attachment 3.1. Planning Flow Chart

REFERENCES
ABSTRACT: This chapter introduces the country Malaysia, its historical background and development until today. By TWCs standards, it is strong and prosperous economically. Though a multiracial population is common in many countries, the control of political and economic power by different ethnic groups might be unique to Malaysia. Eradication of poverty and a fairer distribution of wealth across ethnic boundaries are the main development objectives of the country. Public Enterprises (PEs) have been established to assist the government in this endeavour. The country's planning system is outlined to indicate the influence that the system has over the running of the PEs which is the main source of data for the research.

3.1. INTRODUCTION

This chapter on Malaysia introduces the country of study. In addition to its brief historical background, it deliberates on the development aspect of the country, the problems that it is encountering and the planning systems at the national level. The discussion on the area of emphasis of the research i.e. public enterprises and corporate planning in reference to the country is incorporated at the end of each chapter on the subject.

3.2. THE COUNTRY: MALAYSIA

The Federation of Malaysia is 330,000 square kilometres in size i.e. about twice the size of the United Kingdom, and comprises of 9 states with Sultans, 4 with Chief Ministers and a Federal Territory (Refer Map).
MAP 1: MAP OF PENINSULAR MALAYSIA SHOWING THE 11 STATES AND
AREA OF OPERATIONS OF THE SIX STATE AGENCIES INVOLVED
IN THE STUDY

1=Muda Agricultural Development Authority;
2=Kedah Agricultural Development Authority;
3=South-East Pahang Development Authority;
4=South-East Johore Development Authority;
5=Federal Land Development Authority;
6=Johore State Economic Development Corporation;
7=Trengganu State Economic Development Corporation;
8=Rubber Small Holders Development Authority;
9=Malaysian Rubber Development Corporation;
10=Food Industries of Malaysia;
11=Harrisons Malaysia Plantation Berhad;
12=Kumpulan Guthrie.
Physically, about 1/3 of the country is a peninsula connected to Thailand and the other 2/3 on the island of Borneo. Geographically, the country is situated on the important trade routes from Europe, the Middle East and India through the Straits of Malacca to China, Japan and the Western part of the American continent.

Historically the Malay states came under Portuguese and Dutch influence starting in the early 15th century until the British arrived in the late 18th century. The British initially acquired Penang and later established British rule throughout the Malay states in the late 19th century.

Malaya continued to be under British rule until gaining independence on the 31st August 1957. In 1963, the states of Sabah and Sarawak (formerly known as British North Borneo which became British colonies after the Second World War) gained their independence too by joining in a federation with Malaya. The whole is now known as the Federation of Malaysia.

Malaysia continues to be a constitutional monarchy with the King or "Yang di Pertuan Agong" elected from amongst the 9 Sultans to serve for a five year term. The system of government practised is parliamentary democracy. Since 1957, there have been seven general elections and the National Front party has won all of them. Tables 3.1 and 3.2 give other basic economic statistics about the country:
Table 3.1. SOME BASIC ECONOMIC STATISTICS ABOUT MALAYSIA

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>1970</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (M$ million)</td>
<td>1915</td>
<td>20500</td>
</tr>
<tr>
<td>Real GDP growth (%)</td>
<td>6.3</td>
<td>2-4 (^b)</td>
</tr>
<tr>
<td>Balance of Trade (M$ mill)</td>
<td>865</td>
<td>+7800</td>
</tr>
<tr>
<td>Foreign Debt Service Ratio (% of exports)</td>
<td>2.6</td>
<td>16.6</td>
</tr>
<tr>
<td>% An. Growth Rate of Manufacturing</td>
<td>7.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

**GROWTH FORECAST\(^c\)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP at market prices (% change)</td>
<td>-3.2</td>
<td>-7.3</td>
<td>5.1</td>
<td>7.7</td>
</tr>
<tr>
<td>GDP at market prices (% change)</td>
<td>-2.5</td>
<td>-7.5</td>
<td>4.7</td>
<td>7.2</td>
</tr>
<tr>
<td>GDP at 1978 prices (% change)</td>
<td>-1.0</td>
<td>1.0</td>
<td>2.4</td>
<td>3.9</td>
</tr>
<tr>
<td>merchandise export ($M bn)</td>
<td>37.6</td>
<td>35.5</td>
<td>37.8</td>
<td>38.8</td>
</tr>
<tr>
<td>merchandise import ($M bn)</td>
<td>28.7</td>
<td>27.1</td>
<td>27.4</td>
<td>28.2</td>
</tr>
<tr>
<td>unemployment</td>
<td>7.6</td>
<td>8.7</td>
<td>10.0</td>
<td>10.6</td>
</tr>
</tbody>
</table>

SOURCE:\(^2\)  

\(b\) Range of forecast between Malaysian Institute of Economic Research, Meryll Lynch and the Finance Ministry, quoted in Financial Times, July 20th 1987.

\(c\) Financial Times, July 20th, 1987, pp 6, data abstracted from Malaysian Institute of Economic Research.
### Table 3.2. Import and Export Statistics

<table>
<thead>
<tr>
<th>MAIN EXPORT: (M$ million)</th>
<th>1975</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>9231</td>
<td>38007</td>
</tr>
<tr>
<td>Crude Petroleum</td>
<td>727</td>
<td>8206</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>1320</td>
<td>3978</td>
</tr>
<tr>
<td>Rubber</td>
<td>2026</td>
<td>3003</td>
</tr>
<tr>
<td>Sawn Logs</td>
<td>669</td>
<td>2583</td>
</tr>
<tr>
<td>Electrical &amp; Electronic Machinery</td>
<td>17</td>
<td>13926</td>
</tr>
<tr>
<td>Chemical &amp; Petroleum products</td>
<td>197</td>
<td>2980</td>
</tr>
<tr>
<td>Textiles, Clothing &amp; Footwear</td>
<td>40</td>
<td>2678</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MAIN IMPORTS (M$ million)</th>
<th>1975</th>
<th></th>
<th>1985</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>33250</td>
<td>100</td>
<td>14304</td>
<td>43</td>
</tr>
<tr>
<td>Machinery &amp; Transport Equipments</td>
<td>2774</td>
<td>14304</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>1389</td>
<td>4939</td>
<td>3637</td>
<td>11</td>
</tr>
<tr>
<td>Food</td>
<td>1521</td>
<td>3637</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Malaysia has a population of 15.8 million which is divided into three main ethnic groups namely, the Bumiputeras (60%), i.e. the indigenous population, the Chinese (30%) and the Indians (08%).

Being a developing country [as classified by the World Bank], Malaysia is striving for development and is making plans and implementing programmes to achieve it. Although it is
blessed with rich natural resources which would cater well for its developmental programmes, problems include severe challenges from the instability of its natural resources in the world market; the ethnic composition in the country which is demarcated by economic and political power; and severe shortages of skilled manpower and professionals.

3.3. DEVELOPMENT SINCE INDEPENDENCE TO 1969^5

Before independence, negotiations were undertaken with the British Government to determine the structure and constitution of the state. By that time, the majority of the Chinese and the Indians who were brought in to work at the British-owned tin mines and the plantations wanted to remain in Malaya. In the negotiations, they pressed hard for citizenship, the continued usage of the English language as an official language in addition to Bahasa Malaysia and an open, capitalistic economic system.

The indigenous people (Bumis) on the other hand feared being swamped by the immigrants, pressed for recognition of their special position as indigenous people of the country as well as insisting on measures to accelerate their socio-economic progress in competition with the more aggressive Chinese. An understanding was achieved whereby the Bumis compromise and a substantial concession was made with respect to the citizenship status of the Chinese in exchange for recognition of their special position as indigenous people.\textsuperscript{16}
The period after independence saw accelerating change. Economic growth was at a pace never experienced before. The annual real GDP growth between 1955-1960 was 4.0% and increased to 6.4% between 1960-1965. Development was the key political platform and the policies of liberal capitalism and monetary and fiscal conservatism were maintained. This provided a suitable climate for business investments. At the same time, rural development was declared a priority development target.

The International Bank for Reconstruction and Development provided the first development plan for Malaya in 1955 (called the First Malaya Plan). In accordance with it, the Rural and Industrial Development Authority (RIDA) and the Federal Land Development Authority (FLDA) were established. After independence in 1957, they were used as the government's media to provide the machinery for rural development. RIDA helped the rural people through guiding and financing productive projects, while FLDA opened new agricultural lands to those farmers who did not possess any land of their own or owned a piece of land too small to be economically viable.

The election of 1959 was the first test of whether the government's programme was acceptable. The ruling government suffered a drop in the share of the total votes from 80% in the 1955 election to 52% in 1959. The government also lost heavily in the rural states where the Bumis dominate. After the election, the government still continued with its thrust towards rural development, the education system was expanded and there
was heavy emphasis on public infrastructure investments. The urban and business sectors were allowed to grow on their own with limited government intervention.

It was largely on the basis of the success of the First and Second Five-Year Malaya Plans (the First was prepared by the World Bank just before Independence) that the formation of the Federation of Malaysia scheme was launched. The scheme sought to unite the remaining British colonies in South East Asia namely Singapore, Brunei, Sarawak and Sabah. Brunei withdrew during the last stage of negotiations and Malaysia was officially inaugurated on the 16th September, 1963. After the 1964 election, Singapore was asked to leave Malaysia (9th August, 1963) because of its hostility to the recognition of the special privileges guaranteed to the Bumis during the independence negotiation in 1956.¹⁰

In 1965, the First Malaysia Plan (as opposed to the previous Malaya Plans) was announced based on the development plans achieved in prior years. Rubber prices were high (M$ 2.00 per kilo) and investments in both the private and the public sectors were at record levels (M$ 3.6 million in 66-70 as compared to M$ 2.6 million in 61-65).¹¹ Growth programmes to benefit the Bumis continued. The establishment of the Mara Institute of Technology in 1967 was to train Bumis in the technical and professional field. Bank Bumiputera was established in 1967 to break the monopoly of foreigners and Chinese in the banking industry while the establishment of the Federal Agricultural Marketing Agency
(FAMA), tried to reduce the monopoly by the non-indigenous middle men in the marketing of agricultural produce of the rural farmers.¹²

These changes however did not challenge the pattern of ownership and control by which foreigners and the non indigenous people virtually dominated large scale commercial agriculture (plantations etc.) and all forms of related agribusiness enterprises. The government's strategy of overcoming rural poverty and the development policy framework remained unclear. With such uncertainty prevailing, the rubber price tumbled to M$.60 per kilo and unemployment was climbing to new heights by the end of 1968. Feelings of inter-racial jealousy were also building up especially with regard to the economic power held by the Chinese (1971 figures showed that the non-Bumis controlled and owned 31.9%, while the Bumis and government only 4.8%, while the rest was foreign owned),¹³ and the political power held by the Bumis.

The general election results of 1969 shocked the ruling Alliance Party¹⁴. One of the opposition parties dominated by the Chinese managed to win control in two states. To the Bumis, this constituted the long feared frontal attack on their political power. The Bumis' economic backwardness had not been overcome while awareness of the disparities had grown. Whatever the real reason, racial violence broke out on the 13th May 1969. The King then proclaimed a state of emergency during which the Constitution was suspended and the country came under military control.

48
During the Emergency period, the National Operation Council (NOC) was formed to run the country and at the same time to look at the fundamental problems that lead to the violence. The NOC administered the country for 21 months until February 1971 when parliamentary government was reinstated.

A series of amendments to the Constitution was made (resulting from the NOC's findings and recommendations). Amongst them are the following:\textsuperscript{15}

a) that the Malay language is to be the only official language,

b) that the right of the non-bumi citizens to their citizenship is recognised,

c) that the special position of the indigenous people is recognised and

d) that the abolition of the above clauses cannot be proposed.

The government then started to look seriously into the issue of helping the Bumis to get involved and participate actively into the commercial sector. Government corporations and agencies were established to increase the share of the Bumis in this sector. The Urban Development Authority (UDA) was established to spearhead this in the commercial centres. All states were to form
their own State Economic Development Corporations while at the national level the National Corporation (PERNAS) was established.

The Second Malaysia Five-Year Plan was released in June 1971 and in it the government pledged to improve racial economic balance measured in terms of employment patterns, relative income and shares in the ownership and control of the industrial and commercial sector. A 20-year period was proposed by the government for the Bumis to manage and own at least 30% of the total commercial and industrial activities in all categories and scale of operations. These objectives came to be known as the New Economic Policy (NEP).

In late 1973, the mid term review of the SMP was released and in it the NEP was clarified. The overriding objective was the promotion of national unity. This was stated in the following terms:

\[17\]

a) **eradicating poverty by raising income levels and increasing employment opportunities for all Malaysians**..............

b) **accelerating the process of restructuring the society to correct the economic imbalance so as to reduce and eventually eliminate the identification of race with economic function**..."
There are several issues that Malaysia as a country faces which are in certain ways unique only to that country. These are discussed to expose certain problems which have to be considered in any national planning activity. They are:

3.5.1. The Population Composition and the Urban-rural Polarisation

Malaysia's population in 1985 stands at 13.0 million with about 7.3 million Bumis, 4.2 million Chinese, 1.3 million Indians and the others making up the remaining 0.2 million. The Chinese and the Indians came during the British rule to provide the labour force for the tin mines and the plantations (Table 3.3).

When Malaysia gained her independence in 1957, the three major ethnic races had distinguished occupational characteristics. The Bumis were either the administrators of the government machinery i.e. as civil servants or were rural dwellers for whom farming was their main livelihood. The Chinese other than being tin miners were mostly urban dwellers and entrepreneurs who largely dominated the business industry. The Indians on the other hand are either plantation or railway workers or if they stay in the urban centres are entrepreneurs too. Table 3.3 illustrates this distribution pattern.
From the table, it can be seen that the majority of the rural population is still made up of the Bumis while the Chinese continue to dominate the urban population. Naturally, the urban areas benefited most from the development and modernisation programmes as job opportunities, education and many other facilities were more readily available in these areas.

### TABLE 3.3. THE RURAL URBAN POPULATION DISTRIBUTION (MILLION)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RURAL</th>
<th></th>
<th></th>
<th></th>
<th>URBAN</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bum</td>
<td>Chi</td>
<td>Oth</td>
<td>Tot</td>
<td>Bum</td>
<td>Chi</td>
<td>Oth</td>
<td>Tot</td>
<td>Bum</td>
<td>Chi</td>
</tr>
<tr>
<td></td>
<td>(Bum)</td>
<td>(Chi)</td>
<td>(Oth)</td>
<td>(Tot)</td>
<td>(Bum)</td>
<td>(Chi)</td>
<td>(Oth)</td>
<td>(Tot)</td>
<td>(Bum)</td>
<td>(Chi)</td>
</tr>
<tr>
<td>1947</td>
<td>2.2</td>
<td>1.1</td>
<td>0.4</td>
<td>3.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.2</td>
<td>1.3</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(60)</td>
<td>(30)</td>
<td>(10)</td>
<td>(70)</td>
<td>(48)</td>
<td>(37)</td>
<td>(15)</td>
<td>(99)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1957</td>
<td>2.8</td>
<td>1.3</td>
<td>0.5</td>
<td>4.6</td>
<td>0.4</td>
<td>1.0</td>
<td>0.3</td>
<td>1.7</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(60)</td>
<td>(28)</td>
<td>(12)</td>
<td>(90)</td>
<td>(21)</td>
<td>(62)</td>
<td>(16)</td>
<td>(99)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>4.0</td>
<td>1.6</td>
<td>0.7</td>
<td>6.3</td>
<td>0.7</td>
<td>1.5</td>
<td>0.4</td>
<td>2.5</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(63)</td>
<td>(26)</td>
<td>(11)</td>
<td>(100)</td>
<td>(27)</td>
<td>(59)</td>
<td>(14)</td>
<td>(99)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>4.7</td>
<td>1.7</td>
<td>0.7</td>
<td>7.1</td>
<td>1.6</td>
<td>2.2</td>
<td>0.5</td>
<td>4.3</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(66)</td>
<td>(24)</td>
<td>(10)</td>
<td>(100)</td>
<td>(37)</td>
<td>(50)</td>
<td>(13)</td>
<td>(99)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>5.1</td>
<td>1.7</td>
<td>0.78</td>
<td>7.6</td>
<td>2.2</td>
<td>2.5</td>
<td>0.6</td>
<td>5.3</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(67)</td>
<td>(23)</td>
<td>(10)</td>
<td>(100)</td>
<td>(41)</td>
<td>(47)</td>
<td>(12)</td>
<td>(99)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Fifth Malaysia Plan pp 154.

NB: The birth rate of the various ethnic races vary. The national average is 2.6%; Bumis is 2.9%, Chinese 1.7% and Indians 2.6%. (page 147)

52
3.5.2. Poverty

The income level that demarcates the poverty line depends mostly on the cost of living, inflation rate and its definition. In Malaysia, the number of poor households and the incidence of poverty have been measured on the basis of the poverty line income. Poverty has been defined on the basis of the prevailing standard of living in the country which is in accordance with Malaysian conditions and cannot really be compared with other countries. The poverty line income is defined as an income sufficient to purchase a minimum food basket to maintain a household in good nutritional health and the conventional needs in respect to clothing and footwear, rent, fuel and power, transport and communication, health, education and recreation. Again these are very subjective but what the government finally come to is a figure that is used as a rough guide.\textsuperscript{20} Table 3.4 compares the incidence of poverty between the rural and urban sector.

From Table 3.4, it is clear that the incidence of poverty is more frequent in the rural areas and especially so amongst the padi and rubber growing farmers. Amongst the urban population, those that are involved with the agriculture related occupations have a higher percentage of poverty incidence. Again it is unfortunate that one race make up the majority of the poverty population which makes the problem politically sensitive.
### TABLE 3.4. PENINSULA MALAYSIA: THE INCIDENCE OF POVERTY

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th></th>
<th>1976</th>
<th></th>
<th>1984</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>total household</td>
<td>%</td>
<td>Surveyed (THS) pov (mill)</td>
<td>T H S</td>
<td>%</td>
<td>pov</td>
</tr>
<tr>
<td>RURAL</td>
<td>1.203</td>
<td>59</td>
<td>-</td>
<td>1.4</td>
<td>48</td>
<td>1.63</td>
</tr>
<tr>
<td>rubber farmers</td>
<td>0.35</td>
<td>65</td>
<td>-</td>
<td>0.13</td>
<td>58</td>
<td>0.16</td>
</tr>
<tr>
<td>padi farmers</td>
<td>0.14</td>
<td>88*</td>
<td>-</td>
<td>0.19</td>
<td>80*</td>
<td>0.12</td>
</tr>
<tr>
<td>estate workers</td>
<td>0.15</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.08</td>
</tr>
<tr>
<td>fishermen</td>
<td>0.04</td>
<td>73*</td>
<td>-</td>
<td>0.03</td>
<td>63</td>
<td>0.03</td>
</tr>
<tr>
<td>coconut farmers</td>
<td>0.32</td>
<td>53</td>
<td>-</td>
<td>0.19</td>
<td>64*</td>
<td>0.14</td>
</tr>
<tr>
<td>other agric</td>
<td>0.14</td>
<td>89*</td>
<td>-0.53</td>
<td>0.52*</td>
<td>0.46</td>
<td>34</td>
</tr>
<tr>
<td>other industries</td>
<td>0.35</td>
<td>35</td>
<td>-</td>
<td>0.51</td>
<td>27</td>
<td>0.76</td>
</tr>
<tr>
<td>URBAN</td>
<td>0.402</td>
<td>21</td>
<td>-</td>
<td>0.53</td>
<td>18</td>
<td>0.99</td>
</tr>
<tr>
<td>agric</td>
<td>-</td>
<td>-</td>
<td>0.025</td>
<td>40*</td>
<td>0.04</td>
<td>24*</td>
</tr>
<tr>
<td>mining</td>
<td>0.005</td>
<td>33</td>
<td>0.005</td>
<td>10</td>
<td>0.01</td>
<td>3</td>
</tr>
<tr>
<td>manufctng</td>
<td>0.084</td>
<td>24</td>
<td>0.055</td>
<td>17</td>
<td>0.132</td>
<td>8</td>
</tr>
<tr>
<td>constr.</td>
<td>0.019</td>
<td>30</td>
<td>0.035</td>
<td>17</td>
<td>0.087</td>
<td>6</td>
</tr>
<tr>
<td>trnpt &amp; util</td>
<td>0.042</td>
<td>31</td>
<td>0.053</td>
<td>17</td>
<td>0.074</td>
<td>4</td>
</tr>
<tr>
<td>trade &amp; srv</td>
<td>0.25</td>
<td>18</td>
<td>0.242</td>
<td>14</td>
<td>0.472</td>
<td>5</td>
</tr>
<tr>
<td>others</td>
<td>-</td>
<td>-</td>
<td>0.116</td>
<td>22</td>
<td>0.181</td>
<td>17</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1.606</td>
<td>49.3</td>
<td>1.931</td>
<td>40</td>
<td>2.621</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: The Fourth Malaysia Plan. poverty for 1970, based on the percapita poverty line income while those for 76 and 84 was on their respective gross poverty line income. pp 33.

*: denotes exceptionally high %
Another critical issue that needs to be highlighted is the ownership of businesses. It is true that the non-indigenous people have been more enterprising and had taken all the opportunities that were available or being new settlers had to work hard for their living. The Bumis, being in their own country were complacent for they had never thought of the need to be in business at that time neither were they exposed or trained in such fields. Thus, when independence was near and they realised the importance of businesses and trade in the economy of a country, it was too late to do anything within the short period.

The government had tried to change and improve this situation. But statistics show that progress was slow. The target of achieving 30% ownership by the year 1990 might not be achieved.  

This is made worse by the recession and the drop in commodity prices in the world market in 1984-1986. Tables 3.5 and 3.6 give an overall picture of the situation.

The only sector in which the Bumis have a significant control is the transport sector and this is greatly aided by the government's control of the issuance of new licence and permits.
### TABLE 3.5. OWNERSHIP AND CONTROL OF THE CORPORATE SECTOR (million ringgit)

<table>
<thead>
<tr>
<th></th>
<th>1971</th>
<th>1980</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VALUE %</td>
<td>VALUE %</td>
<td>VALUE %</td>
</tr>
<tr>
<td>1) Msian residents</td>
<td>2513 38</td>
<td>13817 52</td>
<td>56702 75</td>
</tr>
<tr>
<td>a) Bumis</td>
<td>279 4</td>
<td>3273 12</td>
<td>13547 18</td>
</tr>
<tr>
<td>b) Others</td>
<td>2233 34</td>
<td>10544 40</td>
<td>43155 57</td>
</tr>
<tr>
<td>2) Foreign res.</td>
<td>4051 62</td>
<td>12505 48</td>
<td>19411 25</td>
</tr>
</tbody>
</table>

**SOURCE:**

\(^{22}\) b) Fifth Malaysia Plan pp 125.

### TABLE 3.6. OWNERSHIP OF SELECTED INDUSTRIES (NUMBERS)

<table>
<thead>
<tr>
<th></th>
<th>BUMI</th>
<th>CHIN</th>
<th>INDN</th>
<th>OTHR</th>
<th>BUMI</th>
<th>CHIN</th>
<th>INDN</th>
<th>OTHR</th>
</tr>
</thead>
<tbody>
<tr>
<td>wholesale %</td>
<td>168 3</td>
<td>5239 81</td>
<td>264 4</td>
<td>798 12</td>
<td>1620 8</td>
<td>16090 84</td>
<td>521 3</td>
<td>1031 5</td>
</tr>
<tr>
<td>retail %</td>
<td>3311 13</td>
<td>18957 76</td>
<td>2142 9</td>
<td>573 2</td>
<td>22800 27</td>
<td>55417 65</td>
<td>5877 7</td>
<td>709 8</td>
</tr>
<tr>
<td>road transp %</td>
<td>69 2</td>
<td>237 71</td>
<td>16 5</td>
<td>12 4</td>
<td>6057 65</td>
<td>2978 32</td>
<td>263 3</td>
<td>8</td>
</tr>
<tr>
<td>professional services %</td>
<td>122 19</td>
<td>213 33</td>
<td>218 34</td>
<td>88 14</td>
<td>422 12</td>
<td>2686 73</td>
<td>522 14</td>
<td>39 1</td>
</tr>
<tr>
<td>hotels %</td>
<td>14 2</td>
<td>817 97</td>
<td>1 0</td>
<td>8 1</td>
<td>46 6</td>
<td>769 93</td>
<td>3 0</td>
<td>5 1</td>
</tr>
</tbody>
</table>

**SOURCE:**
\(^{23}\) Extracted from Fifth Malaysia Plan pp 132 & 133.
3.5.4. Malaysian Economy

Malaysia is still very dependent on primary commodities for its foreign exchange earnings. The agricultural sector is still a major contributor to her Gross Domestic Product (GDP) i.e. 19% in 1985. It is still the leading producer of rubber, palm oil and tin in the world, and a major producer of cocoa, pepper and timber. With such commodities, Malaysia is also one of the most trade dependent countries in the world. In 1985, the export of goods and non-factor services was 56% of the country's GDP while the import of goods and non-factor services was 55%.

Having gone through the painful experience of being too dependent on the few natural resources which are subjected to world market price fluctuations, Malaysia has put more emphasis on the manufacturing and services sector to contribute more to the GDP. In fact, Tables 3.7 and 3.8 below illustrate such a direction.

The actual value of the contribution made by the agricultural sector is increasing, but the percentage contribution is declining because of the faster growth rate performed by the manufacturing and service sectors.
### TABLE 3.7. AVERAGE ANNUAL GROWTH RATE OF GDP

<table>
<thead>
<tr>
<th>YEAR</th>
<th>61-65</th>
<th>66-70</th>
<th>71-75</th>
<th>76-80</th>
<th>81-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROWTH RATE</td>
<td>5.6</td>
<td>5.5</td>
<td>7.1</td>
<td>8.6</td>
<td>4.6</td>
</tr>
</tbody>
</table>

**SOURCE:**

a) World Bank Report of several years.

### TABLE 3.8. % GDP OF MALAYSIA BY SECTOR

<table>
<thead>
<tr>
<th></th>
<th>YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60</td>
</tr>
<tr>
<td>agriculture</td>
<td>38</td>
</tr>
<tr>
<td>rubber</td>
<td>24</td>
</tr>
<tr>
<td>others</td>
<td>15</td>
</tr>
<tr>
<td>mining &amp; qry</td>
<td>6</td>
</tr>
<tr>
<td>mnftr &amp; constr</td>
<td>9</td>
</tr>
<tr>
<td>wholesale &amp; ret</td>
<td>16</td>
</tr>
<tr>
<td>govt services</td>
<td>6</td>
</tr>
<tr>
<td>finl &amp; related</td>
<td>1</td>
</tr>
<tr>
<td>tranpt, storage &amp; communicatn</td>
<td>4</td>
</tr>
<tr>
<td>electricity, water gas and other svc</td>
<td>12</td>
</tr>
<tr>
<td>TOTAL VALUE (M$000 mill)</td>
<td>13</td>
</tr>
</tbody>
</table>

**SOURCE:**

Economic report of Ministry of Finance. For 1960 and 1965, it is at 1960 prices for 1970-1975 it is at the 1970 prices and the rest is at the 1978 constant prices.
Malaysia enjoyed an economic growth averaging 6.5% in the 1960s and almost 8% in the 70s. Much of the glamour of the growth was centred on manufacturing which grew by an average of 12.5% in the 1970s. The Malaysian agricultural sector, however, still accounts for the bulk of the employment (40% in 1980, 36% in 1985) and contributes nearly a quarter of the GDP while the manufacturing sector employed 16% of the labour force in 1980 and the same percentage in 1985.\textsuperscript{29}

Since 1982, with the exception of 1984, the country was affected by a substantial decline in its terms of trade and slackening export demand as a result of prolonged international recession.

Given the facts in the tables, Malaysia faces a unique set of problems and these can be summarised as follows:

a) having accepted the fact that the Chinese and the Indians are citizens of Malaysia, these two races also dominate the economy of the country through their activities in the commercial sector. The indigenous people are not comfortable with this and have insisted that they be given special privileges so that finally they may have a part of the economy through controlling at least 30% of the business sector.

b) Malaysia's economy depends on the export of its primary commodities. History has shown that the world price fluctuates so undeterministically that over reliance on
primary products can be disastrous. This has happened to Malaysia's rubber, palm oil, cocoa and tin.

Thus, Malaysia's developmental effort to eradicate poverty, to increase the overall income of the people and to restructure the society as well as correct the economic imbalance so as to reduce and eventually eliminate the identification of race with economic function can be a formidable task. The strategy has been to increase the size of the economic pie so that the Bumis can have a bigger share of the increase while the Chinese can retain their portion and own a smaller share of the increase.

In the long run it is hoped that finally the Bumis will be able to increase their share and achieve the target of 30% ownership of the business sector. The time period allotted for this to be achieved was 20 years after the racial violence of 1969. But until today, the records show that the increase of the Bumis' participation is below expectations and by 1990 the target might not be achieved. This is also due partly to the recent world recession, the collapse of the tin market as well as the poor world price of Malaysia's agricultural commodities. All these resulted in the poor economic growth.

3.6. PLANNING AT THE NATIONAL LEVEL

Planning at the national level is a complicated process to discuss. It is relevant to the research, for any planning at the
PEs (where government control is dominant) has to be related to the national plans. It is in this context that this section is written. Only the organisational aspect and the process related to the PEs will be presented.

3.6.1. The Organisation Structure for Planning at the National Level

To date, there have been eight national development plans that have been published. Since the first in 1950 (Draft Development Plan) the planning process and the organisational set-up have grown in depth and complexity. Today, the organisational set-up which involves mainly the Economic Planning Unit of the Prime Minister's Department has grown into a huge but necessary bureaucratic mass.

To understand the planning process the whole structure of the planning organisation has to be explained. The Prime Minister's Department (PM Department) has eleven different units and of these there are four that are heavily involved in planning at the national level. These are the:

i) Economic Planning Unit (EPU),

ii) Modernisation Administrative and Manpower Planning Unit (MAMPU),

iii) Socio-Economic Research Unit (SERU), and

iv) Implementation and Co-ordination Unit (ICU).
These are shown in chart 3.2 which also indicates the linkages to the planning structures at the other levels.

The EPU which handles the economic aspects of the national planning, is also one of the larger units under the PM Department. It has two major Divisions namely the Macro Division (with four sections) and the Sectoral Division (with seven sections). Each section is responsible in providing research and information on its own area of operation as indicated by the name in the chart. (A point to note in the structure is that the "Unit" label is used much higher than "Division" and then followed by "Section").

Although administratively, these Units are under the PM Department, functionally, they are also to serve directly under the various Cabinet Councils/Committees indicated. These Councils/Committees are created by the cabinet to be responsible for the various activities as shown. There are three main Councils [in addition to the various cabinet committees] whose members are made up of various Ministers and Members of Parliament. These councils are:

i) the National Security Council,
ii) the National Action Council
iii) and the National Planning Council.
CHART 3.1. STRUCTURE OF PLANNING ORGANISATION FOR THE NATIONAL FIVE-YEAR PLAN

PRIME MINISTER

[A2]

PM DEPARTMENT

[A1]

[11 SEPARATE UNITS]
4 are deeply involved in planning and they are:

EPU SERU ICU MAMPU

[B1] [B3] [C1] [C3]

MACRO DIV
[4 SECTIONS]
Macro economy
Regional Economy
Human Resource Distribution

SECTORAL DIV.
[7 SECTIONS]
Agriculture
Commerce and Industry
Social Services
Infrastructure & Utilities
Urban Development Studies
Development Budget
Technical Services
FOREIGN AID SECTION
FOREIGN INVESTMENT SECTION

CABINET

[C4]

[A2] NATIONAL PLANNING
COUNCIL

[A2] NATIONAL SECURITY
COUNCIL

[A3] NATIONAL
DEVELOPMENT

[B4] PLANNING
COMMITTEE

[B3] EPU [C1] [C6]

[MAMPU ICU]

[C3]

RESEARCH MANPOWER CO-ORDINATION & EVALUATION PLANNING IMPLEMENTATION

FEDERAL MINISTRIES AND DEPARTMENTS

STATE DEVELOPMENT PLANNING/
ACTION COMMITTEE

DISTRICT DEVELOPMENT PLANNING/
ACTION COMMITTEE

STATE DISTRICT/DEPARTMENTS

[B2] STATE AGENCIES
[B2] FEDERAL AGENCIES

SOURCE: Modified from: Saadullah Suhaime; unpublished document on "Planning at the National Level" paper used for briefing to the Prime Minister on 14/6/82.

NB: the characters in [] indicate the pathway and the sequence of events in the planning process as described in chart M.4.
In addition the cabinet and the councils have also created other committees under them to perform the planning functions such as the National Development Planning Committee (NDPC), the National Development Administrative Committee (NDAC) and the Socio-Economic Research Committee (SERC). The NDPC in turn have created six other sub-committees that assist them in the planning operations and these sub-committees are:

i) the budget sub-committee,

ii) the estimate sub-committee,

iii) the standards and cost sub-committee,

iv) the manpower sub-committee,

v) the Industrial Master Plan sub-committee, and

vi) the Inter-Agency Planning Group.

All these sub-committees are to function as assistants to the NDPC in providing feedback, appraisal, giving alternatives, verifying costs and expenses, co-ordinating the various plans of the agencies and many more as the name of the sub-committees suggests.

The NDPC is made up of all the Ministerial secretaries (administrative head) and Department Heads and they do the highest administrative screening and approval of all government projects submitted by all the government agencies before the plans are brought to the National Planning Council. The NPC is made up of Senior Cabinet Ministers and after their approval, the plans are submitted to the Cabinet and Parliament for final approval.
Thus the four Units under the PM Department are also responsible to the various councils and sub-committees of the cabinet as shown in Chart 3.2.

3.6.2. The Planning Process at the National Level

The planning process carried out at the national level is based on the Fifth Malaysia Plan (covering 1986-1990), which was released in March 1986. The process involved in this Plan is different from the previous ones as it takes into consideration various changes in the government's structure and machinery.\textsuperscript{33}

Basically, there are three different components that make up the planning process. This is labelled as the 'A', 'B' and 'C' pathway and is as shown in chart 3.3.

The process begins with two different components initiated at about the same time by the PM Department. The first component or the 'A' pathway is also categorised as the "top-down" component. The PM Department and its relevant units furnish to the Prime Minister and his National Planning Council the relevant information from the various planning units (EPU, ICU, MAMPU and SERU) pertaining to the performance, progress, development, achievements and other information about the country. From these, the PM and his National Planning Council members would provide new directions and objectives for the country to pursue. This is communicated to the EPU for its further perusal. This completes the "A" pathway.
Chart 3.2. Planning Pathways at the National Level as for the Fifth Malaysia Plan

TOP DOWN
["A" pathway]

JUNE/AUGUST
PM AND HIS CABINET MEMBERS
send feedback on country's performance and prospects
new directions, guidelines and priorities

MARCH 1985
ECONOMIC PLANNING UNIT
(as planning secretariat)

NOVEMBER 1985-JANUARY 1986
CABINET FOR APPROVAL

MARCH 1986
THE 5TH MALAYSIA PLAN RELEASED

BOTTOM UP
["B" pathway]

BOTTOM UP
SERU MAMPU
ICU EPUI

send directives to receive their next 5-yr plans

ALL MINISTRIES AND DEPARTMENTS AT STATE WELL AS PUBLIC ENTERPRISES

VARIOUS PLANNING COMMITTEES in NDPC [FOR SCRUTINY AND APPROVAL]
The second is the 'B' pathway or the "Bottom-up" flow. It starts off from the PM Department at the same time as the 'A' pathway. The PM Department sends directives to all Ministries/Departments and Government Agencies for their next five-year plans. This pathway took 10 months for the EPU of the PM Department to finally receive the plans of all the government departments and agencies.

The EPU then collects the documents from 'A' and 'B' pathways and goes through the third component or the 'C' pathway where the plans are submitted to a series of screening and appraisal procedures administered by the NDPC and assisted by the various NDPC sub-committees. At the end of the 'C' pathway, the almost finalised Plan is submitted to Parliament for its endorsement before it is then used as a planning guide for the country to follow.

The sequence of flow of the planning process is described in greater detail in Chart 3.4 at the end of the chapter. The characters in [ ] denote the category and sequence of the process, which is also shown in chart 3.2.

3.6.3. The Analysis at the National Level

A fair amount of external and internal analysis is done at the National level, mainly by the EPU. As shown in the chart above, there are two main divisions under it, namely the Macro and the Sectoral Divisions. They are responsible to seek and
gather all possible data to fulfil their respective function, i.e. mainly to help facilitate and analyse the environment facing the country. Briefly then, the functions of the various sections are:

a) The Macro Division: In general, this division's task is to monitor and forecast the nation's economy at a medium and long term perspective. It will look at the country as a single entity and formulate policies and come up with recommendations for the socioeconomic development, based on the economic data, forecasts, resources available, as well as the planning done by the various sectors, regions and state. The above activities are done by the following sectors:

   i) The Macroeconomic Section: analyses and formulates policies and national development objectives for the medium and long term plans. It looks at investment objectives, consumption patterns and characteristics, trade, production and income earned by the country.

   ii) The Regional Economy Section: deals with the distribution of the economic activities amongst the various regions, looks at the resources available and recommends the appropriate developmental programmes and budget allocations for the respective regions,
iii) The Distribution Section: analyses the income distribution, the asset ownership, poverty situation and monitors them; it also comes up with recommendations and policies that will assist the government in achieving its NEP objective of eradicating poverty and correcting the imbalance amongst the races.

iv) The Human Resource Section: deals with the analysis of the labour force, urban migration, labour utilisation, salary schemes, productivity studies and training in the development of skills required to meet the national development targets.

b) The Sectoral Division: This division is responsible for the planning of developmental programmes for seven main sectors significant to the country. There are seven different sectors and the divisions are divided to seven sections correspondingly. All these sections are to appraise current projects and their impacts and from the analysis to come up with recommendations and policies with the objective of seeing that the respective sectors are given the adequate financing and support to meet their developmental targets. The seven sections are:

i) Agriculture,

ii) Commerce and Industry,
iii) Social Services,
iv) Infrastructure and Utilities,
v) Urban Studies,
vi) Budget, and
vii) Technical Services.

While the above seems to picture a heavier emphasis towards the internal analysis i.e. more on the country, each section in the EPU also has to do its respective external environmental analysis, especially so in the Macroeconomic division and the agriculture and commerce sections for their respective sectors are concerned with the export and international market. They then match this analysis with the corresponding internal data and analysis before suggesting alternatives for the decision makers to select.

But it has to be admitted that the degree of environmental analysis is not critically done since it is based on reports made available by world institutions such as the UN related agencies and publishers. But this is the best that the country can do at the present moment.

3.6.4. The Screening Process

The deliberations, screening, evaluation and approval are done at various levels in the planning hierarchy. These are done initially at the individual department/agency level and then at the Ministry and state levels. It then goes to the the National
Development Planning Committee (NDPC), the National Planning Council and finally to the Cabinet and Parliament. While the latter is more concerned with the macro aspects and overall planning and budget allocations such as the overall expenditure in the various ministries and sectors, the real evaluation is done at the NDPC level and especially under its various sub-committees like the inter agency developmental planning sub committee (IADP). It is these sub-committees that review the viability of each project proposal (financially and socially), with representatives of the agencies concerned defending their requests. The sub-committee will also have the back-up of the other sub-committees as well as knowledgeable representatives from MAMPU, SERU, ICU and EPU. This session is the most time consuming and takes about three months.

The top-down (from the Prime Minister downwards to the EPU) and the bottom-up pathways (from EPU to the various Ministries and departments/agencies) starts and ends at about the same time.

3.7. COMMENTS AND SUMMARY OF THE CHAPTER

Multiracialism in Malaysia is not a unique feature of today’s world. But the control of economic and political power by two different races probably is. The higher incidence of poverty amongst the race that controls the political power and the control of the country’s economy by another race comprise not
only a unique situation but also a very volatile and sensitive one. Thus, the country's leaders and administrators not only have a formidable task of striving towards progress and development, but also to do it amicably, to be acceptable by the various races, by the rural as well as urban dwellers and at the same time in balance between the various sectors and regions.

Industrial and agricultural development are the strategies that are planned to support such progress. The size of the economic cake has to be expanded rapidly, but the government believes that to achieve the target of the New Economic Policy (NEP), this increase in size has to be shared disproportionately. Priority is to be given to the Bumiputeras until the target of 30% ownership of the business sector is achieved. The dateline for this achievement is 1990 but the rate of progress and the current slump in commodity prices and world trade, suggest that this might not be fulfilled. The expected increase in the size of the economy cake is well below expectation. Malaysia's growth rate in 1985 was only 1% - way below the 4.5% forecasted.

The majority of the races in Malaysia have learned to tolerate the situation and have high hopes for the success of the New Economic Policy. The target year of 1990 is just round the corner and the indigenous people are afraid that the 30% target of commercial ownership will not be achieved by them. They talk about extending the dateline until it is achieved. On the other hand the other races especially the Chinese are demanding that the NEP ends in 1990. Will it?
This volatile and tense situation unfortunately will continue. The world economy in which Malaysia depends for its markets is crucial, for it influences the economic growth; a growth that not only has to meet the demands of the indigenous people for a larger share of the business sector, but also enough so as not to deprive the other races of their needs and aspirations as well.

Such tough and crucial needs highlight the importance of having well-lubricated planning systems at the national level.

The planning that is being done at the National level is complex for there are a large number of government departments involved in the process as well as the flow of documents. Preparation for the Fifth Malaysia Plan (1986-1990) started almost two years earlier as this was the time needed to coordinate, amalgamate and process the various plans of all the government departments.

An observation can be made on the "top-down" [A] and the "bottom-up" [B] pathways of the national planning process. Both pathways start and end at about the same time. Ideally, pathway [B] should follow [A] as the former would need the output (objectives) of [A] which include the future directions that the country's administrators would want to pursue.
The planning secretariat explained that:

\textit{this is unavoidable because of the time constraint and on the other hand believe that this can be also a healthy practice, allowing the agencies and ministries to be independent in their future plans!}

The planning process in the charts showed the entry points of the long term plans submitted by the various public enterprises. This will be deliberated in greater detail in the chapter on PEs. But generally their respective plans will be scrutinised initially at the state level and then the Ministry, before being submitted to the Cabinet subcommittee (NDPC) for final screening before presenting to Parliament.

The next two chapters will be on "economic development" and "PEs". Chapter four will highlight the plight of the Third World Countries (TWCs) in their search for economic development and Chapter five on the roles of the public enterprises in economic development in general and specifically on Malaysia. It will also identify the problems of managing such PEs as well as their long term planning system.

Their plans especially their planning process and timing of preparation as well as their objectives have to fit with that of the government's. The PEs are guided by their purpose of establishments which are broad enough for them to plan freely and incorporate the NEP's targets. But what kind of planning do these agencies practise?
ATTACHMENT 3.1. THE SEQUENCE OF THE PLANNING PROCESS

[A PATHWAY]

[A1] Advised and guided by the various government's policies (like, the Industrial, Agricultural, New Economic policies), feedback and monitoring from the previous 5-year plan, economic forecasts and other macro-forecasts and required targets, general policies emanating from the political partners,

[A2] the Prime Minister and his National Planning Council members would send to the NDPC, new preferred targets and objectives for them to discuss. This committee would include top senior civil servants[from MAMPU, ICU, SERU, EPU] and also members from the Treasury and National Bank.

[B PATHWAY]

[B1] At the same time the EPU will send out a general circular and directives (including general outlines of possible criteria that will be used in approving projects), to all Federal Ministries and State Departments as well as their related subordinates (departments and agencies including the various government enterprises) are to draw up plans for the next five years. These are forwarded to various stages and are finally sent back to the EPU for co-ordination, evaluation and preliminary appraisal. These are then sent to the NDPC. The NDPC will receive two different reports regarding the planning plans ie. from the PM and his NAC [pathway A] as well as from the various Ministries and Departments [pathway B].

This committee will match the various plans and the available resources, guided by the various sectoral reports and targets. These plans are then assembled by the
[C PATHWAY]

[C1] EPU again which act as the secretariat to the NDPC as well. The draft plans are then sent to the

[C2] National Planning Council (which is made up of the senior cabinet Ministers) before the

[C3] EPU prepares the final plan to be sent to the

[C4] cabinet and Parliament for approval. On approval, it then becomes instructions for

[C5] the various Ministries/State Departments and public enterprises to implement.

[C6] The ICU will then perform the function of co-ordinating and monitoring of all the various projects as stipulated in the Plan with the various departments such as SERU, MAMPU and EPU doing their respective function as well.

SOURCE: Discussion with Mr. Nik Nasir (senior officer in the EPU) on the planning process and with reference to chart 3.2.
References

1. This is on the general background of the country and any reasonable publication on the country would include such information. But reference was made from the book, Information Malaysia, 1986 year book published by Berita Publishing, 1986.

   b) Financial Times, special supplement on Malaysia, July 20th 1987, pp VIII.vii


26. World Development Report, World Bank, 1975, 80, 85, at the relevant appendices on Economic Indicators.
32. Ibrahim, S. "Planning at National Level", Unpublished document by Mr.Saadullah Ibrahim paper prepared for briefing to the Prime Minister on his visit to the Economic Planning Unit on 14/6/82.
33. Interview with several officers in the Economic Planning Unit of the Prime Minister's Department.
CHAPTER FOUR

ECONOMIC DEVELOPMENT AND THE DEVELOPING COUNTRIES

CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>80</td>
</tr>
<tr>
<td>4.1. INTRODUCTION</td>
<td>80</td>
</tr>
<tr>
<td>4.2. DEFINITIONS OF TERMS</td>
<td>82</td>
</tr>
<tr>
<td>4.3. DESIRE FOR ECONOMIC DEVELOPMENT</td>
<td>84</td>
</tr>
<tr>
<td>4.4. THEORIES OF ECONOMIC DEVELOPMENT</td>
<td>85</td>
</tr>
<tr>
<td>4.5. ECONOMIC SYSTEMS</td>
<td>88</td>
</tr>
<tr>
<td>4.6. REALITIES OF THE THIRD WORLD COUNTRIES</td>
<td>89</td>
</tr>
<tr>
<td>4.7. REFORMULATION OF ECONOMIC DEVELOPMENT</td>
<td>91</td>
</tr>
<tr>
<td>4.8. THE PROCESS OF ECONOMIC DEVELOPMENT</td>
<td>92</td>
</tr>
<tr>
<td>4.9. WHAT DIRECTION?</td>
<td>94</td>
</tr>
<tr>
<td>4.9.1. Agricultural Development</td>
<td>95</td>
</tr>
<tr>
<td>4.9.2. Industrialisation</td>
<td>97</td>
</tr>
<tr>
<td>4.10. ECONOMIC DEVELOPMENT AND TWCS</td>
<td>100</td>
</tr>
<tr>
<td>4.10.1. Definition of Economic Planning</td>
<td>101</td>
</tr>
<tr>
<td>4.10.2. Early National Planners</td>
<td>101</td>
</tr>
<tr>
<td>4.10.3. National Planning and the PEs</td>
<td>102</td>
</tr>
<tr>
<td>4.11. SUMMARY AND CONCLUSION</td>
<td>104</td>
</tr>
</tbody>
</table>

Attachments:
4.1. Theories of Economic Development       | 107  |
4.2. Types of Economic Systems              | 108  |

REFERENCE                                    | 110  |
ABSTRACT: This chapter on economic development is inserted to provide the bridging component between corporate planning, public enterprises and Malaysia. The western perception and experience of economic development has been found not to be suitable for the TWCs in general. These TWCs have characteristics that make the pathway of economic development different from that experienced by the west. The agricultural and the industrial sectors are still the two sectors targetted to shoulder this burden but the constraints in the form of limited resources are overwhelmingly dominant to make such effort more demanding. National planning has become a crucial component since reliance on market forces has failed to direct economic development in the direction desired and at the pace required. Public Enterprises seem to be the popular media to meet this need and will be discussed in the next chapter.

4.1. INTRODUCTION

"Development must be conceived of as a multidimensional process involving changes in structure, attitudes and institutions as well as the acceleration of economic growth, the reduction of inequality and eradication of absolute poverty."

TODARO

The subject of "national development" for any country is a vast area of study. It is usually made up of various components such as:

a) economic development,
b) social development,
c) political development,
d) public health development,
e) manpower development,
f) education development and many others.
Amongst these components, economic development is of prime interest here because of its close association with the present research. Public enterprises (PEs) are greatly influenced by the government and its economic development plans. It is expected therefore that their own long term plans will be influenced by them as well. It is in this spirit that a chapter on economic development is included.

This chapter has selected only certain major components relevant to the research such as the theories on economic development, the various economic systems of the world and agricultural and industrial development. They are then discussed briefly with specific reference to their relationship and implementation in the Third World Countries (TWCs). TWCs are defined here as the mass of the underdeveloped or developing countries which are different from the 'free world' of the Atlantic bloc and the centrally organised European Communist and Socialist bloc. It also excludes the countries of Japan and Australasia.

Readers familiar with the literature of economic development might find this chapter too brief and probably inadequate to explain fully the impact of economic development on the function of public enterprises and the research. The references provide extra reading. It is intended that the brief discussion will be sufficient to provide the background and foundation for the follow-up deliberation on PEs in the following chapter. More specifically, this chapter attempts to relate economic development to the objectives of the PEs. While corporate planning in
public enterprises is the main focus of the research, the operations of these PEs cannot be isolated from that of the central government's national developmental planning and operations. Furthemore, most of them are also financially dependent on the government or at least are answerable to it.

As will be mentioned later in the chapter, there are many instances where the government may choose to intervene to achieve specific agricultural and industrial development targets.

4.2. DEFINITIONS OF ECONOMIC DEVELOPMENT

Before venturing deeper into the major issues of economic development, it is necessary to understand the meaning and scope of "economic development" so as to keep the discussion within the desired limits.

Baldwin, (1957)\(^1\) defines it as a process whereby an economy's real per capita income increases over a long period of time. Todaro, (1977)\(^2\) on the other hand defined it in the traditional meaning as the capacity of a national economy to generate and sustain an annual increase in its gross domestic product (GDP) or an increase of growth per capita gross national product (GNP). But he later improved and elaborated the meaning of economic development in the light of trends in development in the early 1970's. During that time evidences showed that although some of the TWC's were experiencing a growth in their
GNP, there was still a significant percentage of the population which did not benefit from this growth. These people were still living in poverty, poor sanitation and without proper income. He then extended the definition to include the reduction and elimination of absolute poverty, inequality and unemployment.

C. Bryant and L.G. White (1982) on the other hand looked at economic development as "increasing the capacity of people to influence their future, which includes expanding capability, equitability and fair distribution of wealth, power, influence and all these to be sustainable within a long period of time".

But of the many other definitions, probably Meier's (1970) elaboration of the definition by Baldwin (mentioned above), gives a more comprehensive picture of what economic development is all about. Meier stressed that it is a process in space and time, for there are various forces that operate varyingly under different conditions. But the general result is growth in the economy's national product. This growth, however, has to be sustained over a long period of time and not become just a part of a trend or a business cycle. Furthermore, this rate of growth has also to be greater than the rate of growth of the population so that the per capita measurement increases.
4.3. DESIRE FOR ECONOMIC DEVELOPMENT

It was only after the Second World War, that the majority of the TWCs gained, through independence, the opportunity to modernise and develop. In fact every nation strives after development. For most of the TWCs, the West (specifically the industrialised countries of Europe, United States of America and perhaps Japan), is used as the example and reference point for modernisation. The developed world's record of rapid economic growth thus has become a model to be studied. The "desire to catch up", replicate and emulate has been compelling.

Economic development then (as defined earlier) is much sought after. The objectives of pursuing higher standards of living give the people of the country freedom to choose greater leisure, a wider range of human experiences, more services, goods and greater humanitarianism as in caring for the disabled, handicapped and the sick. However, to pursue such goals is not without problems and costs. There will be disruptions and changes in lifestyle, values, habits of work, social relations and culture caused by the endeavour to develop. There is a need to increase productivity and specialisation, improve efficiency, change technology, organisational evolution and education. Notwithstanding these problems and costs, the benefits are still of value and much sought after.
4.4. THEORIES OF ECONOMIC DEVELOPMENT

"Economic theorists more than any other social scientists have long been disposed to arrive at general propositions and then postulate them as valid for every time, place and culture..............if they are used in the study of underdeveloped countries where they do not fit, the consequences are serious"

Gunnar Myrdal

The development experts, theoreticians and consultants in trying to give a helping hand to the TWCs began to conceptualise and discover the laws which appear to govern development in the West. They wished to identify the set of conditions that result in economic growth. If such conditions can be reproduced in the TWCs then it should create the necessary environment to bring about growth as in the developed countries.

They have tried to come up with theories that explain the behaviour of the variables affecting the process and to seek relationships and associations amongst them. The theories regarding economic development have evolved with time and appear in the literature under different headings such as "process", "approaches", "patterns", "strategies" and "course" of economic development.

These theories are explained in Attachment 4.1 but what needs to be mentioned here is that amongst them, there are four that are closely related to the current problems of economic development in the TWCs. These are namely:
a) Rostow's Stages of Growth Theory,  
b) Balanced Growth Theory,  
c) Unbalanced Growth Theory, and  
d) Dependency Theory.  

a) Rostow's Stages of Growth Theory (1959)\(^7\) contended that countries will have to go through five stages of growth, one after another in a linear fashion during the process of development. These stages were labelled:

i) the traditional society,  
ii) the precondition to take-off,  
iii) the take-off,  
iv) the drive to maturity, and  
v) the age of high mass consumption stage.  

b) and c) The second and third are a pair of opposing theories commonly called the "Balanced" and "Unbalanced" growth theories. The proponents of "Balanced Growth"\(^8\) support the argument that development has to take place in all related sectors simultaneously as each one requires the support of the others. This argument is also referred to as the "Big Push" concept for successful development.  

On the other hand, another group of authors\(^9\) supports the unbalanced growth theory. The constraints and limited resources of the TWCs, they argue, are too demanding for the balanced growth approach to be implemented.
d) **Dependency theories** are proposed by another group of writers who have analysed under-development from the standpoint of the dependency concept. They look at the economies of developing countries as being conditioned by the development and expansion of others, the dominant countries.

The purpose of listing the above theories and describing only their critical elements is to suggest the background to the continuing debate on economic development. While each theory has its own weak and strong points, the main contention is that these theories are derived from historical records of the developed countries. They provide a starting point or base for the TWCs to understand and possibly adopt or modify where appropriate for the development of their respective countries.

These theories describe well some of the current issues experienced within the Malaysian setting.

a) the call by the country’s leaders to concentrate on rubber-based industry probably indicate a stage III growth as described by Rostow,

b) the efforts made by the Malaysian Cocoa Board requesting that cocoa be given the same treatment as rubber and oil palm crops brings the Unbalanced Theory into the scene,

c) regional authorities demanding special government treatment for investments in their region also reminds one of the Balanced/Unbalanced Theories, and
d) the lobbying by the American Soya Bean Growers Association to ban the import of palm oil into that country illustrates well the susceptibility of Malaysia's exports; the Dependency Theory.

Thus, the theories mentioned do seem to describe some of the economic development process that is taking place in the country.

4.5. ECONOMIC SYSTEMS

Different countries have different ways of accomplishing their economic development targets and organising their economies depending on the kinds of economic system each adopts. The economic systems of the countries in the world today are commonly classified into five categories\textsuperscript{11} i.e. the pure market economy, capitalist economy, socialist economy, centrally planned economy and the mixed market economy. These are described individually in Attachment 4.2 of this chapter.

Malaysia has opted for the mixed economy system. It is supposed to have in varying degrees the best of all the economic systems, at least theoretically.

However, Eckstein (1971),\textsuperscript{12} claims that it is difficult to place any country firmly within any one of the above mentioned systems. This is because each system is practised in varying degrees within a particular country. For this Prybala (1969),\textsuperscript{13}
has simplified and classified them into just two types of economies namely:

a) the market oriented economies and

b) the command oriented economies.

4.6. THE REALITIES OF THE TWCs

Before any economic development theory can be applied to the TWCs, another factor that needs to be considered for analysis is the environment they have to face (Johari, 1979). It is different from that faced by the developed countries when they began their development surge in the 19th and early 20th centuries. For example, amongst those listed by Johari and which are related to the Malaysian environment were:

a) despite its "independent" legal status, Malaysia realises that its economy is dependent on other countries in economic matters.

b) capital and cultivable land resources are limited.

c) international and domestic demand conditions are such that urban industrialisation cannot be expected to grow at a rate which permits the transfer of labour from agriculture to the urban sector. This limited demand also limits the adoption of modern agrarian technologies.
d) but even so, the rural-urban migration is already excessive. Urban centres are not able to provide and support the resulting migration. This causes widespread unemployment and poverty,

e) even though there is a significant increase in the Gross National Product (GNP), income distribution has shown a marked deterioration widening the gap between the rich and the poor.¹⁷

f) the conventional strategy for economic development favours a "trickle down" and gradualistic process, but Malaysia with the New Economic Policy and the related problems has opted for quick results and can little afford the time for such a luxury,

Fortunately though, Malaysia is endowed with generous natural resources that are the envy of many. But the level of skilled manpower and availability of professionals to manage them efficiently has yet to reach a satisfactory level.

The other major problem faced is the "bigger is better" syndrome as supported by some development advisors. This might not always be appropriate for the TWCs. The introduction of mechanisation, dams, steel mills and large size projects might be partly beneficial but decision makers probably misjudged the levels of technology and skills of the labour force as well as the unemployment situation of the TWCs.¹⁸ Malaysia encounters this dilemma too. Large dams and steel mills have been
constructed but they are only a few years into operation. The repercussions and benefits have yet to be fully realised.

In addition to the above list of environmental factors there are the problems caused by the different cultural and value systems which are rarely taken into account when the development models and programmes are instituted.\(^{19}\)

### 4.7. REFORMULATION OF ECONOMIC DEVELOPMENT

"The basic problem of development should be redefined as a selective attack on the worst form of poverty. Development goals must be defined in terms of the progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment and inequalities."

Mahbub.\(^{20}\)

The realities faced by Malaysia and the TWCs and the related problems of applying the theories have brought about the need for redefinition or reformulation of development strategy. This is being pursued by many theorists and writers.\(^{21}\)

The major components of the proposed new emphasis and development strategy drawn from these several authors can be listed as follows:

a) national growth should incorporate redistribution with structural and social changes,

b) the basic needs of the people have to be given top priority,
c) development has to be directed towards the improvement of the quality of life of all members and sectors,

d) the imbalance between the rural/agricultural and urban/industrial has to be corrected. There is a need to decentralise development to achieve this balance,

e) the idea of "small is beautiful", appropriate technology and self reliance should be integrated into the new approach,

f) planning should be decentralised and where possible and appropriate should be of a participative nature.

These are highly relevant to Malaysia as the gap between the rich and the poor, the rural and the urban, between regions and states are conspicuous.

**4.8. PROCESS OF ECONOMIC DEVELOPMENT: THE MODERN APPROACH.**

Once economic development, as a vital component of the overall national development, has been decided upon, the process itself is extremely complex because it is affected by many factors. These factors vary in magnitude and influence depending on the country concerned. Hence there are innumerable combinations of approaches and strategies possible for attaining economic development objectives. Each requires a multitude of decisions on various aspects of development.
Malaysia, and for that matter other TWCs have to face up to the problems of poverty, unemployment and inequality through institutional and structural reforms. And as suggested by Todaro (1977),

areas for such reforms are:

a) land tenure,
b) taxation,
c) education and health programmes,
d) asset ownership and its distribution,
e) credit rationing,
f) labour market relations,
g) organisation and orientation of technological research and experimentation,
h) organisation of state trading corporation, and
i) public sector enterprises.

It can be seen at this juncture, that PEs are being mentioned as possible areas for such reforms (Shourie, 1973). In Malaysia, PEs not only are the agents for such activities but they are also more often than not expected to help the government in making the reforms in the above mentioned areas.
4.9. WHAT DIRECTION?

"In the idealised world, the policy problem is seen as one of maximising some utility function on a given set of shadow prices........ but there are always trade-offs, like between equality to growth, between efficiency to self-sufficiency and the problems of changes within the government and environment with time."

Cody^{23}

Against a background of these various theories and controversies, the TWCs continue to strive for economic development. The capital that they badly needed to finance development has to be obtained internally (through their own productivity) or externally (through foreign aid, development banks and/or private investors).

The TWCs including Malaysia seem to pin high hopes on two sectors, namely agriculture and industry as the catalysts that are likely to stimulate the whole economic development programme. The recent collapse of commodity markets,^{26} has dampened hopes placed on the agricultural sector. The world wide recession on the other hand has had its impact on the infant industries for a significant percentage of their sales is dependent on the industrialised countries' markets. Instead, these countries have imposed tougher restrictions on imports as a result of the continuing recession and have been reducing import quotas and increasing import taxes.
Whatever the setbacks, development of the agricultural and industrial sectors is critical and must be improved. This time it has to be more systematic and carefully planned. As these twin sectors (agriculture/industry) are the two major areas of activities for the PEs involved in this research, they will now be discussed in greater detail.

4.9.1. Agricultural Development

The characteristics of the agricultural sector in the TWCs and the problems faced are varied. Some generalisations helpful to understanding agricultural development can be made. Johnston and Mellor, \textsuperscript{27} have looked at the different levels of agricultural development and categorised them into three phases. These are described as:

a) Phase I: the infant stage of agricultural development: where the farmers are mainly tenant farmers, use low technology, operate small size farms with low productivity and are at subsistence level.

b) Phase II: labour intensive agricultural expansion based on capital-saving techniques and use of technological innovations: the aim is to increase productivity.

c) Phase III: the capital intensive, labour-saving phase of agricultural production. This is the phase reached by most if not all of the industrialised countries of the West. It is characterised by the use of
mechanisation for most of the agricultural production activities resulting in limited manpower being deployed in the agriculture sector.

Johnston and Clark\textsuperscript{28} proposed a three pronged attack on agricultural development. First is the need for a broadly based, employment oriented pattern of agricultural development. The second is to strengthen the social services (institutional) and third is to strengthen the institutional infrastructure and managerial skills.

The fact remains that improved agricultural productivity and output contribute positively to economic development.\textsuperscript{29} They produce foodstuffs and supply raw materials to other expanding sectors in the economy. The surplus can be used for further investment through foreign exchange earnings, savings or by creating extra demand.

It is achieving the third phase of agricultural development that has become the main target for the agro-based PEs in Malaysia. They are expected to increase the country's production and create agricultural surpluses. It is from this surplus that downstream activities or forward integration are planned so that they become the catalyst for the industrialisation of Malaysia. This will be discussed further in later chapters.
4.9.2. **Industrial Development**

The relation between industrialisation and economic development is a subject of continuing controversy. Historically, Western Europe, headed by Great Britain, developed rapidly in the late 18th to the first part of the 20th century. This is shown by the rapid rise in national and per capita income of the country. The development was characterised by industrialisation, where the contribution (as a percentage of the total) of the manufacturing sector to the country's domestic product increased while that of the agricultural sector kept falling.\(^{30}\)

Together with industrialisation, came better education, health, infrastructure and employment which are indicators of the overall development success of the country. Although Mountjoy (1982)\(^{31}\) suggested that industrialisation be treated as the main strategy for economic development, experiences in New Zealand and the Netherlands have softened such a stand. Krueger\(^{32}\) points out that the issue is not whether to industrialise but what form of industrialisation a country should pursue.

As in agriculture, the development of the industrial sector can be seen as occurring in stages too (Balassa, 1980).\(^{33}\) Briefly they are:

- a) the surplus primary stage: where efforts are made to increase the primary produce to meet the local demand and eventually excess are produced which are then exported,
b) the import substitution stage; inward looking: where local manufacturers are encouraged to produce import substitutes for the local markets.

c) the import substitution stage; outward looking: where the volume of import substitutes manufactured exceed the local demands and therefore are exported and compete in the open market.

Malaysia presumably would want to achieve the third stage of industrial development. The few countries that have chosen the third stage as their strategy for industrial development, have experienced an increase in export growth. Taiwan, South Korea and Singapore are the three developing countries that have persistently adopted such a strategy. This has resulted in an increase in the domestic savings ratio which is a good precondition to attracting foreign investment. Balassa\(^34\) compared these three countries and tabled their export progress for 15 years. This is summarised in Table 4.1.

**TABLE 4.1: % SHARE OF EXPORTS OF MANUFACTURED OUTPUT ON THE GDP\(^{35}\)**

<table>
<thead>
<tr>
<th></th>
<th>1960</th>
<th>1968</th>
<th>1973</th>
<th>1982*</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>1</td>
<td>14</td>
<td>41</td>
<td>71</td>
</tr>
<tr>
<td>Singapore</td>
<td>11</td>
<td>20</td>
<td>43</td>
<td>47</td>
</tr>
<tr>
<td>Taiwan</td>
<td>9</td>
<td>19</td>
<td>50</td>
<td>na.</td>
</tr>
</tbody>
</table>

(* from World Development Report of World Bank 1985. Extracted from Table 13 page 199 and Table 3 page 179.*)
Unfortunately, Malaysia cannot jump to the third stage without going through the earlier two stages. What has been done, however, is to try and shorten the first two stages. For this, efforts have been made in establishing institutions and systems to train appropriate skilled labour, provide facilities and incentives for investments (both local and foreign) and ensure a stable political climate conducive to industrial activities.

Malaysia seems to have all the three stages interwoven amongst its industries. While the third stage looks a lucrative target to aim for, some of the policies related to steel, furniture and the building industry are still receiving the treatment fit for the second stage. The rubber, electronic, edible oil and perhaps the textile industries are in stage three. But the fruits and dairy industry are still bogged down at the first stage.

Robinson, in his report of the findings on the "Role of Industrialisation in Development" (1964), mentioned different opinions about the role of industry in the overall strategy of development. The question of the agricultural horse pulling the industrial cart or the industrial horse pulling the agricultural cart was still unsolved. As expected, there was no clear consensus. A generalisation relates to the question of finding the right mix at the right time. The two sectors have to be developed to complement each other in a way that suits the unique
array of factors in each country. "Why can't the two horses be made to pull the development cart together?"

4.10. ECONOMIC DEVELOPMENT AND NATIONAL PLANNING

"Planning is an elusive concept, more preached than practised, more discussed than defined."

Waterston\(^{37}\)

Given the problems to overcome, the uncertain future and the various existing constraints, development still has to proceed and be planned for.

To pursue this development, different strategies together with many choices of fiscal and monetary policies can be selected. For each option there are potential benefits and costs which vary amongst products, industries, regions and changes with time. In the light of the above arguments, moderation is the key (Streeten, 1973).\(^{38}\) Perhaps flexibility has to be incorporated as well.

The many sectors, including the PEs, the private sectors and more so the government bureaucratic machinery, all need to function in a synchronised fashion. Together with the limited resources, a national plan for the country has become vital.
4.10.1. Definition of Economic Planning

"National Economic planning" has been defined as a deliberate governmental attempt to co-ordinate economic decision making over the long run and to influence, direct and in some cases even control the level and growth of a nation's principal economic variables (income, consumption, employment investments, savings, exports, imports etc.) in order to achieve a predetermined set of development objectives (Todaro, 1981).³⁹

There are two main components of a country's development planning as explained by Todaro and they are:

a) the government's deliberate attempt to distribute and use available resources as efficiently as possible and
b) to stimulate, direct and control economic activities through policies so as to achieve the developmental targets.

4.10.2. The Early National Planners

With the notable exception of the Soviet Union, there was very little national development planning in other countries before World War II."⁴⁰ But after the War, national planning in Western Europe became a necessity and this was followed by the other countries all over the world."⁴¹ When the colonised territories started to get their independence and wanted to pursue economic development, a prerequisite for donor countries to agree to give aid was for that country to have a national
economic plan. In fact this is a well known prerequisite in World Bank Aids to TWCs. And Malaysia's First National Plan (Malaya Plan at that time) incidently was prepared by a team from the United Nations (1955).

4.10.3. National Planning and the PEs

"By and large, planning in Africa worked poorly. Plans remain on paper. Government abandoned one-third of the national plans and underwent major revisions before their term ends."

Bassanov\42

If planning as a subcomponent of corporate strategy and of management is isolated and its practice and impact in the developing countries studied, then results show that in most cases, planning as defined by Todaro earlier failed to live up to expectations (Agarvala, 1983).\43

The real value of planning is in its use as a guide to action for achieving as closely as possible the intended future. In most cases, plans are intended to be as comprehensive, accurate and up-to-date. Since this is not achievable (as the influencing variables are dynamic), resources may be wasted on attempting to perfect the plans. In some situations, the nation's politicians favour vague plans which leave the government uncommitted. Plans can be adjusted as necessary to fit the whims and fancies of those in power. The objectives of the plans may be treated as a bureaucratic secret and rarely shared with subordinates let alone the citizens. Because the
overall aim and strategy are only known to a few, implementation encounters difficulties and resistances from those who have to carry them out.\textsuperscript{44}

Centralised planning by the government is further made much more critical in the TWCs because of:\textsuperscript{45}

a) the market imperfection and therefore the normal supply and demand equilibrium forces cannot function and be depended upon,

b) limited financial and skilled manpower resources,

c) the need to inform the people of the government's programme and thus get their support, and

d) to get foreign assistance.

But even if countries perform the macroeconomic planning (through using the aggregate growth model, multisector model or the project model), it does not guarantee success. There are too many problems faced by the planners such as lack of reliable information, qualified personnel, resources and analytical techniques.\textsuperscript{46} In addition the conflicts so often mentioned between the planners and the politicians are real.\textsuperscript{47} There are always gaps between planning in theory and the actual performance.\textsuperscript{48} At one extreme, Caiden and Wildavsky\textsuperscript{49} even suggested abolishing national planning altogether and sticking to the simple budgeting process. After all, they stated that the budgeting process also has elements of control mechanisms.
But probably Robert Chambers' 50 gave the whole issue a fair perspective when he said,

"To blame only the planners for those problems would be unfair. Like field staff and peasant farmers, their behaviour can be understood in relation to their own experience and work environment and there is no reason to suppose that their responses are any less rational. The explanation for these problems has much less in plan formulation than in the development of management procedures."

Thus, it is finally back to management issues such as the organisation, institutionalisation, information system, linkages, process and decision making.

Based on the above mentioned problems, the logical thing that can be done is to do macroeconomic national planning and to determine the objectives and targets of economic development that are to be pursued. Detailed planning of regions, sectors, industries can be delegated to their respective authorities. This is where the PEs take over the planning activities for their own particular set of activities. What is most important is that all these individual plans should be in congruence so that the overall development targets can be achieved.

4.11. SUMMARY AND CONCLUSIONS

This chapter provides the basic theoretical background necessary for the discussion of subsequent chapters of the thesis. The brief mention of the economic development theories
and systems is necessary to provide a context in which to consider the particular role of PEs in development. The various issues that arise when striving for agricultural and industrial development are realities that have to be faced and tackled. The current emphasis in economic development towards social equity and quality of life rather than per capita income increase has to be recognised.

Malaysia like other TWCs, in trying to "catch up" with development as experienced by the developed countries may refer to the various Western theories on economic development to its own advantage. Further, Malaysia must face the problems that accrue when pursuing agricultural and industrial development. Only then can Malaysia chart its own pathway of development, hopefully avoiding the mistakes of the past made by other countries and using them as best as it can within its means to succeed.

Malaysia in part seeks economic development by providing facilities for the private sector to take up or create their own opportunities. But as will be explained in the following chapter on PEs, sole reliance by government on the private sector is slow and frustrating. Thus, the Malaysian Government has decided to get involved in development directly or indirectly through the PEs (next chapter).

The limited resources have made planning at the national level much more critical. One can argue about which sectoral
horse should pull which sectoral cart, to go for balanced or unbalanced growth, should one aim for the third stage of growth at all costs and many more pros and cons of each theory. Actually these are all roads or pathways to the destination of economic development. Each has its own dangers and rewards. To have these choices to choose from might be a luxury for some TWCs. Even if the pathways are selected there needs to be a map for the carts to refer to so that they do not run astray but keep moving towards the development targets. This is how important national planning is to the TWCs.

The use of PEs is one approach by which the government may achieve the country’s economic development goals. In Malaysia, the PEs are actually participating in both the agricultural and the industrial sector. Their activities therefore have to be in congruence with the government’s goals. Although their main objectives might have been determined by the government, how these are to be achieved and executed is not specified within the National Economic Development Plan. Their decisions, however, are influenced by it.

It is the objective of the subsequent chapters to investigate further the role of PEs in economic development and specifically to consider their planning practices.

"The plea is not, however for a reversal to laissez-faire ...... but a plea for competent planning."

Meier151

106
ATTACHMENT 4.1. CLASSIFICATION OF ECONOMIC THEORIES

There are many different ways of presenting and classifying these theories as evidenced in the literature. Meier and Baldwin (1963) classify the theories of economic development into five major categories based on a historical perspective. These are:

A) The classical analysis: This was made popular by Ricardo and Adam Smith who postulated that savings and capital formation were critical for further economic development.

B) The Marxian Analysis: Where Marx criticised the dualism in the capitalist system and proposed the socialist system.

C) The neoclassical analysis: Where proponents suggested that development was generated towards short term targets and was a slow and a harmonious process.

D) The Schumpeterian analysis: Where it was believed that development was in leaps and bounds and initiated by entrepreneurs.

E) The Post Keynesian Analysis: Which looks at factors that determine steady growth, full employment and the prevention of stagnation in the long run. The Harrod-Domar Model is the outcome.

Other authors classify these theories differently but their discussion is beyond the scope of this thesis. It was during the post Keynesian period that four popular theories on economic growth were developed which were deliberated in the text. These were Rostow's Stages of Growth, the Balanced, the Unbalanced and the Dependency Theories.
ATTACHMENT 4.2. CLASSIFICATION OF THE WORLD'S ECONOMIC SYSTEMS

The economic systems of the countries in the world today are commonly classified into five categories and are described individually as follows:

a) the pure market economy:
an "idealised prototype" of an economy which is totally influenced by the market mechanism. It never exists except in the text books.

b) the developed market capitalist economy:
this second "real world" system incorporates an element of government intervention directly or otherwise. Private ownership and market forces equilibrium still exist but the government role is to direct and control. The "invisible hand" of the market mechanism as in the first system is being replaced by the "guided hand" of this second system.

c) the market socialist economy:
a system where market forces determine the supply and demand while the ownership of the economically strategic assets by private owners is discouraged and curtailed. It attempts to achieve the best of both capitalistic and socialistic systems.
d) the command or centrally planned socialist economy:
this system is associated closely with the Soviet Union, the Eastern European Bloc and The People's Republic of China. The main characteristic is the public ownership of all productive resources.

e) the mixed market (capitalistic) and planned (socialistic) economy
this is a system that has evolved from the three systems discussed above as b) c) and d). Most of the TWCs (with exceptions of perhaps Cuba, North Korea, Vietnam, and China) are in this category. It is supposed to have in varying degree the best of all the three earlier systems mentioned.

As for today, Eckstein (1971),\(^1\) claims that it is difficult to place any country within the above mentioned systems. This is because each system is practised in varying degrees within a particular country. For this Prybala (1969),\(^2\) has simplified and classified them into just two types of economies namely:

a) the market oriented economies and

b) the command oriented economies.
References


e) Meier's 4th edition of Issues in Economic Development provide a lists of writers for the supporters as well as critics of the dependency theories approach, pp 143.


21. The list is gathered from a number of authors such as:


    b) also in "The Flaw in the Mechanism of the Market Process" by Rosenstein-Roden, reproduced in book by Meier (84) pp 709-710.


49. Caiden, N.; Wildavsky, A. Planning and Budgetting in Poor Countries, Wiley 1974, give a good discussion on the argument.


57. This is a well documented model and greater detail can be found in most books on economic development by writers like Todaro, Meier, Preston etc. For a mathematical approach, Graham Hacche's book, The Theory of Economic Growth. An Introduction, MacMillan Press, 1979, pp 3-15 gives a good coverage.


# CHAPTER FIVE

## PUBLIC ENTERPRISES

### CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>116</td>
</tr>
<tr>
<td>5.1. INTRODUCTION</td>
<td>116</td>
</tr>
<tr>
<td>5.2. DEFINITIONS</td>
<td>117</td>
</tr>
<tr>
<td>5.3. TYPES OF PUBLIC ENTERPRISES</td>
<td>119</td>
</tr>
<tr>
<td>5.4. PUBLIC ENTERPRISES IN THE INDUSTRIALISED COUNTRIES</td>
<td>121</td>
</tr>
<tr>
<td>5.4.1. Historical Development</td>
<td>121</td>
</tr>
<tr>
<td>5.4.2. Reasons for Establishment</td>
<td>123</td>
</tr>
<tr>
<td>5.4.3. Characteristics of Public Enterprises</td>
<td>125</td>
</tr>
<tr>
<td>5.4.4. Current Problems</td>
<td>126</td>
</tr>
<tr>
<td>5.5. PUBLIC ENTERPRISES IN THIRD WORLD COUNTRIES</td>
<td>128</td>
</tr>
<tr>
<td>5.5.1. History</td>
<td>128</td>
</tr>
<tr>
<td>5.5.2. Reasons for Establishments of Public Enterprises in TWCs</td>
<td>129</td>
</tr>
<tr>
<td>5.5.3. Roles of the PEs in TWCs</td>
<td>131</td>
</tr>
<tr>
<td>5.5.4. Performance of the PEs</td>
<td>133</td>
</tr>
<tr>
<td>5.6. PUBLIC ENTERPRISES IN MALAYSIA</td>
<td>136</td>
</tr>
<tr>
<td>5.6.1. Introductory note</td>
<td>136</td>
</tr>
<tr>
<td>5.6.2. Historical Background</td>
<td>136</td>
</tr>
<tr>
<td>5.6.3. Objective of Establishment</td>
<td>137</td>
</tr>
<tr>
<td>5.6.4. Relationship of PEs to Government</td>
<td>138</td>
</tr>
<tr>
<td>5.6.5. Financial Performance</td>
<td>142</td>
</tr>
<tr>
<td>5.6.6. Relationship of PEs' Long Term Planning to Governments</td>
<td>143</td>
</tr>
<tr>
<td>5.6.7. Future Direction</td>
<td>145</td>
</tr>
<tr>
<td>5.7. SUMMARY AND CONCLUSION</td>
<td>146</td>
</tr>
<tr>
<td>References</td>
<td>149</td>
</tr>
</tbody>
</table>
ABSTRACT: The pursuit of economic development without doubt has been the top most priority of almost all TWCs. Public enterprises[PEs] have become the main vehicle on which such pursuit is carried out. Though their history is much shorter than that of PEs in industrialised countries of the West, their roles have become increasingly crucial and their contributions significant. Their commercial performances generally are not impressive but they face severe constraints especially in terms of autonomy and social obligations. Being government-owned, their long term planning and systems have to be in congruence with that of the government. Malaysian PEs are not much different and are assisting the government in pursuing its targets for development.

5.1. INTRODUCTION

State-owned enterprises are increasingly important actors in developing economies. They often dominate key sectors; they are significant borrowers in domestic and world credit markets; and they control the trade of major exports and consumer goods."

Shirley\1

The inclusion of a full chapter on public enterprises (PEs) reflects their importance in the economic development of the country. As a follow-up to the discussion on economic development, the PEs role is in fact crucial to the majority of TWCs. PEs are different from private enterprises in their objectives, establishments, operation, ownership pattern and style of management. Even amongst the PEs of the industrialised and the third world countries [TWCs], there are great differences, especially in terms of their purposes, values of the people managing them and the environment in which they operate.
The term "public enterprise" [PE], state-owned enterprises, state enterprises or parastatals, are terminologies that have been used interchangeably and are subject to a variety of definitions and interpretations. Shirley\(^1\) gave a broad explanation of what a PE is in her effort to define it. In its broadest sense, a PE encompasses "all industrial and commercial firms, mines, utilities, transport companies and financial intermediaries controlled to some extent by the government." They are also expected to earn most of their revenue from the sale of goods and services, are self-accounting and have a separate entity.

On the other hand as public organisations, PEs are owned and controlled by the government or its agents. Although they are less directly controlled by the government than a government department, they are under greater government control than a private firm. The government appoints the head of the enterprise (Chief Executive Officer, Managing Director or Executive Chairman) and probably all or some of the Board of Directors. In most cases the government has a controlling share of the equity of the enterprise. They can hold as low as 10% and still be the majority shareholder if the remaining shares are widely dispersed.

Leroy Jones,\(^2\) defines PE as a hybrid organisation which requires a multidisciplinary perspective. As an "enterprise", it
sells its output and therefore performs functions such as production, marketing and finance. As a "public" organisation, it is owned and controlled by the government or its representative. It is therefore subject to direct or indirect pressures from bureaucrats, politicians and the public at large.

Garner\(^3\) gave a more formal definition by defining public enterprise as that which, on the facts of its particular case is, or on the basis of existing rights or powers could be, under the general direction of a government or of some body created by a special statute or of some other PE or of some combination of these.

He also gave a definition of enterprise as a managerial entity engaged in the production or distribution of goods or services, the demand for which it is able to influence by way of some charges for them that to some extent at least it is free to determine.

David Coombes\(^4\) in trying to define PE, initially deliberated at length the development of PEs in the United Kingdom from its historical setting to the current situation. His main emphasis was on the ownership pattern and the role that PEs play. PEs in United Kingdom arose from the desire by workers to control their organizations, after the Second World War and this resulted in certain industries being nationalised. Coombes argued the social and economic obligations of these nationalised industries but at the same time they also had to be commercially oriented.
Gillis and Peprah,^3 define PEs as those organisations where the government is the principal stockholder, and which are involved in the production of goods and/or services and where the revenues are supposed to bear some relation to costs. Vernon and Aharoni,^6 also gave a similar definition and deliberated on the dilemma that the managers of PEs had to face in trying to balance political pressures and managerial autonomy.

This research defines PEs as those organisations in which the government holds a majority of the equity directly or through its agents. These PEs can produce goods and/or services to the public either locally or abroad. The government appoints all or some of the members of the Board of Directors to oversee the running of the PEs and provides financial assistance in the form of launching grant, annual grants and loans or various proportions and combinations of these.

5.3. TYPES OF PUBLIC ENTERPRISES

PEs can be classified into four different types.\(^7\)

5.3.1. Nationalised Companies

A company can be bought over by the government. In some countries (especially those with parliamentary democracy) a bill has to be passed by parliament to take the company into public ownership. Generally they have a statute of their own, are not stock corporations and legally are owned by the state.

119
5.3.2. **State Corporations**

There are enterprises where the state owns shares as in regular joint stock companies. The percentage of shares held can vary but, to qualify as a state enterprise, the state must be able to exercise managerial control. These shares can be held directly by the state or by other government enterprises or their subsidiaries.

5.3.3. **State Holding Companies**

These are parent companies which own shares in a variety of other quoted firms. They are usually 100% owned by the state and are said to monitor its interest. However, the state may sell shares of the subsidiaries to the public. The state-holding company (parent company) could be a finance company which establishes joint venture subsidiaries in need of financial support. Sometimes this method of financing is used to encourage private companies to invest and enter into certain capital intensive or risky ventures by making state equity funding possible. This will spread the risks to the private investors.

5.3.4. **Special Status**

There are other types of PEs that have a particular legal form of their own but are not classified as nationalised enterprises. They are specially created, autonomous from their inception and wholly financed or assisted by the government.
They are allowed to establish subsidiaries and engage in activities within a specific sector or region. These subsidiaries again can be wholly or partly owned by the PEs. Examples are the regional authorities that handles the development of a region.

5.4. PUBLIC ENTERPRISES IN THE INDUSTRIALISED COUNTRIES

The historical development of PEs and their roles in the industrialised countries of the west will be discussed briefly and will be followed by the same for the TWCs.

5.4.1. Historical Development

In the United Kingdom, the history of the nationalised industries stretches way back before the 20th century. As early as 1715, Liverpool Docks were already managed by the Liverpool Municipality and at the end of the 19th century the people were already debating the merits of nationalisation. Later development saw the creation of the Port Authority of London (1908), Central Electricity Board (1926), London Passenger Transport Board (1923). In 1939, the two major airlines were nationalised. After the Second World War, when the Labour Government came to power, Lord Morrison of Lambeth, often called "the Father of nationalised industry in the United Kingdom," established the concept of "an arms length" relationship between the government and the enterprise. The British people, through government
ownership, became theoretically the masters of some United Kingdom industry rather than simply employees and customers.

A similar pattern developed in other West European countries, Canada and the United States. In France, Napolean I, probably started the policy of state intervention through public works (Gershoy, 1964) in the construction of roads, canals, sewages, buildings and others. The first recorded use of a PE-type corporation in Canada was in 1820 where a Board of Workers was established to construct a canal system in Lower Canada. This was followed by the Montreal Port Authority in 1867, the Canadian Privy Council in 1878, the Canada National Railway in 1919 and the Canadian Broadcasting Corporation in 1932.

All in all, PEs were already established in the late 19th and early 20th centuries. But it was only after the Second World War that the rate of establishment of PEs rose. In Britain, the Labour Government's Act of Nationalisation of 1945 saw the nationalisation of the coal, gas, electricity and internal transport industries. There was further growth of government corporations in the years that followed and it was no longer seen as such a panacea for earlier economic and social ills.

5.4.2. Reasons for Establishment

The reasons given by the various authors for the establishment of PEs can be grouped into four broad categories:
5.4.2.1. To Control Key or Strategic Sectors

There are industrial and commercial sectors within a country which are considered too vital to a country to be left to the private sector to operate. There could be economic, social or strategic reasons. Examples are the steel and mining industries, radio and telecommunication networks, transport, water and energy.

5.4.2.2. To go Into Sectors Thought Unattractive to the Private Sector

There are sectors in a country which private corporations would not dare venture into for various reasons such as:

a) too risky in terms of financial returns,
b) require too large a capital outlay,
c) not financially viable, and
d) requiring specialised skills which they do not have.

To illustrate, developing an isolated industrial site is not only costly but will face difficulty in attracting private enterprises to operate there. The government has to get involved directly by establishing public enterprises to "start the ball rolling". In another case, the government has to provide transport and communication services to the rural or sparsely populated areas where private enterprises would not venture into such unprofitable activity, at least initially. Airlines may be established as public enterprises because of the huge capital outlay that is required, capital which only the government may have.
5.4.2.3. Rescue Operations on Declining Industries

There have been cases in the past where an industry/enterprise for some reason or other is facing a decline. If it continues, it will face bankruptcy and collapse. But the socio-economic costs that the government would have to bear if the industry/enterprise were allowed to collapse would be far greater than the costs of keeping it in operation. Examples of such rescue operations that have been quoted include the Canadian National Railway, the AMSTRAK of USA and British Steel.

5.4.2.4. Other Reasons

There are other reasons that are unique to certain enterprises. The nationalisation of Renault in France was thought to be a punishment for the cooperation given by the Renault family with the Nazis during the Second World War. A change in government and thus the political ideology can also result in nationalisation. Socialism, Marxism and political jealousy towards an opposition or non-government business power, are other reasons why an enterprise might receive the same fate (Bank of France and Manila's metropolitan transport).

A point to note is that nationalisation of private enterprises or creation of a state corporation can be due to any of the various reasons stated above. Whether the decisions are rational or otherwise always creates an interesting argument. And true to human nature, a rescue operation to some can be interpreted as political or irrational by others.
5.4.3. Common Characteristics of Private Enterprises

The sectors in which PEs can operate are diverse. They include the primary sector (production or manufacturing), secondary (construction, automobiles etc), tertiary (transport, financial, advisory etc.) and even multisectoral. In practice, countries vary widely as to what industries/sectors most of their PEs operate. How the PEs were formed, when and why, also depends on many factors peculiar to each nation’s state’s circumstances at that point in time. The type and degree of activities of PE will also depend on the ideology of the ruling political power as well as the socio-economic state of the country. As the environment changes, different types of PEs will come to the fore; others will be privatised.

Another unique feature of the PE is the nature of the equity shares. Private companies are owned by individuals who may buy or sell their ownership rights. PE’s that are wholly owned by the government belong to the citizens of the country and are financed from the general pool of funds mobilised by the state. These shares are, however, not tradeable in the market. The citizens as "quasi shareholders" do not enjoy the influence over the firm such as that of shareholders in private companies.

5.4.4. Problems of Managing Public Enterprises

Public Enterprises are not without problems. Other than the problems related to the management of any organisation, PEs also
have problems that are unique to themselves. Heath in his article\(^\text{13}\) on the subject listed four major problems that are faced by PEs today. These are briefly discussed below.

a) **Confusion of Goals**

Different PEs have different goals to pursue. Each was established during different periods and thus were under different situations and national leaders. Over time, their goals are adjusted to suit the changing situation, needs of government and the perceived beneficiaries.

Senior managers who run PEs have also to balance their political aims with wanting more autonomy to manage their enterprises. They would like to run them to pursue what they think is best for the business and its employees. This is what is sometimes referred to as the "business aims".

b) **Diversity of Goals**

In addition to the confusion of goals mentioned in (a) Anastassopoulos,\(^\text{14}\) highlighted that PEs also tend to have several diverse goals to pursue. Most common yet always in conflict are the socio-economic and the financial goals. This diversity adds further to the confusion of goals.
c) Cultural Differences in the Central Network

This third problem arises from the cultural differences of the managers of the PEs and the controllers of the ministries. The two groups usually find that the motivation and behaviour patterns of the other group difficult to comprehend. This often results in frustrations which demotivate the managers of the PEs. In the end, it will be the PEs that suffer.

d) Measuring Performance of the Public Enterprises

The performance of PEs has been a subject of great interest to politicians, managers, economists and the public in general. The problem is how to establish the objective criteria to appraise the PEs' performance. Some believe that PEs should not be considered as separate from the private sector for they perform commercial activities like private enterprises. Government regulations, it is argued, usually affect both sectors and therefore they should not be treated differently.

But managers who run the PEs claim that they have lesser power over resources and the choice of strategy than those of private enterprises. They are also not subjected to pressures from stockmarket shareholders. Financing provided by the government (or guaranteed by it) may well be cheaper than the real market cost. In this sense they are different
from private enterprises where all the expenses incurred have to be generated from their own operations or borrowed from the open market.\textsuperscript{17}

With the above mentioned problems, the performance of the PEs are relatively much more difficult to measure. What may be crucial, at least to the tax payers, is that whatever the socio-economic objectives are, the amount of resources put into achieving them ought to be justified and controlled by the relevant authorities.

5.5. \textbf{PUBLIC ENTERPRISES IN THE THIRD WORLD COUNTRIES}

"They're everywhere, they rarely turn a profit and many of them are deeply in debt...."

Gillis and Peprah.\textsuperscript{18}

5.5.1. \textbf{History}

Public Enterprises in the Third World Countries, have a much shorter history than those in industrialised countries. Their roles have been geared more towards complimenting their respective government's effort in striving for development. The fact remains that they operate in countries where additional problems exist in the form of: \textsuperscript{19}

a) increasing overpopulation,

b) limited industrial infrastructure,

c) shortage of trained manpower and professionals,
d) unstable foreign earnings,
e) overcautious private sector,
f) undercommitted bureaucracy.

With these problems, the PEs are depended upon by their respective government to be the catalyst and media for economic development.\textsuperscript{20}

5.5.2. Reasons for Establishment of PEs in TWCs

Reasons for the establishment of PEs in the developing countries are not dissimilar from reasons of the industrialised countries. The private sector with its own profit oriented objectives may not possess the will or the resources to carry the main burden of industrialisation which is one of the government's strategies for economic development. Even if they do, their response rate might not be of the type and speed deemed appropriate.

For this reason (together with possible ideological motives) governments of TWCs may decide to participate directly in the industrial development programmes through the creation of their own enterprises.
Table 5.1. Number of Non-Financial Public Enterprises in Selected Third World Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>1969</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>100</td>
<td>490</td>
</tr>
<tr>
<td>India</td>
<td>50</td>
<td>190</td>
</tr>
<tr>
<td>Mexico</td>
<td>180</td>
<td>510</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>20</td>
<td>120</td>
</tr>
<tr>
<td>Zaire</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>Malaysia(^22)</td>
<td>54</td>
<td>150</td>
</tr>
</tbody>
</table>

Shirley, has attributed the increase in the number of such PEs in the developing countries to this pragmatic necessity and reported the increases as shown in table 5.1.

But there are other additional reasons for their establishments which are perhaps unique to the developing countries. These have been highlighted by many authors\(^23\) and some of these reasons are:

a) lack of private entrepreneurs: they may not exist due to the fact that most concerns were previously controlled by foreigners. Alternatively, such entrepreneurs who exist are either few in number or operate very small businesses. They may be too risk averse or are active in only one sector and are happy to remain there.

b) used to correct racial or regional economic-political imbalances,

c) the need for government involvement in injecting capital into certain industrial sectors which have been given priority status,
d) non-economic reasons like security, nationalism, wanting to control the strategic or key resources, or even to achieve a balance of power with the private sector,
e) to compensate for extensive foreign ownership,
f) to be a joint-venture partner with foreign investors looking for local partners.

The list demonstrates that the reasons are many and varied although some could overlap.

5.5.3. Roles of PEs in the TWCs

Public enterprises may have been established for various reasons and may then be committed to perform diverse roles. The "public" and the "enterprise" dimensions themselves outline the possible diversity of roles that they can perform. Their roles will initially be determined on their formation and subsequently by the interaction between the economic, social, political and ideological forces prevalent in the nation/state. These are unlikely to be static and will create an additional dimension to the prevailing problems of PEs.

To elaborate further, the public dimension of the PE has two characteristics.24

a) the first is the public purpose which aims at optimising the outcome from the point of view of the decision
makers and at the same time noting the impact on the society.

b) the second characteristic is the public ownership. Ownership can be looked upon as a legal claim on the assets (which is the common angle) or from the economic aspect (which is concerned with who benefits from the PE’s existence). For the latter a different kind of role can be requested from the PE. The interests of the society then become an equal objective to that of the legal owners.

Furthermore, the various goals to be achieved are given different weights by each nation/state, government or socio-economic system. In a country where the involvement of PEs in the economy is low, their existence is determined predominantly by economic rationale. They play only a supportive role in industrial development. At the other extreme their role could be related to achieving social and economic equality and participation.

Sicherl\[25] made an extensive study of the behaviour of PEs throughout the developing countries and reported a wide variation in their role. The internal and external situation of each country affects the fields of activities, objectives and strategies of these PEs in contributing to industrial development. Cases of four countries, namely Bangladesh, Somalia, Tanzania and Peru were cited. Suffice to say that when these countries gained
independence, or underwent a change in government (revolution, coup etc.) the roles of the PEs changed with it to suit the objectives of the government in power.

In conclusion, the various objectives and roles that PEs play point towards its multidimensional nature. The two dominant objectives are economic and socio-political development. What is more striking is that PEs have become an important instrument for TWC's development strategy even where the government (as in present day Egypt) does not for ideological reasons favour them. Once the decision to form PEs is made, there are many steps needed to translate the broad national strategy into an effective PE system.

5.5.4. Performance of PEs in TWCs

"It should be realised that proclamations and good intentions are not enough to achieve the objective and that the search for the most adequate operational solutions for the linkage between the society and the enterprise level which would at the same time satisfy social preferences and the quest for economic efficiency is an arduous one"

Sicherl\^26

The measurement of performance of PEs is not easy. Performance measures tend to be inclined towards economic efficiency as measured by profit or proxies for profit. However, as we have seen, the objectives of PEs' operations may be quite different. Gantt and Dutto\^27 in an IMF staff paper in 1968, made one of the earliest comparative studies of performance of 64
PEs in 26 countries. The study reported that, when depreciation and subsidies were taken into account, most of the PEs showed a loss equivalent to 16% of the total activity (operating revenues less operating expenses). The return on investment is often low or negative and self financing is close to nil.

The economic records of PEs have, with a few exceptions been generally poor. What is especially disturbing is that the PEs in TWCs often control some of the largest potential revenue-earning activities. In certain cases their investment programmes are intended to be on a self financing basis. Alternatively, the PEs only possess the capability of servicing their debts. Sadly, self-financing and debt repayment are rarely realised. The result is rising debt which increases the financial burden of the national treasury.

The managers of the loss making PEs may not be at fault. The social/political objectives that these PEs are required to attain may be the reason for their dismal results. In fairness, these may be valid excuses. Financial measurements of performance may not be appropriate. But some method for measuring economic performance is necessary. These should be stipulated and agreed upon by the government authorities before the PEs and their respective senior managements are allowed to operate.

Deepak Lal suggested that social profitability be used as a criterion for performance measures, but he did not specify. Ahmad, Zia. U, also strongly recommended that the social costs
component be quantified and included in the calculation of performance. Another suggestion was made by Ivan Turk\(^31\) where in addition to the normal financial data and its analysis, there ought to be another component namely that of the non-accounting data such as measures of employment, quantity and quality of production, capacity utilisation, economy of consumption, technical productivity of labour and finally import substitution.

The possible contribution towards economic development by PEs has been recognised. But, as indicated, their performance has been well below expectations. Shirley,\(^32\) made five recommendations as to ways in which PEs could enhance their operating efficiency. They are:

a) the objectives set by government must be attainable, clearly set out and be linked to some performance criteria,

b) there should be control without interference. The challenge here is to design a system that holds managers accountable for results while giving them the autonomy which they persistently long for,

c) to hold managers accountable for the results: financial profit has been strongly recommended as the possible target that can be identified and measured,

d) appropriate managerial skills and incentive schemes to be provided for, and
e) liquidation and disinvestment options be available since there are instances where even a good management system will be unable to improve the PEs.

Thus, PEs in TWCs, young as they may be, are expected to perform creditably. The expectations, mainly from the public are usually high but the resources needed or the constraints that they experience are sometimes too much that they seldom perform satisfactorily.

5.6. PUBLIC ENTERPRISES (PEs) IN MALAYSIA

Let us now examine the Malaysian PE scene. To what degree does it differ from what has been described?

5.6.1. Introductory Note

Public Enterprises in Malaysia were established during the colonial days in the late 19th century. The objectives for their establishment were development and venturing into projects of large investments. By 1985 there were more than 100 first level PEs in Malaysia and under them a total of more than 900 companies in which the Federal and/or state government had some form of investments. First level PEs are those that are directly managed by Ministry appointed officials and do not include subsidiaries. They were given a new role to play in the period of the Second Malaysia Plan (1970-1974) where they were expected to be involved actively in trying to achieve the targets of the
New Economic Policy (NEP). (This has been explained in detail in Chapter three on Malaysia).

5.6.2. **Historical Background**

The earliest PE established during the British colonial rule was the one that managed the railway line linking Port Weld and the town of Taiping in the central part of the west coast of the peninsula. This was in 1855. There were others formed later such as the Telegraph (1876), Planter's Loan Board (1915), the Rubber Research Institute (1925), Public Works Department (1940) and the Malayan Railway (1948).\(^{34}\)

In 1966, five new PEs were established under the newly-passed Companies Act. These were Malaysian International Shipping Corporation [MISC], Malayawata Steel, Malaysian Explosives, Government Officers Housing Development and Bank Bumiputera.

5.6.3. **Objectives of Establishment**\(^ {35} \)

The early PEs in Malaysia were established to develop the utilities and infrastructure sector (road, railways, telegraphs). Later, others were established for farmers developmental purposes (Federal Land Development - FELDA), security (Malaysian Explosives), strategic commercial purposes (Malaysian Shipping Corporation - MISC), prestige (Malaysian Airline System - MAS), socio-economic reasons (National Padi Authority - LPN), control of resources (National Petroleum Corporation - PETRONAS),

\(^{34}\)\(^ {35}\)
participation in heavy investments (Port Klang) and for many other purposes. In general, almost all have primarily a developmental purpose.

But after the racial riots in 1969, the rate of establishment of PEs was increased and between 1970-1973 alone, 31 more were established. They were also established for developmental purposes but with an additional emphasis to help achieve the targets of the New Economic Policy (NEP). That is, they were to participate directly in business activities and to encourage the Bumis to play an active role.

As the number of public enterprises increased, the Ministry of Public Enterprise (MPE) was established in 1974 to coordinate, monitor and evaluate the activities and performances of most of the PEs. Today, only 26 PEs are under the administrative responsibility of this Ministry. This is in actual fact only a quarter of the 100 first level PEs, the others being distributed to other appropriate Ministries.

5.6.4. Relationship of PEs to the Government's Organisation

The relationship of the PEs and their respective Ministries is shown on chart 5.1 (which also includes PEs participating in the research).

a) Administration

Refering to Chart 5.1, all PEs are answerable to one Ministry. But because of the diverse nature of their
activities, some of them may also be called upon to submit copies of their annual reports to other ministries as well. To illustrate, the main activity of Federal Land Development Authority (FELDA), one of the PEs participating in this research is to open up new land for the farmers and is therefore directly under the Ministry of Land and Regional Development. But its activities involve farmers, agricultural production, processing, manufacturing and trading and thus would be of interest to other ministries as well like Agriculture, Trade, Primary Industries and even Environmental Science.

Since the colonial days, the CEOs appointed to head PEs have tended to be selected from the civil service. The related Ministry would be responsible for selecting and appointing such personnel. He is assisted by a Board consisting of a part-time Chairman and 6-12 other members. These other board members are representatives from relevant ministries or states, and a few politicians. A slight development has been observed lately where professionals have been appointed to sit as board members. Even with this development, government thinking dominates the Board meetings, and the government and the ministries will be well informed of the activities of the PEs.
CHART 5.1. PE INTERRELATIONSHIPS WITH MINISTRIES AND PARLIAMENT INDICATING THE LEVELS OF AUTHORITY AND RESPONSIBILITY (PARTICIPATING PE's INDICATED)

PARLIAMENT

CABINET COMMITTEE

CABINET

PRIME MINISTERS DEPARTMENT

CABINET SUB-COMMITTEES

TREASURY

OTHER MINISTRIES

MINISTRY AGRICULTURE

MINISTRY PRIMARY INDUSTRIES

MINISTRY LAND AND REGIONAL DEVELOPMENT

MINISTRY PUBLIC ENTERPRISE

NATIONAL BANK

OTHER MADA

MARDEC

FELDA

KEJORA

DARA

KEDA

SEDCJ

SEDCT

FIMA

OTHER

NATIONAL INVESTMENT CORPORATION

[GUTHRIE & HARRISONS AND others]

The Board of Directors meet regularly, ranging from once every 2 weeks (Executive Board) to once every 3-4 months. They are required to monitor and oversee the activities of the PEs. More often than not, they act as approving body for major decisions taken by the PEs. This function of approving and monitoring is still dominant over the function of formulating long term objectives and directions which they are also expected to perform.

b) Financial Assistance

There are two categories of financing of PEs in Malaysia. Of the approximately 100 PEs, the first category consists of those which are financially independent. That is, they no longer receive grants from the Federal Treasury and are run primarily as a private entity. The majority of this category of PEs are placed directly under the Prime Minister's Department.

The second category is made up of PEs that are financially dependent on the government either fully or partially. They are placed under the appropriate Ministry. The financing is for two purposes. The first is for annual operating expenses and the second is for development. The former is usually given in the form of annual direct grants while the latter can be either in the form of capital grants or loans.
Over the years, the percentage allocation of the development budget given to the PEs has been increasing. Table 5.2 indicates the allocation given to the 40 top PEs classified as Off-Budget Agencies (OBA). These are agencies that earn annual revenues of at least M$5 million ringgit and where the government has at least a 50% equity share in them.

For 1986, M$6000 million ringgit was allocated to the OBAs from the total government's annual budget of $30,812 million ringgit i.e. about 20 per cent. However, the total value that is, allocated to the PEs will be much more than this for this represent only the allocation for the PEs that are categorised under OBAs.

TABLE 5.2. BUDGET ALLOCATION OF DEVELOPMENTAL EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>TOTAL GOVT. DEVELOPMENTAL EXPENDITURE [MILLION RINGGIT]</th>
<th>OBA DEVELOPMENTAL EXPENDITURE [MILLION RINGGIT]</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECOND MALAYSIA PLAN [71-75]</td>
<td>9901</td>
<td>1361</td>
<td>14</td>
</tr>
<tr>
<td>THIRD MALAYSIA PLAN [76-80]</td>
<td>27493</td>
<td>4378</td>
<td>16</td>
</tr>
<tr>
<td>FOURTH MALAYSIA PLAN [81-85]</td>
<td>81840</td>
<td>27717</td>
<td>34</td>
</tr>
<tr>
<td>FIFTH MALAYSIA PLAN [86-90]</td>
<td>94000</td>
<td>35000</td>
<td>38</td>
</tr>
<tr>
<td>1986</td>
<td>14928</td>
<td>6000</td>
<td>40</td>
</tr>
</tbody>
</table>

5.6.5. Financial performance

Generally, the financial performance of PEs in Malaysia are weak. Detailed financial reports of PEs are difficult to obtain (Puthucheary, 1984) and those that were available were usually strategically consolidated under the parent company or were too brief to enable further analysis. But in all fairness to the PEs, most of them cannot be expected to perform well financially considering the pressures to which they are subjected to achieve social goals in addition to financial considerations.

Nevertheless, PEs engaged in financial and investment activities appear to be doing financially better than those engaged directly in agriculture or manufacturing activities. Some of the factors which may contribute to the generally unimpressive performance are:

a) they tend to get relatively cheaper loans from the government and therefore most of them tend to operate on a high gearing ratio,

b) poor investment planning is common which may have arisen from (a). This result in poor investment decisions,

c) absence of proper guidelines and monitoring to ensure that managers of PEs know what they are expected to do and how their performance is to be measured.
Thus, it appears the financial performance of PEs in Malaysia is not something to be proud of. The government has been harping on their social contributions, of opening new land for the landless farmers, providing cheap housing, building infrastructures and giving employment.\(^{40}\) But lately, the government has embarked on a privatisation plan, involving several PEs.\(^{41}\) At the same time Ministers have also been moving around the country to check on PEs, a few of which were closed due to poor performance. This coincided with the recent slump in the country. But such acts awakened the PEs and they are now more alert and cautious about undertaking new activities whose viability is doubtful.

5.6.6. Relationship of Long Term Planning of PEs With the Government

The previous chapter stressed the necessity of national planning in the pursuit of economic development. Efficient national planning would also ensure PE activities and objectives are in congruence with those of the government. How close this relationship is, depends on several factors as explained below.

The PEs do their own long term planning. Since they are government-owned and have to request the government for their expenses, they will also participate in, and be part of the government's five year plans. Their procedures and schedules of planning activities will have to be in line with those of the government.
The process begins when the PEs initially receive through their respective Ministries a request for preparation and submission of their next five year plan. Projects that are to be financed by the government will have to be accompanied by project briefs and justification. The pathways that these proposals go through have been described in detail in chapter three. Briefly, the plans of the individual PEs, after being approved by their own Board, will be submitted to their respective Ministry and state government for their consolidation. Subsequently they will be submitted to the Economic Planning Unit (EPU) who will then make preparations for submission to the National Development and Planning Committee (NDPC) (Cabinet sub-committee).

The plans then go to the next level i.e. the National Action Council (NAC) and then finally to the cabinet for approval. The plan once approved will be used closely for future reference especially during the annual budget exercise. The government also put aside contingency funds to allow for projects that are not conceived during the above approval sessions. For the Fifth Malaysia Plan, M$200 million ringgit was set aside for such contingencies.

5.6.7. Future Direction

The emphasis on financial profitability of PEs has forced several PEs to look for financially viable projects. The technology and markets available locally are almost saturated and the next step which is preferable is to look beyond the national
boundary. Malaysia whose strategic advantage probably lies in its rich natural resources, relatively better educated labour force within the region, the availability of an acceptable level of skilled labour and, probably also of importance, the relatively cheaper labour cost, has turned to the international scene not only to look for new markets but also to look for and invite new foreign investment partners.

Malaysia is offering local raw materials to be processed and used in manufacturing for the international market (mainly rubber, palm oil, forest products and tin) or even to have multinationals locate their factories within the country and make use of the cheap local labour force. Currently, the electronics industry is taking full advantage of such offers.

The government is providing a fair amount of incentives\(^43\) for such collaborative undertakings and this is where the PEs would benefit most. Free Trade Zones have been developed and the tax holiday period has been extended for some industries. Incentives are offered to manufacturing concern that export most or their product, make use of local materials, locate their factories in the rural areas and employ more than 100 workers. The government has even relaxed the requirement that joint ventures have a 30% local ownership.

In fact out of the 900 total subsidiaries of the PEs about 60% are of the joint venture status of which half are with foreign companies.
5.7. SUMMARY AND CONCLUDING REMARKS

The objective of this chapter is briefly to look at the different roles and reasons for establishment of public enterprises in the industrialised countries of the west as well as in the Third World Countries. PEs in the TWCs face much more diversified roles although the reasons for their establishment might be similar. Helping to achieve their respective government's development targets have been their major concern. In addition, the resources that are made available to them are much more restricted considering the economic status of the TWCs.

The PEs in Malaysia are not much different from the general characteristics as described earlier. The reasons for establishment, roles expected of them, relationship with government ministries and dependence on the government are generally similar. The few unique features identified could be the distribution of all the thirty-nine agro-based PEs under five separate Ministries.

Malaysia's PEs have got an additional and perhaps a unique task of not only helping the government to achieve its development targets, but also to do it in line with the New Economic Policy (NEP). Historically the PEs were created for developmental purposes. But with the critical need to correct the imbalance in society, a new dimension has been added, namely that they are to actively participate and help the government in encouraging the Bumis to participate in the commercial sector.
Being government-owned, and to a certain extent financially dependent, the PEs are answerable to the appropriate ministries. They also have to participate and contribute towards the preparation of the national Five Year Plans. Thus, they have to follow the national planning schedule and submit requests for projects if they are to receive the necessary financing from the government.

But their dismissal performance in terms of the financial viability has received severe criticism. The increasing government attention on this aspect of performance has resulted in a change of strategy. They are now emphasising financial viability rather than economic viability. They are also taking advantage of the conducive climate created by the government for foreign investors to enter joint-venture operations, optimistically for the better.

The PEs are guided by their broad purposes of establishment. Although their objectives are in line with that of the NEP, they are broad enough for them to plan freely for the future. Thus the planning component is critical and what kind of planning do these agencies practise?

*Regardless of their performance as measured by standards normally applied to private firms and whether or not they are perceived to have successfully promoted non-economic goals of TWCs, the role of PEs in development is not likely to diminish in the foreseeable future.*

Gillis et al.\(^{42}\)
REFERENCES


10. A synthesis of various authors such as:
   b) Austin; Wartzel; Coburn. 'Privatising State-owned Enterprises; Hopes and Realities', Columbia Journal of World Business, Fall 1986, pp 51-60,


23. This is a collection of various established authors on the subject, and they are:

   a) Jones, L.P; Mason, E.S. 'Role of Economic Factors in Determining the Size and Structure of Public Enterprises in Less Developed Countries with Mixed Economy', pp 18-19, of his book, Ibid.


30. Ahmad, Z. U. (1982). Also mentioned the agreement by workshop participants at an ICPE Conference in the use of social and financial profitability criteria. All agreed of the difficulties but strongly recommended that the social costs component be quantified and included in the calculation of performance.
33. Yahaya, A.W. Speech by the Director General of the Economic Planning Unit of Malaysia quoted by Briterol, the telex news bulletin distributed by the Malaysia Students Department in London, 13th Nov. 1988.
41. Discussion of this subject can be obtained from several articles like:


# CHAPTER SIX

## CORPORATE PLANNING

### GENERAL OVERVIEW

<table>
<thead>
<tr>
<th>CHAPTER LAYOUT</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ABSTRACT</td>
<td>153</td>
</tr>
<tr>
<td>6.1.</td>
<td>INTRODUCTION</td>
<td>153</td>
</tr>
<tr>
<td>6.2.</td>
<td>DEFINITION OF CRUCIAL TERMS</td>
<td>154</td>
</tr>
<tr>
<td>6.2.1.</td>
<td>Strategy</td>
<td>154</td>
</tr>
<tr>
<td>6.2.2.</td>
<td>Planning</td>
<td>155</td>
</tr>
<tr>
<td>6.2.3.</td>
<td>The Term &quot;Corporate/Strategic Planning&quot;</td>
<td>156</td>
</tr>
<tr>
<td>6.2.4.</td>
<td>Definition for the Research</td>
<td>158</td>
</tr>
<tr>
<td>6.3.</td>
<td>HISTORICAL DEVELOPMENT OF CORPORATE PLANNING</td>
<td>159</td>
</tr>
<tr>
<td>6.4.</td>
<td>REPORTS OF SURVEYS ON PRACTICES OF CORPORATE PLANNING</td>
<td>164</td>
</tr>
<tr>
<td>6.4.1.</td>
<td>Corporate Planning Practices In USA</td>
<td>165</td>
</tr>
<tr>
<td>6.4.2.</td>
<td>The Practice of Corporate Planning In UK</td>
<td>166</td>
</tr>
<tr>
<td>6.4.3.</td>
<td>Comparative Studies and Reports of Practice of Corporate Planning in Other Developed Countries</td>
<td>170</td>
</tr>
<tr>
<td>6.5.</td>
<td>DOES CORPORATE PLANNING PAY?</td>
<td>173</td>
</tr>
<tr>
<td>6.6.</td>
<td>COMMENTS ON SURVEY ARTICLES</td>
<td>177</td>
</tr>
<tr>
<td>6.7.</td>
<td>CORPORATE PLANNING IN PUBLIC ENTERPRISES OF INDUSTRIALISED COUNTRIES</td>
<td>179</td>
</tr>
<tr>
<td>6.8.</td>
<td>CORPORATE PLANNING IN THIRD WORLD COUNTRIES</td>
<td>185</td>
</tr>
<tr>
<td>6.8.1.</td>
<td>Extent of Corporate Planning in TWCs</td>
<td>186</td>
</tr>
<tr>
<td>6.8.2.</td>
<td>Corporate Planning In Public Enterprises in TWC's</td>
<td>190</td>
</tr>
<tr>
<td>6.8.3.</td>
<td>Emergence of TWCs Multinationals</td>
<td>191</td>
</tr>
<tr>
<td>6.8.4.</td>
<td>Is There Corporate Planning in TWCs?</td>
<td>192</td>
</tr>
<tr>
<td>6.9.</td>
<td>CORPORATE PLANNING IN MALAYSIA</td>
<td>193</td>
</tr>
<tr>
<td>6.10.</td>
<td>SUMMARY OF OVERVIEW OF CORPORATE PLANNING</td>
<td>195</td>
</tr>
<tr>
<td></td>
<td>REFERENCES</td>
<td>198</td>
</tr>
</tbody>
</table>


ABSTRACT: The chapter looks at survey reports of corporate planning practices as observed in the West especially USA and UK. Its practice since the 1960's has been increasing although there are still controversies as to its benefits and contributions towards corporate success. The application of corporate planning in PEs in industrialised countries has also been established.

Generally, reports of its use in TWCs are scanty. Although there are several contentions as to its applicability in the TWCs, the concept seems to have been accepted and its use reported only occasionally. Its use is still in its infant stage. The rise of TWCs multinationals however might suggest that although corporate planning is newly introduced there, it might have been adapted and adopted faster by these multinationals.

Top Malaysian personnel in both the private and public sector are aware of the rapid development in the field of corporate planning. Detailed study of its application has not been reported.

6.1. INTRODUCTION

The subject of corporate planning will be discussed in two separate chapters. This chapter will be on a general overview of corporate planning while the next chapter will discuss the corporate planning system and process. The previous chapters on economic development and public enterprises provide the background necessary for the discussion of corporate planning in the Malaysian context. While corporate planning in itself is universal, its application in Malaysian public enterprises may require several and perhaps even major adjustments. This is more so considering the fact that the socio-economic environment, cultural and political situations are very different from those
of the industrialised countries from which most of the literature on corporate planning is derived.

The amount of available literature on this subject is voluminous. It is not the aim of this chapter to discuss every aspect but rather to focus on the research aspect, i.e. "on the system and process of corporate planning amongst agro-based public enterprises (PEs) in Malaysia".

6.2. DEFINITIONS

There are some frequently used terms in this area of research which need to be defined explicitly as they have been used by different authors to mean different things.

6.2.1. "Strategy"

The word "strategy" comes from the Greek language "strategekos" or "strategie" meaning "function of a general". Therefore, strategy as used originally in the military literally meant the art of the general. Thus in the military usage, it is the action that a military general or commander would take to counteract the action taken or likely to be taken by the enemy. Today, strategy in the military is not only a reactive act but also proactive for it also encompasses actions that need to be taken early or well in advance to obtain a strategic advantage over the enemy.
Its entry into the management literature is, however, meant to describe what top management does to counteract what a competitor does or is likely to do (Steiner, 1979). This is a matter of great importance to its future and covers a broad area that includes purposes, missions, planning objectives, programme strategies and key methods to implement the strategies. According to Quinn (1980), strategy is the pattern or plan that integrates an organisation's major goals, policies and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal competencies and shortcomings and anticipated changes in the environment and contingent moves by intelligent competitors.

6.2.2. "Planning"

"If a man takes no thought about what is distant, he will find sorrow near at hand."

Confucius (551 - 497 B.C.) simply said, "if you know where you are going, you stand a chance of getting there."

"Planning is one of the most complex and difficult intellectual activities in which man can engage. Not to do well is not a sin but to settle for doing it less, is."

Ackoff.

The word "planning" in management is essentially a process of preparing for the commitment of resources in the most
economical and efficient fashion, to achieve the enterprise's goals. Because of the limited available resources demanded by many sectors (divisions, projects, investments, etc.) to be used for the uncertain future, planning helps allocate these resources in a manner which is justifiable, efficient and with the least disruptions (Warren, 1966). In the words of Ackoff (1970),

"Planning is a process that involves making and evaluating each set of interrelated decisions before action is required in a situation in which it is believed that unless action is taken, a desired future state is not likely to occur and that if appropriate action is taken, the likelihood of a favourable outcome can be increased."

6.2.3. The Term "Corporate/Strategic Planning"

The term "corporate planning" which has become a fashionable term over the last ten or fifteen years, would supposedly then encompass the two definitions. However, the terms "long range planning", "strategic planning" and "corporate planning" have been used interchangeably in the literature. Although some authors like Denning (1971) have differentiated them, there is actually a fine line of differentiation and a large area of overlapping such that the majority of the authors treat them synonymously. Below are definitions of corporate planning proposed by selected authors to indicate the wide variation in the understanding of the term.

Drucker (1959) and Ringbakk (1968) both defined corporate planning as a process. More specifically, Drucker
defined corporate planning,

"as the continuous process of making present entrepreneurial (risk taking) decisions systematically and with the best possible knowledge of their futurity, organising systematically the efforts needed to carry out these decisions against the expectations through organised systematic feedback."

Ringbakk (1968), defined it as the process of developing objectives for the corporation and its subparts as well as developing and evaluating the alternative courses of action to reach these objectives and doing this on the basis of a systematic evaluation of the external threats and opportunities and internal audits of strengths and weaknesses.

Waggle (1972), however, defines it as the determination and implementation of corporate business strategy. Here a business strategy is defined as the course of action designed to optimise future profit over a series of years by deploying limited resources in a changing environment and in the face of increasing competition, in the pursuit of certain management goals.

Glueck, approached the definition of corporate planning by looking at its characteristics. It is a plan that is unifying, (which ties together the various components of the enterprise into a specific direction), is comprehensive (covers all the enterprise’s operations) and is synchronised and designed to assure that the basic objectives of the enterprise are achieved.

Thus, most prominent writers in this subject area (as
mentioned above), have their own pet definitions and they vary greatly in terms of the level of abstraction, components and general acceptance. But probably Steiner (1979)\(^\text{12}\) gave it a comprehensive view when he defined it through four different approaches:

a) it deals with the futurity of current decisions where there is a chain of cause and effect, adjustments made where necessary and always on the alert for new opportunities and threats,

b) it is a process, a continuous one with specific objectives to be met and a system established to see that this process goes on smoothly,

c) it is an attitude or a way of life; the people involved have to believe in it, see that it works and is an integral part of management,

d) if it is formalised then it has a structure that links three major types of plans; strategic, medium range programmes and short range operating plans.

6.2.4. Definition for the research

For the purposes of this research, the three terminologies "corporate planning", "strategic planning" and "long range planning" are treated synonymously. But for the purpose of gathering data, the term "long range planning" was used. This is as a result of a preliminary interview conducted at an early
stage of the research, where the managers of four Malaysian organisations that have offices in London felt that this term was more familiar and the people being interviewed would be more willing to discuss it. This was significant as information was also to be gathered from managers at different levels within the participating organisations.

It is therefore defined as the process which takes place within the enterprise that helps determine the future direction to be pursued and the pathways that the enterprise will take in order to achieve the established goals of the organisation and a system is established to see that these are carried out satisfactorily.

This is a general definition to encompass the exploratory nature of the research. It covers three of Steiner's four characteristics, i.e. that of analysis and decision for the future, that it involves "a series of processes" and that there is a system component which would influence the smooth running of the process.

6.3. HISTORICAL DEVELOPMENT OF CORPORATE PLANNING

The two charts in this sub-section summarise the historical development of corporate planning in industrialised countries in the west. Since the beginning of the century and as time has passed, there have been changes in the characteristics of the
business environment which demanded a change of management style, system and tools, to cope with the changing environment.

Before the Second World War, most of the planning processes, documentations and planning activities were more of the budgeting type. Sales and purchase costs were the main data recorded, and these were then used for predicting the budget necessary for the next transaction (Ansoff, 1977).

After the second World War, there was a change in planning activities. This was noticeable after the 1950's when the business environment was no longer as predictable as before but rather, was becoming more dynamic and turbulent. The rate of change in technological advancement became so rapid that those who did not keep up with it found that they were not able to meet the market demands. Technological advancement resulted in new and better products and with the improvement in communication and transportation (telephones and aeroplanes), such products reached the markets within a shorter period of time. This change made the businessmen realise that markets had expanded, had grown more complex and that the existing planning tools like budgeting were insufficient to cope with the demands of the environment.

Then came the era of long range planning. It was probably introduced in the 1950's and became popular in the early 1960's. The kinds of data that were available at that time were the budgeting data and these were used to make much longer projections of 3-5 years ahead. This was done by the
Chart 6.1: HISTORICAL DEVELOPMENT OF CORPORATE PLANNING IN RELATION TO GROWING ENVIRONMENTAL TURBULENCE:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TURBULENCE LEVEL</td>
<td>STABLE</td>
<td>REACTIVE</td>
<td>. ANTICIPATING</td>
<td>. EXPLORING</td>
<td>CREATIVE</td>
</tr>
<tr>
<td>CHARACTERISTICS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Familiarity of events</td>
<td>familiar</td>
<td>extrapolation</td>
<td>discontinuous but discontinuous of experience related to experience and novel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Rapidity of change</td>
<td>slower than comparable to firm's response</td>
<td>shorter than firm's response</td>
<td>shorter than firm's response</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Visibility of future</td>
<td>recurring</td>
<td>forecastable by extrapolation</td>
<td>predictable</td>
<td>partially predictable</td>
<td>weak signals</td>
</tr>
</tbody>
</table>

Chart 6.2: EVOLUTION OF MANAGEMENT SYSTEMS IN RESPONSE TO THE ENVIRONMENTAL TURBULENCE:

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Recurring systems and procedure manuals</td>
<td>financial control</td>
<td>short term budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Forecastable by extrapolation</td>
<td>capital budgeting</td>
<td>MBO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Predictable threats and opportunities</td>
<td>long range planning</td>
<td>periodic strategic management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Partially predictable weak signals</td>
<td>issue analysis</td>
<td>real time strategic management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Unpredictable surprises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[both above charts derived from several sources like: Ansoff(77), LaBriola(79), Ansoff(80), Glueck(82), Naylor(82), Amara(86) and Taylor(87).]
extrapolation of past trends. Plans were then drawn up to meet the projected expectations. This kind of planning was sufficient at that time as most of the manufacturing countries had control of their captive markets. The United States had a large internal market yet to be fully satisfied, while the European countries had not only their own internal market, but also had influence over various countries in Africa, Asia and South America which at that time were still under colonial control (Clarke, 1966).

In the early 1960's, the business environment entered another new era. Technological advancement continued and manufacturing industry was slowly being mechanised. This resulted in increases in production and efficiency and products of better quality. Such an increase in production, necessitated the search for new markets resulting in tougher competition with producers encroaching on the captive markets of other manufacturers. At that time too, many of the colonised countries had a surge of nationalistic feelings and finally gained their independence. These newly independent nations then opened their doors for trading and the captive market of the colonial manufacturers slowly eroded (Clarke, 1966).

All the above changes were not clearly forecasted by the long range planning systems that the firms had. Forecasting which was merely a projection or extrapolation of the past does not incorporate critical competitive elements such as the coming of other manufacturers into the markets. It was during this
period that Ansoff (1976) in the early 1970's introduced the term "strategic planning" as a tool in management. It was more than just long range planning. He introduced the concept of appraising of the internal environment, i.e. looking at the capability of the company, as well as appraising the external environment, i.e. analysing the opportunities and threats, and combining these with the company's long range plans. Ansoff also brought in other dimension whereby critical analysis of a company's capabilities and opportunities were incorporated into the decision making process.

However, by the late 1970's and the early 1980's, strategic planning was still not delivering the kind of support to top management as it was supposed to. Invariably, a turbulent environment still gave sleepless nights to planners and the existing methods were still not sufficient to cope. Ansoff (1980) then brought along and introduced the concept of "strategic management". The concept had two main components. One was "strategic issue management" which basically is a continuation of strategic planning. The other component was to set up an executive level committee or team and with it, responsibility for being on the alert to handle unexpected incidents which were strategic in nature. This Ansoff called "strategic surprise management". He felt that too often, there were major changes in the environment which were not envisaged by planners but which were critical to the company's operation.
With such rapid theoretical development in planning, to what extent or how widespread is corporate planning being used?

Reports of surveys of the practices of strategic planning are very common in the western industrialised countries like United Kingdom, the rest of Western Europe, and the United States, and multinationals from these countries. Reports of corporate planning practices in Japanese companies also appear in the literature.

As far as the Third World Countries (TWCs) are concerned the practice of formal strategic planning has not been reported much or researched. Lately, however, there are a few reports on its adoption in countries outside the recognised industrialised countries like South Africa, India, Hong Kong, Nigeria and Singapore. These studies seem to suggest that corporate planning is increasingly being used in the developing countries. The increase is especially true in countries that encourage foreign trade and allow multinational corporations to operate.

The discussions that follow look at survey reports of practices of corporate planning in United States, United Kingdom and some comparative studies with other countries. Why these countries in particular? United States is recognised as the forerunner in the field of business education and development. United Kingdom is identified because of the historical link that
it has with Malaysia, where a major part of its educational and business systems are still influenced by British practice. The comparative studies and reports of corporate planning in other countries are intended to portray a divergence or difference, if any, in the application of corporate planning with different nation states.

6.4.1. Corporate Planning Practices in United States Companies

In the United States, there were several reports of surveys on the usage of corporate planning before 1970. [Some of the earlier survey reports were made by Berg (1965), Litschert (1968), Brown et al (1969) and Ringbakk (1969). In an earlier report by Berg, it was reported that companies were experiencing difficulties in practising strategic planning. They were operating in such a diversified, volatile environment that formalised strategic planning processes had not seemed possible at all. The three latter studies were also attempts made to gauge the nature of strategic planning that was practised by companies and the numerous problems that they encountered at that time.

Several surveys made in the late 1970's, such as by Ang (1979), Boulton et al (1982) and Steiner (1983), all reported an increase in the practice of strategic planning. They also reported an increasing trend in the involvement of top managers as well as greater participation by other managers. The use of more quantitative tools and computers by planners was also reported (obviously due to the availability of such tools then).
The problems encountered were managerial and behavioural in nature; such as the difficulties of managers in general and line managers in particular in understanding and participating in the system, the absence of linkages with other systems and notably the reward system. In addition, the planning environment was felt not to be conducive to good practice. This was easily said but difficult to specifically identify and hence correct. A five-year planning cycle was common, so much so that operational strategic thinking was guided by this time frame.

In a recent report by Way (1986), all of the multinational corporations participating in the survey, practised strategic planning and management but 87% of them were not happy with it. Specifically, 59% identified that they were not happy with the implementation process and 67% traced this unhappiness to dissatisfaction with the planning system.

Thus, the surveys in United States seem to indicate an increase in the practice of corporate planning although some of the people that were involved in it were not happy about how it was being done.

6.4.2. The Practice of Corporate Planning in United Kingdom

Similarly, there are several survey reports on corporate planning as practised by corporations in United Kingdom. Amongst the earliest was the study by Denning and Lehr which was reported in 1971. The initial survey was done in 1967 where
the authors mailed questionnaires to 300 industrial and commercial companies listed in the 1966 Times List of 1000 largest companies. The aim of the survey was to obtain initially an overall picture of the extent of usage of corporate planning. ("corporate planning" here was defined as the availability of formal documents that detailed out the company's goals and future direction with methods outlined as to how these are to be achieved). Of the three hundred companies contacted, only 75 respondents (25%) admitted to having practised formal corporate planning.

A follow-up investigation was then undertaken to determine in more detail the nature of the corporate planning that was practised by the 75 respondents. The following findings were reported:

a) 25 had just introduced formal corporate planning within the last 2 years while 21 had done so before 1960.

b) the average time span of the plan was 5 years and none was less than 3 years.

Denning and Lehr also analysed the data further and made a second report in 1972. They examined the relationship between the incidence of long range planning systems and certain key company parameters. They reported that long range planning:

a) was highly correlated with the rate of technological change,
b) existed in companies with higher capital investments,
c) was positively related with size and complexity of the company,
d) system was introduced earlier if the organisation was more complex and
e) had no relationship with growth and profit measurement.

Another major survey was also done in 1967 by Taylor and Irving.24 The findings, were also published in 1971. It was a survey on the long range planning practices of 27 major companies selected from 16 different industrial classifications. Of these, 23 companies (or 80%) had formal long range planning. (Long range planning here was defined as planning that the company undertook to determine the long term direction of more than three years and steps organised to achieve it. This definition is similar to that of Denning's which was mentioned earlier]. Their report covered a wide range of variables within the planning system practised, such as:

a) reasons for the introduction,
b) the personnel involved,
c) participation,
d) status of the participants, and
e) the function of the board.

The report revealed that the practice was neither well developed nor as fully accepted as envisaged. All the
respondents were enthusiastic about the benefits to be derived but they were unable to say "by planning we had achieved this". Some of the common difficulties that staff of the participating companies faced were:

a) the planner-line management conflict,
b) lack of top management support,
c) absence of a conducive environment for corporate planning and
d) the inappropriate management-leadership style that should prevail.

Grinyer and Norburn (1974), Higgins and Finn (1977) and again Grinyer and his team (1980) are other researchers that did similar surveys in trying to determine the extent of the practice of corporate planning in United Kingdom. All of them reported that there was:

a) an increase of the use of formal planning,
b) a trend towards decentralisation, and
c) a trend towards having an informal system as far as information flow and communication were concerned.

The practice of formal corporate planning in medium size companies was studied by Bhatti (1981). Of the 26 that had a formal planning system, (defined here as having a formal committee or personnel that sits down together to discuss the future direction and how action is to be taken to achieve the long term goals), 96% reported the existence of formal
documents, (defined here as hard copy of the outcome of formal planning). But the operation of the system was still inefficient and the problems that the 26 faced were similar to those of the large United Kingdom companies reported earlier.

6.4.3. **Comparative Studies and Reports of Practice of Corporate Planning in Other Developed Countries**

Reports of some comparative studies are mentioned here to identify the divergence, if any, of purpose and methods of implementation of corporate planning in different countries. One of the earliest was reported by Ringbakk (1972).\(^29\) He made comparisons of the corporate planning life cycle in five different countries namely in United States, United Kingdom, West Germany, France and Switzerland. He reported that in all these countries, it took an average period of 4–6 years before a planning system could function fully. The "state-of-the-art" in these countries was also not the same. In fact, it varied even within one country but not as much as between countries.

In 1975, Kono made a comparative study of the practice of strategic planning between Japan and United States in 1976\(^30\) and in 1984 between Japan and United Kingdom.\(^31\) The time lapse between the two surveys was almost eight years and the questions asked were not identical. The main findings of both surveys can however be generalised and tabulated into a common table shown in Chart 6.3. There were quite a few distinct features between strategic planning as practised by companies in the three
Chart 6.3. **COMPARISON OF CORPORATE PLANNING BETWEEN UNITED KINGDOM, JAPAN AND UNITED STATES**

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>U.K.</th>
<th>JAPAN</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) measured respondents</td>
<td>512/1434</td>
<td>57/136</td>
<td>23/152</td>
</tr>
<tr>
<td>b) main usage</td>
<td>integration for finding strategy, improving/intergrating division strategy issues</td>
<td>strategic decision</td>
<td></td>
</tr>
<tr>
<td>c) strategic decisions</td>
<td>decentralised</td>
<td>more centralised</td>
<td>centralised/decentralised</td>
</tr>
<tr>
<td>d) planning direction</td>
<td>towards top</td>
<td>towards top-down interactive</td>
<td>bottom-up process/ top down</td>
</tr>
<tr>
<td>e) decision making</td>
<td>B of Directors management committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) common strategy</td>
<td>movement from expansion by capital investments towards diversification</td>
<td>vertical integration and multinationals</td>
<td></td>
</tr>
<tr>
<td>g) plan updating</td>
<td>two time horizon, yearly and long medium and half yearly.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) follow up</td>
<td>not much used in evaluation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: consolidated from Kono's comparative research between Japan and the two countries.\(^{30}\) and \(^{31}\)
countries. Decision making is more centralised in Japan, done commonly by management committee and seems to have more interaction between the top and lower level managers. But what is more important is that there are differences in the usage, methodology and the system employed in implementing corporate planning amongst these three countries.

Another comparative study but this time between companies in United States and Australia was reported by Capon et al (1984). The number of companies that participated were 113 (72%) and 63 (49%) respectively. The comparison was made on various aspects of corporate planning such as the planning process and the elements of planning (the kinds of information inputs, tools used, human inputs, control mechanism and activities). It was not that surprising though when the results showed more similarities than differences. The business climates in the two countries could be quite similar in terms of the types of companies operating, the system and the people. The report however seems to indicate greater co-ordination and staff commitment in Australian companies.

Gotcher (1977) also made a study of strategic planning as practised by European multinationals. He was more interested in the effects of the external environment changes that would affect their operations. Only 50% reported possible changes in their plans due to the environmental changes. The kinds of quantitative tools that were commonly employed were mainly on finance, while about 50% reported feelings that planning was moving towards less
flexibility. The average planning horizon of the strategic plan was 5.4 years.

6.5. DOES CORPORATE PLANNING PAY?

The above section merely indicates an increase in the practice of corporate planning. Until the 1970's, although the terms "long range planning" and "strategic planning" were familiar and companies claimed that they were using it, there was little evidence to suggest that it was an economically viable activity. Although there were already studies reported by Taylor and Irving (1971) about the use, there were none on its effectiveness. Even an earlier study by Ringbakk (1969) reported on its haphazard and unsystemmatic usage rather than on its effectiveness. Furthermore, studies on effectiveness would require performance measures which were perhaps sensitive and confidential in nature to the management. There were also other studies [Brown et al (1969) and Rue (1973)] that reported an increase in the usage of long range planning.

It was only in the 1970's that studies and reports on the benefits in the use of corporate planning appeared. In 1970, there were two separate studies that were reported; the earlier one was by Thune and House and the second by Ansoff and his team. Both these studies were undertaken in the United States.
In Thune and House's study, 92 firms out of 145 that were identified participated. They were grouped accordingly into those that had formalised corporate planning and those that did not. (Formal corporate planners were defined as those companies that practised corporate planning and were able to determine corporate strategy and goals for at least three years ahead. These companies would also have established specific action programmes, projects and procedures laid out for achieving these goals. Incidentally all of these companies had total sales of more than US$75 m a year). The study then compared the performance of these groups by using economic performance measures such as sales, the corporation's share prices, earnings per share, return on equity and return on total capital employed over a period of five years. The findings were that:

a) companies that engage in formal long range planning had historically outperformed a comparable group of informal planners,

b) amongst those formal planners, performance was better following the introduction of formal planning,

The authors further separated companies that were classified as formal planners into their respective industries and found that the formalising of the planning function:

a) had greater positive effects in the drug, chemical and machinery industries and

b) was not significant in the food, oil and steel industries.
They reasoned that the insignificant results for the latter group of industries were perhaps due to their stable environment and longer investment cycle.

Another piece of work that contributed significantly to the question of the "does planning pay" issue was that by Ansoff in 1970. Although his study was confined to the acquisition behaviour of 92 firms between 1946-1965, its performance measures were closely linked to the practise of formal strategic plans. Ansoff's study used 21 different measures of performance on 13 separate variables. The findings was proven statistically that "companies with formal planning on acquisition intentions" outperformed the non-planners and were able to predict the outcomes of their act better than the non-planners.

Other studies also extended the above findings. Herold (1972) did a follow-up of Thune's work and continued the study on the same industry (drug, manufacturing and chemicals only) for the next four years. His findings further supported Ansoff's in that companies with formal planning continued to outperform the informal planners. Then there were the two studies undertaken by Kargar and Malik (1975). The first one studied the performance of 38 companies within the period 1964-73 while the second was on another set of 90 companies. In both results, the findings clearly showed the better performance of companies that had formal planning as compared with those that did not. The comparisons were made by using financial performance indicators. From the two studies they concluded that "top management of
profit seeking organisations is delinquent or grossly negligent if they do not engage in such formal planning". They also suggested naming such a formal planning system as FILRAP or formal integrated long range adaptive planning.

There are, however, studies whose findings do not support the necessity or usefulness of having a formal strategic planning system. Rue and Fulmer (1972) reported mixed findings that while formal planners of durable-goods manufacturers outperformed their non-formal counterparts, the service industries and the non-durable-goods manufacturers did not show any differences. Similarly, Grinyer and Norburn (1975), Saunders and Tuggle (1977) and Leontiades and Tezel (1980) all reported no definite positive relationship. Only Grinyer's study was done in United Kingdom.

The literature therefore seems to indicate that there are reports supporting as well as doubting the positive relationship between formal strategic planning and performance. However, almost all of the reports that were non-positive have been commented upon and criticised (obviously by researchers from the opposite camp) but none otherwise. The criticisms were that the methodology used was weak, the time span of the study was too short for the actual impact of formal planning to be felt and they were not comprehensive enough to cover the major aspects of performance.
Perhaps what needs to be done is more research into the contribution of strategic planning before any significant conclusions can be made about it. One line of thought, however, was that there was nothing wrong with formal planning but the lack of success by the firms studied was due to poor implementation. The problems encountered with the implementation of strategic planning have resulted in authors like Ringbakk (1971), Steiner (1979) and Grinyer (1980) devising a long list of do's and don'ts as well as pitfalls to avoid in implementing formal strategic planning.

Furthermore, from research results of both camps, perhaps there are also other factors that influence corporate planning that need to be considered. The type of industries, competence of the managers, length of time since the installation of a formal strategic planning system, degree of competitiveness and data reliability are some of these factors that have been distilled, identified and perhaps need to be looked into.

"We no longer ask: Is planning possible? Can planning be reconciled with democratic ideology? BUT: How may existing planning practises be improved? The problem of planning has become a problem of procedure."

Friedman, S.

6.6. COMMENTS ON SURVEY REPORTS

The various surveys mentioned seem to indicate positive benefits of having formalised corporate planning. The widespread
usage as reported by the surveys also seems to indicate an increasing trend. The high percentage of organisations said to be using corporate planning however can be questioned. As shown in Table 6.1, the high percentage was calculated based on those that responded to the mailed questionnaire only and those that were willing to participate in the research. Thus, doubts can be thrown on to these percentage calculations.

<table>
<thead>
<tr>
<th>RESEARCHER</th>
<th>NUMBER PARTICIPATING AND PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denning(UK-71)</td>
<td>25% out of the 300 mailed questionnaire</td>
</tr>
<tr>
<td>Ang (US-79)</td>
<td>119 out of 500 (24 %)</td>
</tr>
<tr>
<td>Boulton(US-82)</td>
<td>142 out of 498 (29 %)</td>
</tr>
<tr>
<td>Litschert(US-68)</td>
<td>182 out of 510 (26 %)</td>
</tr>
<tr>
<td>Ringbakk(US-69)</td>
<td>28 out of 40 (55 %)</td>
</tr>
<tr>
<td>Al-Bazaz(US-80)</td>
<td>only 48 companies participated</td>
</tr>
<tr>
<td>Bhatty(UK-81)</td>
<td>26 companies selected</td>
</tr>
<tr>
<td>Grinyer(UK-71)</td>
<td>21 companies identified</td>
</tr>
<tr>
<td>Taylor(UK-71)</td>
<td>27 companies selected</td>
</tr>
<tr>
<td>Brown(US-69)</td>
<td>165 companies willing to participate</td>
</tr>
</tbody>
</table>

In most of the cases, the percentage response to a mailed questionnaire was less than 50%. As for the others, they were already identified or selected for a follow-up of an initial survey. As to those that did not respond, the degree of usage of
corporate planning is not known. Thus, the percentage figure that has been reported on the usage of corporate planning has to be treated with caution. Unfortunately, this is the nature of such research where data has to be utilised only from those that are willing to participate and where the response rate of such social science research may be as low as between 10-20%.

6.7. CORPORATE PLANNING IN PUBLIC ENTERPRISES IN THE INDUSTRIALISED COUNTRIES

The available literature does not seem to have any report specifically on corporate planning practices of nationalised industries or public enterprises in United Kingdom or United States. The national surveys discussed in the earlier section, however, do include responses from such enterprises as British Telecom, the Coal Industry, British Steel and British Airways from the United Kingdom and Amtrak from the USA. But the analysis that was performed and reported did not separate this category and therefore, specific inferences on them cannot be made. However, it can be deduced that corporate planning is being practised by these corporations from the fact that they participated in the national survey on the "state of the practice".

But there are numerous articles available urging the public organisations and government-owned corporations to practise corporate planning. Articles can be found urging public enterprises\(^5\), not-for-profit organisations\(^6\), universities\(^7\),

179
churches and state governments to practise strategic planning and how it can be adapted to suit each particular type of organisation. But they are merely ideas, concepts and suggestions not based on any extensive survey research data but rather based on the authors own experiences and thinking. Almost all of them recognise the fact that public enterprises and similar organisations have got multiple objectives, different environments to work in and are subjected to constraints very different from the private companies. Nevertheless, the benefits of strategic planning for their own operation and long term survival were not questioned.

There are, however, two comparative survey researches of PEs reported. The earlier one was reported by East (1972). He made a comparative study of strategic planning in large companies and government. While it is the government that is being compared and not PEs, the fact is that PEs are owned by the government which therefore dictates strongly the direction of the PEs. It is based on this linkage that this article is considered.

He reported that there were a number of similarities between the two groups, such as;

a) the procedures that they went through in the process of coming up to strategic decisions,

b) the constraints that the enterprises have to face,

c) they were selective in identifying issues that need to be further investigated and
d) both sectors agreed that the time spent on corporate planning by the top management was insufficient.

Trostel (1985) compared choices and management processes between ten private and thirteen publicly-held companies in the United States. He had seven pairings and three groups of three companies. Trostel made propositions of which eleven were concerned with strategic choices and performance indicators and only four were on management process which is directly related to this research. The four were:

a) privately-held firms will have less formalisation of planning,
b) privately-held firms will have management styles with wider extremes of participativeness,
c) the management of privately-held firms will have less formal education and
d) the ratio of administrative and professional personnel to sales personnel will be lower in the privately-held firms.

The analysis did not support all these four propositions. In fact the only significant difference was on the strategic choices where the private companies emphasised the asset utilisation more than did the public enterprises.

What can be concluded though is that they arrive at different strategic choices although their degree of planning formality and process can be similar. What is significant is
that the PEs in this sample do make strategic decisions but the actual process is not reported.

There are reports on the practice of corporate planning by individual nationalised companies or public enterprises in United Kingdom and United States. Some of these were reports on The Coal Industry,\(^5\) British Steel,\(^6\) British Airports Authority,\(^60\) and the Forestry Commissions.\(^61\)

The Coal Board for example has identified that "customer requirements" was of top priority when determining its strategic decisions. Extrapolation of the demand or supply had little value while formal market planning was of secondary importance. But the report did not describe the process of corporate planning that was practised which is of special interest to this research.

Similarly, the report by Kingshott, (1975) on the British Steel Industry gave little information on the process. Although 'planning', was the title of the article, he was refering to the characteristics of the long range planning and made suggestions towards improving it. He reported that there was a satisfactory level of participation by the 17 directors and the usage of financial tools in decision making was similar to that practised by the private sector. But he noted the limited choice that the industry was open to if a diversification strategy were to be adopted.

Turner (1986)\(^62\), however, gave a detailed report on how it was done in B.A.A. The detailed process will be discussed in the
next chapter. But what is significant perhaps was that all these reports indicate that large nationalised corporations in United Kingdom do practise corporate planning but with each having its own unique way of considering the various factors that affect their operations and long term survival.

A report by Harris (1981)\textsuperscript{63} seemed to suggest that the government of United Kingdom has made it compulsory for all nationalised companies to do corporate planning. The report even outlined the contents of such planning which should include:

a) outline plans,
b) action plans,
c) budget,
d) 10 year strategic plan,
e) 5 year development plan.

The nationalised industries have been promised that parameters for them to work on for the plan will be given by the government. This is the most positive policy known as far as corporate planning and nationalised companies are concerned.

Other reports on the practice of corporate planning were:

a) Howlett (1975),\textsuperscript{64} (who was the former Secretary of State for Illinois), reported on the actual introduction and formalisation of strategic planning in his department when he first took office. He reported its applicability if approached in the right way. It took
him two years to have it implemented completely. He attributed the success to the gradual introduction of the system, high degree of participation by all the officers and the simplification of the whole process. Appreciation and cooperation were also thought to be important elements and this was achieved through having officers participate in the planning of the processes/activities that they were involved in and familiar with.

b) Barkdoll (1976) and Hatten strongly recommended the use of corporate strategy techniques and planning on government agencies. They admitted that these agencies are face with several constraints like multiple goals and external pressures but believe that the benefit of practising such techniques and planning can facilitate the agencies in attaining their objectives.

c) Mazzolini (1981), in his study of state-owned firms that operate in the international market added another two problems, namely that they have fewer strategic alternatives to choose from and they adapt more slowly to changes in the strategic environment.

d) Mintzberg warns the managers of PEs of the "self-fulfilling prophecy". Their awareness of the constraints, problems and beliefs, politicization, interference and inefficiency might just lead to that.
e) Another report on government-owned business corporations that implies the practise of corporate planning was made by Sexty (1981).\(^6\) It was reported that there is a trend amongst these corporations in Canada to adopt autonomy strategies in their response to the governments move towards privatisation and commercialisation. He made this observation but did not elaborate how these strategies were derived. It can only be inferred then that these corporations went through a process of strategic planning to derive such a decision.

Studies made by Barkdoll (1976), Harris (1981) and Hatten (1982) clearly emphasised the need for proper strategic planning as one of the ways to improve the performance of PEs. They believed that this could be achieved with proper strategic planning i.e. through suitable strategic planning systems, having qualified personnel, proper monitoring and control and finally there should be more accountability of and by managers. These recommendations are not new. The test lies in the ability to implement them.

6.8. CORPORATE PLANNING IN THIRD WORLD COUNTRIES

"It has taken Europe and Northern America centuries to attain their present standards; and even today their management is under attack from various positions and for various reasons ....... Is it therefore, an appropriate model to follow and replicate?"

Kubr and Wallace\(^7\)
The applicability and problems encountered in adopting western management principles in TWCs have already been discussed earlier under the management section in the chapter on Public Enterprises. This section will specifically discuss corporate planning practices in TWCs, first in general and then specifically on PEs.

6.8.1. Extent of Corporate Planning in TWCs

Reports of studies on strategic planning in TWCs are few and scanty. Few authors have succeeded in publishing a general observation regarding the subject. The earliest was the work of Carter et al (1973).\(^1\) They concluded that cases of corporate planning in the fully-developed sense hardly existed and those that did, are traced to the multinational corporations (MNCs) who had their headquarters in the industrialised countries. No countries were mentioned in the report. However, they also observed that corporate planning was developing and proposed the building block approach as being more appropriate. The company/country concerned could then improve and increase in its sophistication as the country and the various enterprises gained experience and progressed through time.

In 1983, a much bolder view of corporate planning practices in South-East Asia was made by Lasserre.\(^2\) He made a contention that strategic planning models of the industrialised countries might not be appropriate. The reasons for this were based on the conditions that prevail in the TWCs which are:
a) the small size and fragmented nature of the markets,

b) the markets are skewed and segmented such that even the marginal producer can find consumers to buy. Competitive strength of the market is essentially linked to the firm's logistical and distributive capacities rather than to complex industrial and marketing constructs which constitute the framework of strategic planning,

c) unavailability and unreliability of the required data,

d) strong impact of non-market factors on consumer behaviour like the case in Indonesia where an imported product was sold by the sole agent at lower than the cost price because his objective was to give credit and not to sell, for the profit from the credit was much more than the product.

e) government intervention is too strong, as in army-backed enterprises in Indonesia, the National Economic Policy in Malaysia, political clans and their immediate friends,

f) industrialised countries find it too risky to introduce new products or innovations to the TWCs. Usually the products that are sold might already be at the decline stage in the industrialised countries and a new and better product is already in the pipeline. Lasserre termed this the "second sourcing of technology". Thus in such situations, strategic planning is ineffective,

g) closed entrepreneurial network amongst the businessmen which can respond to opportunities within a very short time,

h) family style management with their own style of management culture and practices,

i) scarcity of middle management expertise to perform the various elements in strategic planning practices.

For all these reasons, continued Lasserre, the existing western model on corporate planning would not necessarily be suitable for the TWCs. An incremental approach in making strategic plans and decisions would be more fitting. It would be able to overcome the existing constraints present while the experience gained would provide the building block for the next planning cycle.
This is in line with the views put forward earlier by Carter, Lindblom (1959 and 1979)\(^73\) and Quinn (1980).\(^74\) They suggested that there was a need for strategic planning in paving the way for the future of corporations. But the suggestion on how this was to be done varied. "Muddling through" as suggested by Lindblom is like wading across an unfamiliar river, feeling the front with your feet for any obstacles and danger, not knowing where the strong currents and crevices are, until you are in it and surmounting them and if successful finally reaching the other bank after much effort. Quinn suggested the step-by-step approach. There is some overlap to that of Lindblom's but this is a more calculative approach with the targets that are to be achieved known but each is a step-by-step action, and designed to contribute and to be built upon to attain the target. It is more realistic, they contested, because of the limited knowledge of the uncertain future or of the unavailability of reliable data. To them incrementalism is safer and logical.

Additional views on the western strategic models was given by O'Shaughnessy (1984).\(^75\) The title of the article itself, which is "Strategy and the United States Cultural Bias", betrays his main contention on the subject. Like Lasserre, he stressed that the situation in the TWCs is different than in the United States. Therefore, the strategic planning models and their application might not be appropriate. His view was that strategic planning was marginally effective because:
a) In some countries, there is a strong belief in fate and pre-destination,

b) Not all businessmen want to progress and achieve commercial success and commanding heights,

c) Decisions are based on seniority and authority,

d) Companies are new and there is not much past experience to rely upon in making decisions for the future,

e) Markets are relatively new and have a large absorption potential,

f) Not enough qualified personnel,

g) Government intrusions are common, and

h) Existence of monopolistic or dominance situation.

The last three are similar to that of Lasserre's. These might make it inappropriate to use and apply such western strategic planning procedures and their operations and even if they are applied, the value of its effectiveness can be questioned.

A survey of corporate planning in private enterprises in Nigeria was reported by Odegbite (1986). His report was based on a survey of 20 companies in Nigeria. Ninety-five percent reported that they had a formal corporate planning system.

But of these 20 companies, nineteen had close relationships with multinational corporations, such as agents or sole distributors or joint-venture operators and partners with the MNCs. Thus, he felt that these linkages with the MNCs could be the influencing factor behind the establishment of such a formal system.
6.8.2. Corporate Planning in PEs in TWCs

There are only two reports of general surveys of corporate planning practices in state-owned enterprises in TWCs that can be traced. The earlier one was by El-Namaki (1977) on Tanzanian State Enterprises. Although his survey reported mainly on business planning and performance of such enterprises, corporate planning practices could be identified. Such practices, he reported were still in the infant stage where annual budgeting was the main planning exercise. The five-year plans that constituted the main strategic documents followed closely those of Tanzania's Five Year National Plan and were merely projections of the past expenditure and future physical developments. These were documented without the thorough analysis that corporate planning demands.

Fubara (1983) made a survey of 44 companies in his doctoral thesis entitled "Business Policy in State-Owned Companies in Nigeria". Twelve managers were also interviewed. The research was on policy decisions, performances, the problems faced and the possible reasons behind their poor records. The study only consolidates the realities as reported by O'Shaughnessy and Lasserre mentioned earlier.

Fubara also made another report in 1986. This was an extension of the findings of his doctoral dissertation. He reported that the 44 companies which were surveyed had corporate plans but they were not formalised. Thirty-five of them had an
extended budgeting kind of system which was extended for five years to coincide with the Nigerian government's National Five Year Plan.

There are other reports of success stories about individual PEs in the TWCs, like Singapore Port, Singapore Airlines, the Steel Industry in India and the Hong Kong Port Authority. These success stories do imply efficient planning by these enterprises.

6.8.3. Emergence of Third World Multinationals

At the same time, there are reports of a steady rise in the number of third world multinational corporations (MNC). Some have managed to position themselves amongst the top 500 corporations of the world! (Heeman and Keegan). Examples of such giants are Hyundai (Korea), the San Miguel Corporation of the Philippines, National Iran Oil and Sime Darby (Malaysia) to mention just a few. Most were originally resource based but have grown and diversified since their formation. Some were created by the colonial powers. Others emerged independently. They have taken full advantage of their respective government's industrial development programmes.

Compared to other private or public companies in their respective countries, these MNCs are more advanced and responsive to market needs. They tend to have close indirect links with the government's bureaucracy. In some cases they can be very influential. As a result, they have locally grown in size and
have expanded internationally. Their success has earned them international respect in the sense that MNCs from the developed world favour them as joint venture partners in their respective countries.

While not all are totally successful most are and have played a vital role in the industrial development of their home countries. Lassere (1981)^82, Wright et al (1982)^83, Harrigan (1984)^84, and Conolly (1984)^85, are writers who believe that these MNCs will assist their LDCs future development. The authors mentioned above feel that MNCs from the industrialised countries should in future link with these multinationals in joint venture operations in the developing countries. It is postulated that joint ventures with MNCs from the developing world will be a critical component in the future global strategy of international business.

6.8.4. Is There Corporate Planning in the TWCs?

As there are few studies of the practice of strategic planning by PEs from developing countries, it may be useful to consider the success of certain MNCs based and owned in the developing countries. The fact that they can be successful even in the international market suggests that their management techniques are as good. To what extent the western systems and models of management and strategic planning are applicable is still unknown. Studies suggest the need to adapt and to suit to
the local environment. Is there such a need or can it be that they are using a system of their own?

The emergence of multinationals based in TWCs have been felt by the international business circle. They must have a corporate plan of their own to be able to participate in international markets but how the processes are performed and the kinds of systems established have yet to be made known.

6.9. CORPORATE PLANNING IN MALAYSIA

At the start of this research (1984), an indication of the practise of corporate planning in Malaysia could be deduced from certain documents. The government's Fourth Malaysia Development Plan (1980-1984) document used terminologies such as "long term objectives" and "strategy" although the term "strategic planning" did not appear at all.

The various universities in Malaysia have "Business Policy" as part of their course curriculum for undergraduate management programmes. Universiti Pertanian Malaysia had its Business Policy course reviewed in 1982 to incorporate the strategic planning components as suggested by Ansoff. These coincided with the return of academic staff from their graduate training in the West.

The Institute of Public Administration conducted its first course on corporate planning for government officers in 1983.
The first recorded course for the public was conducted in 1983 organised by the Multipurpose Management Company.\textsuperscript{90}

All the above are academic courses but the practice of corporate planning has yet to be reported or researched. It is also known that "Corporate Planning" posts do exist in big corporations (both private and public) but again, how they perform the corporate planning activities was not known.

During the data collection phase of the research (1986/87), some other documents surfaced. Han (1985)\textsuperscript{91} published a research paper on the use of operations research (OR) techniques in the banking industry. There was an indication of the application of some tools for strategic planning from some respondents. Probably the first reported research specifically on corporate planning in Malaysia was by Rafaei\textsuperscript{92} who did a Ph. D. thesis on six manufacturing corporations in Malaysia. Although the research emphasis was on the rationality of the strategic choice decisions made, it did indicate that strategic planning was already being practised by some companies, at least by six participating companies. Rafaei\textsuperscript{93} conducted another research on the practise of corporate planning by the top 100 companies in Malaysia. She reported that of the 40% that responded, 85% (34) had some kind of long term planning. Her study also inferred that those who responded had a fair understanding of the concept of strategic planning. The study did not cover the process of corporate planning which is the main interest of this research.
Another article was by Zabid (1985)\(^\text{94}\), his study was on the managerial roles of top managers in Malaysia (217). From the results it could be identified that the strategist roles were ranked high by the top managers.

In 1985, the Industrial Master Plan of Malaysia\(^\text{95}\) was released within which are stated the government's long term objectives and strategy and some indication of how the objectives should be met.

All the above except for Rafael's second study are merely reports and documents from which a deduction on the status of corporate planning in Malaysia can be made. They are not conclusive but enough to suggest its application. Nevertheless, it is hoped that this research will shed some light on this subject.

### 6.10. SUMMARY OF THE OVERVIEW ON CORPORATE PLANNING

Various authors have defined "corporate planning" in a variety of ways. For the purpose of this research it is defined as "the process which takes place within an organisation and the systems established with it which help determine the direction and pathways that are to be pursued so as to achieve the organisation's long term objectives."

All the surveys and studies mentioned above indicate an increase in the usage of corporate planning after the 1960's.
(But doubts have been cast on the validity of the high percentage of users in the said survey reports where the usage of corporate planning by those that did not respond was not known). Since Ansoff's book and report in 1970, corporate planning itself has undergone an evolution. Even when implemented within an organisation, it will undergo changes and will take 4-6 years before it can run smoothly and be accepted by the corporation (Ringbakk, 1972).

But even with increased usage, the benefits of practising strategic planning are still in controversy. There have been favourable and neutral reports (as yet no negative reports other than the costs that have to be incurred in installing a formal system). In reality, the contribution is indirect and difficult to measure as its success depends on a range of other factors within the company. These are the type of industry, level of diversification, competitiveness of the industry, the company's maturity and development, the people that manage and work in the company, the overall management efficiency of the company and not least the thought and attitude of the CEO himself. The variables that were used in such studies were all influenced by this range of variables in addition.

Even with these controversies, strategic planning is no longer a fad and has been adopted and perhaps accepted as necessary in modern day management of large diversified corporations, at least in the industrialised countries.
The use of corporate planning by PEs in the industrialised countries is well established. In United Kingdom, all nationalised industries are advised strongly to practise it.

In the TWCs, reports of its applications do surface but are few and scanty. Individual multinationals from the TWCs have been reported to use corporate planning. But the reports seldom explain the details of the process but rather their actions that had brought them success. Generally, its application is still and commonly started from an extension of the budgeting technique.

The use of corporate planning in Malaysia is also new but, based on the few reports that have surfaced lately, it's use is expanding.
REFERENCES

13. Various authors such as:
   b) LaBriola. "Corporate Planning Systems. A Decade of Evolution", Infosystems, Nov. 1979, pp 68,70,


15. Clarke, W. M. Private Enterprise in Developing Countries, Pergamon Press, 1966, a relatively thin book and easy to read, 59 pages in all.


19. Some of the earlier studies that have been referred to were.


20. The later studies were:


36. From two authors namely:


39. Exhibit 1.15 in the book by Glueck and Jauch Business Policy and Strategic Management, 1984 gave a comprehensive comparison of about fourteen different research reports arguing on this issue.


51. Several authors like:
   b) East, R. J. "Comparison of Strategic Planning in Large Corporations and Government", Long Range Planning, June 1972 pp 2-8,

52. Also from several authors.

53. Two articles can be traced.


55. Several articles are available such as:


73. These are the two articles by the author.


83. Wright, P. has written a few articles on this subject and they are:

a) and Russel. C. 'Joint-Venture in Developing Countries', Columbia Journal of International Business, Vol. 1 (2), Summer 75.


86. Two Government of Malaysia Publication:
   b) "Pembentukan Strategi (Strategy Formulation)" in National Agricultural Policy, 1984, pp 4-8.

87. Minutes of Universiti Pertanian Senate meetings on September 1982 for revision of course PSN Dasar Perniagaan (Business Policy).

88. Bachelor of Business Administration course curriculum at Universiti Malaya and Universiti Kebangsaan, Malaysia, 1983.

89. Course on "Corporate Planning for Government officers" Intan, 1983.

90. "Strategic Planning for Managers" course organised by Multi-purpose Management Services, November 1983.


CHAPTER SEVEN
CORPORATE PLANNING SYSTEM AND PROCESS

CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>208</td>
</tr>
<tr>
<td>7.1. INTRODUCTION</td>
<td>208</td>
</tr>
<tr>
<td>7.2. CORPORATE PLANNING SYSTEM</td>
<td>209</td>
</tr>
<tr>
<td>7.3. SECTION I: CORPORATE PLANNING PROCESS</td>
<td>214</td>
</tr>
<tr>
<td>7.3.1. THE PROCESS OF ANALYSIS</td>
<td>216</td>
</tr>
<tr>
<td>7.3.1.1. The external environmental analysis</td>
<td>217</td>
</tr>
<tr>
<td>7.3.1.2. Scenario development</td>
<td>229</td>
</tr>
<tr>
<td>7.3.1.3. The internal analysis</td>
<td>238</td>
</tr>
<tr>
<td>7.3.1.4. Management Science and Information System</td>
<td>238</td>
</tr>
<tr>
<td>7.3.2. THE STRATEGIC CHOICE MAKING PROCESS</td>
<td>242</td>
</tr>
<tr>
<td>7.3.2.1. Generation of alternatives</td>
<td>242</td>
</tr>
<tr>
<td>7.3.2.2. Process of selecting the strategy</td>
<td>242</td>
</tr>
<tr>
<td>7.3.3. THE IMPLEMENTATION PROCESS</td>
<td>249</td>
</tr>
<tr>
<td>7.3.4. THE MONITORING, CONTROL AND EVALUATION PROCESS</td>
<td>255</td>
</tr>
<tr>
<td>7.3.5. SUMMARY OF CORPORATE PLANNING PROCESS</td>
<td>259</td>
</tr>
<tr>
<td>7.4. SECTION II: OTHER COMPONENTS OF CORPORATE PLANNING SYSTEM</td>
<td>261</td>
</tr>
<tr>
<td>7.4.1. PERSONNEL INVOLVED</td>
<td>262</td>
</tr>
<tr>
<td>7.4.1.1. The Chief Executive Officer</td>
<td>263</td>
</tr>
<tr>
<td>7.4.1.2. The Planning Executive and his Department</td>
<td>267</td>
</tr>
<tr>
<td>7.4.1.3. Other Executives</td>
<td>273</td>
</tr>
<tr>
<td>7.4.2. CORPORATE PLANNING HORIZON</td>
<td>275</td>
</tr>
<tr>
<td>7.4.3. LINKAGES</td>
<td>277</td>
</tr>
<tr>
<td>7.4.4. DEGREE OF FORMALITY</td>
<td>279</td>
</tr>
<tr>
<td>7.4.5. GETTING SYSTEM STARTED</td>
<td>281</td>
</tr>
<tr>
<td>7.5. SUMMARY OF CHAPTER</td>
<td>282</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>284</td>
</tr>
</tbody>
</table>
ABSTRACT: This chapter on the corporate planning system looks at the nine different components as proposed by Steiner. These are:

the corporate planning process,
the depth of analysis,
the Chief Executive Officer,
the Corporate Planner,
the other participants in the process,
the level of formality,
the linkages aspect,
the planning horizon and
the system start-up.

The discussion of the first two components was guided by the model by Glueck. It was more thoroughly deliberated because of the various personal judgmental elements that were brought into play. The last four components are quite straightforward and therefore dealt with sparingly.

The literature search was fairly comprehensive to expose as much as possible the state of the art as the exploratory nature of the research demands. Again and unfortunately so, the reference to Malaysia were obtained from the scarce resources that are available.

7.1. INTRODUCTION

The previous chapter was a general discussion on the benefits and extent of the practice of corporate planning. This chapter will look more deeply into some facets of this same subject. Discussion on various facets of corporate planning has been quite vigorous and well documented. This includes the reward aspects, efficiency, rationale behind the strategic decisions, the development tools used, information systems and many others. But the facet that has been identified for the research and discussed in detail is the corporate planning system.
itself. This is specifically chosen because it does not involve the element of appraisal of strategic decisions and respondent companies were more willing to participate and discuss.

The literature on such subjects in the Malaysian scene is scarce and the opinion of the writer is included in several instances.

7.2. CORPORATE PLANNING SYSTEMS

A corporate planning system is nothing more than a structured process that organises and co-ordinates the activities of the managers that do the corporate planning (Vancil, 1976). Corporate planning systems have developed rapidly (Ansoff, 1977) since the early 20th century in line with the development of corporate planning itself and is as shown in Chart 6.1 of the previous chapter. This chart is reproduced in a condensed form as Chart 7.1 next page.

Henry (1981) made a study of the development of corporate planning systems in 10 USA corporations for about 10 years i.e. from 1960-1970. He noted that there was a marked increase in the processes within the system to cope with the increase in activities of the business environment. He also noted that the development has been haphazard in nature as it was largely by trial-and-error. The time spent by top management on the system has also increased.
CHART 7.1. CORPORATE PLANNING SYSTEM DEVELOPMENT

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>NATURE OF STATE OF PRACTICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910-1930</td>
<td>historical</td>
</tr>
<tr>
<td>1920-1940</td>
<td>budgeting</td>
</tr>
<tr>
<td>1940-1960</td>
<td>MBO</td>
</tr>
<tr>
<td>1950-1970</td>
<td>long range planning</td>
</tr>
<tr>
<td>1960-</td>
<td>planning-programming-budgeting system</td>
</tr>
<tr>
<td>1975-</td>
<td>comprehensive planning-programming-budgeting system which he called strategic planning.</td>
</tr>
<tr>
<td>1980-</td>
<td>emergence of:</td>
</tr>
<tr>
<td></td>
<td>a) strategic issue management</td>
</tr>
<tr>
<td></td>
<td>b) strategic surprise management</td>
</tr>
</tbody>
</table>

Planning a strategy can be done either formally with clearly defined procedures and pathways or informally. Some companies proudly admit that they do it informally to avoid the rigid impersonal approach but research on this aspect is lacking. Studies on formal strategic planning systems, however, are quite common and in fact Thune and House(70), Gershefski (1970) and Camillus (1975) have all given positive support for formalised strategic planning. In the comparisons that they made, those that do have formal systems were more successful as far as business achievements were concerned.

Discussion on "What makes up a corporate planning system" has been discussed widely. The majority incorporate the corporate
planning process which is made up of five different components namely:

i) the external environmental analysis,
ii) internal analysis,
iii) the strategic decisions and
iv) implementation, and
v) evaluation and control.

Variations occur depending on several factors like the size and maturity of the organisation, the industry that it is in, the technology employed and the environment.

Do these stages exist in Malaysia or for that matter in the TWCs? Perhaps these processes or stages have got little bearing on cultural background. They are more the stages that would have been undertaken in a rational, logical or common sense manner. The only problem is that:

"...some common sense is not that common..."

[Drucker]

This rational thinking is, however, influenced by education and socialisation experience rather than culture. But if illiteracy and poor education in some TWCs are still widespread then one would expect a short-circuiting of the stages mentioned. Rafaei's\(^7\) study, although performed on only six companies, seemed to conclude that managers in these Malaysian companies went through these five stages before making a strategic decision.
However, these are managers of large manufacturing firms and might not be representative of the true situation for companies in Malaysia.

Lorange and Vancil (1976) identified six major features that are important and must be considered when discussing corporate planning systems. Steiner instead listed a total of nine features and these are presented together as shown in Chart 7.2.

From the chart, it can be said that there are several features that overlap but Steiner's list is more comprehensive and is referred to in the discussions that follow.

**CHART 7.2. COMPONENTS OF THE CORPORATE PLANNING SYSTEM**

<table>
<thead>
<tr>
<th>STEINER</th>
<th>LORANGE AND VANCIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>completeness of the system (process)</td>
<td>goal setting</td>
</tr>
<tr>
<td>depth of analysis</td>
<td>environmental scanning</td>
</tr>
<tr>
<td>participation</td>
<td>subordinate managers role</td>
</tr>
<tr>
<td>corporate planner</td>
<td>corporate planner's role</td>
</tr>
<tr>
<td>linkages with other plans</td>
<td>linkages role of the CEO</td>
</tr>
<tr>
<td>time horizon</td>
<td>-</td>
</tr>
<tr>
<td>degree of formality</td>
<td>-</td>
</tr>
<tr>
<td>getting system started</td>
<td>-</td>
</tr>
</tbody>
</table>

Other authors like Allmen (1972), Gilbert (1974), Fieldrich (1974) and Fairaizl (1975) dwelt on the same issues but gave them different emphasis. Steiner (1981) also listed
ten essential features that ought to exist for a planning system to be efficient. The ten look obvious enough but the problem lies in their implementation.

The discussion on the nine components of corporate planning system is fairly long. It is divided into two main sections as follows:

SECTION I: Deals mainly with the corporate planning process and the depth of analysis components of the corporate planning system. The discussion is along the following headings:

a) the process of analysis,
   - external analysis,
   - scenario development,
   - internal analysis,
   - management information system,

b) the choice making process,
   - generation of alternatives,
   - selection of strategy,

c) the implementation process,

d) the monitoring, evaluation and control process,

e) management science techniques and use in corporate planning,

SECTION II: Discusses the other components of a corporate planning system which are:

a) personnel involved in the process and system,
   - the corporate planner,
   - the CEO,
   - the other managers.
b) linkages with other plans within the organisation,

c) the planning horizon and the schedule of activities aspect of the plan,

d) degree of formality of the system, and

e) getting the system started.

7.3. SECTION I: THE CORPORATE PLANNING PROCESS

There is some overlapping in the discussion of these two components of the corporate planning system. The "depth of analysis" aspect of the system refers to the analytical tools and the analysis carried out during the process of corporate planning.

The corporate planning process actually comprises of various activities. Various authors have presented them in different forms and models. The discussions in this section follow closely the model suggested by Glueck\(^{12}\) as shown by Chart 7.3.

Basically Glueck's model covers two main parts namely:

a) elements of corporate planning,

b) components of the corporate planning process.

The elements of the corporate planning are dealt with in greater detail later in Section II (7.4) under the subsection "personnel involved". The components of corporate planning process are:
CHART 7.3. THE STRATEGIC PLANNING MODEL
(AS PROPOSED BY GLUECK)

Elements of Corporate Planning

Components of Corporate Planning Process

Modified from Glueck's Model\12

215
i) Process of analysis:
   - of the environment to determine the threats and opportunities and to include the use of scenario,
   - of the internal strengths and weaknesses of the enterprise itself.

ii) Choice making process:
   - creating alternatives for action,
   - analysing the alternatives,
   - prioritising and selection of the alternatives.

iii) Implementation process:
   - the allocation of resources,
   - the organisation structure and system,
   - the personnel involved,

iv) Monitoring and evaluation process:
   - checking progress with plan,
   - feedback for further action.

All these components are greatly influenced by the corporation's objectives as well as the values of the top management personnel.

7.3.1. THE PROCESS OF ANALYSIS

The discussion on the process of analysis is in four major sections:

a) analysis of the external environment,

b) the use of scenarios in analysis,
c) analysis of the enterprise's own internal resources,
d) management tools and information system.

7.3.1.1. The external environmental analysis

The need to consider the externalities in long term planning for any progressive organisation is only a recent development. The business environment became more difficult to manage from the 1950's and since then has become more complex, turbulent and unpredictable, making forecasting more difficult and demanding. The analytical tools have also developed, but the way today's environment changes, such tools always seem inadequate.

Research has been done to study the effect of analysing the environmental variables on corporate plans. The majority of the findings seem to indicate that firms that analyse the environment systematically perform better.\(^{13}\) Environmental analysis was used to identify opportunities and threats and strategic actions were taken to encounter such possible conditions.

The range of information and the total number of environmental variables that need to be analysed is wide and numerous. It is up to the individual organisation to isolate and choose the relevant components that are to be analysed for their future strategic decisions. These vary depending on the organisations themselves such as their size, age, area of operation, range of products, export orientation, level of technology and the management personnel themselves (Klein and Newman, 1980).\(^{14}\)
Nevertheless, these environmental factors, though numerous, have been classified into several categories by various authors of which three are shown in Chart 7.4.

**Chart 7.4. Classification of Environmental Factors from Different Authors**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Socioeconomical</td>
<td>Socioeconomic</td>
<td>Socio-cultural</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Economic</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Labour</td>
</tr>
<tr>
<td>Technological</td>
<td>Technological</td>
<td>Technical</td>
</tr>
<tr>
<td>Competitor</td>
<td>Competitor</td>
<td>Competitor</td>
</tr>
<tr>
<td>Government</td>
<td>Government</td>
<td>Government</td>
</tr>
<tr>
<td>Human-formal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Supplier</td>
<td>Supplier</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Customer</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Capital Market</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Legal Environment</td>
</tr>
</tbody>
</table>

As expected different authors use different terminologies but there is a high degree of overlapping. However, Johnson and Scholes' list seem to be the most comprehensive. Each major environmental factor has sub-components which have to be looked at when doing a thorough analysis. Because of the long list of such components, this research focuses more on the overall techniques rather than those that are used to study the effect.

218
of each individual component. The managers or the decision makers need to analyse those factors that play a major influential role in the success or failure of the corporation.

The variables that are considered by PEs in Malaysia could be categorised into these classes too. But there would be differences as to which variable was most likely to be given extra weight when decisions were made. Variables such as socio-economic, political thinking and government itself would be given more weight by the government-owned PEs than in private sector organisations. It would be surprising if the reverse was true.

The other variable that probably dominates, and is perhaps unique to Malaysia but which managers would prefer not to discuss publicly is the consideration being given to racial and cultural factors. This would come under the socio-economic category.

An example is the building and locating of a new rubber processing factory so often faced by the Malaysian Rubber Development Corporation (MARDEC). Simple demand theory alone is not good enough. If an area that is served by a small rubber processing factory, requests for MARDEC to build a new one because the existing small factory cannot cope with the demand of the rubber producers, then logic or the demand would make MARDEC build another one (if viable). However, if the original factory is run by a Chinese than building a new factory nearby usually results in a political row. MARDEC being government-owned will be accused of depriving the Chinese of their livelihood. This
happens on many occasions and unfortunately it will always be against the Chinese for they have been in the trade for a longer period of time. This is sad but true and transcends many sectors as well and is an issue difficult to overcome.

By analysing and forecasting the critical components of the environment, the enterprise is better able to predict and perhaps identify which amongst them will pose potential threats or provide opportunities for its future operations. Top management can then decide in the case of a threat as whether to avoid, remove or face it and in the case of an opportunity whether to grab and take advantage of it or not.

The process of gathering and analysing data in the environmental process is a difficult task. Klein and Newman (1980) acknowledged the difficulty of such operations and reported the following observations:

a) the majority of the managers would rather react to an environmental threat that is actually happening than to confront it at a much earlier stage i.e. to proact.
b) planning is usually done by staff whose knowledge on the ground is rarely respected.
c) it is common for management not to react to something that is uncertain.
d) the reliability of the forecasting tool is also questioned and this strengthens the above three findings.
Because of such difficulties, Klein and Newman proposed the "SPIRE" technique i.e. "Systematic Procedure for Identifying Relevant Environmental variables". The system confronts the environment through the identification and analysis of only the critical variables. The effect and degree of influence of these variables is presented in chart form and those operations that are affected are identified and highlighted. This then becomes important raw material for the decision making process that takes place after it. Since the exercise involves a fair amount of calculation, the use of the computer is strongly endorsed. Nanus (1982) also introduced a similar technique but called it "QUEST" which stands for Quick Environmental Scanning Technique.

In 1981, it was reported that the number of corporations analysing the environment for use in corporate planning has increased substantially and that many were using a variety of techniques [Fahey and his colleague (1981)]. But the use of sophisticated techniques in environmental analysis was not prevalent (sophisticated techniques would include simulation, cross-impact analysis, multiple regression, input-output analysis and the like).

After Fahey, three other separate studies were undertaken by Diffenbach (1983), Smart (1984) and Lenz and Engledow (1985). All reported an increase in activities towards the analysis of the environment to assist in the corporate planning decisions.
However, they also reported several difficulties in trying to incorporate them into their respective strategic planning systems.

In fact Diffenbach went a step further in his analysis of the research data and found that corporations practising environmental analysis could be placed into three different levels of development:

i) appreciation,

ii) analysis, and

iii) application level.

Thus, a corporation would normally start at level one and proceed to higher levels as it increased its expertise, experience and sophistication. Companies would have reached the third level if they were using sophisticated techniques such as delphi projections, input-output analysis, cross-impact analysis and socio-technological forecasting. However, they also admitted that the full value of such analysis was not realised as the managers themselves did not have the necessary training to understand and appreciate it. The data that were used in the first place were also questioned on their reliability. This was in line with an earlier article by Denning (1973) who reported that only 47% of the information gathered and analysed was of value for strategic purposes.

A study was also done on the relationship between the strategic decisions made and the business environment that they were in. Smart and Vertinsky (1984) did the study on 94 companies.
in the United States. They found that there were definite relationships between the strategies adopted by the companies and the business environment that they were in. Different business environments (turbulent, complex, static and predictable) seemed to attract specific strategic responses as shown below.

CHART 7.5. STRATEGIC RESPONSE AND THE ENVIRONMENT

<table>
<thead>
<tr>
<th>ENVIRONMENT</th>
<th>STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>turbulent</td>
<td>strategic</td>
</tr>
<tr>
<td>complex</td>
<td>tactical</td>
</tr>
<tr>
<td>static</td>
<td>short term &quot;fire fighting&quot;</td>
</tr>
<tr>
<td>predictable</td>
<td>planning</td>
</tr>
</tbody>
</table>

Thus, the research findings suggested (fairly obvious though) that in a static and predictable environment, the degree of complexity of environmental analysis might be lower in terms of the resources that were needed.

In Malaysia, assuming the status as reported by Rafaei,\(^2^0\) companies would not be able to cope with turbulent and complex environments because only one-third of the corporations had long term plans. Most of them would not be able to predict the arrival of threats and probably would not be able to cope with them and predict the outcome as well. Usually such turbulent and complex environments are influenced by international business
situations and their inexperience and lack of analytical tools would make them helpless.

Recently, the action by USA to cut down import of textiles from the TWCS, the Soya Bean Growers Association to ban the importation of palm oil, the drop in the price of most commodities were some of the turbulent environments faced. During such incidents, the companies will run to the government for assistance and counteractions as they are helpless as individuals.

Kefalas (1973)\(^2\) studied the relationship between the external environmental characteristics and the organisational information acquisition behaviour. He reported that:

a) in a dynamic environment, managers spend more time acquiring information on critical environmental variables,

b) managers make more effort in seeking information on controllable external variables, and

c) it is not true that external environmental information obtained by the top level executives from informal sources is more important than the published documents.

Unfortunately the study was only on two industries i.e. the farm equipment and meat packing industries in USA, but it could possibly be an indication of similar behaviour in other industries as well.
Stevenson (1976)\textsuperscript{22} also studied two industries (ink and paper) and reported that from the results of the interview with 191 executives, 31\% used external observation when doing external analysis. In another study, it was revealed that personnel in the functional areas were the ones most commonly asked to monitor such changes (Quinn).\textsuperscript{23}

As far as Malaysia is concerned, the analytical techniques, such as SPIRE or QUEST or whatever, might be too sophisticated. Although computers and the corresponding complex analytical tools are available, they might be too advanced for the type and reliability of data available in the country. Probably only the big corporations have the resources (trained personnel, equipment and finance) to enable them to utilise the available facilities. If Rafaei's study\textsuperscript{24} were to be referred to where only one third of companies actually have long term plans, then the number doing environmental studies is not expected to be many.

7.3.1.2. Use of Scenarios in environmental forecasting

Scenario development is an alternative approach towards analysing the environment. It is quite a recent development and arose because forecasting the future environment was found to be difficult and uncertain. Forecasting is based on the present available data which might not be appropriate in a possible future situation because it has not happened and therefore, the relevant data is not available yet. Using scenarios for forecasting the future on the other hand recognised this reality.
Since 1979, techniques of how to develop and use the scenario approach have surfaced. Examples of such approaches were given by several authors like Mair and Sarin (1979), Finizza (1985), Recny (1986) and later Schnaar. What is scenario development then? The man who is credited with coining the word "scenario" is Herman Kahn (1967). He defined it as "A hypothetical sequence of events constructed for the purpose of focusing attention on causal processes and decision points."

Such an exercise on future scenarios forced the managers to think and assess the company if exposed to such scenarios (Recny, 1986). Finizza in 1985 gave another approach on how scenario development can be done. He gave an analogy of scenario development similar to that of the "Rip Van Winkle": "Think of waking up in the future at a time with the main assumptions nullified", he suggested.

The various approaches however made several recommendations such as:

a) it should be used where there is more than one forecast,

b) it is best suited when there are only a few critical environmental factors that influence the corporation's operation and that can be identified but are not easily predicted,

c) it can be used when the number of scenarios to be generated is few in number, and

d) that scenarios are to be developed through considering dominant issues, probability of occurrence, themes,
(such as economic slowdown, technological breakthrough etc.), or business-related environment (such as pessimistic/optimistic, normal/abnormal trend etc.).

But it is also cautioned that the method of constructing scenarios is heavily dependent upon the initiative of the leader and the participants as well as their subjective judgements. It was reported that even though General Electric\textsuperscript{27} used the Delphi Technique of forecasting and cross impact analysis and was aided by computers to simulate and to come up with probabilities measurement, the inputs used were heavily subjective in nature.

There is no document to indicate the use of scenarios as a forecasting technique in Malaysia. But if experience is of any value, then the Vice Chancellor of Universiti Pertanian did try this approach once during the University Senate meeting.\textsuperscript{28}

"...let us look ahead to the next 5-15 years. What do you want your departments and faculties to be? Forget the current environment and think what could the environment be at that time?....

This is not scenario development per se as defined in the text but it is the closest the writer can get to it. (The writer was a university senate member at that time. Three months after this Senate meeting, the Vice Chancellor was appointed the Chief Executive Officer of Guthrie's Holdings after the company was bought over by the Malaysian government. The latest development was that he now holds the Executive Chairman post for Telekom Malaysia.)
SUMMARY AND RESEARCH INTERESTS:

Whatever the "state-of-the-art" is, the importance and contribution of a sound environmental analysis is recognised but the problems faced are many and have to be dealt with accordingly. The tools that were mentioned above are only some of the many that have been reported to be used. They were identified and noted as potential tools that might be used by some managers. The nature of this research (exploratory, with interview questions being open-ended and non-leading) required that these tools be mentioned and understood.

The main issues discussed in the interviews were problems related to the availability of relevant data and appropriate tools of analysis to come up with a fairly reasonable opportunity and threat profile. As far as the research is concerned, the contributions made by the following authors are felt to be significant and are probed into in the research. These are:

a) Klein and Newman's emphasised that there are only a few of the many environmental factors that really influence the corporation's operation; hence only these need to be analysed,

b) Smart and Vertinsky's report that the strategic decisions taken by corporations are affected greatly by the business environment that they are operating in,

c) Diffenbach's different stages of environmental analysis development,
d) Herman Khan's introduction of the use of "scenario" in forecasting.

e) Engledow (1985) and Stiwenius (1985) and a few other writers acknowledged the varied nature and difficulty of doing environmental analysis and further suggest that flexibility and creativity should exist if an environmental analysis system is to be effective, and finally

f) the personnel that are heavily involved in such exercises.

The outcome of environmental analysis would hopefully enable the corporation to predict and be aware of the potential threats and opportunities in the future. The corporation can then take appropriate action. As far as the potential threats are concerned, they can even mould future events by taking proactive steps to remove or minimise the threats before they actually appear (if possible) or be prepared to face them when they come such that the negative impact is reduced. Similarly, such similar proactive or reactive measures can be employed on potential opportunities. But all these can only be done after a further exercise is completed; that of internal analysis.

7.3.1.3. The process of internal analysis

The process of internal analysis is another component of the corporate planning process. While Glueck lists this as that which follows the external environmental analysis, others suggest
that it could be performed concurrently. Internal analysis is the process of analysing the corporation's own resources from its own information and data. Some authors label this process as the strategic advantage analysis. It is from such analysis that a corporation realises its own strengths and weaknesses.

The analysis needs to be done on at least those factors that are relevant to the corporation's activities. The major factors that are commonly considered are:

a) marketing factors,
b) technological factors,
c) production and operational factors,
d) corporate management resources and personnel factors,
e) financial and accounting factors.

Generally, these major factors consist of several sub-components and are listed comprehensively in many texts. As an illustration, 14 different items can be considered as sub-components of marketing factors. They are:

a) competitive structure and market share,
b) market research efficiency and effectiveness,
c) product-service mix,
d) product-service line,
e) new product and new lines,
f) patent protection,
g) consumers' feelings of products and services,
h) packaging of production.
i) pricing strategy,
j) sales force,
k) advertising,
l) market promotion,
m) after-sales service, and
n) channels of distribution.

McBurnie and Clutterback\(^36\) gave a different list of the marketing sub-components as below:

a) cost advantages,
b) resources availability,
c) market control and dominance,
d) technological advantages,
e) efficiency in production, and
f) the quality of personnel employed.

But what is more important is that the relevant sub-components must be identified and then analysed more thoroughly in order to obtain a sound strategic advantage profile for that major factor. Normally, the starting point in doing internal analysis deals with the quantifiable variables. Commonly, the financial and accounting data such as costs/unit, profit/unit, output/man-hour, return on investment and many others, would be calculated first.\(^37\) The process then gradually develops into other areas which are not easily quantified. An analysis can reach a point where a marketing edge over a competitor can only be gauged subjectively although its initial analysis might be
based on the number of salesman, sales per area, marketing expenses, product reliability and many others which are quantifiable. As the analysis progresses towards the overall strategic advantage profile phase, further subjective judgements have to be made. Even the rankings and ratings as suggested by Glueck are also subjective, but they are an attempt to quantify and justify the final judgements. Although a quantitative figure is derived, it is finally left to the value judgements of the top management team to make the final decision.

Once the relevant factors have been analysed, the next major step is to derive fruitful or meaningful inferences from the analysis. Glueck (1976)\(^3\) suggested giving weights accordingly (out of 100%) and ratings against competitors (1-10) to come up with a weighted index.

This is an area where companies in Malaysia are probably fairly advanced. The financial analysis that almost all respectable companies perform as evidenced from their annual reports which are made public indicate a respectable level of analysis. The Malaysian accounting profession boasts of three thousand qualified members and there are 62000 personnel classified as management and administration professionals.\(^3\) However, only the financial analyses are easily available. Therefore, other aspects of internal analysis are difficult to make judgement on as they are not available to the public.
A crucial element of this exercise is that most of the analysis that is done is compared or weighted against the corporation's externalities or the environmental factors discussed earlier. Thus, a strong market position is only meaningful if it is compared with the major competitors, suppliers or customers. What the analysis accomplishes is to have a strategic advantage profile of the marketing factor. This is repeated for all the other major factors to finally culminate in the overall strategic advantage profile as suggested by Porter (1980).

The strategic advantage profile is not a summary of the company's strengths-weaknesses and opportunities-threats combined together. As explained earlier, not all of the sub-components in the major factors are of strategic significance for the corporation's survival. Those that are, as identified by the top management of each individual corporation, are further considered by the decision makers. From it, management would then be able to get a picture of their corporate strengths and weaknesses. The final outcome as stated by Hofer and Schendel is a qualitative measure of relative strengths and weaknesses of the corporation; the strategic advantage profile (SAP).

One of the earlier researches on internal analysis was done by Ringbakk (1969). He reported that twenty-eight companies (out of 40) had formal corporate planning and that the internal analysis that was performed was biased towards analysing financial data and performance. In another study, Schwendiman's doctoral dissertation on the other hand reported that although
analysis of strength and weaknesses was quite well detailed, the
analysis of the competitors was very lacking.

Stevenson (1976) made an in-depth study of the paper and
ink industries in USA on "what managers perceived as important
strength and weakness factors". From the 191 executives inter¬
viewed he noted that marketing and organisational factors were
regarded as important and were ranked first and second respect¬
ively (27%, 22%). But when these factors were compared against
different categories of managers, the rankings changed. Top
executives identified organisational factors as more important
whilst the middle level identified marketing as more critical.

The strategic advantage profile of a corporation can be
presented in many ways. Ohmae, K. suggested a graphical
approach. Others do it in a table or matrix form (As in the
BCG model, Shell and GE). There is also the approach made by the
profit impact market strategy (PIMS) study. These charts as
presented by the BCG, General Electric and many other matrix
models are only a graphical aid but to what degree the variables
are actually quantifiable can be contested strongly.

Because of the various dimensions that can be looked at in
this process, Hofer (1978) emphasised two critical points
from his studies of strategic analysis.

a) Because of the complexity, the process might get
bogged down in a "number crunching" game where
figures are critically examined but are of little value.
b) He pointed out that in any particular industry, there are only a few critical variables that are of importance to the industry. Thus, it is more useful to limit discussion to just these few and to come up with proper weightings rather than to deliberate on a long list of all the variables. [This is similar to Klein and Newman's concept in analysing the external variables.]

It is implied, therefore, that managers should spend more time on the fundamentals which are of greater importance to the particular enterprise. The literature seems to indicate that the factors identified as being more critical are the market and competitive factors. Actually, it is the competitive advantage factor that an enterprise should be paying attention to.

Even these factors change with time. Glueck made a study on the strategic posture of 358 Fortune companies on their strategic posture over a period of 45 years (1930-1974). He reported that the strategic advantage as perceived by different people within a company at different times and in different industries was not similar. Within the 45 years of the study period, some of the strategic advantage or disadvantage factors identified like "changes in top management" were a persistent problem while "shortage of production capacity" had declined over the years as an important strategic factor. Amongst the service industries, the "top management problem" was cited as a common strategic disadvantage factor being faced.
SUMMARY AND RESEARCH INTERESTS

Analysing the corporation's own resources from its own data and information bank is the second major element of the corporate planning process. It can be done independently of the external environmental analysis.

Initially, the major factors and their subcomponents need to be identified and analysed. The financial and accounting data are the most readily available and therefore seem to be the regular ones that are analysed extensively. But presently, data from other factors such as the marketing, technology, research and development, human resources and others are also being actively developed and utilised more skilfully. The outcome of such analysis are the strengths and weaknesses measures of the corporation. The problems prevailing are that there are too many factors and subcomponents that can be measured and analysed. And again as in the case of the external environmental analysis only a few of these are critical to the corporation's success and therefore are the ones that need to be analysed in detail.

While various suggestions and methods have been put forward to make this strategic advantage profile analysis exercise worthwhile, it finally depends on the subjective and value judgements of the strategic decision maker. It is his judgement of the valuation of the externalities that counts.

Thus, the final result of the external and internal analysis is the strategic advantage profile of the corporation. This
profile of the major critical factors will be the raw material that is needed to stimulate the next stage of the strategic planning process chain i.e. the strategic decision making stage.

The research therefore investigates the process of internal analysis as carried out by the participating PEs. The level of analysis as to how far they have progressed from the basic accounting and financial analysis is examined. In addition, the research also identifies whether certain factors like marketing, competitor, technological, operational and organisational factors have been considered in the analysis and if so, which of them are of greater importance.

Hofer's recommendation is also tested i.e. whether companies do concentrate on just a few critical subcomponents of the major factors. The research also investigates whether more advanced tools such as PIMS, BCG and other graphical techniques or templates are being used and to what extent.

The other major research dimensions are related to the system that has been set up within the organisation to make sure that the operation of the external and internal analysis is carried out smoothly. Thus various aspects such as who does what, when and how all make up the system. This is deliberated later in Part II under the other components of the system.
7.3.1.4. Management Science Techniques and Information Systems for Corporate Planning

The complexity of corporate planning in trying to handle the varied external environmental variables and its unpredictable behaviour, the vast amount of data necessary for internal analysis, as well as the problems it creates have attracted decision scientists. From experiences gained in the field of hard sciences, these scientists have come up with mathematical models and techniques to relieve the corporate planners of some of their woes. In fact the use of management science techniques is already quite widespread in management. In corporate planning, its use has been focussed towards aiding forecasting (Ball, 1974) and giving alternative outcomes to various strategic actions (simulation and sensitivity analysis). Writers like Brown (1970), Taylor (1972), Wagle (1972), Moses (1975), Glen (1980), King (1983) and the two partners of Thomas and Schwenk (1984) have acknowledged their usage. But deterministic as they are, their value still depends on the data that are being collected or fed, the information flow and thus the information system.

The advancement of computer technology has made it possible for corporations to install such units enabling them not only to store large amounts of data but also to analyse them within a short span of time. LaBriola (1979) identified four generations of computer aided corporate planning systems, starting from the simple language, logical system with little analytical capability through an increase in complexity to the
third generation system with interactive analysis facilities, graphics and expanded data management. The fourth generation which he foresaw would include a bigger system with the planning and modelling components incorporated in them.

Several authors like Hayes (1974), Reilly (1974), Tipgos (1975), Schuman (1982) and King (1977 & 1983) all suggested the valuable contribution that could be derived from the utilisation of a sound information system in corporate planning. Tipgos reiterated that relevant data are available within and outside the corporation and with a sound system all these can be made available. The one uncontrollable variable is the person who runs it. Schuman concluded rightly that in the final analysis it has to come back to the benefit-cost analysis.

King was more specific in his two articles and gave labels to the two information systems that were brought forward. One was the Decision Support System (DSS) which provided the level of sophistication needed in strategic decisions and suggested that system development should be developed based on their potential for the support of decision making and not on their technical potential. The other system was labelled Strategic Data Base (SDB) which provided all the organisation's information on the goals, opportunities, constraints, guidelines, priorities and even the viewpoints and values of the managers. The latter he said was to make top management aware of the views of their subordinates on certain strategic issues.
No direct report or study has been done on the state of the use of management science techniques in Malaysia. Inferences, however, can be drawn from several sources. If the per capita volume of sales of computers and technical softwares (excluding games) is any indication of Malaysia's state of management science techniques then it ranks fifth in Asia.\textsuperscript{34}

The government have also made known to all seven institutions of higher learning in the country that it will not stop the running of three programmes even if the institutions want to. These programmes are computer science, engineering and management administration. In fact presently four institutions are already running them. This is another positive indication of the government's attitude towards the subject.

Han (1986)\textsuperscript{35} reported that the use of operational research techniques in Malaysia and Singapore is quite widespread. Simulation, regression and financial forecasting are the three most common techniques used as reported by the 198 companies that responded to the mail questionnaire. Dynamic programming, integer programming and Markov chain techniques were rare but were used by at least one company. Thirty percent reported the use of such techniques for planning purposes.

Han (1982)\textsuperscript{36} also reported earlier that capital budgeting techniques used by the companies registered with the stock exchange were comparable to the situation found in the mid 1970's of the West.
Thus, generally the application of management science techniques and tools is not as advanced as in the West but they are being upgraded regularly. Internal analysis is widely performed but the external analysis has yet to reach a level that can be respected.

SUMMARY AND RESEARCH INTERESTS

MIS is a vast research field of its own and is mentioned here in passing. With the amount of data available within and outside the organisation that can be made use of in corporate planning, MIS and management science techniques have become an important component. This research only attempts to look at the existence and the level of sophistication of the MIS systems that exist based on LaBriola's and King's work. To go deeper than this is beyond the scope of this research.

The research also looks at the corporate planning system and whether it can be classified along the four different phases as set out by LaBriola. An attempt is also made to look at the information availability and reliability and the extent these are being established and utilised. Investigation is also made towards determining the kinds of analysis done, the analytical tools used and the levels of sophistication of the analysis.
7.3.2. The Strategic Choice Making Process

"In a nutshell, strategic choice is the decision to select from amongst the alternative grand strategies considered, the strategy which will best meet the enterprise's objectives. It involves forecasting and focusing on alternatives, considering the selection factors, evaluating the alternatives against these criteria and making the actual choice."

Glueck, 1984/37

The outcome of the external environmental analysis is knowledge of the possible threats and opportunities. On the other hand, the outcome of the internal analysis is information on corporate strengths and weaknesses. The matching of these two outcomes with the externalities will ultimately lead to an understanding of the corporation's own strategic advantage profile. From the matching of the results of these two analyses (i.e. external and internal), the decision makers within the corporation will attempt to match the strengths, weaknesses and the strategic advantages of the company to the threats and opportunities of the environment and this initiates the choice making process. This is made up of:

a) the process of generating a reasonable number of possible alternatives.

b) the process of actually choosing the strategy from amongst these alternatives.
7.3.2.1. Generation of Alternatives

The generation of alternatives can be done by a top management team, a committee or relevant personnel (such as the head of strategic business units). This depends on the characteristic of the corporation, its size, nature of operations (centralised/decentralised) and whether there are clear establishments of strategic business units or profit centres within itself. There are many possible strategic alternatives and Glueck 1983\(^\text{39}\) divided them into four classes and called them the "grand strategies". They are:

a) stability strategy,
b) growth strategy,
c) retrenchment strategy, and
d) combination strategy, which is the strategy that utilises a mixture of the above mentioned strategies.

Glueck gave detailed descriptions and operating conditions for each of the grand strategies as well as their substrategies. These are not discussed here as the emphasis of this research is on the process rather than on the content and decisions.

What needs to be considered is how these strategies are developed and selected in the light of the corporation's strengths and weaknesses, its objectives, influence and values of the decision makers, environmental threats and opportunities and ultimately the final selection of the grand strategy for the organisation.
Two widely discussed methods (introduced in the early section) to assist in making such decisions are the Boston Consulting Group (BCG) portfolio matrix and the Profit Impact of Market Strategy (PIMS) approach. These tools or methodologies have contributed significantly to the operationalising of the decision making process. These are described briefly below.

The PIMS analysis uses a large data base to determine which factors in the company's environment affect profit and how return on investment (ROI) changes as the market strength changes. The major PIMS findings are on four variables which have the greatest impact on the ROI. These are:

a) market share,
b) relative market share,
c) relative product quality, and
d) investment intensity.

The data and information derived out of an analysis of a particular sector of interest is thought to be very useful in assisting the decision makers as to what strategy needs to be taken to achieve the long term objectives.

The Boston Consulting Group (BCG) approach on the other hand, looks initially at the characteristics of the experience curve (cost per unit falls as the accumulative volume of production increases) and its relationship to market share. The knowledge of market share and market growth rate are regarded as very important dimensions for the generation of appropriate
strategic alternatives for it is from this knowledge that a picture of the corporation can be drawn and the corporation can decide on a strategy based on its product-market portfolio matrix.

There are several follow-up studies on the usefulness of these two methodologies. Fruhan (1972), McAroy (1976), Leontiades (1977), Zeithaml (1981), are some of those that support the two methodologies.\(^1\) Rink and Swan (1979), Woo and Cooper (1981) and Hambrick (1981) on the other hand have some doubts in that their findings do not necessarily follow the same pattern.\(^2\) PIMS and BCG studies are over-simplified, they commented. Whatever the case, they did not give alternative platforms to help the decision makers in performing the process better.

There are other techniques or tools that are discussed in the literature which are practised by individual companies or proposed by renowned authors on the subject. But perhaps all are unique and suitable only to particular organisations or cases for such processes are influenced by a wide range of the corporation's internal factors and the externalities that they are in.

Nothing can be said about such choice making process in Malaysia. The use of PIMS method of analysis is probably too advanced considering the volume of data that is required for it to be successful. However, there are similar studies being conducted by researchers in Universiti Malaya and Universiti Pertanian on companies registered with the Kuala Lumpur Stock
Market. They make use of the companies' annual reports and are trying to use the financial data to get some kind of average index for them. They labelled the research as "Inter firm Comparison studies".

But the visit of a high ranking personnel from the Boston Consulting Group to Permodalan Nasional Berhad (PNB), (National Investment Corporation and which owns Guthrie and Harrisons) could indicate some sophisticated level of analysis. Whether it was a BCG analysis or something else could not be ascertained as it was confidential in nature.\textsuperscript{63} But it was a consultancy job for future PNB investments.

7.3.2.2. The Process of Selecting The Strategy

"When a person sets out to make a choice, he (or she) embarks on a course of mental activity, more circuitous, more complex, more subtle and perhaps more idiosyncratic than he (or she) perceives ...... dodging in and out of the unconscious, moving back and forth, from concrete and abstract, trying chance here and system there, soaring, jumping, backtracking, crawling, sometimes freezing on point like a dog, he (or she) exploits mental process that are only slowly yielding to observation and systematic description."

Braybrooke and Lindlom (1963)\textsuperscript{64}

The process of selecting which particular grand strategy is to be adopted lies usually in the hands of the top executives. But it might also involve participation or consultation with a group of other executives. The decision can then be made by this group of executives or the top executive himself. The final
grand strategy has to be chosen from the various options available and has to be compatible with not only the SWOT analysis, but also with the values of the decision makers. The following two authors indicate the problems related to this process.

The value judgements of the decision makers and the situation at that point in time play an influential role in determining which particular strategy is chosen. Again some of the tools that have been mentioned before (BCG, PIMS, matrices as used by Shell and GE) aid in such decisions. Hedley (1977)\(^{65}\) suggested the construction of the business growth rate-competitive position matrix to get a picture of the overall corporation's position. Hofer and Schendel\(^{66}\) on the other hand did not agree with such matrices saying that they were too over-simplified.

It is necessary to remember that these are just tools that assist the decision makers. They in addition have to negotiate (Pfeffer and Salancik, 1978)\(^{67}\) and navigate (Bourgeois and Astley, 1979)\(^{68}\) to satisfy the powers of the environmental elements in the form of suppliers, customers, competitors and owners.

With all the analysis (external and internal) and the array of methodologies and tools available for the strategic decision makers to synthesise and choose from, Lenz (1980)\(^{69}\) summarises the process well when he cautions the decision makers and stresses the importance of utilising fully both external and internal analysis with decisions or strategies chosen being based mainly on them.
SUMMARY AND RESEARCH INTERESTS

The process of generating alternatives and finally selecting the grand strategy for the corporation to adopt is a difficult and complicated task. While the hard work on the analysis and generation of alternatives can be performed by second level managers and below, the final decision on the overall strategy is left to the top managers. The initial process itself might be just matching the results of the external and internal analysis but the final stage is much more difficult and complex. This is so because value judgements of the decision makers and other external pressures come into play at all levels. Perception of the future, risk elements, unquantifiable data and some "gut feelings", are additional factors that contribute to the difficulties. Though PIMS, BCG and other graphic methodologies have surfaced to assist the decision making process, they are merely tools or templates and full agreement amongst top executives on the strategic decisions made are rare.

The area of interest for this research is mainly in the systems that exist in organisations. As the generation of alternatives and choice making processes involve several personnel, the systems that exist in deciding on who generates the alternatives, at which level, when and how as well as who makes the final decision, are the area of interest of the research.

Any analytical tools that are used are noted and investigated, including such sophisticated tools as PIMS and BCG although their use is likely to be rare.
7.3.3. The Implementation Process

Once a strategy is chosen, the strategists and their immediate subordinates must be able to work out plans to see that the strategy is implemented. Hrebiniak and Joyce (1984) approached the implementation process as shown in Chart 7.6.

CHART 7.6. BREAKDOWN OF STRATEGY FOR IMPLEMENTATION

<table>
<thead>
<tr>
<th>CORPORATE PLANNING DECISION</th>
<th>GRAND CORPORATE STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>I PRIMARY STRUCTURE</td>
<td></td>
</tr>
<tr>
<td>SBU SBU SBU</td>
<td>sub strategies</td>
</tr>
<tr>
<td>II OPERATING STRUCTURE WITH OPERATING OBJECTIVES</td>
<td></td>
</tr>
<tr>
<td>SBU SBU SBU</td>
<td>operating strategies</td>
</tr>
<tr>
<td>IMPLEMENTATION</td>
<td></td>
</tr>
<tr>
<td>Incentives</td>
<td>FEEDBACK</td>
</tr>
<tr>
<td>and Control</td>
<td></td>
</tr>
</tbody>
</table>
The grand strategy is conveyed to the primary structure to be divided into sub strategies that can be absorbed by the strategic business units, (primary structure). The SBUs then determine their own objectives. Once these are done, they are then sent to the operating structure component for structural modification to determine the operating objectives. These are then correspondingly used for implementation. The incentives and control mechanisms have to operate concurrently to provide the necessary reward for good performance.

If the implementation calls for major changes and alterations, then those involved in the implementation process must be willing to change and work out plans to do so. The implementation process involves an integrated set of choices and activities that are used to allocate resources, organise, assign managers to key areas, set policies and establish an administrative system to reinforce the chosen strategy. Each decision maker, right from the Board members down to the strategic business unit managers, has a role to play in this implementation process, which can be divided into various stages as follows (Glueck):

a) resource allocation,

b) organisation structure adaptation,

c) planning systems for implementation, and

d) the administrative policies and leadership.
a) The mechanics of resource allocation start from the budgetary process and should be closely associated to the strategy selected. To illustrate, Searfoss (1973) affirms that the R&D division should be given special preference if the corporation has chosen a new product strategy. It is here that new product lines, new markets, new projects, expansion, diversification or the reverse of all these actions are thought of, depending on the grand strategy to be pursued. This is the start of the project cycle process (formulation, evaluation, appraisal and implementation) where tools like return on investment (ROI), benefit-costs ratios and others can be made use of.

In the Malaysian context, development of new products through R & D probably is confined to the plantation and agro-based sectors. New manufactured products tend to be modification of existing products probably adapted to suit the local environment and more commonly known as "pirated" products. The absence of copyright laws or more likely the inability to enforce them are also reasons for the introduction of primary technology in Malaysia and probably in other TWCs as well.

Bower (1970) listed three different processes which operate simultaneously when allocating such resources. These are:

1) the rational process (technical-economic considerations),
2) the intuitive-behavioural process (personal values and influence),
iii) the political-behavioural process (formal and informal influence.

The first two influencing variables increase as the amount of uncertainty increases (Anand in 1970).\(^\text{74}\)

b) The organisation structure plays an important part in implementing the strategy. It is a field of study of its own and only the relationship between strategy and structure is discussed here. The basic question to be asked is "do we have the right organisation structure to fit our strategy?"

Since the work of Chandler (1962),\(^\text{75}\) the relationship of structure and strategy has been well debated. It has moved from the initial position of the structure being dependent on the strategy to it being independent (Miner and Hall, 1978)\(^\text{76}\) and lately, Mintzberg (1976)\(^\text{77}\) suggested that these two variables together with the environment must be compatible for the strategy to be implemented effectively. How this is to be done was not specified. Stanton (1979)\(^\text{78}\) in his report on the survey of 259 respondents on what the future organisation structure would be, found a consensus that the future structure was expected to be:

i) flexible,

ii) transitory, and

iii) complex and more open to the environment.
Departments exist in many forms, multiple goal structures prevail and decision making is often decentralised. Krijnen(79)\textsuperscript{79} summarised it beautifully when he commented that the future structure would have to be flexible operationally, strategically and structurally.

Only by having such a structure can an organisation cope with the ever changing environment and thus be strategically adaptable. Thus a functional, divisional or sectoral structure will be suitable under different environmental conditions and strategies (Slocum-1979).\textsuperscript{70}

c) Another important part of the implementation process is to have a planning system that will link the process of formulating strategies with the plans for its implementation. The activities that need to be done in the implementation process can be done either by a planning committee (managers involved can be from the planning as well as from the functional departments), or by special planning staffs (Wrapp, 1957).\textsuperscript{81} Ringbakk (1968) and Lorange (1977)\textsuperscript{82} reported that the environment, size and structure have a strong influence on the nature of the planning activities. The planner can be a strategist, analyst or a catalyst. Steiner and Schloohammers in 1975\textsuperscript{83} surveyed 460 large multinationals and reported that the degree of diversity and decentralisation was related to the maturity of the formal planning systems that the company had. Later Ansoff(76)\textsuperscript{84} also brought up the need to incorporate "issue managers" into the
structure if a firm is in a position to practise strategic issue management.

Since this aspect of implementation requires the involvement of personnel, it will be discussed more thoroughly under the subsection on "personnel involved" in Section II of this chapter.

d) Once the resource allocation, organisation restructuring and planning operations are done, full implementation still needs other interrelated variables. It needs to have policies that will help guide and co-ordinate the process as well as the existence of appropriate leadership styles. Again there are numerous researches that have been done in this field. However, the points that many seem to agree upon are that the product life cycle or stages of development play a very important role in determining the appropriate policies and leadership styles. These policies can be broadly categorised into various aspects of operation of the corporation such as financial, marketing, operations, resources and others that will guide and ensure that the actions taken will be directed towards achieving the strategic objectives.

SUMMARY AND RESEARCH INTERESTS

The success of the implementation process basically depends upon the efficiency and effectiveness of resource allocation, suitability of the organisation structure, performance of the
personnel involved and the administrative machinery of the organisation. How it is done is an interplay of all these four components.

The research looks into three of these four components within Malaysian public Enterprises, namely the process of allocation of resources, how strategies are conveyed to the sub units ie. the system and the personnel involved in this process. These three are the "soft flexible" components that are quite different from the "rigid non human" organisation structure. Undeniably all four are important and as mentioned, a study of the structure alone would justify a separate research. These three are discussed in Section II (7.4) of the chapter.

Specifically, the research looks at:

a) the relationship between the resource allocation process and strategy, to see how the various projects are in line or related to the strategy,

b) the closeness of the planning department to the CEO, the size of the planning department and its function,

c) and the policies that are made that would indicate or reflect the emphasis of management on the implementation of the strategy.

7.3.4. THE MONITORING, CONTROL AND EVALUATION PROCESS

The process of monitoring, control and evaluation is that phase of the corporate planning process in which the top managers
try to assure that the strategy once implemented is meeting the objectives of the enterprise. Glueck (1981)\^{6} and Kepner and Tregoe (1980)\^{7} have simplified it in the form of identifying the deviation between "what should" and "what actually is" and the "gap" is then analysed. The possible causes are looked into and remedial actions are then taken.

It is the organisation’s administrative structure that will determine the operation and success of this process. There are various issues that are involved in this process and are listed as:

a) whose responsibility,
b) role of the evaluators,
c) how often it is to be done,
d) criteria for the evaluation and mechanisms,
   - qualitative or
   - quantitative
e) who does the evaluation,
f) who takes the decision to proceed and to take corrective action.

These issues have been thoroughly discussed in the literature too. Rowe and Carlson (1974)\^{8} looked into various aspects of control such as management control, performance control, adaptive control and strategic control. The criteria for the evaluation of the content and process of strategy implementation can be done by qualitative and quantitative measures. Critical success factors as suggested by Rochart (1979) and Diffenbach (1981)\^{9}
are many but each company would need to determine its own set of factors. These are compared with targets, standards, past performances or competitors' whichever is appropriate and valid.

Qualitative measures are as important as quantitative ones and Glueck(1984)\textsuperscript{90} proposed that aspects such as consistency, appropriateness and workability of strategic decisions should be considered. Examples of questions that were asked were, "Are the present strategies consistent with the objectives, environment and internal conditions?" and "Are they appropriate to the resources, risk and time horizon and are they feasible and stimulating?"

Once these measures are decided upon, then the question of how often the evaluation process was done, to whom the feedback data should be given to and the question of "how often" should the evaluation be done, is situational. Pekar(1976)\textsuperscript{91} recommended that the long term targets be broken down and each will be monitored regularly depending on the situation. Any significant deviation should be reported to the appropriate authority. Glueck (1984) \textsuperscript{92} suggested identifying critical factors that need to be monitored regularly and reported to the highest authority. Even these vary, depending on the type of industries. This is where an efficient management information system comes into play as stated by Moses (1975) and Said (1978).\textsuperscript{93} All these are also linked to the reward system that an organisation has in making sure of an effective evaluation mechanism (Prassad 1974).\textsuperscript{94}
Several other researches have been done to look at the effectiveness of the control system. Bell (1965), Woodward (1970), Khandawalla (1973), and McMahon and Peritt (1973), all reported a positive relationship between a good control system and the effectiveness of the operation. Bell specifies that a more routine job would suffice with behavioural control measures, while more volatile jobs would require control at the output point. Khandawalla reported that the control system is more stringent for companies that are operating in a very competitive environment.

**SUMMARY AND THE RESEARCH INTERESTS**

The control and evaluation process within corporate planning is similar to the control and evaluation process of management in general. There need to be a standard or reference point for assessing and monitoring the progress of the corporate plan. The kinds of control mechanism vary with industry, size of the company and the level of competition that they face. But as far as the monitoring and evaluation process go, the following components are looked into in the research:

a) who is responsible for carrying out the control and evaluation of the corporate plan,

b) who provides the feedback and what kinds of information are conveyed and to whom,

c) how often is it done,

d) where does this information go,
e) who decides on the status of the projects i.e. to proceed or to take corrective actions
f) linkages to the reward and incentive system.

All these are again part of the overall management system which determines who, where and when, and is deliberated in greater detail in Part II of this chapter.

7.3.5. SUMMARY OF THE CORPORATE PLANNING PROCESS

The strategic planning process is made up of four components namely:

a) the process of analysis,
b) the choice process,
c) the implementation process, and
d) the evaluation and control process.

How these four components are carried out and to what degree of depth varies greatly amongst organisation. Higgins' findings can be used to strengthen the contention that the process is divided into different categories of development such as the conceptualisation, system design development and system maturity.

The emphasis, however, will be on the handling of information and data that needs to be recorded, analysed and disseminated. But these processes have to be supported by the system that has been set up in each organisation to see that the above-mentioned activities are being carried out. It involves the question of
"who", "when" and "how" which are the components of the corporate planning system.

The literature widely covers the various technical aspects of the process, the data analysis, the necessity of the establishment of an efficiency information system, the use of sophisticated analytical tools used in aiding the decision makers to perform the various tasks. These are well developed in the advanced industrialised countries where they are not only easily available but the knowledge is widely disseminated.

The few reports on strategic planning in Malaysia only succeeded in exposing the lack of research and documentation of its practice in the country. One would expect that being socially and culturally different from the West, the practice would differ in many aspects. However, the number of programmes and courses on the subject being conducted in training institutions and the relatively large volume of sales of computers might suggest that the country is over the awareness stage.

It is envisaged that internal analysis is performed quite widely amongst the progressive companies. External analysis, however, might not have reached the same level. Data gathering and the value as well as the reliability of the data that are made available are questionable. It will be some time before data made available to the public receive recognition for its reliability to be used for strategic planning.
The stages of the corporate planning process on the other hand is something that is rational and logical and therefore is expected to occur as in the West. But the difference as determined by culture and society could lie in the values and judgments given to the variables that are considered for decision making.

The research also includes the technicalities involved in the process of corporate planning. If they do exist, are they being made use of economically, rationally and to what extent. If they are not, then how are corporate planning processes conducted? Is it the same as in the west or how different are they?

The existence of all these four components, i.e. the process of analysis, choice, implementation and control, would qualify a system to be "complete". But these are embedded in only two of the nine components of a corporate planning system as laid out by Steiner. The others will be discussed in section 7.4 of this chapter. Because of its length, it was felt that a summary at this point might be helpful.

7.4. SECTION II: OTHER COMPONENTS OF CORPORATE PLANNING SYSTEMS

Section II of this chapter is a continuation of the discussion on the components of corporate planning system. The whole of Section I (7.3) was confined to two of the components of corp
rate planning system namely the corporate planning process and the depth of analysis. The depth of analysis component is embedded in the process and has received much attention. Section II (7.4) will now look at the other eight components namely:

a) the three components on personnel i.e.
   i) the Chief Executive Officer,
   ii) the Corporate Planner and his department,
   iii) the other managers that are involved directly.

b) linkages with other plans,

c) planning horizon and schedule of activities,

d) degree of formality, and

e) getting the systems started.

7.4.1. PERSONNEL INVOLVED

A corporation goes through various phases as it develops. The one man manager or entrepreneur will find himself having to relinquish some of his duties as the company grows. And as far as his company's long term corporate planning is concerned, its demand and complexities will also increase. A time will be reached when to carry it out effectively, he has to seek assistance from his staff. As the company develops further, the hierarchy of his employees in the organisation will also expand. In large organisations, the personnel involved directly in the activities of corporate planning may vary but commonly would include the following:
a) the chief executive,
b) the planning director and his department staff, and
c) a few other important senior executives.

There are variations amongst corporations with regard to the kinds of personnel involved depending on the size, activities (diversified, manufacturing or servicing) characteristics (centralised/decentralised or export orientation) and of course the managerial attitudes and perception.\(^97\) In some cases, there are no personnel designated as corporate planner and the function is handled by the CEO and/or his senior staff. The personnel in the third category may also vary. It may be just a few people or a large group that meet to discuss and approve the strategic plans. The composition of this group may also vary with time and condition that the corporation is in.

7.4.1.1 The Chief Executive Officer

The Chief Executive Officer's (CEO) important role in corporate planning has been highlighted in almost all articles pertaining to "who is responsible for strategic planning". Some of these articles\(^98\) [Guth (1965), Eastlack (1970) and Vancil (1983)] and books\(^99\) [by Drucker (1964), Ansoff (1965), and Ackoff (1970)] have pointed accusing fingers at CEOs if they fail to come up with effective strategic plans. They are supposed to inculcate within the corporation an atmosphere of creativity, free thinking and discussions and from it to generate
ideas and strategies which are far-sighted. They should then guide all these, towards attaining the corporate goals.

The literature seems to give a picture of turmoil and unsettled atmosphere as far as the CEO's involvement in corporate planning is concerned. One of the earliest studies on the part played by CEO's in corporate growth was done by Eastlack and MacDonald (1970). The team received 211 responses from a mailed questionnaire survey on "the role of CEOs in strategic growth". The findings stated that the majority of them were dissatisfied with the company's progress. They mentioned that they are fully involved with strategic planning but only minimal involvement in the implementation of the strategies. This is in fact a case of ineffective strategic planning and should be remedied.

Ford (1981) further strengthens this finding when he reported that only 10% of the top managers make use of corporate planning effectively. Top management's involvement in the strategic planning process is too often limited to little more than the basic allocation of resources at its final stage.

In another report, Hise and McDaniel (1984) conducted surveys of CEOs' views on strategic planning and question the reasons why quite a good proportion still prefer to pursue short term objectives. 263 of them responded and identified two factors on why short term objectives were given higher priority.
a) The age factor: they clarified that they will not benefit long term goals as most of them are already beyond 55.
b) they lack entrepreneurial experience to enable them to make full use of strategic planning.

Hunsicker (1980),\(^\text{103}\) suggested that they should be involved at the early stage of the process to deliberate on objectives, to challenge the assumptions made, to force discussion of various alternative options and generally to orchestrate the diverse human element of the planning process.

But a survey report by Steiner and Kumin (1981)\(^\text{104}\) on 47 top executives gave a positive view of top management's involvement in corporate planning. They found that the CEOs were spending more time on environmental forces especially on the socio-political components. They spent more time responding to their legitimate constituent's interests including the consumers, owners and employees.

In another research, Bhaty (1981)\(^\text{103}\) reported that of the 26 CEOs that participated in his research, 52% of them spent 1-10% of their time on strategic planning. Another 12% spent 11-20% on it. He was not able to say whether this amount of time is sufficient but merely stated the actual situation. May be what is more important is whether this amount of time spent was efficiently utilised.
Steiner\textsuperscript{106} tried to clarify the CEOs role when he gave a list of seven conceptual roles for a CEO to perform and briefly these are:

a) strategic planning is his responsibility, 
b) he is also responsible to provide a climate that is conducive for strategic planning to be effective, 
c) the design of the system must suit the organisation, 
d) he is responsible to determine whether a corporate planner is necessary, 
e) he is to get involved in the planning activities, 
f) he is to face the various executives who are involved in planning and to give appropriate feedback and evaluation, and 
g) he is to report the plan to the Board.

Whatever the various findings and contentions are, CEOs are stuck with the responsibility of performing strategic planning efficiently. In fact its importance needs no reemphasis. The complexity that the CEOs faces changes all the time. Leontiades (1976)\textsuperscript{107} even adds another dimension to this when he argues that since corporations undergo various stages of development with time, then the CEO's style should also vary accordingly.

To meet this challenge new techniques are constantly developed to increase the effectiveness of corporate planning. The use of management committees, special groups (Vancil 1984),\textsuperscript{108} scenario development and the Rip Van Winkle approach
and many others are the result of such developments.

7.4.1.2. The Planning Executive and His Department

The title and/or post of a Corporate Planner or any similar designation was rare even in the early 1970's. It was in the late 1960's that corporate planning started to become difficult, the process more time consuming, the decision more critical and demanding special treatment. The CEO soon realised that it was difficult to perform corporate planning effectively on his own. Initially, the CEO might begin to delegate the planning to one of his subordinates, to act as a co-ordinator or head of a team. As the corporation grew and developed further, the tasks became too onerous for the functional manager to administer it as an additional duty. This develops into the creation of the planning executive. Later, this resulted in him having assistants and grew large enough to be recognised as a unit or given the status of a fully fledged department.

The duties of a planning executive can vary greatly depending on the company size, business and environment. He can be just a co-ordinator, implementor, information seeker or a full-blooded planner given full authority and power over the functional managers.

Lorange (1973)\(^{11}\) categorised the corporate planner either as a process planner (seeing that the system runs smoothly) or a
substance planner (actively participating with the line planners in the organisation).

Leontiades (1977)1,11 from his study of planners instead categorised them into various management style groups depending on the stage of development of the company. His categorisation was as stated in Table 7.1.

With this categorisation, Leontiades also recommended that differently qualified managers should be placed appropriately depending on the stage of the development of the organisation.

<table>
<thead>
<tr>
<th>TABLE 7.1. MANAGEMENT STYLE AND COMPANY GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROWTH STAGE</td>
</tr>
<tr>
<td>growth stage</td>
</tr>
<tr>
<td>I) single product</td>
</tr>
<tr>
<td>II) related products</td>
</tr>
<tr>
<td>III) diversified products</td>
</tr>
</tbody>
</table>

G = a generalist; T = traditional planner with narrow scope, S = specialist.

Glueck112 also made a categorisation of the duties of corporate planners into three i.e. as a strategist, an analyst and a catalyst depending on the stage of development of the corporation in relation to its structure and complexity of business

268
operations. The more complex the corporation is, the more the duties of a corporate planner will be towards being a catalyst.

The importance of the role of corporate planning in any corporation is no longer argued. The question is perhaps more towards determining who should be doing it and whether there is a need to have special personnel handling the varied duties and where to place them in the corporate structure. A report by Brown et al\(^{113}\) reported that out of his sample of 165 large manufacturing companies, 44 of them had specialised personnel dealing with corporate planning and the department size varied from 2-80 personnel in all.

Vancil (1967)\(^{114}\) in a separate study reported that the planning department staff size varied from 1-50 in number. The establishment of a planning department will occur once its size and duties are regarded as big enough and critical to the running of the corporation. Vancil further advised that the establishment of such a department can be a messy one. He gave ten important points to consider when establishing such a department. Candidly he explained that it should be treated as if a father just had a new born baby and therefore should consider that:

a) the CEO is the only legitimate father of the department,
b) a good father does not abandon his off-spring once delivered,
c) he takes interest in its development,
d) he does not love it too much so as to spoil it,
e) he should appoint an internal staff to take care of it,
f) he avoids the "favourite-son-syndrome",
g) he allows it to develop and to prove itself in its true colours within the first few years,
h) understands fully that it will take a few years for it to be accepted by other members of the family, and
i) he should be prepared for problems that may arise and the father must be willing to make sacrifices and nurse it if there is a need to, and
j) maturity will be reached when it can work on its own, when requests are received from the other members to participate in some activities and when it can be creative on its own.

The structure of the department and its relationship with the CEO are also diverse in nature. Frieldrich and Dortmund (1974)\(^\text{113}\) writing on "Organisation of the Planning Department in a Diversified Concern" through their consultation experience, proposed several alternative structures in placing the department within the organisation. It depends on the expected function that the department is supposed to perform, the nature of the corporation and the business environment that it is in. A well diversified conglomerate in a turbulent environment will most likely have a complicated structure with the corporate planning department directly linked to the CEO. At the same time there may be elements of decentralisation where some of the planning
staff are assigned to the divisions/regions or product line to act as links between the strategic decisions made and the implementors.

The problems as faced by the corporate planner are numerous. But the most talked about are those related to the activities involving the other management staff. A Corporate Planner performs a staff function. He can play the role of a process planner or a substance planner. Whichever he chooses or is asked to perform, he has to work with the line managers. This awkward situation of either requesting the functional or line managers for co-operation in following the set format (set by him) or guidelines in coming up with the plan or participating fully with them has always received that "stay-out" or "mind-your-own-business" reaction from them.

Ross (1962)\textsuperscript{116} proposed that there should be a rotation amongst the planners and doers to overcome this possible conflict. Garbacz (1973)\textsuperscript{117} stressed that this planner-line conflict was real and only those experienced enough and respected were able to handle it well. Knoefel (1973)\textsuperscript{118} pointed out that it is the responsibility of the strategic planner to see that such conflict does not arise.

Probably because of such difficulties, Taylor (1975)\textsuperscript{119} came up with several suggestions for planners to consider so that their duties can be performed smoothly. The ones that are felt to be more important are to be aware of:
a) his authority limits,
b) who holds the decision power, and
c) what is the present management style prevailing in the corporation.

In short he has to adapt to the existing planning culture of the organisation. If it is not suitable then any changes necessary should be done slowly and tactfully in order to get the full support of those concerned.

On the same note, Hall (1977) gave suggestions that to improve planning effectiveness:

a) the team should be aware and understand the planning decision process
b) rewards should be closely tied to it, and
c) the communication process should be smooth.

The latter will allow each member to know his role and will avoid unnecessary conflicts. Garbacz (mentioned earlier) in his 1973 article also suggested similar tactics. To him it was a combination of organisational, philosophical and administrative manoeuvring that creates the ideal planning environment.

Whatever their functions are, planning executives have their share of the problems. The never ending conflict with the line managers always predominates (Garbacz in 1973) and together with the varied value systems of the individuals, their priorities, the need to create the right climate and understanding makes the job more challenging (Taylor 1976).
7.4.1.3. The Other Planning Participants

Even the CEO and his corporate planner (if there is one) might not be able to perform the full task of corporate planning themselves. They need the assistance of the other managers to do an array of other duties to ensure that the job of corporate planning is performed effectively. Feedback from divisions/departments/functional areas/subsidiaries and others on their performance, problems, strengths and weaknesses, are all vital information that needs to be gathered, synthesised, condensed, crystallised and presented in a meaningful way. This information will then be used to assist the CEO and his team in making the strategic decisions.

More often than not, the CEO himself will seek assistance from the other executives to arrive at strategic decision(s). As explained, there are several people that are involved and they vary from company to company, with time, with situation and environment. Thus, whether marketing, production, financial, divisional or subsidiary executives sit in the strategic decision group is situational. But what is essential is that the strategic decisions are made with the assistance and contribution of other executives as well.

SUMMARY AND RESEARCH INTERESTS

"Social problems are never solved. At best they are only resolved over and over again."

Rittel and Weber (1973)
The CEO is the linchpin in the development and operation of the strategic planning system. He is the person that is most critical in making corporate planning actually works and has the most direct influence on it. But since the introduction of corporate planning into the management system is only about fifteen years old, it is therefore not surprising to see that its adoption and usage by the CEO is still in infancy. Different CEOs have responded differently to questions on their role, understanding, time spent, and degree of involvement in corporate planning. In addition, the CEOs are also open to a wide range of operational alternatives, decisions, methods of evaluation and normally would need the assistance of some other executives to scrutinise them.

The Corporate Planner is regarded as the CEO's right-hand man as far as corporate planning is concerned. He is to coordinate and supervise the running of corporate planning activities efficiently. He can be a process planner, working on a supervisory capacity, running around to synchronise the various activities, co-ordinate, scheduling the various acts and gathering and imparting the relevant information for the system to run smoothly. On the other hand, he can also be a substance planner where he himself has to perform the actual planning activities. In both cases he is transcending functional lines which more often than not will agitate the functional personnel. This makes his job both difficult and challenging.
The other participants involved in the corporate planning system are the executives who initially provide the strategic information and feedback on their respective activities to the corporate planner or the CEO. Some of them will be called upon again to participate at a later stage to assist the CEO or the company to make the strategic decisions. Which particular personnel participate in this final act varies and depends on the characteristics of the organisation.

Research interests in this area are confined in determining what are the roles of these three categories of management personnel in strategic planning as perceived by themselves and by others. The problems that they face as well as the time that they spend doing strategic planning are also investigated. An attempt is made to determine, if possible, similarities and differences between these PEs.

Other aspects that are looked at are the size of the corporate planning department, distribution of responsibility amongst the planning staff and the position of the department within the corporate structure.

7.4.2. CORPORATE PLANNING HORIZON AND WORK SCHEDULE

A corporate plan has to have a planning period or horizon. The most common world-wide planning horizon for many years has been five years although the range has been cited as between 3-5 years. But then there have been many cases where the long
The long term planning horizon has extended beyond 10 years or shortened to less than five years. It all depends on the type of industry that the company is operating in, be it oil exploration, forest plantation or utility services which require long planning horizons or a short term consumer product industry like dress making, cash cropping or toy manufacturing. Thus, it depends on several factors such as:

a) the firms fixed commitments (length of time),
b) the uncertainty of the future, and
c) the lead time required to make the product ready for the market.

With all these factors that have to be considered, the time horizon for a corporate plan has to vary accordingly. Because of these reasons and the need to be flexible and sensitive, it is now common to encounter corporate plans that are operating on a "rolling" basis.\textsuperscript{126} This was the case with the Forestry Commission and ICI Agricultural Division.\textsuperscript{127} To illustrate, although the fir forest will require almost 100 years to mature the Forestry Commission has a five-year rolling plan. At the end of each year, another is added to the tail of the plan such that at any one time, the planning horizon is always 5 years.

**SUMMARY AND RESEARCH INTERESTS**

The long term planning horizon would have to suit the company's main activities, its future, lead time required and
many other conditions. But the corporate planning horizon has to be within a certain period so that it is meaningful, realistic and easily understood and appreciated. Three to five years planning horizon is the most common. To incorporate the planning horizons of other plans such as the financial plan, development plan etc., the corporate planning horizon has been adapted and organised into a "rolling" plan. What it actually does is that at the completion of a one year period, another year is added to the plan thus making the five years planning horizon constant.

The research interest on the planning horizon is to identify the planning horizon that is most common and to probe into the reasons for it. There is also a study of the rolling plan that is being practised (if any) and the problems that are encountered with such planning horizons. The linkages with other plans will be discussed in the next sub-sections.

7.4.3. LINKAGES WITH OTHER PLANS/SYSTEMS

In addition to the corporate plan, there ought to be other plans and systems that are conducted concurrently. These could be operational, financial, personnel, research, developmental, physical or market plans which ought to be closely related to the corporate plans. Their individual targets should also be closely related to the overall strategic objectives. Then there are the incentive and reward systems which are based on the performance of individuals/groups/overall. These should be linked to the corporate plan as well. Unfortunately, the literature
seems to assume that all these should exist and studies on such linkages are rare.\textsuperscript{129} Such assumptions might be due to the fact that the behavioural and psychological relationship between performance and rewards have been well researched into.

However, for the corporate plan to be effective, it would be fair to state that incentives and rewards should be closely linked to the corporate planning system. This relationship can be directed towards individuals, group or the whole corporation. Evidently these people are performing activities in line with the corporate objectives, implementing them within the stipulated time and if there are to be deviations, then it has to be explained and accepted strategically.\textsuperscript{130} These incentives are also closely linked to the control and evaluation system.\textsuperscript{131}

**SUMMARY AND RESEARCH INTERESTS**

The theory says that corporate planning should be linked to all the other plans and systems that operate within the same organisation. Only then can all the objectives of each plans and systems be synchronised and congruent with all the efforts made contributing towards achieving the overall strategic objectives. The various plans should be guided by the strategic plans and similarly all the systems be implemented so that they enhance or gear the operations towards that strategic goal.

To discover how much of this is being followed and practised is the objective of this research. Whether the other plans such
as the financial, operational, developmental and others as well as the systems such as the reward and incentive system, marketing and others all operate in a synchronised manner is investigated. The difficulties encountered and reasons for discrepancies are also looked into.

7.4.4. DEGREE OF FORMALITY

The benefits of having a formalised corporate planning system have been deliberated in the previous chapter. A corporate planning system can be highly formalised and ritualistic or very informal. Formal planning as defined by Thune and House\(^{132}\) includes plans where the corporate strategy and goals have been determined for at least three years ahead with specific action programmes, projects and procedures for achieving these goals established. For a corporation to have such a formalised plan there are also other things that need to be looked into. These are:

a) whether there are fixed schedules within a year that are closely adhered to,

b) whether there are fixed procedures to be followed in terms of the information gathered and documents flow,

c) whether there is a certain rigid format that needs to be followed in the writing of reports and documents,

d) and whether there are specific personnel that are designated to be responsible for some of the activities in the process and the system.
All these parameters will be more complex as the size and diversity of operations increases.  

RESEARCH INTERESTS

It is felt that a study to identify the degree of formality that prevails in the participating PEs would be of interest. Although in Malaysia, they are guided by the government's schedule in the submission of their annual budget requests and the Five-Year Malaysia Plan, there ought to be some variations amongst them as to the way they are operationalised. In some cases, the PEs probably have a separate plan of their own to cater to their own needs. It is also being said that "formality kills innovativeness and creativeness". This aspect is also investigated. In brief then, the points that are investigated are:

a) is there a fixed schedule of activities every year,
b) is there a standard form that is to be used and a fixed format to follow,
c) who does what and are they fixed,
d) how is information gathered and does information follow a specific path.
e) is there a document that is finally realised and who prepares it, where are they distributed and what happens after that.
All the above questions are investigated and the degree of formality can be drawn from them.

7.4.5. GETTING THE SYSTEM STARTED

A Company with a well-established corporate planning system may have several entry points that can trigger the corporate planning process and system to be activated. The chart below is a modification of the various starting points as suggested by Steiner. These starting points are supposed to exist in a well-established system. As shown in the chart, the normal start-up points are those that are marked with (*).

CHART 7.7: START-UP POINTS OF A CORPORATE PLANNING SYSTEM
But a corporation with a well-established corporate planning system would also have others as well. These are less common and do not normally have a specific time or schedule of operation.

SUMMARY AND RESEARCH INTERESTS

The above diagram only denotes that in a mature and stable company all the start-up points for a corporate planning system exist and can be triggered at any time. The research, however, looks at the existence of such start-up points and which particular ones dominate. There might be a possibility that other start-up points (not in the list) prevail and this is then identified and investigated.

A historical investigation will be included to determine when actually corporate planning started in the Malaysian PEs.

7.5. SUMMARY OF CHAPTER

This long chapter is an attempt to review the relevant literature on corporate planning system and to indicate which of the issues raised are taken up in this research project. The literature review adopted Steiner's suggestions that nine components ought to be included in any discussion or deliberation of a strategic planning system. Amongst them, the first two components namely that of "the corporate planning process" and "depth of analysis" are probably the most controversial and therefore
widely discussed and deliberated. These two are also the major interests of the research.

The corporate planning process in turn is made up of four major components namely a) analysis, b) decision making, c) implementation and d) monitoring and control. These had been discussed in detail. The common phrase "easier said than done" would fit nicely to illustrate the discussion. Many people have an idea of how an idealised strategic planning system would function. It is all right for solving problems which are deterministic and current, as in most scientific problems, but as for strategic planning, it is difficult. A lot has been said but as yet the theories are inadequate even for accurate forecasting! The plurality of objectives, the number of uncontrollable critical influencing variables and of course the nature of the human being himself adds to the problem.

Section II was a continuation of the discussion and deliberation of the other components of strategic planning system. Except for the three components regarding the personnel involved, the others are more straightforward in that they are more specific, there were fewer options to choose and they were of definite quantum. An example is the planning horizon which is just a question of what planning horizon is used and why? Formalised planning also deals with the certain specific format and scheduling of reports. Nevertheless, Section II completes the nine components of a corporate planning system.
It needs to be emphasised that most of the literature and discussions refer to the happenings as reported in the industrialised western world. This piece of research, however, is on Malaysia and in particular public enterprises. All the components mentioned and deliberated have to be tested to determine whether such a system exists, the degree of similarity or difference and more important the reasons behind them.

Is there a "planning system" that is unique amongst the Agrobased PEs in Malaysia?

It is being seen as an on-going, cybernetic process of governance incorporating systematic procedures for continuously searching out goals; identifying problems and gaps; forecasting uncontrollable influencing variables, inventing alternative strategies, tactics and time sequenced actions; stimulating alternatives and plausible action sets and their consequences, evaluating alternatively forecasted outcomes; statistically monitoring those conditions of the publics and of systems that are judged to be germain; feeding back informations to the simulations and decision channels so that errors can be corrected; all in a simultaneously functioning governing process.

(Rittel & Weber 1973)$^{135}$
REFERENCES


13. As discussed in previous chapters especially by.


15. Also from several authors.


18. From several authors like.


25. From several authors like.


29. Two authors identified and they are.


30. Other writers on similar subject are.


    b) Johnson, G; Scholes, K. Ibid, pp 87-114.


    b) Steiner (1979); Ibid, pp 54-55, 129-140.
    c) Johnson and Scholes. Ibid, pp 57-114.


46. As in pp 32 of Hofer and The Boston Consulting Group)/General Electric's industry attractiveness/company strength matrices or Shell's directional policy matrix.


51. Articles regarding the use of management science techniques are many and some that have been referred to are.


52. LaBriola, P. "Corporate Planning System. A Decade of Evolution", Infosystems, Nov. 1979, pp 68, 70.
53. These are views put forward by several authors like.


63. Information gathered from Mr. Azmi, Investment officer from National Investment Trust, also a subsidiary of PNB.


SECTION II


98. Some of these articles are.


99. The books that were referred to were.


104. Steiner, G.A. Strategic Planning; What Every Manager Must Know, Free Press, 1979, pp 90-94.


b) While a survey reported by Denning, "The Extent of Long Range Planning in UK part II", Journal of Management Studies, Vol. 9 (72), pp 1-18, put the range as between 3-5 years planning horizon.

c) another report by Gother, W. "Strategic Planning in European Multinationals" Long Range Planning, Oct. 1977 pp 7-13, put the average as 4.3 years.


127. Reports of visit by the researcher to ICI Agricultural Division, Sunderland and Forestry Commission in Edinburgh.


# CHAPTER EIGHT

## ANALYSIS AND FINDINGS

### CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1. INTRODUCTION</td>
<td>302</td>
</tr>
<tr>
<td>8.2. EARLY STAGE OF DATA GATHERING</td>
<td>302</td>
</tr>
<tr>
<td>8.3. GENERAL CHARACTERISTICS OF THE PUBLIC ENTERPRISES</td>
<td>303</td>
</tr>
<tr>
<td>8.4. THE LONG TERM PLANNING DOCUMENTS</td>
<td>311</td>
</tr>
<tr>
<td>8.5. THE CORPORATE PLANNING SYSTEM</td>
<td>319</td>
</tr>
<tr>
<td>8.5.1. PLANNING HORIZON</td>
<td>319</td>
</tr>
<tr>
<td>8.5.2. FORMAL PLANNING AND DEGREE OF FORMALITY</td>
<td>322</td>
</tr>
<tr>
<td>8.5.3. CORPORATE PLANNING PROCESS</td>
<td>333</td>
</tr>
<tr>
<td>8.5.3.1. External Environmental Analysis</td>
<td>334</td>
</tr>
<tr>
<td>8.5.3.2. Internal Analysis</td>
<td>349</td>
</tr>
<tr>
<td>8.5.3.3. The Choice Process</td>
<td>354</td>
</tr>
<tr>
<td>8.5.3.4. Implementation</td>
<td>361</td>
</tr>
<tr>
<td>8.5.3.5. Evaluation and Control</td>
<td>365</td>
</tr>
<tr>
<td>8.5.4. DEPTH OF ANALYSIS</td>
<td>367</td>
</tr>
<tr>
<td>8.5.5. THE CHIEF EXECUTIVE OFFICER</td>
<td>382</td>
</tr>
<tr>
<td>8.5.6. THE CORPORATE PLANNER</td>
<td>393</td>
</tr>
<tr>
<td>8.5.7. OTHER PARTICIPANTS</td>
<td>399</td>
</tr>
<tr>
<td>8.5.8. LINKAGES WITH OTHER PLANS</td>
<td>406</td>
</tr>
<tr>
<td>8.5.9. SYSTEM START-UP</td>
<td>410</td>
</tr>
<tr>
<td>8.5.10. OVERALL SYSTEMS</td>
<td>412</td>
</tr>
<tr>
<td>8.6. CONCLUSIONS</td>
<td>416</td>
</tr>
</tbody>
</table>

Attachments 412
<table>
<thead>
<tr>
<th>CHART</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Full Name of Participating Public Enterprises</td>
<td>304</td>
</tr>
<tr>
<td>8.2</td>
<td>The Agribusiness System</td>
<td>310</td>
</tr>
<tr>
<td>8.3</td>
<td>Relationship of the Long Term Documents</td>
<td>316</td>
</tr>
<tr>
<td>8.4</td>
<td>3-D Relationship of External Analysis</td>
<td>375</td>
</tr>
<tr>
<td>8.5</td>
<td>3-D Relationship of Internal Analysis</td>
<td>381</td>
</tr>
<tr>
<td>8.6</td>
<td>List of Findings on Corporate Planning System</td>
<td>419</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Long Term Planning of PEs</td>
</tr>
<tr>
<td>8.2</td>
<td>Information of Planning Horizon</td>
</tr>
<tr>
<td>8.3</td>
<td>Identifying Formal Corporate Plan</td>
</tr>
<tr>
<td>8.4</td>
<td>Information on PEs Formal Corporate Plan, Dependency on Exports and Government Funding and Number of Subsidiaries</td>
</tr>
<tr>
<td>8.5</td>
<td>Relationship of Former Corporate Plan With PEs Characteristics</td>
</tr>
<tr>
<td>8.6</td>
<td>Degree of Formality of Corporate Planning</td>
</tr>
<tr>
<td>8.7</td>
<td>External Variables Considered in Corporate Planning Process</td>
</tr>
<tr>
<td>8.8</td>
<td>Analysis Performed on External Data</td>
</tr>
<tr>
<td>8.9</td>
<td>The Crucial External Variables</td>
</tr>
<tr>
<td>8.10</td>
<td>Crucial External Variables Tabulated Against PEs With/Without Formal Corporate Plans</td>
</tr>
<tr>
<td>8.11</td>
<td>The Crucial Variables in Internal Analysis</td>
</tr>
<tr>
<td>8.12</td>
<td>Crucial Internal Variables Tabulated Against PEs with/without Formal Corporate Plans</td>
</tr>
<tr>
<td>8.13</td>
<td>Pressures Encountered in Choice Making Process</td>
</tr>
<tr>
<td>TABLE</td>
<td>TITLE</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>8.14</td>
<td>Pressures Encountered Tabulated Against PEs with/without Formal Corporate Plans</td>
</tr>
<tr>
<td>8.15</td>
<td>Influence of Analysis on Choice Process</td>
</tr>
<tr>
<td>8.16</td>
<td>Analysis of Numerical Data from Table 8.15</td>
</tr>
<tr>
<td>8.17</td>
<td>Non-parametric Analysis of Table 8.15</td>
</tr>
<tr>
<td>8.18</td>
<td>Closeness of Projects to Plan</td>
</tr>
<tr>
<td>8.19</td>
<td>Closeness of Projects to Plan Tabulated Against PEs with/without Formal Corporate Plan</td>
</tr>
<tr>
<td>8.20</td>
<td>Data on Evaluation and Control Process</td>
</tr>
<tr>
<td>8.21</td>
<td>Categorisation of External Variables</td>
</tr>
<tr>
<td>8.22</td>
<td>Categories of External Analysis Tabulated Against PEs' Characteristics</td>
</tr>
<tr>
<td>8.23</td>
<td>Categories of Internal Variables</td>
</tr>
<tr>
<td>8.24</td>
<td>Categorisation of Internal Analysis Tabulated Against PEs' Characteristics</td>
</tr>
<tr>
<td>8.25</td>
<td>Roles of Corporate Planner Perceived According to Financial Dependency</td>
</tr>
<tr>
<td>8.26</td>
<td>More Important Corporate Planning Roles as Identified by CEOs</td>
</tr>
<tr>
<td>8.27</td>
<td>Relative Time Spent on Corporate Planning Activities by CEOs</td>
</tr>
<tr>
<td>8.28</td>
<td>Pressures Faced by CEO in Corporate Planning Activities</td>
</tr>
<tr>
<td>8.29</td>
<td>Expected Roles of the Corporate Planner</td>
</tr>
<tr>
<td>8.30</td>
<td>Determining the Ranking of The Corporate Planners' Role As Seen by the CEOs</td>
</tr>
<tr>
<td>8.31</td>
<td>Reclassification Of the Roles of Corporate Planners</td>
</tr>
<tr>
<td>8.32</td>
<td>Problems Faced by Corporate Planners</td>
</tr>
<tr>
<td>TABLE</td>
<td>TITLE</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>8.33</td>
<td>Problems Faced Tabulated Against Financial Dependency of PEs</td>
</tr>
<tr>
<td>8.34</td>
<td>Roles Played by Other Managers in Corporate Planning</td>
</tr>
<tr>
<td>8.35</td>
<td>Roles of Other Managers Against Financial Dependency of PEs</td>
</tr>
<tr>
<td>8.36</td>
<td>Problems Encountered by Other Managers</td>
</tr>
<tr>
<td>8.37</td>
<td>Classification of Problems Faced With Financial Dependency</td>
</tr>
<tr>
<td>8.38</td>
<td>Linkages of Corporate Plan with Others</td>
</tr>
<tr>
<td>8.39</td>
<td>System Start-Up, Routine and Emergency</td>
</tr>
<tr>
<td>8.40</td>
<td>Dominant Planning Decisions in the PEs</td>
</tr>
<tr>
<td>8.41</td>
<td>Occurrences of Lindblom's and Ansoff's Styles</td>
</tr>
<tr>
<td>8.42</td>
<td>Top-Down or Bottom-up Information Flow</td>
</tr>
<tr>
<td>8.43</td>
<td>Averaging the Top-Down Percentage Scores</td>
</tr>
</tbody>
</table>
## LIST OF ATTACHMENTS

<table>
<thead>
<tr>
<th>ATTACHMENT</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>General Characteristics of Participating PEs</td>
<td>421</td>
</tr>
<tr>
<td>8.2</td>
<td>Financial Information and Manpower Data of the PEs</td>
<td>422</td>
</tr>
<tr>
<td>8.3</td>
<td>Activities of PEs</td>
<td>423</td>
</tr>
<tr>
<td>8.4</td>
<td>Illustration of Flow of Documents for the Preparation of the Five-Year and Corporate Plans in a State Economic Corporation</td>
<td>424</td>
</tr>
<tr>
<td>8.5</td>
<td>Internal Variables Considered and Analysed in the Corporate Planning Process</td>
<td>425</td>
</tr>
<tr>
<td>8.6</td>
<td>Corporate Planning Roles as Perceived by CEOs</td>
<td>426</td>
</tr>
<tr>
<td>8.7</td>
<td>Roles Performed by The Corporate Planner (% time spent)</td>
<td>429</td>
</tr>
</tbody>
</table>
8.1. INTRODUCTION

The actual data gathering in Malaysia followed detailed preparations to ensure that the contents of the subject to be discussed during the interviews were agreed upon. The two "trial-runs" were invaluable for they provided the exposure and familiarity elements that are essential to ensure that the interviewer was at ease during the interview.

8.2. THE EARLY STAGE OF DATA GATHERING

On returning to Malaysia, initial correspondence was made with the contact personnel (in most cases the respective corporate planner) of all the twelve PEs. They had indicated their willingness to participate in the research earlier and this was to inform them that the research was on. The next step was to send letters to six of the PEs that are located out of the capital city Kuala Lumpur to agree on the dates for the interviews. These were scheduled for the six months July-December of 1986. Only then were interview dates sought with those PEs that were located within the capital dates available in between the interview period already confirmed with the PEs outside Kuala Lumpur.

Theoretically, if interviews with one PE were to take one week, then the whole process would be completed in three months.
But in actual fact, it took seven months in all as some of the PEs were busy during certain times of the year and not all the executives to be interviewed were free within the same week.

On average, five officers participated from each enterprise (ranging from three to nine) where the time spent with each individual ranged from 45 - 90 minutes. Discussions with the corporate planner were scheduled at least twice (at the beginning and end of the interview in that company) and were usually the longest.

### 8.3. GENERAL CHARACTERISTICS OF THE PES

Basically, twelve different case studies were gathered and all had their own distinct characteristics. The interviews were semi-structured and most of the questions were open-ended. Since the bulk of the data gathered were descriptive, non-parametric methods were used to deduce meaningfully those that could be categorised and ranked.

The twelve PEs that participated in the research are listed in Chart 8.1. The general characteristics of these PEs are presented in Attachment 1. The twelve PEs are under the jurisdiction of five different ministries and six of them were state agencies. (Malaysia is divided into thirteen states and a Federal Territory). State agencies are therefore agencies whose area of production and processing operations are confined mainly within
the state or part of it. The oldest agency was established in 1821, while the latest was established in 1981.

8.3.1. Purpose of Establishment

The main purpose for the establishment of the twelve PEs can be divided into four broad categories as set out in 3.2 in Attachment 1. They are:

a) farmers' development,
b) land development,
c) agribusiness development, and
d) special cases.

Presently, most of the participating PEs have branched out into several other operations which transcend the above categories.

304
8.3.1.1. Farmers Development

Most of the PEs that were established before independence (1957) or just after it had the objectives of developing the rural areas. They were established in line with the colonial administrators' thinking at that time; that the rural farmers needed government support to increase their subsistence income. Thus increasing the farmers' income was top priority and the formation of the early PEs like RISDA, FLDA AND MADA was an attempt towards achieving this. These PEs were directed to the provision of facilities to ensure the availability of agricultural inputs for the farmers as well as to buy their produce at competitive prices.

8.3.1.2. Land Development

PEs were also established to open and develop new land for agriculture. Following independance in 1957, the agricultural produce per acre increased, but most farmers were still operating on farm sizes that were not economical. Since there were large areas of forest land classified as suitable for agriculture, the government through these PEs then started to open up this land for landless farmers or farmers who owned and operated uneconomical land size. The PEs were to run the operation of opening up new land and offering for sale or long term lease to potential and interested farmers. The PEs were also to provide the necessary infrastructure and other amenities and charge the farmers accordingly. They were also expected to buy from the farmers.
their produce either directly or to provide processing facilities for them. Most of the PEs that were established for these purposes are administered by the Ministry of Land and Federal Territory.

8.3.1.3. Agribusiness Development Purposes

This was a further step in the agricultural development programme of the country. Most of the PEs that were established for the above mentioned purposes were also encouraged to go into agribusiness activities when the need arose as stated in their Statutes that were passed by the Malaysian Parliament.

In addition, the government also set up PEs specifically to undertake agribusiness activities in the processing of primary produce for export or for use in manufacturing consumer goods. The PEs that fall into this category are FIMA and MARDEC. The State Economic Development Corporations also fall into this category although their activities are more diversified and encompass other non-agricultural operations such as housing, industrial manufacturing and services. These PEs would normally come under the jurisdiction of the Ministries of Primary Industries and Public Enterprises.

8.3.1.4. Special Cases

Guthrie and Harrisions Plantations which were established by private British investors in the 19th century to provide raw
materials for the industrial revolution in the West come under the category of special cases of PEs. Some twenty years after Independence, the government of Malaysia felt that the country ought to control its own produce and started buying out the foreign shareholders. Guthrie was the first that came under this buying over and Harrisons followed later. These companies have since expanded into other non-agricultural activities like insurance, services and shipping to name a few.

8.3.2. Methods of Financing

There are six different methods as to how the twelve PEs obtain their financing. These are summarised in Table 8.2.

a) **grants:** most of them got direct initial grants for their establishment and annual grants for their administrative expenses from the government. Projects that are social in nature like the building of infrastructures, community buildings, schools and other public buildings could qualify for such funding.

b) **government loans:** these are given to PEs to carry out projects that have socio-commercial values. For example, the construction of domestic housing, land development schemes and the like where they can be sold or rented to those interested. The income and profit received are used to pay back such loans.
c) **purchase equity:** the government can also provide funds for the PEs through equity financing. This is commonly done when establishing subsidiaries and joint-ventures where the government feels that, other than the project being viable, it prefers to have some control over its management.

d) **borrowing from banks:** this fourth method is normally reserved for commercially viable projects that are to be undertaken by the PEs or their subsidiaries.

e) **profit:** the PEs reinvest the profits received from their operations.

f) **special taxes:** this is a unique method of financing where the PEs can request from the government the taxes received when levied on the commodities that are exported. This is currently done on rubber, palm oil and cocoa.

8.3.3. **Current Status of Financial Dependency on Government**

Today the PEs' dependency on the government varies as stated in section 3 of Table 8.2. Most of them still get budgets for administrative expenses from the government. Developmental costs that have no financial returns also come from the government.

Amongst the twelve PEs, one is still 100% dependent on government financing while three are totally independent.
8.3.4. The Administrative and Development Expenses

These are included in the table to indicate their respective magnitude of operations. For HMPB and Guthries which do not receive any government funding, their corporate sales turnover and profit figures are inserted. But for FLDA and FIMA which do get government’s financing, their sales turnover and profit are also inserted for the amount given by the government is small compared to their turnover.

8.3.5. Manpower

The total manpower data in section 4 of Attachment 2 cannot be compared directly. The agricultural producers in some PEs are regarded as employees as in the case for Guthrie, HMPB and the State Development Corporation. In others, the agricultural producers (small farm owners) are not regarded as their employees. Thus the total employee figures might indicate drastic differences. (Such PEs like MARDEC, FLDA and MADA charge the farmers for the services rendered).

The size of the organisation however can be gauged from the number of managerial and administrative staff as well as from their respective annual operational budgets.

8.3.6. Current Activities

The current activities of the agro-based PEs are quite varied and are reflected in the number of subsidiaries that they
have. In most cases, the activities of the subsidiaries can be related closely to the components of the agribusiness system as shown in Chart 8.2. But the operations of some of the subsidiaries have expanded or diversified to non-agribusiness activities as indicated in Attachment 3. These include packaging, can manufacturing, general trading, construction of commercial and domestic housing, civil engineering, computer distribution, operating hotel chains and management services.

**CHART 8.2. THE AGRIBUSINESS SYSTEM**

Examples of the agribusiness-chain of activities involving the PEs and their subsidiaries are:

a) agricultural production: the production of padi, rubber, oil palm, cocoa, pepper, fruits and cash crops. These are grown in plantations owned by PEs or by small
individual family-owned farms which sell their produce to the PEs.

b) agricultural processing: such activities include the extraction of palm oil, refining it to olein and stearin, treatment of rubber latex and dried rubber to high quality processed rubber, fermentation of wet cocoa beans, extraction of fruit juice, polishing of rice grain etc.

c) manufacturing: the manufacturing of end-user products from agricultural produce i.e. margarine, cooking oil, rubber gloves, tyres and other rubber-based products, canning of fruits, chocolates to name the common ones.

d) wholesaling

e) retailing: operating retail outlets, restaurant chains,

f) other services: transport, bulk handling, trading, packaging.

8.4. DATA GATHERED: ON LONG TERM PLANNING DOCUMENTS

Once the general characteristics of the PEs were fully understood, the next step was to determine with the corporate planner the various long term planning documents that the enterprise possessed. It was discovered that there were several of these. Generally they can be separated into two broad categories.
8.4.1. Government Long-Term Plans

There were three documents identified in this category. These were used/referred to extensively by the majority of the PEs. They are the:

a) National Agricultural Policy,
b) Industrial Master Plan, and
c) Five-Year National Plan.

These have been mentioned in the earlier chapter on Malaysia and will be described briefly.

The National Agricultural Policy is a document released in January 1984. It describes the government's policy on the production of various agricultural crops until the year 2000. It also made known the expected total planting area, the expected output as well as the general locations that have been identified for each crop.

The National Industrial Master Plan was released two years later and describes the government's plan and strategies in pursuing its industrialisation objectives. The twelve volume document not only identifies the kinds of industries felt to be viable, but also identifies suitable regions.

The Five-Year Malaysia Plan on the other hand has a much longer history. It started first as the Malaya Plan in 1956 (before Independence) and has been renamed the Malaysia Plan since the formation of Malaysia in 1963. Today the country is
working on the premises guided by the Fifth Malaysia Five-Year Plan. Basically it is a Plan outlining all the government's proposed physical development targets for the five year planning period. All PEs have to submit their individual developmental plans for the next five years and if approved by the Treasury and Parliament, these are incorporated into the Plan document. The annual budgetary exercise that each government agency has to undergo uses this Five-Year Malaysia Plan as their reference for the approval of budgets for these projects.

8.4.2. The PES' Own Long-Term Plans

All the twelve PEs replied positively when asked whether they have their own long term plans. The actual long term plan documents were then requested and scanned. As shown in Table 8.1, there are several of these long term plans. These can be listed as:

a) State Master Plan,
b) PE's own Master Plan,
c) Federal Government's 5-Year Plan,
   (the same one as described earlier)
d) corporate plan:
   * - formal
   * - informal, and
e) project plans.

Master Plans are long term developmental plans extending for a 15-25 year period and are basically the physical developmental plans for the state, region or enterprise. The Master Plan also
sets up long term objectives and contains recommendations for the
demarcation of various geographical areas for agricultural,
industrial, commercial and township developments. It also has
information on investment opportunities that have been identified
and the their possible location.

All the regional development PEs have their own Master
Plans. These complement the State Master Plan. The State
Development Corporations and other PEs like FLDA and Harrisons
use these Master Plans to identify opportunities that are open to
them. For example, in the state of Johore, Guthrie would use the
Johore State Master Plan or KEJORA's Master Plan to identify
areas allocated for plantation, or MARDEC would look for suitable
sites for its latex factory from the Master Plan. Or vice versa,
KEJORA would invite Harrisons, Guthries or Mardec to invest in
their region.

It has been explained earlier that the government also has
three other plans that are used as reference for any long term
investments (namely the National Agricultural Policy, The
Industrial Master Plan and the Five-Year Plan). These were
prepared and released much later than the Master Plans.

In actual fact, these three long term plan documents of the
government, used the various Master Plans as their resource refe-
rence. In addition they also clarify, justify and emphasise the
government's thinking as to the direction that the agricultural
and industrial development would be expected to progress.
### TABLE 3.1. LONG TERM PLANS OF THE PES

<table>
<thead>
<tr>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
<th>(9)</th>
<th>(10)</th>
<th>(11)</th>
<th>(12)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>K</td>
<td>D</td>
<td>J</td>
<td>F</td>
<td>J</td>
<td>T</td>
<td>R</td>
<td>M</td>
<td>F</td>
<td>H</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>E</td>
<td>A</td>
<td>O</td>
<td>L</td>
<td>E</td>
<td>E</td>
<td>S</td>
<td>R</td>
<td>I</td>
<td>M</td>
<td>U</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>D</td>
<td>R</td>
<td>R</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>M</td>
<td>P</td>
<td>T</td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>C</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
<td>H</td>
</tr>
</tbody>
</table>

What are the plans that are specific to your PE and are used for your long term projections?

a) State Master Plan:  
   no  no  no  yes  na  yes  na  na  na  na  na  na  
   no=do not use; yes=use and refer; na=not applicable.

b) Own Master Plan:  
   yes  yes  yes  yes  no  no  no  no  no  no  no  no  

c) 5-year plan?  
   a  b  b  b  b  b  b  a  b  b  c  c  
   a=almost 100%;  b=only on developmental plans;  c=only used it as a general guideline.

d) Project plans:  
   <----------all possess such documents--------->

e) Do your PE has a corp plan? formal or informal?  
   no  no  in  in  in  yes  in  in  yes  yes  yes  yes  
   5-yr  3-yr  5-yr  5-yr  5-yr  
   roll  roll  fix  roll  roll

in=informal corporate plan;

e) No formal corp plan yet but is in the process of establishing formalising?  
   no  no  yes  yes  na  no  yes  na  na  na  na  na  

315
Similarly, the government's Five-Year Plan (described earlier) is closely related to the above mentioned plans and policies. When it started in 1956, it was a budgetary exercise emphasising the physical development of the country. Today, all government agencies have to submit to the Treasury for approval, their next five years developmental programmes. Each PE would use all the long term documents described above to prepare for its next five year plans. All these are then amalgamated to constitute the National Five Year Plan. Diagrammatically, these relationships can be presented as shown in Chart 8.3 and illustrated on one PE in Attachment 4.

**CHART 8.3. INFLUENCE OF OTHER LONG-TERM PLANNING DOCUMENTS ON THE PE'S PLAN IN THE NATIONAL FIVE-YEAR PLAN**

![Diagram](attachment4)
In addition to all the planning operations and their relationships with one another, each PE has to submit individual project plans (including financial and economic feasibility studies) on seeking funds from the government. The general proposal for the project would have been submitted, approved in principle and then incorporated into the 5-year plans. When the year for implementation arrives, a more detailed project proposal has to be submitted during the annual budgetary exercise with the Treasury. Projects for private funding have to get the approval of the Board instead.

8.4.3. Do The PES Have a Formal Corporate Plan?

As indicated in Table 8.1, only five of the twelve PEs have planning documents that could be regarded as formal corporate plans. A PE is said to have a formal corporate plan if it can produce in documented form, the future target or objectives that the PE would want to pursue for the next 3-5 years or even more. Stipulated in it are also the various methods to achieve these targets and objectives as well as the rationale for such decisions. Managers that were asked the above question were given the definition of "formal corporate plan" first. If the answer was positive, then the documents were examined for certification. Only one company did not allow a thorough scanning other than the "Table of Contents" of the plan. All the five PEs labelled the plan as the "strategic plan". These will be deliberated in a later subsection to certify whether they are really strategic

317
plans as defined for this research and discussed under the subsection "formal planning and degree of formality".

8.4.4. **Summary of Findings on the Long-Term Planning Documents**

a) There were several long term planning documents identified. The government has three which were used as reference by most of the PEs. They are:

   i) the National Agriculture Policy,
   ii) the Industrial Master Plan, and
   iii) the Five Year Malaysia Plan.

b) In addition, some of the PEs have their own long term plans. All the state PEs have a Master Plan to refer to, to guide them for their long term activities.

c) The Federal PEs do not have such plans but use the state enterprises Master Plan to identify opportunities for their own future plans.

d) Only five PEs have long term plans that qualify to be classified as corporate plans as defined for the purpose of the research.
8.5. THE CORPORATE PLANNING SYSTEM

The large amount of information gathered from the documents that were made available and the interviews on the corporate planning practices by the twelve PEs will be presented and analysed under ten headings. These follow the components as proposed by Steiner but the order is rearranged for a smoother flow of discussion. The order will be:

a) the planning horizon,
b) formal planning and degree of formality,
c) corporate planning process,
d) depth of analysis,
e) the Chief Executive Officer,
f) the Corporate Planner,
g) other personnel,
h) linkages with other plans,
i) system start-up, and
j) other general findings.

8.5.1. Planning Horizon

The planning horizon was a simple dimension to be investigated. It was discussed first as it was straightforward and did not involve difficult issues. Other than the question on the actual planning horizon, questions were also asked as to the reasons for having such a planning horizon and how were projects
that had a 20-30 year life span handled in the plan. Questions about a rolling plan were not asked directly but noted if it was mentioned and the relevant documents made available.

**Main Findings (shown in Table 8.2)**

The discussion on this aspect of the system did not require much explanation. Most of the PEs that had a five-year planning horizon followed the government's planning cycle and therefore also has a mid-term review at the two-and-half year mark. The five PEs that claimed to have a formal corporate plan also submit to the government's five year planning requirement but at the same time have a separate plan of their own. Of the five PEs that had corporate plans four adopted the rolling plan format.

Guthrie's CEO was the only one that wanted to change the planning cycle to a shorter horizon. He was thinking of a three year rolling plan. The reason he gave was that the current market was so turbulent and the information gathered so unpredictable that even a five year forecast was too ambitious. The long term projects that took more than five years to mature and had an economic life of ten to twenty years were treated like a capital item.

Once the project started it had to be cared for and nursed hoping that it would give the maximum return possible. The problem relating to projects with a life span much longer than the planning horizon was brought up. All the PEs incorporated the
### TABLE 8.2. INFORMATION ON PLANNING HORIZON

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>BBREVIATIONS</th>
<th>OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D D R R D D D D D M P T</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

1) What is your organisation's planning horizon?  
   5 5 5 5 5 5 5 5 5 5 5 5

2) Reasons for having such a planning horizon?  
   a a a d b c ab ac bc ad bc b

3) If given the choice, would you like to change it? Why?  
   Only one organisation replied: - - - - - - - y

4) How often is it reviewed? (in years)  
   2 2 2 2 1 2 2 1/3 1 1/2 1/2

5) Rolling plan?  
   n n n n 5yr n n 3yr 5yr 5yr roll roll fix roll roll

a = follow government;  b = comfortable with it;  
c = felt to be appropriate;  d = was there.

Relevant information into the formal plans in the form of its financial contributions or expenses to be incurred where appropriate. For those with an informal corporate plan, such information was incorporated into the project progress reports or the annual budgetary exercise.

**Other Findings in Brief**

1) Eleven PEs used a five-year planning horizon while only one (MARDEC) used a three-year horizon.
2) The reasons for using a five-year planning horizon were varied and the more popular reasons were:

- to follow the government's planning horizon,
- it is a comfortable period,
- felt to be most appropriate.

3) Being government-owned, all PEs submit 5-year plans to be incorporated into the government's Five-Year Plan. These planning documents are different from the formal corporate plan that five of the PEs had.

4) Four out of the five PEs that had formal corporate plans worked on a rolling plan.

8.5.2. Degree of Formality and Formal Planning

The second component of a corporate planning system is concerned with the degree of formality. But closely associated with it is whether there is formal corporate planning being practised in the PEs.

8.5.2.1. Formal Planning

Table 8.1 indicates that five organisations claimed that they had formal corporate plans. Regardless, all planning documents of all the twelve PEs were requested and studied. For PEs that did not possess formal corporate plan documents, a much more painstaking investigation was made to ascertain whether corporate
planning processes and techniques were being practised. This was done through the study of available documents such as project proposals, documents submitted for the government's five-year plans, implementation programmes, feasibility studies and detailed interviews on how these were done.

The documents and the long range planning practices were further probed into, to identify characteristics that could be used for further analysis. The same was done for those that did not have a formal corporate plan.

A formal corporate plan has to satisfy the following criteria before it can be classified as one:

a) have a clear long term organisational mission and objectives and clear directions to be pursued and in what area of operations.

b) have strategies to be adopted as to how the above are to be achieved,

c) have reasons for the choice of strategy backed up by analytical processes such as:
   * the environmental and internal analysis,
   * an indication of the organisation's strengths and weaknesses,
   * the opportunities and threats that can be identified,

d) implementation programmes that lay down the schedule of activities for certain targets to be achieved for the next 3-5 years.

323
e) have all these in a documented form that can be made available to the top executives when requested.

Findings

Table 8.3 lists the criteria that were used to check the long term planning and corporate planning documents from the PEs that claimed to plan by this method.

1) From the table it can be seen that only five PEs have documents that satisfy the criteria and thus qualify to be regarded as having a formal corporate plan.

2) Of the remaining seven PEs, another five can be classified as having an informal corporate planning system. This conclusion was deduced from the documents that were studied and the interview discussions that were conducted. There was documented proof of the adoption of the various steps of the corporate planning process especially in the preparation of the project plan proposals and their feasibility studies. There was evidence that the documents do have strengths and weaknesses analysis, synergistic considerations and discussions on the opportunities opened to them.

3) Out of these five PEs with informal corporate plans, four of them planned to have the system formalised in the near future.
### Table 8.3. IDENTIFYING THE FORMAL CORPORATE PLANS

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>y y y y y y y y y y</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. mission and objectives stated:</td>
<td>y y y</td>
</tr>
<tr>
<td>2. strategies implicitly stated:</td>
<td>- - y y y y y y y y y y</td>
</tr>
<tr>
<td>3. derivation of choice of strategy:</td>
<td>p p p px px px p px px px px px</td>
</tr>
<tr>
<td>- analatical:</td>
<td>- - p p p px - p px px px px</td>
</tr>
<tr>
<td>- SWOT analysis</td>
<td>- - - - - - - - x - x x</td>
</tr>
<tr>
<td>- str. adv. profile</td>
<td>- - - - - - - - - -</td>
</tr>
<tr>
<td>4. implementation programmes set up:</td>
<td>p p p p p p x p p x x x x x</td>
</tr>
<tr>
<td>5. corporate plans in document form</td>
<td>- - p p p y - p y y y y y</td>
</tr>
</tbody>
</table>

**Formal Corporate Plan?**

<table>
<thead>
<tr>
<th></th>
<th>i i i f i i f f f f f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to formalise in near future:</td>
<td>y y y na - y na na na na</td>
</tr>
<tr>
<td>PEs with corporate planner personnel:</td>
<td>y - y y - y y y y</td>
</tr>
</tbody>
</table>

y = yes; x = exist in other documents; na = not applicable; p = in project planning documents; f = formal; i = informal

4) Some of the reasons given for not having a formal corporate plan were:

* since we are dealing with just one crop, we could manage with just a project plan.

325
* the Master plan has provided us with the necessary guideline in the past and all the project plans follow these.

* we have just sent two of our staff to be trained in the techniques of doing corporate planning.

* I don't think we have the staff to do it.

* Our staff has yet to fully understand and appreciate it.

* Formalising it will make us inflexible.

* We are bound by the government's five year plan and the budget control is so tight that we are not flexible.

5) Out of the seven PEs that did not have a formal plan, five had personnel designated as "corporate planner". Four of them felt strongly that they were in the process of working towards having a formal corporate plan.

6) The project plans of the PEs that did not have a formal corporate plan were the closest to resemble corporate planning practices.

7) The objectives of the establishment of all the twelve PEs plus their expected roles were quite similar. The spirit behind their establishment was to assist the government in achieving the economic development targets. PEs established after 1969 had as their main objective, the pursuit of the government's New Economic Policy. All PEs also had an open clause which allowed them to pursue activities necessary for the development of the enterprise and the country in general. This gave them the flexibility to diversify and expand where required.
It was thought that there could be some characteristics of the PEs discussed earlier that could have some relationship as to why some PEs did formal corporate planning. The characteristics that were chosen were then tabulated against the PEs and some interesting relationships were observed in Table 8.4. Table 8.5 categorised the above data into different classes to try and determine whether there was any relationship between these characteristics.

It can be convincingly interpreted that PEs with formal corporate plans were financially independent of the government, had a significant % of their revenue derived from exports of processed primary produce, and tended to have a relatively large number of active subsidiaries.

There were some exceptions like FLDA and FIMA. The former earned more than 50% of its income from exports but did not have a formal corporate plan. The latter earned only about 35% from exports but had a formal corporate plan. The reasons given for not having a formal corporate plan were as stated in (4) but as for FIMA, the General Manager said that,

"corporate planning in FIMA is only three years old and the food industry is very competitive. We are dealing with consumer products and not just primary produce....."

Whether such arguments are of any significance is not conclusive but is something that will be deliberated later.
TABLE 8.4. INFORMATION ON PES' FORMAL CORPORATE PLAN, DEPENDENCY ON EXPORTS AND GOVERNMENT FUNDING AND NUMBER OF SUBSIDIARIES

<table>
<thead>
<tr>
<th>INFORMATION characteristics</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PES with formal corporate plan</td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

Financial status:

<table>
<thead>
<tr>
<th>% of revenue from total exports:</th>
<th>2 12 38 55 65 65 55 40 60 85 35 72 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of revenue from exports of processed produce</td>
<td>2 12 20 42 55 50 30 20 80 35 68 60</td>
</tr>
<tr>
<td>No. of subsid:</td>
<td>1 6 11 11 8 35 24 5 10 25 33 35</td>
</tr>
</tbody>
</table>

i = informal; f = formal;
a = govt. dependent; b: low % of private funding;
c = high % of private funding; d = almost 100% self financing;
* = high value. @ = low % but have formal corporate plan.

TABLE 8.5. RELATIONSHIP OF FORMAL CORPORATE PLAN WITH PES CHARACTERISTICS

<table>
<thead>
<tr>
<th>CORP. PLAN</th>
<th>FINANCIAL DEPENDENCY</th>
<th>% EARNINGS ON EXPORTS</th>
<th>NUMBER OF SUBSIDIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>&lt;10</td>
</tr>
<tr>
<td></td>
<td>a</td>
<td>ab</td>
<td>ac</td>
</tr>
<tr>
<td>inf</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>for</td>
<td>-</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

328
8.5.2.2. Degree of Formality

Information on this aspect of corporate planning was obtained from the corporate planner. The degree of formality can be looked at in several ways and investigations were conducted along the following dimensions:

a) the number of personnel in the committee involved in corporate planning decisions, and who they were,
b) system in the scheduling of meetings,
c) guidelines and format as to how reports were to be written, whether they were specified by the planning office; whether special forms were distributed that had to be filled in,
d) whether any specific personnel were assigned to do/look at certain functions like:
   * statistical/economical analysis,
   * financial analysis,
   * overall economic projections, and
   * gathering of relevant data; local and international.

e) the system of flow of documents within the organisation,
f) and that some form of documentation was produced at the end of the process of corporate planning and distributed to the various relevant personnel to be used as a guide for all future projects and directions that the enterprise wanted to undertake.
The above mentioned dimensions were asked of all the managers that took part in the interviews. The information gathered from the various sources was meant to act as a verification mechanism. The results are shown in Table 8.5.

Table 8.6 is a mass of qualitative information that describes the degree of formality of the corporate planning activities in the twelve PEs. No simple generalisations can be derived from the table and thus each of the major subheadings will be described.

a) All the PEs had committees established to look at long term decisions. Eight PEs had fixed personnel that sat on the committee.

b) Five PEs had meeting dates different than those of the annual budget exercise. Thus it is deduced that the other seven PEs had meetings on their long term planning scheduled together with the annual budget exercise.

c) Out of the five that had special corporate planning meetings, four had more than one meeting a year while one scheduled four corporate meetings a year. This particular one held meetings at their three different regional offices and the final one (resulting in the corporate plan) at the head office.

d) All the PEs had a system established to allow for an emergency session.
### TABLE 8.6. VARIOUS RECORDS OF FORMALITY OF CORPORATE PLANNING

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
</table>

- **a)** committee membership
  - 1 2 1 2 1 2 1 1 1 1 1 2

- **b)** corporate planning activities scheduled:
  - *at specific time of the year:
    - **n** n n n n y n n y y y y
  - *how many times a year:
    - B B B B B B B 2B B B 4B 1B 3B 3B
  - *allowance for emergency meeting on strategy.
    - all replied yes

- **c)** specific format:
  - g = with guidelines;
  - n = no guidelines
  - n n g g g n n g n g g g

- **d)** specific personnel to look at specific strategic issues:
  - OVERALL: <--- all have specific personnel
  - ECON/STATS: s m m m m m s m m s s s s
  - FINANCE: s s s s s m m m m m
  - MARKETING: - s s s m m s a s m m
  - OPERATIONS: s m s s m m s m s s m
  - GENERAL DATA ON LOCAL/INTL: s m s s m m s s a a a a

- **e)** submit prepared document to:
  - 1 2 2 2 2 2 1 2 0 1 0 0

- **f)** final formal document:
  - 5p 5p 5p 5p 5p 5p 5p 5p 5p 5p 5p 5p

**Note:**

- **a)** committee membership: 1 = fixed committee; 2 = flexible members
- **b)** number of meetings annually: B = annual budget exercise, nos 1, 2, 3, 4 = corporate planning meeting frequency a year
- **d)** personnel to look at specific issues:
  - s = specific personnel; m = many staff involved; a = all personnel
- **e)** submit planning documents to:
  - 0 = Board; 1 = Exec.Com.; 2 = Planning Com./Synergy Com.
- **f)** final document: f = formal document; 5 = follow government's five year plan, p = plans that are documented based on project by project basis

---

331
e) The plans that were prepared by the corporate planner were forwarded to different committees. Three forwarded them direct to the Board, three to the Executive Committee and the other six had to go through a planning committee before being passed on to the Executive Committee. However, each individual PE had its own system of flow of information and documents. Attachment 4 is an illustration of one of the PEs that participated.

f) Most of the PEs provided certain guidelines as to how each project/proposal/report had to be made. Some of them no longer provided these but somehow the documents had been produced so often that there were certain standard style and thus accepted as the format.

g) The most varied dimension was the assignment of specific personnel to gather strategic information for the decision. In most cases there were specific personnel that were assigned to gather data on certain area of operation. Probably what was clear was that the information gathered by PEs that had formal corporate planning systems expected all their executives to gather information.

8.5.2.3. Summary of Findings

a) PEs that had formalised corporate plans were those that tended to have less reliance on government funding.
The PEs classified as having a formal corporate plan also earned more than 50% of their income from exports.

Five of the other seven PEs that did not have formal corporate plan do it informally.

The PEs that did not have a formal plan relied heavily on the Five-Year Federal Government Plan which incorporated the PE's plans as well. They also had fairly detailed plans of projects that were to be carried out. It was in these plans that elements of corporate planning could be traced and were practised in varying degrees.

Most of the PEs had a planning committee and the members could be permanent or otherwise.

The identification of personnel to do specific strategic operations was determined by the organisation set up and had no relationship to the financial status or export characteristics of the PEs.

Four of the five informal corporate planners intended to have it formalised in the near future.

8.5.3. The Corporate Planning Process

The bulk of the data collected in this corporate planning process component of the system will be presented and discussed under five sub-headings as listed below. They are in line with the corporate planning process model as proposed by Glueck.
8.5.3.1. The Environmental Analysis

The information on the practice of environmental analysis was obtained from the following broad open ended questions:

a) Please explain the various external factors that were considered by you when analysing the environment and why?

b) Amongst those that were mentioned, can you identify and rank the top three in terms of their importance for the future operation and survival of the enterprise?

c) Changes in which particular factor would receive your immediate attention?

There were several other questions asked as a follow-up to the above three main ones. But the sequence and content varied between individuals and organisations depending on the flow of the discussions.

The answers to the questions relating to the environmental analysis are tabulated in Table 8.7. Differences in the answers is not shown in the table as only the general findings are tabulated. To illustrate, an analysis on the world demand might
be done for palm oil but not for rubber toys. It will be recorded in the table that this particular organisation analyses the world demand. Thus, it will be seen to perform this analysis although it might not have done it for all the produce. In another case, a particular PE might possess only the local/national demand statistics for housing, a foreign country demand for cooking oil and the global demand for rubber. This PE will be recorded as having data for all the levels of demand data, i.e. local, regional and global.

Thus, the table only indicates the existence and availability of data for any particular item. The absence of such data indicates its unimportance or lack of thoroughness in the analysis process performed by the PEs concerned. The factors commonly considered were:

a) General Factors:

i) Economic factors: The economic situation of the country as a whole was widely considered as an important influencing variable in the analysis. Thus, variables like expected economic growth rate, government expenditure, growth priority, investment plans and policies were often considered. These were usually obtained from published documents of government agencies. None of the organisations made their own projections.

International economic indicators on certain regions or countries were considered by nine of the PEs. These
nine were PEs that exported a significant portion of their produce.

ii) Government and political variables: the national political climate was considered in the environmental analysis. Political stability of any country was always an important factor. The information on the local politics was generally obtained from the mass media and normally clarified by the CEO or the Board members. The political stability of foreign countries was also gauged from the mass media as well as reports from foreign trade missions or diplomatic sources.

Other aspects such as import and export policies were usually brought up during discussions and for foreign countries, such information was usually obtained from their respective foreign embassies.

Changes in local/national policies were seldom of any surprise to the PEs for the system was such that any changes that affected PEs were usually implemented after consultation with the appropriate ministries and agencies.

Information on international politics was commonly brought up and were treated as "just for information" sake. Changes in policies were usually detected by the trade attache in the respective foreign countries and conveyed to the affected ministry and agencies. Any
Table 8.7. The External Variables Considered in the Corporate Planning Process

<table>
<thead>
<tr>
<th>Abbreviations of Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBREVIATIONS OF ORGANISATIONS</td>
</tr>
<tr>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td>D D R R D D D D D M P T</td>
</tr>
<tr>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

1: General:
- Economic:
  - ab ab a ab abcd abc abd bd abcd bc bcd bcd
- Govt/Political:
  - b b b bc bc b b bc b bcd bcd
- Population:
  - a a a a bd abd a bd abcd ab abcd abcd

2: Demand Data:
- Overall:
  - ab a ad abd bcd ad ad bcd bcd ab abcd bcd bcd
- Forecasting:
  - Use gov't data: ab b b b b b b b b b b b
  - Other sources: - d d cd d d cd cd cd cd cd cd
  - Own extrapol.: ab a a c c c c c c
  - Own analysis: b - - - - - - - c c b c cd

3: Supply Data:
- Overall:
  - ab a ad ad bcd abcd abc ab abcd bd abcd bcd
- Forecasting:
  - Use published data: abc ab ab ab abc ab abc bcd b abcd b abcd abcd
  - Own estimate: a a a c a a ab cd b cd cd

4: Price Data:
- Price trend: - ab ab ab d b ab g cd b cd cd

5: Competitors:
- Gen. info.:
  - a a ab ab abc ab ab ab ab abc ab abc abc
- Sales price:
  - a a ab ab abc ab ab ab abc ab abc abc
- Prod. costs:
  - a a a a ab ab ab ab abc ab abc abc
- Mkt. targets:
  - - - - - - c a c c

6: Raw Material:
- Supply:
  - - - b - b ab ab - -
- Prices:
  - a - - - - b ab b b b
- Supply reliability:
  - - - - a a a - -

Note:

a = region; b = national; c = other country; d = global;
serious problems were usually dealt with at inter-
governmental level. A recent example would be the
counter measures taken by the Malaysian government
regarding the lobbying of the Soya Bean Growers
Association to ban the import of palm oil into USA. The
individual PEs were more concerned about any drastic
changes in policy of their main customers.

iii) Population: Half of the PEs did not regard the
population data as critical in their considerations
when doing environmental analysis. Except for MADA
which produced padi for the country, the others
produced primary commodities which were mainly exported.
In fact the other five only mentioned it as a passing
variable but not serious enough to be considered for
decision making.

b) Demand variable:

There were several dimensions of demand that were considered
as important and commonly evaluated in environmental analysis.
Those shown in Table 8.7 are the dimensions in general. PEs with
diversified activities and varied products had many more
dimensions but they tended to concentrate on just a few that were
related to the main lines of their activities.

Those PEs that exported most of their produce had records of
local/national, regional and global projected demand. Most of
them acquired the foreign demand data from established publishers
such as World Bank and other United Nation Agencies or from recognised overseas management consultants' publications like Lloyds, Landell Mills etc. Usually each publications are for specific individual commodities. No PEs did their own projections.

Not all PEs that exported a large % of their produce had demand data of the consuming countries. Only those that exported directly to overseas buyers (as opposed to those that sold in the open market) had demand data by country, regions, or demand of a certain product in a certain country. The demand forecasts of specific produce within regions in the globe were not as easily available as global data and extra effort had to be made to obtain them. In most cases, they had to make their own prediction/forecast.

This was carried out by sending executives regularly to the favoured clients or regions to monitor trends and developments and also through reports in the international mass media.

c) Global Production Data:

The analysis of data on the global production supply was much less thorough. In fact not all PEs that exported did such information search and forecast. Only six of the twelve PEs had information on total production volume of the produce and five of them had sectoral and global production information.
While global production is usually regarded as an important variable to be aware of and be sensitive to, the marketing manager of RISDA made a significant point that:

"... we are not a significant exporter of processed rubber even in Malaysia itself; what more the world. We also sell our produce in the open market. We can sell all that we have at the world market price; so selling is not a problem ..... So such global and sectoral supply forecasts is not that critical to our operation. Our produce is also not like consumer goods manufacturing, where we can slow down operations or switch off entirely. The rubber tree will still continue to produce latex and the palm oil will continue to bear the fruits whatever the world market price is. You try and tell the farmers not to harvest and see what happens? ........ The decisions to grow rubber or palm oil was made ten years ago and we might only react if the price falls below our operating cost for a continuous period of six months or more ...."

[RISDA Marketing manager]

On the other hand, another marketing manager but from (MARDEC) which also deals with rubber said:

"..... sectoral and global supply forecast are important. We would also need to know who are producing more and where are their market targets. These are potential threats which we can see coming 3-4 years ahead. That is important for us to know so that we can take whatever actions felt to be necessary."

These two opposing views are genuinely rational. It does depend on one's method of marketing, market share and customer loyalty. In addition, three out of the five that had data on regional production forecasts also performed a forecast of their own. Their comments were:
"The official data are usually underestimated. From experience we know that some countries are purposely understating the newly planted areas by as much as 20-30%. This is for reasons best known to themselves. Thus we have to do our own adjustments by incorporating such figures and work out the possible outcome."

[Harrisons Operation Division Personnel]

d) Price Data:

There were only two types of price data that were mentioned by the PEs as helpful in the analysis of the environment. These were:

a) market price trends (local/national and global) and
b) market price range.

Not surprisingly the data on the local/national and world market price were referred to in environmental analysis in all the PEs; even for the non-exporting PEs! MADA which does not export any of its rice keeps an eye on the trend of the world market price to ensure that its cost of production is within an accepted value. [Malaysia's cost of production of rice is higher than the other countries' and therefore has a price support system (subsidy programme) as well as import restrictions].

e) Competitors: Local/National and International

The participating PEs admitted that any information on competitors was valuable and should be incorporated into the environmental analysis. The CEOs, corporate planners and the marketing personnel were the ones that usually knew much about
the competitors. Only those that had formal corporate plans were able to show data on this. The most common information used was the cost of production of the competitors.

The information on the cost of production of competing produce (not competitors) can normally be bought from commodity consultants of which the most common were from Lloyds and Miller. Thus, palm oil exporters, can buy information on the cost of production of corn oil, soya bean oil, sunflower seed oil, rape seed oil and other competing products. Similarly, in the case of rubber, the cost of production of synthetic rubber in different countries can be acquired from similar publishers. The most common dimensions that were analysed are listed in order of importance below:

i) cost of production,

ii) their markets and customers,

iii) their technology, and

iv) their investments plans.

f) Raw Material Supply:

Surprisingly, information and analysis on this particular factor, thought to be important, did not receive much attention from the PEs. Most of the PEs had their own plantations to supply the raw materials for the manufacturing concern. But MARDEC, which buys rubber latex from the individual farmers did not emphasise its importance. This was perhaps because management was confident of assured supply, having a buying policy which was a
few cents below the market buying price and which was very competitive when compared to the other private buyers.

But fertilisers, which is an important input to agricultural production was also not incorporated into the analysis of the external environment.

".......except for some price fluctuations, the supply has been very reliable. Perhaps that's why .."  
Guthrie's Plantation Director

"..... it has not reached the alarm level to stir up an interest for its detailed analysis ..... if the price increases too much, we reduce the application for the period ...... that happened in 1984 when the price of fertilisers doubled but the price of palm oil tumbled."

KEJORA's Estate Management Services Manager

g) Technology:

New technology within the country is shared readily amongst the PEs. Research and development programmes carried out by the PEs and other private organisations as well as from government-owned research institutes such as Rubber Research Institutes (RRIM), Palm Oil Research Institute (PORIM), Agriculture Research and Development Institute (MARDI) and the local universities contribute significantly. Being leading producers of primary commodities namely rubber, palm oil and cocoa, the PEs are confident that they are always ahead of the other countries as far as agricultural production and processing technology are concerned. Competition is directed more against overseas organisations but not within the country.
But the next stage of the agribusiness system i.e. manufacturing, services, trading and exporting, are well behind that of production and processing. They admitted that a lot needed to be done to improve the technology through investments in research and development. The appraisal of technology was done subjectively.

What happens to the external environmental information?

The information on the external environmental factors collected was commonly used to forecast the trend for the next 5 years. The least any PE could do was to quote the forecast figures from reliable sources or to get them from several sources and average them out. Or they could do their own extrapolation from past trends and perhaps do a time series analysis. Table 8.8 indicates the various activities that were carried out by the twelve PEs regarding the external environmental data that they had.

Two PEs showed that they were using their own multiple regression model developed by themselves for their forecasting (Table 8.8).

There were three others that could afford and had the latest computer software in simulation models, financial packages and strategic management programmes. But they had yet to start developing their own forecasting model to be used in corporate planning. (They used it for other internal purposes).
<table>
<thead>
<tr>
<th>ABCREVIATIONS OF</th>
<th>ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>M K D J F J T R M F H G</td>
<td></td>
</tr>
<tr>
<td>A E A O L E E E S R I M U</td>
<td></td>
</tr>
<tr>
<td>D D R R D D D D M P T</td>
<td></td>
</tr>
<tr>
<td>A A A A C C A C A B H</td>
<td></td>
</tr>
</tbody>
</table>

KINDS OF ANALYSIS?

| abc a a ab adf ab a bc bef ad def def |
| a=extrapolation; b=time series; c=multiple regression; d=own model; e=simulation; f=scenarios. |

THREAT & OPPORTUNITIES PROFILE:

| - - o o o o ot - ot o ot ot |
| o=opportunity only; t=threats only. |

STR. ADV. PROFILE: 

| - - - - - y y y y y |
| y=yes |

When the long term planning documents were examined, (corporate plans, five-year plans, project proposals, Master plans) all had forecasting elements in them. But only nine PEs indicated that their projects were born or derived after going through the appropriate environmental analysis. Only four PEs had components within the documents indicating an analysis not only identifying the opportunities but also the potential threats. The same four also had a section explaining their strategic advantage profiles.

Four organisations had some experience of using the scenario development techniques for their environmental analysis. Surprisingly, one of the PEs did not have formal corporate planning. It was thought that scenario development was an advanced technique typically applied by companies with formal corporate plans only.
Ranking the External Variables

The information on the external environmental factors that were considered for analysis by the participating PEs was so diverse that generalisation is not appropriate. The next step was to analyse the three critical variables that were identified by the interviewees. [Initially the question was to rank the variables mentioned but most of them were not keen on ranking them and agreed to just naming the top three). These are shown in Table 8.9.

The x's in Table 8.9 are merely indications made by the various managers in stating the three more important variables that had great influence when making the strategic choice during the later part of the corporate planning process.

The table also indicates that two variables received more mention as evidenced from the high scores. These are the demand and price trends. The other group of variables that received a fair number of mention was the socio-economic, government/political and the production trends. Table 8.9 is further processed to get further meanings to the scores and is shown in Table 8.10.

Findings from Tables 8.9 and 8.10

From the "total" column in table 8.9 and also from the summary in table 8.10, the variable that received the highest number of mention was the price variable. It was mentioned by
TABLE 8.9. THREE EXTERNAL VARIABLES CONSIDERED AS CRUCIAL IN THE ANALYSIS OF THE EXTERNAL ENVIRONMENT

<table>
<thead>
<tr>
<th>THREE MANAGERIAL LEVELS</th>
<th>CEO s</th>
<th>Corp Pl.</th>
<th>OTHERS</th>
<th>TOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SOCIO-ECONOMIC</td>
<td>xxxx.x.x.x.</td>
<td>xxxx.xx.x.x</td>
<td>......xx...</td>
<td>15*</td>
</tr>
<tr>
<td>2. GOVT/POLITICAL</td>
<td>xxxxxx.x.x.x.</td>
<td>xx.x.x...</td>
<td>......x...</td>
<td>12*</td>
</tr>
<tr>
<td>3. DEMAND:</td>
<td>x.x.x.x...</td>
<td>x.x.x.x.xxx</td>
<td>xxx.xxx.xxx.xxx</td>
<td>23**</td>
</tr>
<tr>
<td>4. SUPPLY TREND:</td>
<td>x.x.x.x.x.x</td>
<td>x.x.x.x.x.x</td>
<td>xxx.xx...</td>
<td>15*</td>
</tr>
<tr>
<td>5. PRICE TREND:</td>
<td>xxxxxx.x.xxx</td>
<td>x.x.xxx.xxx</td>
<td>xxx.xx.xxx.xxx</td>
<td>25**</td>
</tr>
<tr>
<td>6. COMPETITORS:</td>
<td>a) production costs</td>
<td>......x.xxx</td>
<td>......x.xxx</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>a) supply</td>
<td>xx.x.x...</td>
<td>......x.xxx</td>
<td>6</td>
</tr>
<tr>
<td>7. RAW MATERIAL:</td>
<td>......x.x.x</td>
<td>......x.x.x</td>
<td>......x.x.x</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: x = external variables mentioned as critical; @ = no response; * = high scores

TABLE 8.10. EXTERNAL VARIABLES AGAINST WITH/WITHOUT FORMAL PLAN

<table>
<thead>
<tr>
<th>FROM TABLE 8.12</th>
<th>NO FORMAL PLAN</th>
<th>WITH FORMAL PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO CP Oth Tot</td>
<td>CEO CP Oth Tot</td>
<td>CEO CP Oth Tot</td>
</tr>
<tr>
<td>1. Soc-Eco:</td>
<td>5* 6* 2 13*</td>
<td>1 1 0 2</td>
</tr>
<tr>
<td>2. Govt/Pol:</td>
<td>6* 3 1 10</td>
<td>2 0 0 2</td>
</tr>
<tr>
<td>3. Demand:</td>
<td>2 5* 6* 13*</td>
<td>2 4* 4* 10*</td>
</tr>
<tr>
<td>4. Supply:</td>
<td>1 4 4 9</td>
<td>3 2 1 6</td>
</tr>
<tr>
<td>5. Price:</td>
<td>4 4 5* 13*</td>
<td>4* 4* 4* 12*</td>
</tr>
<tr>
<td>6. Compet.:</td>
<td>1 0 5 6</td>
<td>1 0 3* 4 @</td>
</tr>
<tr>
<td>7. Raw/mat:</td>
<td>2 0 4 6</td>
<td>0 0 2 2</td>
</tr>
<tr>
<td>8. Exchange:</td>
<td>2 0 0 2</td>
<td>2 0 0 2</td>
</tr>
</tbody>
</table>

TOTAL TIMES MENTIONED:
CEO CP Oth Tot | 20 21 20 | 15 12 14 |
TOTAL PERSONNEL: | 6 7 7+ | 4 4 5+ |

* = high scores; ** = very high scores.
@ = drastic difference; + = average number as the number of personnel interviewed in this category vary from 2-9

NB: total responses in the columns may average more than three from each respondents.
all the three categories of managers. The demand variable was mentioned more by the corporate planners and the other managers than the CEOs. But the other two variables that received a fairly high score, namely socio-economic and government/political variables were heavily confined to the corporate planners and the CEOs. Competitors and raw material variables were mentioned more often by the third group of managers than the CEOs or corporate planners. Not surprisingly, exchange rate factor pressures were more appreciated by the CEOs than the other two managerial categories.

The next two major quadrants of table 8.10 show a more contrasting pattern of responses. While the demand trend variable was being mentioned by both groups of PEs, i.e. those with and without formal plans, the price variable seemed to be heavily concentrated in the PEs with formal plans. The PEs with no formal corporate plan on the other hand regarded the socio-economic and government/political variables as important.

When the personnel between the two groups were compared, CEOs in PEs without formal plans gave more mentions of the socio-political variables while the CEOs in the other group mentioned demand/production, and price variables were given greater consideration. Similarly the corporate planners in the two groups gave dissimilar weights. Corporate planners from the PEs with formal corporate plans considered demand and competitors as crucial variables, while the group without formal corporate plans mentioned demand and socio-economic variables. However, the
managers belonging to the "other group of managers", gave almost similar priorities as far as ranking the external variable factors was concerned.

Another contrasting pattern of responses was on the competitors and exchange rate variables. Although the recorded responses were not numerous, exchange rate variables were not considered as important factors by managers of PEs with no formal plan. This was the same for the variable on competitors. (NB: During the three years prior to the interview Malaysia experienced a peak in ringgit value which would affect exports. £1=$3.0 in 1984 while today it has dropped to $4.5; and yet such fluctuations were not considered important even though most of the PEs export most of their produce.)

The relatively high scores given on the demand and price data as shown were confined to both groups of PEs, i.e. those with and without formal corporate plans.

8.5.3.2. Internal Analysis

A similar analysis was made on the type of variables that were commonly considered in the internal analysis process. The open-ended questions that were put forward and discussed were:

a) What are the various variables that were considered in the internal analysis and why?

b) Amongst them which are the three that are considered to be more important to your organisation and why?
Attachment 3.5 lists out all the variables that were considered by the managers when performing internal analysis. Financial and accounting data were the variables analysed in depth. Thus, data such as profits, sales turnover, returns and their respective financial ratios for measuring performance were used. All PEs were quite willing to show these data and the analyses performed on them. The same was true for the production data where the production costs records and analysis were available and readily shown.

But further down the list of the internal variables, the data and analysis were not as readily available indicating probably a lack of emphasis or thoroughness.

Most of the stated variables can be quantified but it must be remembered that there are the non-quantifiable variables as well which have to be considered. Examples are the levels of technology, skill of the workers, strength of the sales personnel. But as long as the managers interviewed considered them as important then those variables were recorded. The managers were also asked to indicate the three more important variables that were regarded as crucial in the strategic planning of the organisation and these are shown in Table 8.11. It records the three crucial variables that were mentioned by the various managers interviewed. The responses were then summarised and grouped between those with and without formal corporate plans as in Table 8.12.
### Table 8.11. Three Crucial Variables in Internal Analysis

<table>
<thead>
<tr>
<th></th>
<th>CEOs</th>
<th>Corp Pl.</th>
<th>OTHERS</th>
<th>TOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>**I: **Production:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1: projected:</td>
<td>...@...@...</td>
<td>XXXX...x@...</td>
<td>XX...xx....x</td>
<td>15*</td>
</tr>
<tr>
<td>1.2: costs:</td>
<td>...@...@...</td>
<td>XXXX...x@...</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>**2: **Financial:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1: sales turnover:</td>
<td>...@...@...</td>
<td>x...x@...</td>
<td>xxx...x@...</td>
<td>3</td>
</tr>
<tr>
<td>2.2: net profit:</td>
<td>.XX..x@x...</td>
<td>@...@...</td>
<td>XX...x@...</td>
<td>7</td>
</tr>
<tr>
<td>2.3: ROI:</td>
<td>XXX..x@x...</td>
<td>@...x@x...</td>
<td>x...x@x...</td>
<td>9</td>
</tr>
<tr>
<td>2.4: financial performance of subsidiaries:</td>
<td>@...@...@...</td>
<td><a href="mailto:x.x@x.x">x.x@x.x</a>@x</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>**3: **Productivity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1: costs/unit output /area.</td>
<td>XXXXX@...@...</td>
<td>x...x@...</td>
<td>x...x@...</td>
<td>12*</td>
</tr>
<tr>
<td>3.2: output /input used:</td>
<td>...@...@...</td>
<td>@x.x@x</td>
<td>X.x@x@x</td>
<td>4</td>
</tr>
<tr>
<td>**4: **Marketing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1: market share:</td>
<td>...x.x@xxx@x</td>
<td>xx...x@x</td>
<td>x...x@...</td>
<td>15*</td>
</tr>
<tr>
<td>4.2: market research:</td>
<td>...@...@...</td>
<td>@...@...</td>
<td>xx...x@...</td>
<td>0</td>
</tr>
<tr>
<td>4.3: sales force:</td>
<td>...x.x@x@x</td>
<td>@...x@x</td>
<td>x.x@...</td>
<td>4</td>
</tr>
<tr>
<td>**5: **R &amp; D:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:...@x.x">...@x.x</a>@x</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>**6: **Technology:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:...@x.x">...@x.x</a>@x</td>
<td>@x.x@x</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>**7: **Manpower: [skills]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:...@x.x">...@x.x</a>@x</td>
<td>x.x@x@x</td>
<td>x...x@...</td>
<td>10</td>
</tr>
</tbody>
</table>

**Note:**

x = variables identified as crucial; @ = managers not available.

* = high scores.

**Findings from Table 8.12**

Generally, the variables that were emphasised for the internal analysis were concentrated on the financial, production, marketing and productivity. Manpower, technology and research and development seem to be of less importance (in that order). This
could be a reflection of an emphasis on short term objectives as technology and R & D are variables commonly associated with long term success.

TABLE 8.12. VARIABLES CONSIDERED IN INTERNAL ANALYSIS AGAINST PES WITH/WITHOUT FORMAL PLANS

<table>
<thead>
<tr>
<th></th>
<th>FROM TABLE 8.11</th>
<th>NO FORMAL PLAN</th>
<th>WITH FORMAL PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CEO CP Oth. Tot</td>
<td>CEO CP Oth. Tot</td>
<td>CEO CP Oth. Tot</td>
</tr>
<tr>
<td>Financial:</td>
<td>9* 7 7 23*</td>
<td>8* 4 5 17*</td>
<td>1 3 2 6</td>
</tr>
<tr>
<td>Production</td>
<td>0 10* 10* 20*</td>
<td>0 10* 6* 16*</td>
<td>0 0 4* 4</td>
</tr>
<tr>
<td>Productivity</td>
<td>9* 4 3 16</td>
<td>6 3 3 12*</td>
<td>3 1 0 4</td>
</tr>
<tr>
<td>Marketing:</td>
<td>7 5 6 18*</td>
<td>3 1 2 6</td>
<td>4* 4* 4* 12*</td>
</tr>
<tr>
<td>R &amp; D:</td>
<td>1 0 0 1</td>
<td>0 0 0 0</td>
<td>1 0 0 1</td>
</tr>
<tr>
<td>Technology:</td>
<td>2 3 1 6</td>
<td>0 0 0 0</td>
<td>2 3 1 6 @</td>
</tr>
<tr>
<td>Manpower:</td>
<td>1 1 8 10</td>
<td>1 0 4 5</td>
<td>0 1 4* 5</td>
</tr>
<tr>
<td>TOTAL RESPONSES:</td>
<td>31 34 38</td>
<td>18 18 20</td>
<td>11 16 15</td>
</tr>
<tr>
<td>TOTAL EXECUTIVES:</td>
<td>10 11 12</td>
<td>6 7 7</td>
<td>4 4 5</td>
</tr>
</tbody>
</table>

NB: respondents may give more than three responses or even less

The results show some distinct pattern when the scores are separated amongst the groups of personnel. The CEOs seemed to regard financial, productivity and marketing as the more important variables to consider when doing internal analysis. The corporate planners however felt that production, financial and marketing variables were more important while the "others" group of managers chose production, manpower and financial variables. Thus, only financial variables were mentioned by all the three groups as being amongst the top three crucial factors.
When the data were further processed by clustering them into categories or personnel within PEs with and without formal corporate plans, some additional relationships emerged (Table 8.12). The managers of PEs with formal corporate plans emphasised the importance of marketing, finance and technology variables in influencing their internal analysis. Managers of PEs without formal corporate plans instead ranked finance, production and productivity as their important variables.

The managers within and between each of the two groups also mentioned different variables to be of importance. Table 8.12 gave other relationships, for example many of the managers in the "other" category (third group) in both the PEs with and without formal corporate plan mentioned manpower as an important variable. The number of times technology variables were considered as important was small, but those that mentioned them all came from the PEs with formal corporate plans.

Examination for such a distinctive pattern reveals a similar pattern to that observed under external analysis. Reasons for such behaviour were not sought but can be inferred. Different managers were exposed to these variables differently and therefore, tended to consider only those variables that were more familiar to them. R & D and technology are specialised fields and therefore are unfamiliar to many. This was the case for the external analysis where government/political and exchange rate variables were mentioned by CEOs and not by the other managers.
It also exposes the non-coherence of thinking amongst managers. Ideally, important variables to the enterprises both external and internal should be recognised by all levels of managers, to warrant extra attention. It looks as though such non-coherence is more apparent in PEs that do not have formal plans. This would be an additional point for the proponents of formalised corporate planning.

8.5.3.3. The Choice Process

The next three components of the strategic planning process namely the choice, implementation and evaluation processes were much more difficult to analyse and compare as they involve value judgements and personal opinions of the decision makers. Furthermore, each PE had a system of its own which was unique to it and which made comparison much harder.

The choice process culminates with the selection of what strategy the PE would adopt. It involves not only the value judgement of the decision makers but also the kinds of pressures (both external and internal) that they face like shareholders, politicians, government and society not the least from their own staff as well as the personality of each individual.

A study of the choice process amongst the 12 participating PEs was based on the following two premises:

a) pressures faced and

b) influence of analysis done on the choice made.
The questions that were asked to investigate these two premises were:

a) What were the kinds of pressures that you have encountered which influence the decisions during the choice making process? (some of the pressures mentioned needed elaboration and examples for a clear understanding)

b) Amongst those that you mentioned which are the three more influential pressures?

c) How much influence does environmental and internal analysis have on the choice process?

The external pressures mentioned were classified into six general categories. These are shown in Table 8.13.

Questions on the kinds of external pressures faced received a rather cool response and they were unwilling to discuss the matter openly. So the promise of confidentiality necessitates the grouping of these pressures into just six broad categories as shown in Table 8.13. However, these are sufficient to throw some light on the understanding of one aspect of the choice making process.

a) Again, different groups of personnel gave different orders of recognition of the pressures that they encountered. From the overall results, pressures from the Board of Directors seemed to dominate. This was followed by government/political pressures and recommen-
TABLE 8.13. PREFERENCES FACED BY MANAGERS IN MAKING STRATEGIC CHOICES

<table>
<thead>
<tr>
<th>THREE MANAGERIAL GROUPS</th>
<th>CEOs</th>
<th>Corp Pl.</th>
<th>OTHERS</th>
<th>TOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rational Analysis:</td>
<td><a href="mailto:......xx@.xx">......xx@.xx</a>@x</td>
<td><a href="mailto:......xxx..@x.x">......xxx..@x.x</a></td>
<td>......xxx..xx.x</td>
<td>18*</td>
</tr>
<tr>
<td>Govt/political:</td>
<td><a href="mailto:xxxxx..@x.x">xxxxx..@x.x</a>@x</td>
<td>xxxx.x.x@x...</td>
<td>xxxxxxxxxxx..x</td>
<td>21*</td>
</tr>
<tr>
<td>Board members:</td>
<td><a href="mailto:xxxx..@.x">xxxx..@.x</a>@x</td>
<td>xxxx..xxx@x..</td>
<td>xxxxxxxxxx..xx.x</td>
<td>23*</td>
</tr>
<tr>
<td>Partners/shrithld:</td>
<td>......@..xx@x</td>
<td>......@..xx@x</td>
<td>......@..xx@x</td>
<td>8</td>
</tr>
<tr>
<td>Social</td>
<td><a href="mailto:x.xx..@x.x">x.xx..@x.x</a>@x</td>
<td>x.xx..x@x...</td>
<td>x.xx..xx..xx..</td>
<td>9</td>
</tr>
<tr>
<td>Internal:</td>
<td>xxx..@xxxx@x</td>
<td>xxx@..xxx@x</td>
<td>........xx..xx.x</td>
<td>15</td>
</tr>
</tbody>
</table>

x = pressures mentioned as influential; *=high scores; @ = absent managers.

TABLE 8.14. SUMMARY OF PREFERENCES FACED BY MANAGERS AND TABULATION AGAINST PES' WITH/WITHOUT FORMAL PLANS

<table>
<thead>
<tr>
<th>RESPONSES FROM THREE MANAGERIAL LEVELS</th>
<th>FROM TOTAL PEs</th>
<th>NO FORMAL PLAN</th>
<th>WITH FORMAL PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CEO CP Oth. Tot</td>
<td>CEO CP Oth. Tot</td>
<td>CEO CP Oth. Tot</td>
</tr>
<tr>
<td>Rational analysis:</td>
<td>5 6 7 18*</td>
<td>1 3 3 7</td>
<td>4 3 4 11*</td>
</tr>
<tr>
<td>Government/political:</td>
<td>6 6 9 21**</td>
<td>6 6 7 19*</td>
<td>0 0 2 2</td>
</tr>
<tr>
<td>Board of Directors:</td>
<td>7 7 9 23**</td>
<td>3 5 6 14*</td>
<td>4 2 3 9*</td>
</tr>
<tr>
<td>Partners/shareholders:</td>
<td>2 3 3 8</td>
<td>0 0 0 0</td>
<td>2 3 3 8 @</td>
</tr>
<tr>
<td>Social</td>
<td>4 2 3 9</td>
<td>4 2 2 8</td>
<td>0 0 1 1 @</td>
</tr>
<tr>
<td>Internal</td>
<td>8 5 4 17*</td>
<td>4 3 3 10</td>
<td>4 2 1 7</td>
</tr>
</tbody>
</table>

NOTE:
* = high scores; ** = very high scores; @ = contrasting scores

356
dations resulting from the rational analysis of the external environment and the internal analysis. The CEOs presumably faces a tough task for generally they face pressures from the internal analysis and from the Board of Directors possibly pulling in opposite directions. The corporate planners, however, thought that the Board of Directors was most influential while the third group felt that the government/political element and the Board of Directors were two of the more influential variables. Thus, the influence of the Board of Directors received mention by all the three groups of managers interviewed.

b) When the results are divided between the PEs with and without formal corporate plans, other associations can be derived (Table 8.14). The previously high mention of government/political variables were actually confined more to the PEs without the formal corporate plans. Pressures from the Board of Directors were evenly spread out amongst the two groups of PEs. Generally managers of PEs with formal corporate plans felt that the two most common pressures that had great influence on their strategic decisions were the Board and the results of their external and internal analysis.

c) Another startling finding can be extracted from the variables that received contrasting scores between the two groups. PEs with no formal corporate plan did not
mention the pressures from partners/shareholders as very influential while PEs with formal corporate plan identified social pressures as not dominating.

d) The analysis discussed earlier (environmental and internal) are considered as the foundation for the strategic decision choice. Therefore, a measure of the influence of the said analyses on the choice making process is of interest.

Actually this is a more specific attempt to study the effect of such analysis on the decisions made. The answers were also in numerical form (%), rather than just being mentioned to be influential as in the previous analysis. Results of such findings are tabulated in Table 8.15.

Table 8.15 only states the influence of the two analyses on the choice process (in percentage value) as seen from the eyes of the various managers. It indicates that different groups of managers perceive the influence of analysis differently from the wide range of the numerical scores recorded i.e. 30-90%.

Tables 8.16 and 8.17 are derived from Table 8.15. Table 8.16 is a further development of the numerical data. It sums up the scores and averages them according to the respective groupings. Table 8.17 is a non-parametric approach to the analysis of the same data. Generally, the corporate planners felt that the analytical process has a high influence on the choice process. This can be seen from both tables with the highest average score
### TABLE 8.15. INFLUENCE OF ANALYSIS ON THE CHOICE PROCESS

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPONDENTS:</td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

**NB:** x = managers indisposed/not available

#### TABLE 8.16. ANALYSIS OF THE NUMERICAL DATA FROM TABLE 8.15

<table>
<thead>
<tr>
<th>AVERAGING THE RESPONSES ALONG PES WITH FORMAL PLANS</th>
<th>FROM TOTAL PES</th>
<th>NO FORMAL PLAN</th>
<th>WITH FORMAL PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>sum no. avg.</td>
<td>sum no. avg.</td>
<td>sum no. avg.</td>
</tr>
<tr>
<td>i) CEO:</td>
<td>690 10 69</td>
<td>400 6 70</td>
<td>290 4 73</td>
</tr>
<tr>
<td>ii) Corp Pl:</td>
<td>860 11 74</td>
<td>510 7 73</td>
<td>350 4 88</td>
</tr>
<tr>
<td>iii) other mngrs (average)</td>
<td>790 12 65</td>
<td>380 7 54</td>
<td>410 5 82</td>
</tr>
</tbody>
</table>

#### TABLE 8.17. NON-PARAMETRIC APPROACH OF ANALYSING TABLE 8.15

<table>
<thead>
<tr>
<th>%LEVEL OF INFLUENCE</th>
<th>COUNTS OF RESPONSES FROM THREE MANAGERIAL LEVELS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FROM TOTAL PES</td>
<td>NO FORMAL PLAN</td>
</tr>
<tr>
<td></td>
<td>CEO CP Oth. Tot</td>
<td>CEO CP Oth. Tot</td>
</tr>
<tr>
<td>=&gt;80%</td>
<td>3 9 6 18</td>
<td>2 5 2 9</td>
</tr>
<tr>
<td>=&gt;50-&lt;80%</td>
<td>6 1 2 9</td>
<td>3 1 1 5</td>
</tr>
<tr>
<td>&lt;50%</td>
<td>1 1 4 6</td>
<td>1 1 4 6</td>
</tr>
<tr>
<td>Total Pers</td>
<td>10 11 12 33</td>
<td>6 7 7 20</td>
</tr>
</tbody>
</table>

**NB:** * indicate contrasting data.

359
of 7.8 in Table 8.16 and nine personnel reporting a more than 80% influence on the choice process in Table 8.17. The third group of managers gave the lowest average score and four of them even thought that the analysis had a low influence of less than 50%.

Between the PEs with formal and without formal corporate plans, the numerical analysis indicates that overall, the average score of the influence of the analysis to the choice process is higher in PEs with formal corporate plans. In the group of PEs with formal corporate plans, the lowest average score of influence was given by the CEOs (73%) while in the other group it was the third group of managers (55%). From the non-parametric analysis table, none of the managers in the PEs with formal corporate plan reported a score of less than 50%. The majority of the corporate planners felt that the influence of the analysis on the choice process was very high.

Possible Explanation: The conclusion that managers in PEs with formal plans gave a higher percentage of influence of the analysis on the strategic decision process is quite obvious. Formalised planning meant that most of the process and activities were systematically organised and perhaps because of such arrangements everyone involved knew their roles and therefore, would have done their analysis properly.

Managers of PEs that did not have formalised planning systems generally gave a lower score for the influence of analysis on the decision making process. The informal system left
many components of the process to subjective judgements and probably there was no definite description of jobs that needed to be done and by whom whereas formal planning system would have these specified. It should be remembered too that these PEs were those that reported a high influence of government/political and social pressures which are not quantifiable and which only the CEOs are knowledgeable about and exposed to.

Thus, it is thought that these two reasons could explain such behaviour. The lack of trained personnel as mentioned by them as the reasons for not having a formalised system also aggravates the situation. Untrained personnel would lower the reliability of the analytical process.

8.5.3.4. The Implementation Process

Implementation which is the third component of the corporate planning process is again closely linked to the system that prevails in each of the participating organisations. Theoretically, a good implementation programme would show a record of closeness of projects that were carried out to that in the plans. Table 8.18 is an overall record of the extent to which newly completed projects were finished as previously planned. In another way it looks at whether projects set down in the long term plans were realised within the three years of the date proposed.
Since a simple question was asked, a numerical answer in the form of a percent figure was expected. However this was found to be more difficult to derive. Projects completed within the last 3-5 years were recalled and the appropriate planning documents investigated. Projects that came about without going through the ordinary planning channel were also identified, especially in PEs that followed the government five-year planning cycle. The number of projects approved but not yet implemented were also part of this investigation. All these were considered together and only then were the managers asked as to what they thought was the % success of their plans, i.e. the implementation process.

Table 8.18 has been averaged out from all the responses of the managers from each participating PE. A simple non-parametric method of juggling the results of Table 8.22 was then made and tabulated against PEs with and without formal corporate plan and is shown in Table 8.19.

Findings:

a) All the PEs claimed that their projects followed closely their long term plans, i.e. a score of more than 60%. Surprisingly, six of the seven PEs that scored > 80% did not have a formal corporate plan.

b) The second set of data in Table 8.18 is the implementation system of the long term plans. All PEs claimed that they had a system of their own. But the emphasis was on the actual
documents as to how the grand strategies (if any) or the long term targets were conveyed to the other departments/divisions/regions/subsidiaries and how they were to achieve them.

**TABLE 8.18. CLOSENESS OF PROJECTS TO PLAN**

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
<tr>
<td>i) % of projects based on the long term plan: (average)</td>
<td>90 90 90 90 60 70 90 90 60 60 65</td>
</tr>
<tr>
<td>ii) existence of documents to show breakdown of specific objectives into the various divisions or strategic business units:</td>
<td>- - - x x x x x x x x x x</td>
</tr>
</tbody>
</table>

**TABLE 8.19. CLOSENESS OF PROJECTS TO PLAN AND CROSS-TABULATION AGAINST PES WITH AND WITHOUT FORMAL CORPORATE PLAN**

<table>
<thead>
<tr>
<th>% of projects based on the long term plan.</th>
<th>Number of PEs</th>
<th>without formal corporate plans</th>
<th>with formal corporate plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>more than 80%</td>
<td>7</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>60-79%</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>less than 59%</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Only seven PEs had proof of such documents. Six of them were Federal organisations and the only one state organisation was also the one that had a formal corporate plan. Two of the Federal
organisations did not have any formal corporate plan but their long term targets were clear and how these were to be attained by the various subsidiaries/divisions/departments/regions were described and distributed in document forms. In some cases, it was the state subsidiaries/departments/divisions/regions that would determine how the targets were to be attained.

The behaviour indicated can be explained. PEs without a formal corporate plan are also the more financially dependent PEs. They get their finance from the government and as such their plans and projects have to be submitted to the government to be incorporated into the Five Year Malaysia Plan. Once approved, they have to be implemented along a certain planned schedule. Although there are allowances for alterations and changes during the mid-term review (after two and half years), this is primarily for adjustments rather than new proposals which are limited in number.

On the other hand, participating PEs with formal corporate plans, may have a formal system with their more thorough and complicated analysis. But they showed an implementation rate of between 50-79% only. This was claimed to be an advantage of being financially independent of the government, and therefore, able to make adjustments to the long term plan in face of approaching threats or opportunities.
"...deviating from the corporate plan is not necessarily bad. Being financially independent from the government makes us more flexible and therefore can afford to deviate from the plans if opportunities or threats appear."

As the CEO of Guthries explained

8.5.3.5. Evaluation and Control process

The evaluation and control process of strategic planning is closely associated with the system established in the organisation. Various aspects of the process were investigated and are reported as shown in Table 8.20. Relatively, this was one of the components of the corporate planning process where the managers responded freely. The PEs that did not have any formal corporate plans had to release their project implementation schedules for scrutiny. These were the documents that were used by them for control and feedback. They also used the annual budgetting exercise for the same purposes.

The major review activity of the participating PEs for the long term operations was performed during the mid term review of the Five-Year plan that the Government adopts. This is especially critical for the PEs that are financially dependent on the government.

For the five PEs that had their own formal corporate plans, the review period of such plans varied from 3-6 months. MARDEC, which reviewed the plan every 3 months did it at different regional locations every time. It had three regional offices and
### Table 8.20: Data on the Evaluation and Control Process

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>regularity of review</td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td>after x months</td>
<td>A E A O L E E S R I M U P T</td>
</tr>
<tr>
<td>documents that were reviewed</td>
<td>D D R R D D D D D D P T</td>
</tr>
<tr>
<td>(a) annually:</td>
<td>A A A A A C C A C A B H</td>
</tr>
<tr>
<td>(b) longer than a year:</td>
<td></td>
</tr>
<tr>
<td>who reviews?</td>
<td>a c b b a b b a a a a</td>
</tr>
</tbody>
</table>

**NB:** (a) p = project monitoring and implementation schedule; 
g = annual budget exercise; 
s = corporate plan documents

(who review) a=top mngt. comm.; b=planning comm.; c=CEO

The fourth and main meeting was held at the Headquarters in October every year. These three-monthly meetings were meetings of the top executives with the regional managers for the purpose of reviewing the corporate plan over time.

**Summary of Corporate Planning Process**

The corporate planning process that has been studied can be divided between the PEs with and without formal corporate plans. The five stages of the process discussed showed some distinct variation between these two categories of PEs. The PEs that were
dependent on government funding tended to be influenced greatly by the government and its related bureaucratic system and machinery. This included Ministry officials, politicians and a tight adherence to the rules and regulations; much more than the financially independent PEs. This affected the flexibility and dynamic character of the PEs which is thought to be critical in today's turbulent business environment.

It is clear that a good formal corporate plan would guide the PEs in the direction to be pursued but also allow them to be flexible and to deviate from it if necessary.

8.5.4. Depth of Analysis

"Depth of Analysis" is the fourth component of the corporate planning system that was researched. Its study required a second look at the environmental and internal analysis process and all the documents that went with it.

It was a big component in terms of the documents that needed verification as well as the varied nature of the activities of the PEs. Some of the subsidiaries or divisions were small and insignificant and did not require elaborate and complicated analysis. To overcome this only those activities that were critical and significant to the operation and survival of the PEs were considered in determining the "depth of analysis" performed by the PEs.
To illustrate, the case of MARDEC that relies heavily on the export of a primary product (rubber) will be explained. The various aspects of analysis of this primary product were investigated to measure MARDEC's "depth of analysis" component of the corporate planning system. This particular PE was also involved directly in the manufacture of tyres but the sales turnover was relatively small and therefore the analysis done for the tyre manufacturing activity was not considered.

8.5.4.1. The Environmental Analysis

The variables or parameters considered in the environmental analysis process component were many and the common ones were as shown in Table 8.5. These variables were then categorised into different levels to reflect the amount of time, effort and resources that had been spent to analyse them. These variables were divided into three different levels as explained below and shown in Table 8.21.

a) The lowest level is the fundamental stage where the level of forecasting of the external environment is confined to just the demand for the product. It is a simple extrapolation of past trends.

b) The second level is a step requiring relatively more resources than the first, where the forecasting now incorporates the total supply of the same product, the price trend analysis, competitors' production forecast and their costings. This is still a forecasting exercise
## TABLE 8.21. CATEGORISATION OF EXTERNAL VARIABLES

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1: GENERAL:</strong></td>
<td></td>
</tr>
<tr>
<td>.1 Economic:</td>
<td></td>
</tr>
<tr>
<td>.2 Govt/Political:</td>
<td></td>
</tr>
<tr>
<td>.3 Population:</td>
<td></td>
</tr>
<tr>
<td><strong>2: DEMAND DATA:</strong></td>
<td></td>
</tr>
<tr>
<td>.1 overall:</td>
<td>-LEVEL I</td>
</tr>
<tr>
<td>.2 forecasting of demand:</td>
<td></td>
</tr>
<tr>
<td>- use govt.data</td>
<td></td>
</tr>
<tr>
<td>- other sources:</td>
<td></td>
</tr>
<tr>
<td>- own trend extp:</td>
<td></td>
</tr>
<tr>
<td>- other own methods</td>
<td></td>
</tr>
<tr>
<td><strong>3: SUPPLY DATA:</strong></td>
<td></td>
</tr>
<tr>
<td>.1 overall:</td>
<td></td>
</tr>
<tr>
<td>.2 forecasting of supply?</td>
<td></td>
</tr>
<tr>
<td>- use published and other available data</td>
<td></td>
</tr>
<tr>
<td>- own estimate:</td>
<td></td>
</tr>
<tr>
<td><strong>4: PRICE DATA:</strong></td>
<td></td>
</tr>
<tr>
<td>.1 price trend</td>
<td></td>
</tr>
<tr>
<td><strong>5: COMPETITORS:</strong></td>
<td>-LEVEL II</td>
</tr>
<tr>
<td>.1 gen.info.:</td>
<td></td>
</tr>
<tr>
<td>.2 sales price:</td>
<td></td>
</tr>
<tr>
<td>.3 prod.costs:</td>
<td></td>
</tr>
<tr>
<td>.4 mkt.targets:</td>
<td></td>
</tr>
<tr>
<td><strong>6: RAW MATERIAL:</strong></td>
<td></td>
</tr>
<tr>
<td>.1 supply:</td>
<td></td>
</tr>
<tr>
<td>.2 prices:</td>
<td></td>
</tr>
<tr>
<td>.3 supply reliability:</td>
<td></td>
</tr>
</tbody>
</table>

### ADVANCE LEVEL OF ANALYSIS?
- time series;
- multiple regression,
- own model simulation,
- scenarios.

### THREAT & OPPORTUNITIES PROFILE \-LEVEL III
- opportunity profile
- threat profile

### STR.ADV.PROFILE:
using past trends but the variables are more than just the demand for the company's product.

c) The third level of environmental analysis moves out of the forecasting exercise into the analysis of the environment in terms of the threats and opportunities that derives from the above mentioned analysis. The threat and opportunity scenario is the key component of this level of development. In addition this level of development includes other more advanced forecasting techniques such as the scenario approach and other sophisticated techniques developed specifically for the company such as simulation and input-output analysis.

Each of these levels consists of several variables. A PE would be deemed to qualify for a particular level if its environmental analysis documents showed proof of doing more than half of the variables identified at that level.

The variables in Tables 8.7 and 8.8 were combined and demarcated according to the three levels of analysis, following the criteria mentioned above and shown in Table 8.21. The variables and activities of the environmental analysis performed by each PE were then investigated and each PE placed at that level of analysis accordingly. This is shown in Table 8.22.

Column A in Table 8.22 only indicates the distribution of the 12 PEs into the three levels of external analysis. The same information is then cross-tabulated against three different
characteristics of the PEs namely that of the PEs' financial dependency status on the government (column B), reliance on export earnings (column C), and whether they have formal corporate plans (column D).

Findings: From Table 8.22 it can be reported that:

a) amongst the twelve participating PEs, three have reached the third level of analysis while five were doing analysis of the first order.

b) all the three financially independent PEs appear to have reached the third level of environmental analysis.

c) from column C, six PEs relied heavily on export earnings, one of them was still at the first level of analysis while three had been placed at the third level.

d) the one PE that was financially dependent on the government was also the one that did not export its main product (rice) and performed analysis of the environment at level one.

e) all the five PEs at level I of environmental analysis did not have formal corporate plans. All the three PEs in level III of analysis had formal corporate plans while at level II there was a mixture number of PEs with and without formal corporate plans.
TABLE 8.22. LEVEL OF ENVIRONMENTAL ANALYSIS AGAINST PES' CHARACTERISTICS

<table>
<thead>
<tr>
<th>LEVELS OF EXTERNAL ANALYSIS</th>
<th>PEs code</th>
<th>LEVELS OF EXTERNAL ANALYSIS</th>
<th>PEs code</th>
<th>LEVELS OF EXTERNAL ANALYSIS</th>
<th>PEs code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,2,3,4,7</td>
<td>2</td>
<td>5,6,8,10</td>
<td>3</td>
<td>9,11,12,</td>
</tr>
<tr>
<td>2</td>
<td>1,4 -</td>
<td>2</td>
<td>4 0 -</td>
<td>3</td>
<td>- 3 -</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>5</td>
<td></td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

* = in between

Inferences

The depth of analysis of the external environment performed by the PEs as inferred from the three levels was closely associated with the dependency status, % earnings from export and whether the PEs had formal corporate plans. The cause and effect of these variables were not determined.

a) The three PEs that were placed in level III of the analysis were also the PEs that were financially independent of the government but dependent on exports for their income. They were also the three of the five that had their own formal corporate plans. Having to compete in the international market and having to finance themselves might have forced them to establish a high level of analysis of the external environment, thus qualifying them to be placed in level III.
b) Amongst the five PEs that were at level I of analysis, one PE was highly dependent on the government for its finance. This particular PE also had all of its product (rice) consumed locally. It might be thought that an organisation that dealt with just one single crop would have the opportunity to be elaborate in its analysis. On the contrary, because of its relatively simple operation where none of its output is exported, it might not need a high level of analysis of the environment.

c) On the other hand, another PE which also dealt with the processing of just one crop (MARDEC and rubber) have been classified to be on level III of the analysis process. The difference is that MARDEC is export oriented and derived more than 70% of its earnings from exports. This could be the distinguishing factor.

d) But there were three PEs whose earnings were export dependent but yet were classified at level I and II analysis. The reasons for KEJORA which exports but is placed at level I of analysis could be that it sells most of its produce through the open commodity market or through trading agents. Thus they do not have to spend resources to know and study the demand behaviour of their buyers.
The other two PEs were placed at level II, i.e. at a higher level of analysis. Since these two PEs exported mainly processed primary commodities to the market, (i.e. refine palm oil to olein and stearin, and rubber latex or high grade rubber) and had a small volume of manufactured products to export, level II of analysis might suffice. They have yet to face the full brunt of international competition if they are to compete for buyers directly.

e) There were also three PEs that had a fairly high dependence on earnings from exports but also showed level I of analysis. Although their exports are mainly primary commodities, their long term survival might be in jeopardy if their level of analysis stays at level I, unless they hope to continue to depend on the government in the future. But going on the government's present trend towards privatisation, they might be ill-advised to cling to this hope.

An OVERALL SUMMARY can be made to portray the above relationship in a diagrammatic form as shown in Chart 8.4. It is a 3-dimensional relationship between the three main characteristics of the PEs deliberated above, which are:

i) the level of analysis,

ii) the status of financial dependency, and

iii) the % dependency of income from export.
Chart 8.4. 3-D Relationship of Levels of External Analysis with Dependancy on Government Financing and Exports

The twelve participating PEs occupy only six of the 3x3x3 cubical components. Whether there are other organisations that could be fitted into the other cuboids is still unknown but could be an area to be researched into in the future.

8.5.4.2. Internal Analysis

Similarly, the variables used in the internal analysis process had to be categorised into different levels. It was
decided to classify them into three levels based on the assumptions explained below:

a) that the first level incorporates analysis pertaining directly to the product of the enterprise. Thus this would cover the supply projections or forecasts as well as the price and costs of that particular product.

b) The second level looks at a wider perspective incorporating the financial, productivity and manpower analysis. These are done independently by each department or division and thus have no direct relationship with the product but it is still a forecasting process.

c) The third level moves out of the forecasting exercise and reviews the enterprise as a whole, with a high degree of coordination amongst the various plans (as in level ii), looking at its strengths and weaknesses profile. It would also include more advanced forecasting techniques such as having its own model, simulation, and/or multiple regression in forecasting the organisation's future.

The list of internal variables listed in Table 8.23 are the same as the ones presented in Table 8.10. These variables were then demarcated into the three levels as proposed. The number of times each variable was analysed was recorded for each PE and totalled. If the score was more than half the total variables in each level, then the PE qualified to be categorised as that level.
<table>
<thead>
<tr>
<th>VARIABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: PRODUCTION:</td>
</tr>
<tr>
<td>.1: projected:</td>
</tr>
<tr>
<td>.2: costs:</td>
</tr>
<tr>
<td>.3: efficiency:</td>
</tr>
<tr>
<td>2: FINANCIAL:</td>
</tr>
<tr>
<td>.1: sales turnover</td>
</tr>
<tr>
<td>.2: net profit:</td>
</tr>
<tr>
<td>.3 ROI:</td>
</tr>
<tr>
<td>.4: financial performance of subsidiaries</td>
</tr>
<tr>
<td>3: PRODUCTIVITY:</td>
</tr>
<tr>
<td>.1: costs/unit output /area.</td>
</tr>
<tr>
<td>.2: output/input used:</td>
</tr>
<tr>
<td>4: MARKETING:</td>
</tr>
<tr>
<td>.1: market share</td>
</tr>
<tr>
<td>.2: market research:</td>
</tr>
<tr>
<td>.3: sales force:</td>
</tr>
<tr>
<td>.4: advantage:</td>
</tr>
<tr>
<td>5: R &amp; D:</td>
</tr>
<tr>
<td>6: TECHNOLOGY:</td>
</tr>
<tr>
<td>7: MANPOWER:</td>
</tr>
<tr>
<td>.1: rel salaries:</td>
</tr>
<tr>
<td>.2: managerial skill:</td>
</tr>
<tr>
<td>.3: training:</td>
</tr>
<tr>
<td>8. SOPHISTICATED ANALYSIS:</td>
</tr>
<tr>
<td>9: STRENGTH PROFILE |</td>
</tr>
<tr>
<td>WEAKNESS PROFILE:</td>
</tr>
<tr>
<td>10. STRATEGIC ADVANTAGE PROFILE</td>
</tr>
</tbody>
</table>
The three levels of analysis and the corresponding PEs were then condensed into Table 8.24. They were also cross-tabulated with other characteristics of the PEs as shown in columns B, C and D. Column A merely shows the total number of PEs that were classified into the three levels of internal analysis.

TABLE 8.24. LEVELS OF INTERNAL ANALYSIS AGAINST
PEC'S CHARACTERISTICS

<table>
<thead>
<tr>
<th>LEVELS OF INTERNAL ANALYSIS</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PEs code</td>
<td>% FINANCIAL DEPENDENCY</td>
<td>% EARNINGS ON EXPORT</td>
<td>HAVE FORMAL CORPORATE PLAN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 * &lt;10</td>
<td>&lt;10 * +50</td>
<td>NO</td>
</tr>
<tr>
<td>1</td>
<td>1,2,3</td>
<td>1 2 -</td>
<td>1 2 0</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>4,5,7,8,10</td>
<td>- 5 0</td>
<td>- 2 3</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>6,9,11,12</td>
<td>- 1 3</td>
<td>- 1 3</td>
<td>-</td>
</tr>
</tbody>
</table>

* = in between

The internal variables that were considered for analysis were noted and totalled for each PE. The scores obtained for each level determined the level of analysis for the PE. These are shown in column A of Table 8.24.

a) It only indicates the distribution of PEs in each level of analysis, i.e. three PEs at level I, five at level II and four at level III. The general results were that there were more PEs at levels II and III as compared with the external analysis in the previous section. The three PEs that are at level III of the external analysis are also located at level III of this internal analysis.
When the different levels of analysis were cross-tabulated to the degree of financial dependency, dependency on export earnings and the existence of formal corporate plans, then a more meaningful relationship was observed.

b) The three financially independent enterprises fall into level III of internal analysis.

c) Eight PEs that are partially dependent on government financing are distributed at all the three levels of analysis. Only one is at level III (JSEDC) while two PEs are still practising level I of internal analysis. KEDA is still young (in terms of years since establishment) while DARA has yet to employ a much more thorough analysis. The possible explanation for DARA not being at level II of analysis could be the availability of qualified personnel and the availability of data.

d) The PEs were then cross-tabulated with their dependency on export earnings character. There were six PEs that had more than 50% of their earnings coming from exports and all of them were in the higher two levels of analysis.

e) Under column D, i.e. the existence of formal corporate plan, four of the five PEs that had formal corporate plans were classified in level III of analysis.
f) The non-exporting and 100% financially dependent PE (MADA), was also placed at level I of internal analysis, as in the external analysis.

Inference

Generally the number of PEs in level II and III of internal analysis was greater than that of the external analysis. This could be due to the internal data being more easily obtainable and accessible and thus a more thorough analysis could be performed.

The financially independent PEs, the PEs that gained more than half of their earnings from export and those that had performed corporate planning formally tend to be placed at the higher level of analysis. They have to be competitive in the international market as well as be prudent in their decisions for they cannot depend on the government for financial assistance if they were to fail. Thus they have to be more thorough in their analysis in order to make a better strategic decision. The cause and effect relationships were not studied but presumably they are the cause as well the effect of one over the other.

It is quite surprising to note that there were two PEs that earned between 20-50% of their income through exports and were placed at level I of internal analysis. Although the reasons were not given, it is deduced that the exports of the primary product to the open market as well as through brokers might exempt them
from the need to do much higher level of analysis. But selling direct and to specified customers earns companies a higher premium. If they are to target for such a market, a better internal analysis (as well as external) might make them more analytical and better able to come up with good strategic decisions.

Similarly, an overall summary can be pictured as in a 3x3x3 cube which can be drawn to show a 3-dimensional relationship between the three levels of internal analysis and the PEs dependency on financing from the government and earnings from export. Only six of the cuboids are filled by the twelve participating PEs.

CHART 8.5. THE 3-D RELATIONSHIP OF LEVELS OF INTERNAL ANALYSIS AND PES' CHARACTERISTICS

![3D Chart](chart.png)
8.5.5. The Chief Executive Officer

Of the twelve PEs only nine CEOs were able to participate in the interviews. One of them was on medical leave for three months, another resigned prior to the interview to enter politics while the third did not have time to spare for the interview and entrusted everything to the Corporate Planning Director. There was a Deputy CEO who was willing to sit-in for one of the two indisposed CEOs. Thus a total of ten personnel were interviewed.

The information gathered from the CEOs was all related to their perception and involvement in the strategic planning activities and system. Appreciating that they were tight with their spare time, questions asked were quite straight to the point and there were not many "breaking the ice" procedures and acquaintance manoeuvres. The main questions asked were:

a) Your chief planner has indicated that long-range planning is being practised actively in your enterprise. What do you see as your main role in this activity? (They were also requested to explain some matters which were not quite clear). Please indicate the % time spent per month for each of the mentioned roles?

b) How much time do you spend per month on doing/thinking/anything related to the long range planning? (as a percent of your working hours)
c) What are the various pressures that you face in making long range planning decisions? Can you rank them in terms of "which has most influence in your decisions".

d) What are the roles of the corporate planner in your organisation? Can you elaborate?

8.5.5.1. The CEO's Role

The answers to the question on the roles of the CEO, received a variety of answers within a range of activities. The long list of responses was then categorised into some common boundaries and these are listed in Table 8.30. Roles that were mentioned once are not included in the table. As to the % time spent on each role; most of the CEOs were not willing to commit themselves but were willing to rank them in terms of importance.

The list of roles of the CEOs in corporate planning as shown in Attachment 8.6 is arranged in order of popularity as responded. From the table it can be deduced that the roles as stated by the CEOs were varied. In fact there were twenty-three roles altogether of which twelve were mentioned by only one CEO. Of the eleven that are listed there were six that were mentioned by all the ten CEOs.

The list (Attachment 8.6) was then reappraised to identify which amongst them were more important, based on the rankings that the CEOs gave. This resulted in Table 8.25. The rankings were added and averaged out. The roles that did not receive any
response were given a score of ten. Thus roles that have low scores are thought to be more important.

**TABLE 8.25. ROLES OF CORPORATE PLANNER PERCEIVED ACCORDING TO FINANCIAL DEPENDENCY**

<table>
<thead>
<tr>
<th>FINANCIALLY DEPENDENT</th>
<th>FINANCIALLY INDEPENDENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) monitoring</td>
<td>a) co-ordinating</td>
</tr>
<tr>
<td>c) gathering</td>
<td>d) assisting</td>
</tr>
<tr>
<td>e) strategists</td>
<td>f) opportunities/threats</td>
</tr>
<tr>
<td>g) analysts</td>
<td>h) advise</td>
</tr>
</tbody>
</table>

Another analysis was done on the number of times that the roles received the top three rankings as well as the lowest three rankings. These were added and an order can be derived from them. Table 8.26 is the result of this further analysis.

**TABLE 8.26. IDENTIFYING THE MORE IMPORTANT ROLES**

<table>
<thead>
<tr>
<th>ROLES</th>
<th>AVG. SCORE</th>
<th>ORDER</th>
<th>NO. OF TIMES RECEIVE TOP THREE RANKINGS</th>
<th>NO. OF TIMES RECEIVE LAST THREE RANKINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>ORDER</td>
<td>NO. ORDER</td>
<td>TOP THREE RANKINGS ORDER</td>
</tr>
<tr>
<td>a</td>
<td>4.7</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>b</td>
<td>3.6</td>
<td>2</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>c</td>
<td>5.1</td>
<td>5</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>d</td>
<td>3.9</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>e</td>
<td>1.7</td>
<td>1</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>f</td>
<td>8.0</td>
<td>8</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>g</td>
<td>7.2</td>
<td>6</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>h</td>
<td>7.7</td>
<td>7</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>i</td>
<td>8.1</td>
<td>9</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>j</td>
<td>8.3</td>
<td>10</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>k</td>
<td>8.7</td>
<td>11</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>
From the table above it can be seen that although there were six roles that were mentioned by all the ten CEOs these were not necessarily the more important ones. The order of importance by using the average score technique or the number of times that the roles received the three top rankings (i.e. numbers 1-3) do not differ very much. It can be concluded that the three top roles as reported by the CEOs were:

i) to provide general guidelines as to the future direction of the organisation,

ii) to convey the planning variables that are to be used and considered in the future planning of the organisation.

iii) as Chairman of the planning committee; to provide overall supervision of the committee's work.

The less important roles seemed to be directed towards the information gathering duties and the co-ordination of the corporate planning activities. But these two were extracted from the eleven roles that were analysed. This might not be a true reflection for there are twelve other roles that were not listed as they were mentioned only once and they could be the roles that were regarded as less important.

As mentioned by one CEO (FLDA Director General):

"...not that they are not important, but rather we are giving them less emphasis at this present moment."
8.5.5.2. Relative Time Spent per Month on Corporate Planning (%)

The CEOs were more willing to discuss and commit themselves in allocating % time spent on the overall corporate planning activities as shown in Table 8.27 (as compared to their willingness when answering the first question). There was difficulty in trying to decide what are considered as corporate planning activities. Information gathering and being sensitive to strategic issues either through readings, meetings, and social gatherings happen all the time. Since these were difficult to be given time measurement, they were not recorded.

Initially, the record showed a small percentage of time spent on actual corporate planning. But when the discussion proceeded deeper, it was felt that corporate planning activities were also performed during the other activities especially during public relations functions, internal and external meetings. A follow-up discussion was requested to determine what percent of these function did contain corporate planning elements. The answers received were within a narrow band and this was averaged out at the 30% mark. Thus, 30% of the time allocated to these functions was added to the corporate planning activities.
### Table 8.27. Relative Time Spent on Corporate Planning Activities by the CEOs

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS</th>
<th>ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>M</td>
<td>K</td>
<td>D</td>
</tr>
<tr>
<td>A</td>
<td>E</td>
<td>A</td>
</tr>
<tr>
<td>D</td>
<td>D</td>
<td>R</td>
</tr>
<tr>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td><strong>a) internal operations</strong></td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td><strong>b) public relations</strong></td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td><strong>c) internal meetings</strong></td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td><strong>d) external meetings</strong></td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>e) corporate planning</strong></td>
<td>05</td>
<td>10</td>
</tr>
<tr>
<td><strong>f) other planning</strong></td>
<td>05</td>
<td>10</td>
</tr>
<tr>
<td><strong>g) leisure readings</strong></td>
<td>05</td>
<td>10</td>
</tr>
<tr>
<td><strong>h) others</strong></td>
<td>05</td>
<td>20</td>
</tr>
</tbody>
</table>

**Modification to the % time spent on corporate planning:**

- e) corp. planng: 05 10 10 05 10 10 10 NA 05
- add 30% (d+c+b) = 18 12 18 18 18 19 NA 22 19 16 NA 19
- total % of time spent corporate planning activities 23 22 28 23 28 29 NA 32 29 26 NA 24

**NOTE:** NA = personnel not available

The time spent by the CEOs on corporate planning activities ranges from 22% to 32%. While the range seems to be surprisingly narrow this aspect of the study is quite difficult to measure and the percentage allocation of time as stated by the CEOs is very subjective. The ultimate question is whether the time allocated is spent effectively but this was not probed into since it was not the intention of the study.
8.5.5.3. External Pressures Faced

The question asked was, "Name three kinds of pressures that the CEOs commonly face that have influenced the organisation's strategic decisions in the past?" In this case the CEOs were not willing to rank these pressures but agreed to just naming the three most common ones. The responses as shown in Table 8.28 are presented in an aggregated form.

The list in the table is not surprising since it would be expected that Ministers and members of the Board would indirectly or otherwise be involved in planning activities. When the PEs are placed according to their financial dependency status, the roles of the Ministers and Board members become more distinct. The financially independent PEs also indicate a marked difference in that they are influenced more by their buyers than by ministry officials.

**TABLE 8.28. PRESSURES FACED BY CEOs IN CORPORATE PLANNING ACTIVITIES**

<table>
<thead>
<tr>
<th></th>
<th>total responses</th>
<th>FINANCIALLY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>dependent</td>
<td>independent</td>
<td></td>
</tr>
<tr>
<td>minister</td>
<td>7*</td>
<td>6*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>ministry officials</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Board of Directors</td>
<td>7*</td>
<td>5*</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>partners</td>
<td>5*</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>shareholders</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>buyers</td>
<td>4</td>
<td>1</td>
<td>3*</td>
<td></td>
</tr>
<tr>
<td>local politicians</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>society</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>internal</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

* = relatively high count

NB: Some CEOs gave more than three responses.
8.5.5.4. Duties of Corporate Planner as Perceived by the CEO

The CEOs were then asked to list the various activities related to corporate planning that are expected from the corporate planner or the personnel responsible for long term planning. In the case of MARDEC where the organisation does not have special personnel to perform this activity but is done by a committee of five (including the CEO), then it will be the CEO's expectation of the other members in the committee.

Again, the answers received were many. Those listed in Table 8.29 were mentioned at least twice. The CEOs were also requested to identify the three top roles and the list is arranged according to the number of responses received.

The table generally reflects an even distribution of activities amongst the PEs. The main roles expected seem to be concentrated on co-ordinating and monitoring.

The list was then reappraised according to the average score and the number of times the role received top ranking. The average score was calculated by adding all the rankings in each role. Those that did not receive any response were given the score of 4. The smaller the average, the higher is its merit. The result of this reappraisal is shown in Table 8.30.
### TABLE 8.29. EXPECTED ROLES OF THE CORPORATE PLANNER

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS</th>
<th>ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• alco-ordinator of corporate planning activities:</td>
<td>K M J D F J T R M F H G</td>
<td>ME M M M D D D</td>
</tr>
<tr>
<td>• monitor progress and development:</td>
<td>E A O L E E S R I M U</td>
<td>M M M M M M M</td>
</tr>
<tr>
<td>• gather strategic information:</td>
<td>D D R R D D D M P T</td>
<td>M M M M M M M</td>
</tr>
<tr>
<td>• assist CEO and in consultation with him on</td>
<td>A A A A A C C C C A B H</td>
<td>M M M M M M M</td>
</tr>
<tr>
<td>• do all corporate planning activities:</td>
<td>2 2 2 2 2 2 2 2 2 2 2 2 2 2</td>
<td>M M M M M M M</td>
</tr>
<tr>
<td>• look for opportunities and threats:</td>
<td>2 2 2 2 2 2 2 2 2 2 2 2 2 2</td>
<td>M M M M M M M</td>
</tr>
<tr>
<td>• do environmental and internal analysis:</td>
<td>2 2 2 2 2 2 2 2 2 2 2 2 2 2</td>
<td>M M M M M M M</td>
</tr>
<tr>
<td>• provide advise and help to other managers:</td>
<td>2 2 2 2 2 2 2 2 2 2 2 2 2 2</td>
<td>M M M M M M M</td>
</tr>
</tbody>
</table>

NA = personnel not available.

### TABLE 8.30. DETERMINING THE RANKING OF THE CORPORATE PLANNERS' ROLES AS SEEN BY THE CEOs

<table>
<thead>
<tr>
<th>ROLES</th>
<th>NO. OF RESPONSES</th>
<th>TOTAL SCORE</th>
<th>AVERAGE SCORE</th>
<th>ORDER</th>
<th>NO. OF TIMES OF FIRST RANK</th>
<th>ORDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>6</td>
<td>28</td>
<td>2.8</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>b</td>
<td>6</td>
<td>28</td>
<td>2.8</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>c</td>
<td>5</td>
<td>29</td>
<td>2.9</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>d</td>
<td>4</td>
<td>32</td>
<td>3.2</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>e</td>
<td>2</td>
<td>36</td>
<td>3.6</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>f</td>
<td>2</td>
<td>35</td>
<td>3.5</td>
<td>5</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>g</td>
<td>2</td>
<td>36</td>
<td>3.6</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>h</td>
<td>2</td>
<td>35</td>
<td>3.5</td>
<td>5</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>
The three roles of the corporate planner as perceived to be important by the CEOs were:

i) to gather strategic information for the whole organisation,
ii) to monitor the progress and development of the organisation,
iii) to co-ordinate the corporate planning activities of the organisation.

The information was further analysed to look at the expected role in the light of the nature of the PEs. The PEs were separated according to their financial dependency status and an interesting relationship was discovered. The financially independent PEs are also those that qualify to be classified as having a formal corporate planning system. If these roles are further scrutinised, they actually fall under the category of process corporate planner as opposed to the financially dependent PEs whose roles tend to be towards the content kind of strategic planner. This is interesting and will be further discussed in the conclusion chapter.

Summary on the Chief Executive Officer

Amongst the several corporate planning roles perceived by the CEOs of participating PEs, the two that received popular mention were the provision of general guidelines for the PE and to convey to their subordinates the important parameters that
were necessary to work on in long term planning. Information gathering was the lowest in the priority list.

The time spent on corporate planning activities by the CEOs ranged between 20-35% only.

There were several common external pressures that they had to face and these vary between CEOs of PEs that were dependent on government funding and those that were independent. The influence of the Ministers and their officials as well as the members of the Board was regarded as an important factor for the PEs that were dependent on government funding while the other group mentioned the pressures from buyers (customers) as more important.

Most of the CEOs felt that the role of the corporate planner should be concentrated towards the coordination and monitoring the progress of the corporate plan as well as gathering relevant strategic information for the PEs.

The roles of the corporate planner as perceived by the ten CEOs also varied between the PEs. The CEOs of financially dependent PEs preferred their corporate planner to be a content planner (doing actual data gathering and analysing) while the CEOs of PEs that were financially independant preferred him to be a process planner i.e. more on facilitating the process.
8.5.6. The Corporate Planner

The time spent with the corporate planner (or the person given the task of doing the corporate planning activities) was the longest. The first interview in any organisation was with him and in most cases he was also the last. The first meeting was to gather as much information as possible about the overall set-up of the organisation (in most cases some documents had been read, obtained by mail or from libraries), the corporate planning system and any other reports or organisation bulletins that were made available. Planning documents were also requested during the interview to check against what was being discussed. It was during this first meeting too that other personnel participating in the research were identified and appointments finalised.

A second interview was found to be necessary for in many instances there were several pieces of information that needed clarification and correction. The questions that were asked were many but the key questions were on the corporate planning role and contribution towards the corporate planning activities that were carried out in his organisation. These were:

a) Please list the several roles that you play as a corporate planner in this organisation. (Most of the roles needed clarification and each one was explained in detail). Can you estimate the amount of time that you spend on those roles?
b) Please state the problems that you encounter in trying to undertake the corporate planning activities. Can you rank the top three problems.

8.5.6.1. **Actual Roles as Reported by the Corporate Planner**

The answers to the question on the kinds of activities that they themselves carried out are as in Attachment 8.7 of this chapter. They are arranged in the order of the number of times they were mentioned by the corporate planner.

The three most common roles mentioned by the respective managers were confined to gathering strategic data, reminding others and doing the actual analysis. The amount of time spent on the nine activities listed varies greatly and no uniform pattern can be derived out of this information.

The list of roles was then retabulated according to the following classification as in Table 8.31:

- a) as strategists,
- b) as analysts, and
- c) as catalysts.

The above classification was done to identify whether there are distinct roles performed by the corporate planners. It was postulated that there are differences in the roles played by the corporate planner depending on the maturity of the organisation. Young organisations or newly established corporate planning
systems are inclined to have the corporate planner playing the role of strategist. As the system matures, then the role shifts to an analyst and finally towards catalyst i.e. more a coordinating role, providing assistance and guidance to the principles rather than the actual activities of planning.

Assuming that the PEs with formal corporate planning system are more mature, only PE number 9 spend a good percentage of the time (i.e. 67%) as a catalyst. The others seem to have an even spread of strategists, analysts and catalytic function. Thus, the three broad classification of strategists, analysts and catalysts does not prevail in these PEs.

**TABLE 8.31. RECLASSIFICATION OF THE ROLES OF CORPORATE PLANNER**

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A E A O L E E S R I M U</td>
<td></td>
</tr>
<tr>
<td>D D R R D D D D M P T</td>
<td></td>
</tr>
<tr>
<td>A A A A A C C A C A B H</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROLES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>as strategists (d and g)</td>
<td>0 10 20 25 30 35 0 20 05 30 30 25</td>
</tr>
<tr>
<td>(18) (42) (17)</td>
<td></td>
</tr>
<tr>
<td>as an analysts (a and e)</td>
<td>35 40 20 20 10 20 25 30 05 30 40 40</td>
</tr>
<tr>
<td>(64) (73) (33) (63) (17)</td>
<td></td>
</tr>
<tr>
<td>as catalysts (b,c,f,h,i)</td>
<td>20 05 30 15 30 35 25 20 20 30 25 30</td>
</tr>
<tr>
<td>(36) (10) (25) (38) (67)</td>
<td></td>
</tr>
</tbody>
</table>

* = high scores

The figures in ( ) are recalculation of the time spent out of a total of 100 since the original figures were out of the total which included a high % of non corporate planning activities as well.
8.5.6.2. Problems Faced in Doing Corporate Planning Activities

The planner was then requested to discuss the main problems that were encountered on corporate planning. He was also asked to rank the top three problems in terms of severity. This is presented in Table 8.32. Those listed were the common problems faced and were mentioned by at least two of the respondents.

### Table 8.32. Problems Faced by the Planner

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

**a)** difficult to get good co-operation with line managers: 
- 2 3 2 3 - 3 3 - - -

**b)** duties not appreciated by line managers: 
3 1 2 1 1 - 2 - - - -

**c)** poor dedication from other managers: 
2 - 1 3 - 3 - 2 - - - -

**d)** would appreciate greater involvement from higher executives: - - - 2 - - - - 3 -

**e)** not given enough authority: - - - - 1 1 1 - - - -

**f)** problems in getting reliable information: - - - - 2 - - 1 1 1 1

**g)** too much analysis to be done: - - - - 3 - - 2 3 - 2

**h)** everything need to be done within a short time: - - - - - - - - 2 3

The eight most common problems faced by the corporate planner seemed to be heavily focussed against line managers and problems of getting reliable information. The table also shows some kind of pattern as the problems mentioned were not
distributed evenly. The above findings were then clustered according to the financial dependency status of the PEs as shown subsequently in table 8.33.

TABLE 8.33. FURTHER SCRUTINISING OF THE PROBLEMS FACED

<table>
<thead>
<tr>
<th>ROLES</th>
<th>POINTS</th>
<th>ORDER</th>
<th>FREQUENCY OF TOP RANK</th>
<th>ORDER</th>
<th>FINANCIALLY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>AVRG</td>
<td></td>
<td></td>
<td>DEPENDENT</td>
</tr>
<tr>
<td>(a)</td>
<td>40</td>
<td>3.3</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>(b)</td>
<td>34</td>
<td>2.8</td>
<td>1*</td>
<td>3</td>
<td>2*</td>
</tr>
<tr>
<td>(c)</td>
<td>39</td>
<td>3.2</td>
<td>3*</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>(d)</td>
<td>45</td>
<td>3.8</td>
<td></td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>(e)</td>
<td>35</td>
<td>2.9</td>
<td>2*</td>
<td>3</td>
<td>2*</td>
</tr>
<tr>
<td>(f)</td>
<td>38</td>
<td>3.2</td>
<td>3*</td>
<td>4</td>
<td>1*</td>
</tr>
<tr>
<td>(g)</td>
<td>42</td>
<td>3.5</td>
<td></td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>(h)</td>
<td>45</td>
<td>3.8</td>
<td></td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>

* = high scores; @ = contrasting scores

The above scores were then analysed by two different methods. The first was to average the scores allocated against each problem. The other was to count the number of top-ranked scores received for each problem. The methods although different gave identical listing of the problems faced.

The three most common problems faced were:

i) role (b) which is that the work performed by the corporate planner is not being appreciated by the line managers,

ii) role (f) which is that the corporate planner is not being given enough authority to perform his function efficiently, and

397
iii) role (g) where he complained of the reliability of the information gathered.

The eight major problems mentioned, showed some distinct pattern when they were compared with the financial dependency status of the PEs. The top three problems in the list were more common for the financially dependent PEs. These problems were confined to the process elements of the corporate planning activities. The last three problems which were operational in nature on the other hand characterised the financially independent PEs.

Summary

Only seven PEs had a personnel designated as corporate planner.

Generally, all the corporate planners or personnel in-charge of corporate planning perceived themselves as strategists, analysts as well as catalysts at one time or another. There was no clear relationship between these roles and the characteristics of the PEs.

The two pertinent problems faced by the corporate planners were their pleas for recognition by their peers and the inavailability of reliable data to be used for strategic analysis.
When the problems faced by the corporate planners were categorised according to their financial dependency status, it was observed that they differ. The corporate planners of PEs that were dependent on government financing encounter more human relation problems whilst the independent PEs faced problems on the content aspect of the process such as data availability, time etc.

It was difficult to diagnose and identify the possible cause for the problems mentioned. But confining the argument within the field of corporate planning there was indication that financially dependent enterprises are also those without formal corporate plans. The absence of formalised planning system could result in the corporate planner’s role being not fully understood and his problems not appreciated. This could also lead to poor co-operation in the feeding of relevant data by other managers, so critical in corporate planning.

Formalising the system could help the corporate planner overcome such inter-personnel problems and enable him to concentrate on the analytical component; which were the problems mentioned by the corporate planners of the financially independent PEs (also the formal planners).

8.5.7. OTHER PARTICIPANTS

Interviews with other managers actively involved in the corporate planning process were also carried out. Their views
about corporate planning gave supplementary information on the corporate planning process.

Questions asked were similar to that put to the corporate planner. Since there were more than one personnel interviewed per PE, each personnel viewed their roles and problems differently.

8.5.7.1. Role of Other Managers in Corporate Planning

Table 8.34 is a tabulation of the overall response of their roles in the corporate planning process. There were altogether seventeen different responses but only those that received the top three rankings are listed.

The order as shown in table 8.34 is by design. The top half are more concerned with the content roles i.e. providing information, feedback and analysing whereas the later half are more concerned with the process. Although all these roles are important to the success of a strategic planning system, the arrangement was an attempt to identify any relationship that existed when these were classified along the financial dependency status of the PEs.

The rankings for each role were averaged out and the roles that received the top ranking are displayed in Table 8.35. They were also tabulated against the financial dependency status of the PEs.
TABLE 8.34. ROLES PLAYED BY OTHER MANAGERS IN CORPORATE PLANNING

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
</table>

IS CORPORATE PLANNING BENEFICIAL?
<--------------- all replied positively.--------------->

YOUR ROLES INCORPORATE PLANNING?

a) provide strategic information: 1 2 - 2 1 2 1 - - 3 - -
b) do strategic analysis: 3 1 1 1 - - 3 2 2 - - - -
c) participate in strategic decisions: - - - 3 - 3 - 2 1 - - - -
d) give feedback, views on strategic issues: - - - 2 1 - 3 2 1 3 1

e) advise on strategic alternatives: 2 3 2 3 - - - - - - - - - -
f) be aware of direction (strategic) and work towards it: - - - - - - - - - 1 - - 3
g) implementation of strategic decisions: - - - - - 3 - - - - 1 2
h) be sensitive to strategic information: - - - - - - - - - 2 2 -

TABLE 8.35. ROLES OF THE OTHER MANAGERS AGAINST THE FINANCIAL DEPENDENCY OF THE PES

<table>
<thead>
<tr>
<th>ROLES</th>
<th>SCORE TOTAL</th>
<th>AVRG</th>
<th>ORDER</th>
<th>FREQUENCY OF TOP RANK</th>
<th>ORDER</th>
<th>FREQUENCY OF SCORE FINANCIALLY DEPENDENT</th>
<th>INDEPENDENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>32</td>
<td>2.6</td>
<td>1*</td>
<td>3</td>
<td>1*</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>(b)</td>
<td>33</td>
<td>2.7</td>
<td>2*</td>
<td>3</td>
<td>1*</td>
<td>6</td>
<td>1 @</td>
</tr>
<tr>
<td>(c)</td>
<td>41</td>
<td>3.4</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>0 @</td>
</tr>
<tr>
<td>(d)</td>
<td>33</td>
<td>2.7</td>
<td>2*</td>
<td>3</td>
<td>1*</td>
<td>1</td>
<td>6 @</td>
</tr>
<tr>
<td>(e)</td>
<td>42</td>
<td>3.5</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>0 @</td>
</tr>
<tr>
<td>(f)</td>
<td>44</td>
<td>3.7</td>
<td>7</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>(g)</td>
<td>38</td>
<td>3.2</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>4 @</td>
</tr>
<tr>
<td>(h)</td>
<td>44</td>
<td>3.7</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

@ = contrasting relationships; * = top scores.
The three roles that received most mentioned were roles (a), (b) and (d). These are explained as:

i) role (a) to provide strategic information, especially those that were related to their specific functional areas. To illustrate, a marketing manager would be expected to provide marketing information that are of strategic importance to the PE.

ii) role (b) to perform strategic analysis especially on the cost-benefit aspects of any projects or opportunities that were identified,

iii) role (d) to provide feedback and also to discuss and air their respective views on strategic issues; when called upon.

There were clear identification of the roles to the financial dependency status of the PEs. The roles labelled as a, b, c and e were more dominant in the financially dependent PEs while roles d, f, g and h were prominent to that of the financially independent PEs. This demarcation is fairly distinct. Thus what can be concluded at this point is that the managers of the financially dependent PEs were more concerned with the content roles while the financially independent PEs were expected to concentrate on the process roles.
8.5.7.2. Problems Encountered Regarding Corporate Planning

The second issue that was studied was the problems that the other managers faced in performing the corporate planning activities. Again the responses received were many and varied. They were again requested to rank these problems. Only 9 out of the 42 personnel willingly gave such rankings, another 11 gave it with reservation while the rest were not willing except to state the top three problems. Because of such constraints, the tables that follow is only a record of the top three problems mentioned. Table 8.36 records the top three problems encountered by the other managers. There were altogether 23 different problems and some of them were more personal relating to the corporate planner or the CEO himself. But the twelve that are listed were the ranked ones.

From the table, the only fair conclusion that can be derived are on the problems that were mentioned most and they are problems (e), (f) and (i), which are:

(e) the managers felt that they have little influence on the strategic decisions that were made,

(f) there were too much politics involved in the decision process; i.e. the external pressures that have to be considered were in many cases beyond the accepted threshold of the managers and

(i) and the work and contribution made by the various managers were felt not to be appreciated.


### TABLE 8.36. PROBLEMS ENCOUNTERED BY OTHER MANAGERS

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) too much work involved:</td>
<td>- - - x - - x - - - - - - - -</td>
</tr>
<tr>
<td>b) very time consuming:</td>
<td>- x - - - - - - - x - - - - - -</td>
</tr>
<tr>
<td>c) no deep involvement in preparation:</td>
<td>x - x - - - x - - - - - - - -</td>
</tr>
<tr>
<td>d) superficial involvement:</td>
<td>- - - x - - - - - - - - - - -</td>
</tr>
<tr>
<td>e) no influence on the final decision made:</td>
<td>x - x - x - - - - - - - - - -</td>
</tr>
<tr>
<td>f) too much politics involved:</td>
<td>x x x - - - x x - - - - - - -</td>
</tr>
<tr>
<td>g) decisions taken felt to be non-rational:</td>
<td>- - - x - - - - - - - - - - -</td>
</tr>
<tr>
<td>h) decisions were very subjective:</td>
<td>- - - - - - - x - - - x x</td>
</tr>
<tr>
<td>i) contributions felt not appreciated:</td>
<td>- x - - x - x - - x - x x x</td>
</tr>
<tr>
<td>j) information reliability questionable:</td>
<td>- - - - - - - x - - x x - -</td>
</tr>
<tr>
<td>k) immediate issues cannot be solved within short time:</td>
<td>- - - - - x - - x - x</td>
</tr>
<tr>
<td>l) date-lines given to do analysis always too short:</td>
<td>- - - - - x - - - - - -</td>
</tr>
</tbody>
</table>

* problems that received mention more than four times

The three main problems have some similarities. They seem to concentrate on ineffectiveness and frustration. This will be deliberated later.

The next analysis done was to identify any relationship that occurred between the problems and the characteristics of the PEs. These are shown in Table 8.37.
## TABLE 8.37. CLASSIFICATION OF PROBLEMS FACED WITH FINANCIAL DEPENDENCY

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>FREQUENCY MENTIONED</th>
<th>FREQUENCY IN FINANCIALLY DEPENDENT PE</th>
<th>INDEPENDENT PE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>(b)</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(c)</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>(d)</td>
<td>4*</td>
<td>3</td>
<td>1@</td>
</tr>
<tr>
<td>(e)</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>(f)</td>
<td>5*</td>
<td>4</td>
<td>1@</td>
</tr>
<tr>
<td>(g)</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>(h)</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>(i)</td>
<td>5*</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>(j)</td>
<td>3</td>
<td>0</td>
<td>3@</td>
</tr>
<tr>
<td>(k)</td>
<td>3</td>
<td>0</td>
<td>3@</td>
</tr>
</tbody>
</table>

NB: * = high scores; @ = contrasting scores

The three asterisks under the frequency column identify the problems that received mention by the managers. The "@" in the other two columns on the other hand indicate contrasting scores of the problems when they are classified according to their financial status.

The problems that were dominant in the financially dependent PEs were on the decision making process. The first was that the managers felt that they had very little influence on the strategic decisions made. The second common problem was that too much politics was involved in the decision process.

In the financially independent PEs, the more dominant problems were related to the unreliability of available information and the insufficient time given to do the strategic analysis activity.
The other problems, however, seem to be spread out amongst the PEs and the sample is too small to make any further generalisation.

**Summary**

All the managers admitted that long term planning was necessary and an important contribution towards the running of the PEs.

Their roles in corporate planning were perceived differently by different managers. The managers from PEs that were financially dependant tend to consider their role to be "the actual doing" of the plan i.e. basically gathering data and analysing them. The managers from the other group of PEs tended to think of themselves as assistants to the corporate planner or the corporate planning process itself.

The problems that they face could also be categorised along the same financial dependency status. The financially dependant PEs highlighted the problems related to entertaining the external pressures while the other group felt that they were always being pressured to make strategic operations within a short time.

8.5.8. **Linkages**

A corporate plan is supposed to be the master of all the other plans within the organisation and therefore is expected to be used a guide for all the other plans. Thus, all other plans
should be related to it. How far this is actually the case and practised is the other aspect of the system that was studied. The questions asked had to be put to all the managers that were interviewed. This was to ensure that a fair picture of the situation could be derived since answers from one might not be a fair indication of the actual linkages that existed amongst the various plans.

There are various plans that exist in an organisation and the ones that are recorded in the table are only the more common ones willingly discussed by the managers. The responses that were received from the CEO, the corporate planner and the others were not surprisingly dissimilar. The CEOs tended to strongly emphasise that all their other plans were closely dovetailed with that of the corporate plan. But as the same questions were repeated to the corporate planner and later to the other managers, gaps began to show. The tables below do not purport to show the actual gaps but rather the perceived linkages as seen by the different people.

Why the element of perception needs to be stressed here is that the lower managers might perceive it as not related at all to the corporate plans while the CEO might think otherwise and could justify its close relationship to the corporate plans. The result is not to determine who is right or wrong but rather to convey the fact that not everybody perceived it in the same way.
The answers were also recorded differently. While the CEO’s preferred to talk about the three plans that were closely tied to the corporate plan and were willing to only mention one plan that he felt could be linked much tighter, the other managers were willing to talk about the degree of linkage between the corporate plan and the other plans.

The corporate planners, however, were not willing to have their answers recorded at all. (Only three responded to the questions while while the rest requested that the issue be withdrawn as the interviews progressed deeper). In most cases, the discussions with the corporate planner were becoming sensitive as they felt that the poor linkages that were discussed were related to their own weaknesses; as perceived by them. Hence their request not to follow through on the discussion of this particular topic.

The interpretations of the above responses can be varied and it is difficult to pin-point any specific conclusion. What can be said is that:

a) there are many instances when the answers to the linkages vary greatly between the two level of managers.

b) the only consistent result is that the linkages with the financial plans were felt to be the closest.

c) the reward system, training and recruitment seem to receive very poor linkages score,
TABLE 8.38. LINKAGES OF CORPORATE PLAN WITH OTHERS

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D R R D D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

How far do you believe that the other plans within the organisation follow closely to that of your long term plans?

**ANSWERS BY THE CEO**

<table>
<thead>
<tr>
<th></th>
<th>Financial</th>
<th>Production</th>
<th>Personnel traing</th>
<th>Personnel recrt</th>
<th>Marketing plans</th>
<th>Reward system</th>
<th>Projects</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answers</td>
<td>* * * *</td>
<td>* - - *</td>
<td>@ - @ - @ - @</td>
<td>- - - - * - *</td>
<td>* - - - * - *</td>
<td>@ - @ - @ @ @</td>
<td>* - - -</td>
<td>- - - * - - -</td>
</tr>
</tbody>
</table>

**ANSWERS BY THE OTHER MANAGERS:**

<table>
<thead>
<tr>
<th></th>
<th>Financial</th>
<th>Production</th>
<th>Personnel traing</th>
<th>Personnel recrt</th>
<th>Marketing plans</th>
<th>Reward system</th>
<th>Projects</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answers</td>
<td>1 1 1 1</td>
<td>2 2 3 2</td>
<td>3 3 3 3 3 3 3 2</td>
<td>3 3 3 3 3 3 3 3</td>
<td>3 2 2 2 2 2 2 2</td>
<td>3 3 3 3 3 3 3 3</td>
<td>1 2 1 2</td>
<td>3 2 1 2 1 2 2 2</td>
</tr>
</tbody>
</table>

* = CLOSELY LINKED; @ = POOR LINKAGE
1 = very close, 2 = fairly close, 3 = not at all

d) the financially independent PEs also do not show any distinct characteristics or similarities except that their recruitment and reward systems are more closely linked than the others.

e) generally, it is presumed that linkages between corporate plans and others were not that impressive.
8.5.9. Systems Start-up

Systems start-up is the existence of a trigger mechanism within the organisation that alerts the corporate planning system so that the corporate planning process starts to operate. In a stable and mature organisation there are several of these start-up points. Thus, questions were asked of the corporate planner and the CEO as to what were the mechanisms that existed in the organisation that would trigger such a process. They were asked to state the normal routine situation and in cases of emergency.

Table 8.39 lists all the eight start-up points as postulated by Steiner. The most common ones are from the normal, routine and scheduled meetings that most organisations do annually; at least from the annual budget exercise. The feedback from the Research and Development section or division, the operation/markets and the organisation objectives are the other common points of start-ups. Luck and strategy do not seem to be a common point for the triggering of the corporate activities chain.

The only other distinct pattern seen in the table is that the export-oriented PEs which are also financially independent, reported many more start-up points than the others. The products/market start up points are more alive in these organisations as well.

In emergency situations, external variables especially those that were confined to political and governmental pressures
<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

**ROUTINE**

<table>
<thead>
<tr>
<th>Information</th>
<th>Abbreviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Normal preset schedule in yr</td>
<td>x x x x x x x x x x</td>
</tr>
<tr>
<td>b) R &amp; D</td>
<td>- - - - - x - - - x x x x</td>
</tr>
<tr>
<td>c) Product/market</td>
<td>- - - - - - - - - x x x x</td>
</tr>
<tr>
<td>d) Org^a objectives</td>
<td>x - x - - - - - - - - - x</td>
</tr>
<tr>
<td>e) SWOT analysis</td>
<td>- - - - - x - - - x - - - x</td>
</tr>
<tr>
<td>f) Org^a mission</td>
<td>- - - - - x - - - x - - -</td>
</tr>
<tr>
<td>g) Intuition</td>
<td>- x - - - - - - - x -</td>
</tr>
<tr>
<td>h) A problem</td>
<td>- - - - - - - - - x -</td>
</tr>
<tr>
<td>i) Systematic forecasting and information gathering</td>
<td>x - - - - - - - - - -</td>
</tr>
<tr>
<td>j) luck</td>
<td>- - - - - - - - - - - - -</td>
</tr>
<tr>
<td>k) intuition</td>
<td>- - - - - - - - - - - - -</td>
</tr>
</tbody>
</table>

**EMERGENCIES:**

<table>
<thead>
<tr>
<th>Information</th>
<th>Abbreviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) External pressures (mainly government and political)</td>
<td>x x x x x x x x x - x - x</td>
</tr>
<tr>
<td>2) Subsidiaries</td>
<td>- - x x x x - - x x x x</td>
</tr>
<tr>
<td>3) Product/market</td>
<td>- - x x x x - x x x x x x</td>
</tr>
<tr>
<td>4) Intuition</td>
<td>- - - - - x x - - - - - x</td>
</tr>
<tr>
<td>5) Mass media</td>
<td>x - - - - x - - - - - x - -</td>
</tr>
</tbody>
</table>

411
dominate. This was followed by influences from the subsidiaries and product/market pressures. Others that were mentioned were intuition and mass media.

Further inferences that can be drawn from the table are that the responses received regarding emergency situations were much more than in the normal situation. Whether this is a sign of over sensitivity or instability is something that was not looked into. It also indicated that other possible start-up points like political/governmental pressures, mass media and subsidiaries can be added to the list that was postulated by Steiner.

8.5.10. Overall System

This aspect of the study was undertaken to look at some other general characteristics of corporate planning as practised by the PEs that were not already included in the above mentioned components and which were willingly discussed by the managers interviewed.

8.5.10.1. "Incrementalism/muddling" or "Bold" Approach?

This was one component of the corporate planning system that was enthusiastically discussed. As mentioned in the chapter on literature review, the style of making strategic planning decisions can be done in two forms. The first is the "muddling" approach introduced earlier by Lindblom and taken as the incremental approach as proposed by Quinn. The second is the "bold" approach as recommended by Ansoff.

412
The CEO was asked the question; how were past decisions made and whether they can be associated with the "muddling/incremental" or "bold-step" approaches. A similar question was asked of the corporate planner but not the other managers. The latter groups of managers felt that they did not have the full knowledge behind the decisions and plans and might not be able to give a correct response.

TABLE 8.40. DOMINANT PLANNING DECISIONS IN THE PES

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS</th>
<th>OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
<td></td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
<td></td>
</tr>
</tbody>
</table>

L=Lindblom's
A=Ansoff's

The capital letter denotes domination

It was found that the influencing factor was the level of reliable data that the enterprise possessed as well as the risk attitude of the decision makers. A tabulation of the results as shown in Table 8.40 indicates that there is a fair mixture of both styles being employed by the managers in the PEs. A further rearrangement of the data was performed by placing each approach at opposite ends. The pattern derived from it is shown in Table 8.41.
TABLE 8.41. OCCURRENCES OF LINDBLOM’S AND ANSOFF’S STYLES

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Number of PEs</th>
<th>The Financially Independent PEs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>L dominates</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Equal</td>
<td>3</td>
<td>9 + 11</td>
</tr>
<tr>
<td>A dominates</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>A</td>
<td>1</td>
<td>12</td>
</tr>
</tbody>
</table>

L = Lindblom’s; A = Ansoff’s.

Inferences

What Table 8.41 suggests is that all the financially independent PEs tend to favour Ansoff's approach towards the making of strategic decisions. The Lindblom/Quinn's approach seems to be dominant in PEs that were financially more dependent on the Federal Government and also happened to be those without a formalised corporate planning system. Furthermore, this latter class of PEs also reported a less vigorous exercise in their analysis which agrees well with Lindblom/Quinn's opinion that if the strategic analysis is not comprehensive it might be advisable to adopt the incremental approach.

8.5.10.2. Top-down or Bottom-up system. Which dominates?

The issue of whether the top-down or bottom-up information flow was also investigated. This question was asked of all the managers that participated and the results are shown in Table 8.42. A further analysis of the data did not give any significant findings even when they were separated into their financial
dependent status. It portrays that the top-down or bottom-up styles were dependent on individual top management team and their personality.

**TABLE 8.42. TOP-DOWN OR BOTTOM-UP STYLE DOMINATE**

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

WHICH DOMINATES; TOP-DOWN OR BOTTOM-UP: % of top down

a) the CEO; 70 40 50 50 40 60 na 70 50 60 na 40
b) Planning chief 70 70 50 70 30 50 70 80 na 30 40 60
c) other managers 50 80 50 50 60 50 30 60 40 70 80 50

**TABLE 8.43. AVERAGING THE TOP-DOWN % SCORES**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TOTAL</th>
<th>AVERAGE</th>
<th>FINANCIALLY DEPENDENT</th>
<th>INDEPENDENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>TOT</td>
<td>AVG</td>
</tr>
<tr>
<td>A) CEO</td>
<td>530</td>
<td>53</td>
<td>320</td>
<td>53</td>
</tr>
<tr>
<td>B) CORP PLANNER</td>
<td>540</td>
<td>50</td>
<td>440</td>
<td>63</td>
</tr>
<tr>
<td>C) OTHER MANAGERS</td>
<td>580</td>
<td>48</td>
<td>380</td>
<td>54</td>
</tr>
</tbody>
</table>

The scores were then averaged and presented in Table 8.43. As can be seen in Table 8.43, the CEOs felt that there was a 53% domination of the top-down style whereas the other managers felt that the domination was only 48%. Psychologically speaking, perhaps each individual might be thinking that their contribution was important and therefore each category thought themselves more
important than they really were. The corporate planner being in the centre coincidentally got an average score of 50%.

But a fair conclusion might be that the percentage of dominance of whether it is the top-down or bottom-up style depended heavily on the personality of the individuals especially the CEO and also the personality and characteristics of his subordinates in terms of experience, knowledge and seniority.

8.6. CONCLUSIONS

The results of the research and the discussions that were presented are many. There were nine major components discussed and some of them like the corporate planning process were further discussed in five separate parts.

Most of the data were qualitative responses which were then categorised accordingly. Non-parametric analysis to the level of significance testing was not possible because of the small number of PEs participating. This was by design as the emphasis was more on in-depth study rather than a broad scope. However, the non-parametric approach was used to study the relationships that could be identified.

The overall findings can be condensed as below:

1) While all twelve enterprises had documents to demonstrate their long term planning practices, only five
qualify in meeting the criteria of strategic planning as defined in the western literature i.e. with documented plans for at least three years ahead and having action programmes and procedures for achieving the set goals.

The other seven enterprises had long term documents in their 5 year and Master plans. The five year plan followed closely the National Five Year Plans, while the 20 year Master Plan was primarily a physical developmental plan. Even these Five Year Plans were mainly projections of their past activities.

But amongst these latter seven, five had senior executives who thought strategically, planned strategically and went through the process of analysing the external and internal environment. But these do not seem to appear in the written five year plans but only in their project proposals. Thus, they are classified as belonging to the informal corporate planners. The other two did not have such characteristics and therefore would not qualify even as informal planners.

2) The PEs with formal corporate plans were also closely associated with three other characteristics. These were that they had large numbers of active subsidiaries, derived a substantial percent of their income from the exports of processed product and did not depend on the
government for their financial needs. These associations were commonly referred to in the analysis.

3) Two of the thoroughly analysed components of the system were the corporate planning process and the depth of analysis. Generally, PEs that were dependent or independent of government funding showed marked differences in their practice of corporate planning. An overall chart can best described these relationship (Chart 8.6).

4) Other findings include:
   a) the five-year planning horizon was still being the most common planning period,
   b) there was no distinct pattern in the degree of formality that could be seen as unique to a particular group of PEs, and
   c) the linkages between the financial plans and corporate plans (long term plans) were the two that were most closely linked, while the reward system was quoted as being least related.

5) Strategic planning for the PEs participating in the research had a mixture of the "Ansoff" and the "Lindblom/Quinn" styles. Lindblom/Quinn's approach i.e. that of incrementalism was prevalent in enterprises that were relatively new in the international business or in those that were dependent on the government for their funding, while Ansoff's approach dominated those that have an established formal system.
## Summary of Results of Analysis of Components of Corporate Planning System

<table>
<thead>
<tr>
<th>Corporate Planning Component</th>
<th>Government Funding</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Corp Planning Process:</strong></td>
<td>DEPENDENT</td>
<td>INDEPENDENT</td>
</tr>
<tr>
<td>i) environmental analysis</td>
<td>important variables: price of produce, socio-economic, total production</td>
<td>important variables: price of produce, demand of produce, competition</td>
</tr>
<tr>
<td>ii) internal variables</td>
<td>important variables: financial strength production, productivity</td>
<td>important variables: financial strengths marketing,</td>
</tr>
<tr>
<td>iii) choice process</td>
<td>influential pressures government, Board members</td>
<td>influential pressures Board members, rational analysis</td>
</tr>
<tr>
<td>iv) implementation</td>
<td>follow closely to long term plans</td>
<td>projects deviate more than dependent PEs</td>
</tr>
<tr>
<td>v) evaluation and control</td>
<td>main review during annual budget exercise and mid-term review of 5-year plans.</td>
<td>special corporate planning schedule during the year.</td>
</tr>
<tr>
<td><strong>B) Depth of Analysis</strong></td>
<td>mostly levels I and II</td>
<td>mostly level III</td>
</tr>
<tr>
<td><strong>C) CEOs</strong></td>
<td>both groups generally understand their role without clear distinction between the groups</td>
<td>buyers more attention</td>
</tr>
<tr>
<td>i) external pressures faced</td>
<td>ministers and B of D</td>
<td>buyers more attention</td>
</tr>
<tr>
<td>ii) expected role of corp.planner</td>
<td>content roles</td>
<td>process roles</td>
</tr>
<tr>
<td><strong>D) Corp. Planner:</strong></td>
<td>a mixture of content and process roles were reported by both groups.</td>
<td>getting cooperation recognition of work</td>
</tr>
<tr>
<td>i) roles:</td>
<td></td>
<td>getting reliable data too much analysis to do.</td>
</tr>
<tr>
<td>ii) problems</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>E) Other Managers</strong></td>
<td>mainly content</td>
<td>mainly process</td>
</tr>
<tr>
<td>i) roles</td>
<td></td>
<td>time insufficient to do a good job</td>
</tr>
<tr>
<td>ii) problems</td>
<td>little involvement</td>
<td></td>
</tr>
</tbody>
</table>
In general, the level of long term planning has yet to mature. The main handicap was the lack of competent personnel to provide the guidance for an effective strategic plan. Technical expertise are available (data analysts, computer personnel, statisticians), but reliable and valid data needed to be developed and strengthened.

"until the data bank is respectable and my officers can appreciate it, then only can I agree that this PE should adopt a formal strategic planning system."

GM of PE Number 5
### ATTACHMENT 8.1. GENERAL CHARACTERISTICS OF PARTICIPATING ENTERPRISES

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12)</td>
</tr>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
<tr>
<td>1. CONTROLLING MINISTRY</td>
<td>A B B B B C C D D C E E</td>
</tr>
<tr>
<td>2. FEDERAL(F) OR STATE(S)</td>
<td>S S S S F S S F F F F F</td>
</tr>
<tr>
<td>3. GENERAL INFORMATION:</td>
<td></td>
</tr>
<tr>
<td>1:ESTABLISHED:1970 81 71 72 56 71 65 50 71 72 1835 1821</td>
<td></td>
</tr>
<tr>
<td>2:PURPOSE OF ESTABLISHMENT:</td>
<td>a/b b b b a/b c c a a/c c c/d c/d</td>
</tr>
</tbody>
</table>

A = AGRICULTURE;  B = LAND AND REGIONAL DEVELOPMENT;
C = PUBLIC ENTERPRISES;  D = PRIMARY INDUSTRIES;
E = PRIME MINISTER'S

a = farmers development;  b = land development;
c = agribusiness development;  d = special cases.
ATTACHMENT 8.2.  FINANCIAL INFORMATION AND MANPOWER DATA OF THE PES

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12)</td>
</tr>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

1: METHODS OF FINANCING
- ab abcde abcd ef abcd ef cdef abcd abcd ef abcd ef cdef

2: STATUS OF FINANCIAL DEPENDENCY ON THE GOVERNMENT (current)
- v vw vw vw vx vx vx vw vw y vx y y

3: FINANCIAL EXPENSES (1985)
- administrative expenses($M) 26 26 7 5 60 10 70 60 85 370 455
- developmental expenses($M) 9 12 100 17 800 97 127 120 25 18

4: MANPOWER DATA:
- Total ('00) 14 4 3 5 70 4 2 22 23 3 180 220
- officers 110 86 62 90 400 80 76 290 56 92 300 372
- admin ('00) 8 4 3 4 30 4 2 20 3 2 18 20
- workers (factories and technical ('00) 4 3 4 12 40 37 3 9 19 19 150 200
- workers (plantation labourers ('00) 0 0 34 42 0 46 1 0 0 50

(The main points in the above table are explained in the text)

a = govt. grants; b = govt. loans; c = commercial and development banks
d = purchase equity; e = profits; f = special taxes.
v = govt. and outside sources (but through govt) eg. World Bank etc.
w = small % on private funding; x = large % on private funding;
y = almost total self financing.

422
## ATTACHMENT 8.3. ACTIVITIES OF THE PUBLIC ENTERPRISES

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

1) **agricultural production:**
- production: p 1r lrk lrk lrk lrk lrk lrk - lk lrk lrk 1r
- others: b b et be bg a b fdc - f nef naf

2) **downstream activities**
- pm pm pm pm pm pm pm pm pm pm pm pm

3) **export produce**
- w yz y x xy xy xy yz yz x xyz xyz

4) **number of subsidiaries in:**
- **agricultural production:**
  - - 4 3 - - 5 - - 8 21 16
- **agricultural processing**
  - - 1 2 2 5 5 1 - - 4 1 3
- **agrobase mfg**
  - - 2 2 1 - - 5 1 7 5 2 2
- **non-agrobase manufacturing:**
  - - 2 - - - 2 2 - - 2 - 1
- **property business:**
  - 1 1 1 1 2 - - - 1 5
- **trading:**
  - - 1 - 4 1 2 1 - - 1 1 2
- **others:**
  - a b ac di e aei dfg a - j abf abfi

**TOTAL:** (subsidiary)
- 1 6 11 11 8 35 24 5 10 25 33 35

**Note:**

1) **agricultural production:** p= padi; l= oil palm; r= rubber; k= cocoa; others: a= aquaculture; b= cash crops; c= coffee; d= pepper; e= tea; f= fruits; g= sugar-cane; n= coconut; t= cattle.

2) **downstream activities:**
- p= agric processing; m= agro-based manufacturing; i= non-agro-based activities.

3) **export activities:**
- w= no export; x= export indirectly through subsidiary; y= export indirectly through agent; z= export directly.

4) **other activities of subsidiaries:**
- a= investments; b= engineering; c= jade; d= hotels; e= transport; f= shipping; g= mining; h= computer; i= management services; j= restaurant and supermarket.

423
ATTACHMENT 3.4. ILLUSTRATION OF FLOW OF DOCUMENTS FOR THE PREPARATION OF THE FIVE-YEAR AND CORPORATE PLANS IN A STATE ECONOMIC CORPORATION

**Diagram Description**

- **HOLDING COMPANY**
  - ALL DEPTS.
  - MNGT. SERVICE DEPT.
  - SUBSIDIARIES
  - ALL DEPTS.

**Flow of Documents**

- **PREPARE 5-YEAR ROLLING PLAN**
- **PERF. REPORT**
- **PREPARE INDIVIDUAL FIVE YEAR ROLLING PLAN**
- **PREPARE 5-YEAR FIXED PLAN**

**Subsidiaries’ B.O.D.**

- **PLANNING DEPARTMENT**
- **FINANCE AND COMPUTER DEPT.**

**Corporate Plan**

- **CORPORATE PLAN 5-YEAR ROLLING**
- **OVERALL 5-YEAR PLAN**

**Finance and Corporate Planning Committee**

**Corporation’s Board of Directors**

- **Announcement of Corporate Plan by CEO** (yearly)
- **Submission of Five Year Plans to Treasury** (every 5 yrs)
**ATTACHMENT 8.5.** INTERNAL VARIABLES CONSIDERED AND ANALYSED IN THE CORPORATE PLANNING PROCESS

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1: PRODUCTION:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1: projected:</td>
<td>x x x x x x x x x x x x x x</td>
</tr>
<tr>
<td>1.2: costs:</td>
<td>x x x x x x x x x x x x x</td>
</tr>
<tr>
<td>1.3: efficiency:</td>
<td>x - - x - x - x - x - x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2: FINANCIAL:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1: sales turnover:</td>
<td>x - x x x x - x x x x</td>
</tr>
<tr>
<td>2.2: net profit:</td>
<td>- x - x x x - x x x x</td>
</tr>
<tr>
<td>2.3 ROI:</td>
<td>- x x x x x x x x x x</td>
</tr>
<tr>
<td>2.4: financial performance of subsidiaries:</td>
<td>x x x x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3: PRODUCTIVITY:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1: costs/unit output /area.</td>
<td>x x x x x x x x x x x x x</td>
</tr>
<tr>
<td>3.2: output /input used:</td>
<td>x - - - - - x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4: MARKETING:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1: market share:</td>
<td>x - - - x x - - x x x x x</td>
</tr>
<tr>
<td>4.2: market research:</td>
<td>- - - - - - x - x x x</td>
</tr>
<tr>
<td>4.3: sales force:</td>
<td>- - - x x - x x x x x x</td>
</tr>
<tr>
<td>4.4: advantage:</td>
<td>- - x x x x x - x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5: R &amp; D:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>x - - - x - - x x x x x x</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6: TECHNOLOGY:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>x - - - x - - x x x x x x</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7: MANPOWER:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1: rel salaries:</td>
<td>- - - x x x - x x x x x</td>
</tr>
<tr>
<td>7.2: managerial skill:</td>
<td>- x x x - x x x x x x</td>
</tr>
<tr>
<td>7.3: training:</td>
<td>- - x x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>8: STRENGTH AND WEAKNESS PROFILE:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>x - x - x - x x - x x x x x</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**

x = analysis on these variables are done by the PEs
### CORPORATE PLANNING ROLES AS PERCEIVED BY CEO'S

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>a) intermediary between organisation and Board:</td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td>b) convey variables for planning:</td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td>c) ensure other plans in accordance with corp. plan:</td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td>d) Chairman of corporate planning committee:</td>
<td>A A A A A C C A C A B H</td>
</tr>
<tr>
<td>e) provide general guideline of direction:</td>
<td>3 3 2 - 1 5 NA 3 8 4 NA 8</td>
</tr>
<tr>
<td>f) information gathering:</td>
<td>4 - 5 3 3 3 NA 2 2 3 NA 1</td>
</tr>
<tr>
<td>g) co-ordinate planning:</td>
<td>5 7 4 4 6 7 NA 5 3 7 NA 6</td>
</tr>
<tr>
<td>h) actively involved in corporate planning:</td>
<td>1 2 1 1 5 6 NA 6 9 5 NA 3</td>
</tr>
<tr>
<td>i) convey values of pressure groups:</td>
<td>2 1 3 2 2 1 NA 1 1 2 NA 2</td>
</tr>
<tr>
<td>j) provide conducive environment:</td>
<td>10 6 9 8 9 10 NA 8 4 9 NA 3</td>
</tr>
<tr>
<td>k) provide system of reward for effective plan:</td>
<td>7 4 7 - - NA - 6 1 NA 7</td>
</tr>
</tbody>
</table>

**NOTE:**

The numbers 1-10 from some PEs may not be complete in cases where they were not mentioned more than once.

NA = personnel not available
ATTACHMENT 8.7. ROLES PERFORMED BY THE CORPORATE PLANNER
(% time spent)

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>ABBREVIATIONS OF ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12)</td>
</tr>
<tr>
<td></td>
<td>M K D J F J T R M F H G</td>
</tr>
<tr>
<td></td>
<td>A E A O L E E S R I M U</td>
</tr>
<tr>
<td></td>
<td>D D R R D D D D M P T</td>
</tr>
<tr>
<td></td>
<td>A A A A A C C A C A B H</td>
</tr>
</tbody>
</table>

- a) gather strategic data for whole org:
  - 15 20 20 20 10 20 30 5 30 40 40

- b) remind others of corporate planning scheduled activities:
  - 5 5 10 10 15 5 15 10 2 5 5 5

- c) co-ordinates the corporate planning activities:
  - 15 15 10 - 5 5 - - 1 10 - 10

- d) do corporate planning activities
  - ie. all:
  - - 20 20 30 30 - 20 5 20 20 20

- e) do analysis of corporate data:
  - 20 20 - - - 5 - - - - -

- f) as secretary to planning committee:
  - - 5 5 10 15 - 10 - 10 5 5

- g) actively participate with other managers to do corp. planning:
  - 10 - 5 - 5 - - 10 10 10 5

- h) liaise with CEO on corporate planning activities:
  - - - - - 10 - - 5 5 10 5

- i) inform managers of variables to consider in their corp. planning:
  - - 5 - - - - - 2 - 5 5

- j) other unrelated activities:
  - 45 45 30 40 30 10 60 30 70 10 5 5

* = PEs that do not have personnel designated as corporate planner

a = Planning Director
b = Economic and Statistical Analysts
c = Project Manager
d = Project Manager
e = General Manager
CHAPTER NINE

DISCUSSION ON FINDINGS
AND CONCLUSION

CHAPTER LAYOUT

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1. INTRODUCTION</td>
<td>429</td>
</tr>
<tr>
<td>9.2. CORE FINDINGS</td>
<td>429</td>
</tr>
<tr>
<td>9.3. OTHER FINDINGS</td>
<td>433</td>
</tr>
<tr>
<td>9.3.1. The Chief Executive Officer</td>
<td>433</td>
</tr>
<tr>
<td>9.3.2. The Corporate Planner</td>
<td>434</td>
</tr>
<tr>
<td>9.3.3. Other Managers</td>
<td>435</td>
</tr>
<tr>
<td>9.3.4. Linkages</td>
<td>435</td>
</tr>
<tr>
<td>9.3.5. Planning Horizon</td>
<td>436</td>
</tr>
<tr>
<td>9.3.6. System Start-up</td>
<td>437</td>
</tr>
<tr>
<td>9.3.7. Others</td>
<td>437</td>
</tr>
<tr>
<td>9.4. IMPLICATION OF FINDINGS AND RECOMMENDATIONS</td>
<td>437</td>
</tr>
<tr>
<td>9.5. LIMITATIONS OF RESEARCH AND SUGGESTIONS FOR FUTURE RESEARCH</td>
<td>443</td>
</tr>
<tr>
<td>9.6. CONCLUSION</td>
<td>446</td>
</tr>
</tbody>
</table>
9.1. INTRODUCTION

The research findings as presented in the previous chapter throw light on the understanding of strategic planning as practised in a Third World Country, in particular the agro-based public enterprises in Malaysia.

The 12 participating PEs displayed a range of responses to each of the components investigated in the corporate planning system. The findings can be broadly divided into two broad categories namely:

a) the relationship between several factors of the PEs (such as the existence of a formal corporate plan, level of analysis undertaken, dependency on exports for earnings, dependency on government financing and the number of active subsidiaries) and

b) insights into the styles and problems of personnel involved in the process, and characteristics of the other components of corporate planning system.

9.2. CORE FINDINGS

The first category of findings centred upon two of the nine components of corporate planning system, i.e. the corporate planning process and the depth of analysis. Both these dimensions were found to be closely associated with one another.
The initial focus was to identify the level of formalised corporate planning in the participating PEs. It was established that formal corporate planning was related to whether or not the PEs has a large number of active subsidiaries, a low financial dependency on the government and a high percentage of earnings from exports.

An investigation of the corporate planning process revealed that the levels of external environmental and internal analysis were also closely linked to whether a PE had a formal corporate plan. The relationship between these five variables can be presented as:

\[
\text{formal corporate plan} = \text{financial dependency on government} = \text{high \% earnings from exports} = \text{number of active subsidiaries} = \text{level of analysis (external or internal)}
\]

It is not suggested that one is dependent on the other as the research was not designed to investigate such a relationship. The relationship surfaced out of the exploratory study. Perhaps what is more likely is that they are the cause and effect of one over the other.

Since only a three-dimensional diagram can be satisfactorily drawn on a flat piece of paper, the relationship of the five variables are drawn separately in Charts 9.1 and 9.2. In Chart 9.1 the status of the formal corporate plan is drawn against the degree of financial dependency on government and \% of earnings.
from exports, while in Chart 9.2, the status of formal planning is drawn against the number of active subsidiaries and the level of analysis undertaken in the corporate planning process.

The diagrams drawn indicate a division of all the five variables into three categories as discussed in Chapter 8. More appropriately, the whole relationship of the five variables would be a \([3 \times 3 \times 3 \times 3 \times 3]\) model.

The findings indicated that formal corporate plans existed in PEs that:

a) were almost financially independent of the government,
b) had a large % of earnings from exports,
c) had large number of subsidiaries, and
d) practised a high level of analysis.

Referring to Chart 9.1 (considering only three variables for ease of discussion), only some of the 27 cuboids are filled by the twelve PEs. Theoretically, it is possible that all the 27 cuboids can be filled if the sample is large; or for that matter the whole 243 cuboids \((3 \times 3 \times 3 \times 3 \times 3)\). But in fact, if the relationship as mentioned holds, then it is most unlikely that all the cuboids can be filled. It is difficult to envisage a PE that is financially independent, that relies on a large % of earnings from exports and yet does not do a formal corporate plan. It might have been possible in the fifties or early sixties or perhaps in a PE that is extremely lucky, is specialised or operates in a monopolistic situation.
CHART 9.1. THE 3 X 3 X 3 MODEL INCORPORATING LEVELS OF FORMAL CORPORATE PLANNING WITH DEPENDENCY ON EXPORTS AND GOVERNMENT FINANCING

<table>
<thead>
<tr>
<th>LEVEL OF CORPORATE PLANNING</th>
<th>FORMAL</th>
<th>INFORMAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% INCOME FROM EXPORT

<10% * >50% >90%

FINANCIAL DEPENDENCY

ON GOVERNMENT

CHART 9.2. ANOTHER 3 X 3 X 3 MODEL INCORPORATING THE LEVELS OF FORMAL CORPORATE PLANNING WITH LEVELS OF ANALYSIS AND THE NUMBER OF SUBSIDIARIES

<table>
<thead>
<tr>
<th>LEVEL OF ANALYSIS</th>
<th>I</th>
<th>II</th>
<th>III</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEVEL OF CORPORATE PLANNING</td>
<td>FORMAL</td>
<td>INFORMAL</td>
<td></td>
</tr>
<tr>
<td>NONE</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NO. OF SUBSIDIARIES

-10 -5 0

LEVELS OF ANALYSIS
9.3. FINDINGS ON OTHER COMPONENTS

The other findings are presented under separate headings in accordance with the components of the corporate planning system.

9.3.1. The Chief Executive Officer

This was one of the three categories of personnel interviewed. As far as the corporate planning roles perceived by the CEO were concerned, there was no marked allocation of specific roles to a certain group of PEs. However, the kinds of pressures that were identified as influential in their decision making did vary between certain groups of PEs. The financially dependent PEs mentioned pressures from ministers and Board members as those that could not be ignored while the financially independent PEs listed the pressures from the buyers as more demanding and needing to be respected.

The CEOs' also differed in their expectation of the roles of their respective corporate planners. The CEOs of financially dependent PEs, expected their corporate planner to be the one who monitored, gathered, and then actually drew up strategic analysis for the organisation. CEOs of the financially independent PEs on the other hand expected their respective corporate planners to give more priority to co-ordinating, assisting and advising as well as detecting opportunities and threats.
9.3.2. The Corporate Planner

The roles of the corporate planner did not show any clear pattern between the PEs even if they were separated into groups. This holds true if the roles are classified as those of analysts, strategists or catalysts.

However, the problems that they faced could be differentiated by the financial dependency criterion. The corporate planners of the financially dependent PEs reported facing difficulties with the human relationship aspect of carrying out these duties. They had difficulty in getting genuine participation from other managers, and felt that they deserved more respect and recognition from their peers. The financially independent PEs, on the other hand, listed their frustrations in trying to get reliable data and commented on the amount of analysis that needed to be done.

It can be deduced that the financially independent PEs have avoided the problems related to human relations and were groping with data and the mechanics of analysis. The corporate planning personnel of the financially dependent PEs, have yet to solve the human relations aspect of the process. The fact that their analytical level was at level II suggests that their information gathering and data analysis were still uncomplicated and lacked sophistication, sufficient for them to classify it as non-problematic, - not yet!
9.3.3. Other Managers

The roles played by the other managers in corporate planning did show some interesting differences depending on financial dependency status of the PEs. The roles as reported by the other managers of financially dependent PEs emphasised analysis, participation and giving advice on strategic decisions. The other group, on the other hand, reported heavy involvement in feedback and implementation.

The problems that they faced were also different, with the former wanting to be involved more deeply in the strategic decision making process (as well as being frustrated about the interference of senior personnel in the decision process). The latter group of PEs on the other hand complained of the time pressures that they were always subjected to when asked to perform any strategic activities.

9.3.4. Linkages

Linkages between the corporate plans and the other plans within the twelve PEs that participated were generally poor (or at least perceived to be poor by "other managers"). The CEOs generally responded that most of the other plans were closely related. The only plan that was reported to be closely associated with the corporate plan by both groups of managers was the financial plan. The reward system was identified as the aspect that had least linkage.
The results further emphasise the all-too-frequent, problem of managers being ill-informed about the companies' strategic decisions. All the participating CEOs were able to clarify and justify convincingly the linkages between all the plans and the corporate plans. But the other managers gave negative responses to the questions posed on the issue.

Thus, further explanation is crucial and attention needs to be given to the other managers as well if such poor linkage perception is to be overcome.

9.3.5. Planning Horizon

Study of this particular component of the corporate planning system offered no new finding. The five-year planning horizon seemed to be the most popular. This was strongly influenced by the government's planning system which works on a five year premise too. The only difference is the rolling-plan system which existed in four of the five PEs that had a formal corporate plan.

9.3.6. The System Start-up

Steiner listed nine start-up points that could trigger the beginning of the corporate planning process. Only seven of these were noted in the twelve PEs. There was, however, one start-up point not mentioned in Steiner's list but found in the PEs. This was that politicians/ministers on many occasions have been very active.
9.3.7. **Others**

Another finding is the "incremental" concept of Lindblom or Quinn. It seemed that the incremental approach was widely practised in the participating PEs. The PEs without formal corporate plans and which were also financially dependent were inclined to use the incremental approach. Ansoff's view (bold strategic decisions) was reported in PEs that had a formal corporate planning system.

These findings tie in well with Lasserre's contention that without reliable and valid data, it is wise to adopt the incremental approach. Some of the PEs do not have the trained personnel and data to undertake more demanding type of planning required by the Ansoff approach.

**9.4. IMPLICATION OF FINDINGS AND RECOMMENDATIONS**

The close association between the five different variables as mentioned in the core findings has several implications. These five variables need to be mentioned again. They are:

a) status of the formal corporate plan,
b) dependency on earnings from exports,
c) dependency on government financing,
d) levels of analysis, and
e) number of active subsidiaries.
If a formal corporate plan is a measure of maturity, financial independence from the government is an indication of being viable, and high dependency on earnings from exports a sign of competitiveness then the implications of the research findings are quite revealing.

Since the five variables are thought to be the cause and effect of one over the other, a five-sided polygon can represent their relationship (Chart 9.3).

**CHART 9.3. FIVE SIDED POLYGON TO DEPICT THE RELATIONSHIP BETWEEN THE FIVE VARIABLES**

![Five-sided polygon](image)

An organisation with little financial support from the government will have to be viable, necessitating proper planning for its survival. This means developing a proper analytical and decision system. Such a PE must search for new income generating
ventures. It will establish potentially viable subsidiaries and ventures and possibly go into international markets for the export of its produce. It is hard to envisage an exporting organisation, that receives almost no government financing, not having a sound corporate plan.

Similarly, an organisation with several active subsidiaries needs to have management control over them. Having a formal corporate plan is one necessary tool for doing this.

Some of the situations regarding formal corporate planning in the participating PEs can be explained. MADA deals only with one crop, does not export its product, has full government financial backing and manages only one subsidiary. The bare minimum in planning may suffice. The benefits of having a full formal corporate planning system might appear to be marginal.

On the other hand, MARDEC, also deals with one crop but receives almost 90% of its income from exports and does not rely on government financing. It has seven active subsidiaries and exports most of its products. MARDEC is almost financially independent of the government. To continue to be successful, management requires a sound formal corporate plan.

Since the Malaysian government is relying on the PEs to help achieve the nation's agricultural and industrial developmental targets, officials and politicians may wish to consider the findings of this research. The fact remains that every year, the Treasury faces a recurring budget deficit which is presently
burdened by the sluggish price of agricultural commodities in the world market. Malaysian government officials and Ministers have suggested that it is time for PEs to become self-financing and be more entrepreneurial. Only general suggestions of how this is to be achieved have been made. The management of PEs are consistently exhorted to improve their management efficiency. There have been no specific proposals.

RECOMMENDATIONS

An area for consideration which is within the government's control and which does not abruptly affect the PEs operations is to formalise corporate planning. (This is as opposed to direct slashing of their annual financial allocation or closing down their subsidiaries by force). Every PE should be informed of the benefits of having a formal corporate plan. Training should be organised for their personnel. A schedule can be drawn up as to when they must start building up a sound formal corporate plan. Any significant future capital investments must be justified according to these plans. It is hoped that with this formalisation, strategic decisions will be made more wisely in the hope that PEs will become self-financing in the near future.

As mentioned earlier, some of the PEs claim that the Master plans, the project plans and the annual budgetary exercise are already in existence and sufficient. But corporate or strategic planning as understood here is much more than these.
The United Kingdom government's policy regarding PE Corporate Planning is to steer them towards implementing a sound long term plan. PEs in United Kingdom are allocated a lump sum of money. In turn PE management have to justify and explain to the relevant authorities (including the public and government), their income and expenses. Further the Board must answer any accusations of unwise expenditure. This requirement compels most PEs to have a sound long term strategic plan. Malaysia should consider this approach (although it has to be extra cautious). From the experience of 1985, the nation's actual earnings fell short of the expected sum by 30%. That year the price of palm oil and rubber, from which 25% of Malaysia's income is derived, dropped by a similar amount. A lump sum allocation system would be appropriate only if the country's income is stable.

The overall national system of corporate planning has to be looked into as well. The five-year government planning cycle is rigid and might have to be adjusted into a five year rolling plan. Each individual PE could then adopt a matching rolling plan with capital investment requirement reviewed annually. The government's budgeting system will have to adapt to this rolling concept especially for those PEs that are financially dependent on the government. PEs that are to involve themselves with commercial activities have to have such flexibility in order to meet commercial threats or opportunities. The present 2.5 year review period is too long.
Another important implication of the research is related to the understanding of the whole corporate planning process and system. The research revealed that the perception of different managers of the process is not what it should be. The conflicts between the line personnel and the corporate planning personnel are as troublesome as ever. This is a problem of authority, style, leadership, human relations, peer recognition all bundled into one. This is not new and thus there is a continuous need to look at this and try to lessen the unpleasantness.

It is strongly recommended that a training programme on corporate planning, incorporating the experiences of some of the PEs in the study as well as other private companies known to have such planning system be taken up by training institutions. Although the Institute of Public Administration [INTAN] have such courses, it must be remembered that corporate planning has to be inculcated as a corporate culture involving the top managers if not all and INTAN alone might not be able to handle it.

It has been said many a time that Western management systems are not applicable in toto to the Third World Countries. The environment is different and there is a great need to adapt and make adjustments to satisfy the local environment. Surprisingly, the concepts of corporate planning system and processes seem to be readily acceptable within the PEs studied. The problems arising out of its adoption were more lack of exposure, inexperience, and insufficient personnel competent to undertake the activity.
The Malaysian multi-cultural society however requires that different races have to be approached differently in accordance with their cultural norms, religious values and ethics. Respect for elders, open criticism, seniority all require different tacks. The objectives that a corporate planning system and process aim for, are still the same but the method might be culture bound.

The issue of PEs having to face political pressures is rampant in Malaysia, especially those dependent on government sources for funds.

A quote by a top executive from MARDEC is worth noting:

"........as long as we can show them (the Minister) that we are able to support ourselves every year, (financially), we can repulse such pressures..."

If PEs are to undertake commercial activities and become financially independent, then having a sound formal corporate plan and an efficient management team is essential. Without the latter, a sound plan with all its sophistication is valueless.

9.5. LIMITATIONS OF THIS RESEARCH AND SUGGESTIONS FOR FUTURE RESEARCH

The research was exploratory and therefore tended to be mainly fact-finding in nature. The area of study was known but there was no specific hypothesis formulated at the outset. The
main guide to the research was the nine components of the corporate planning system suggested by Steiner.

The principal problem of the research centres upon the objective of wanting to do an in-depth study of the practise of corporate planning. Thus the number of organisations participating was necessarily small and generalisations might not be valid. The small sample size also limits the application of any statistical analysis for significance testing. Most of the information gathered through the semi-structured interviews was qualitative data and its classification and presentation were done as objectively as possible. Though the non-parametric approach to analysis was employed, full significance testing was not possible.

Nevertheless, the research was successful in exposing in-depth information about how long term planning was carried out by the twelve PEs. Some have formal corporate plans, some do it informally and some get away with just projecting from the past.

The research also opens up new dimensions for possible follow-ups. Now that it has been established that corporate planning is not that alien to the agro-based PEs in Malaysia, research into the areas listed below is suggested:

a) a similar exploratory study be conducted on:
   i) the private enterprises of the agro-based industry,
   ii) a different industry,

b) a mailed questionnaire using similar research format but done on a bigger scale to get a general
understanding of the components of the corporate planning system,

c) a further investigation of the core findings ie. to determine whether there is any definite association or causal relationship between the three levels of analysis and the other four characteristics of the PEs namely:

i) dependency on export earnings,

ii) dependency on government funding,

iii) formal plan,

iv) number of subsidiaries.

d) there are other characteristics that are worthy of investigation that might have a relationship with having a formal corporate plan such as:

i) level of education/training of managers,

ii) information systems within the organisation and the available computer facilities,

iii) the level of competition in the market etc.

e) A similar study but done on a comparative basis:

i) between public and private enterprises,

ii) between industries,

iii) between developing countries and

iv) between the industrial countries and the Third World
The concept of corporate planning is strongly established in the industrialised countries of the West. The research found that, although the term was known to the majority of the top personnel of the twelve participating agro-based public enterprises in Malaysia, its practice varied widely.

Although management might be aware of the concept and the subject matter, the application of corporate planning in the planning process of the participating PEs was not widespread. All the twelve PEs had long term plans but only five can be categorised as having a proper formal corporate planning system. At the other end of the scale, there were two PEs that had long term plan documents which were merely an extension of their annual budget.

The remaining five PEs can be slotted in between the two extremes with one (FELDA) practising corporate planning but only informally. FELDA and another two PEs (DARA and RISDA), have recently created a corporate planner post in their organisations and together with KEJORA reported the likelihood of having a formal corporate plan in the near future.

It is unavoidable that PEs' long term plans have to be linked to the government's five year plans, for they are all publicly owned. But the fact remains that although the government's plan is based on a five year-planning horizon, there is nothing to
stop each PE from having a separate five year rolling corporate plan of their own. This is necessary if the PEs are to be dynamic and contribute significantly to the economic development of the country. What the government needs to do is create a situation in which such rolling plans are effective. Further, a system is recommended whereby PEs can annually request capital for specific investment when an opportunity has been identified. Currently, this is only possible after a two and a half year cycle.

Corporate planning, in general has yet to be fully absorbed into the planning culture in the PEs. The role of the corporate planner is too commonly perceived by the other managers as negative. There is a lack of appropriate recognition given to the duties performed by the planner. Hopefully these problems will be solved as Corporate Planning becomes more fully understood.

It was suspected that there existed some close relationship between a corporate plan and the characteristics of a given PE. Three PEs' characteristics were identified, namely their independence from the government for their financial needs, their dependence on income from export earnings and the number of active subsidiaries. These factors tend to be closely related to the formal/informal nature of the corporate plan and the level of analysis of external and internal factors. It is assumed at this juncture that these factors are both the cause as well as the effect of one over the other.
What is definitely of interest to decision makers in government is that PEs with corporate plans (especially those that do them formally), are also those that have several active subsidiaries, contribute to the country's foreign exchange earnings and are virtually financially independent of the government. If this is what the government wants from its PEs then a formalised system of corporate planning is something that needs to be looked at seriously.

Finally, the "incremental" concept of Lindblom and Quinn is still dominant amongst the twelve PEs. Rightly so, the bold strategic decisions do exist, but only amongst the PEs that have systematic data and information gathering and analysis.

Let this research project be the beginning of a new dimension in corporate planning research in Malaysia. While this was not the first, it will not certainly be the last.
BOOKS THAT HAVE BEEN REFERRED


Agarwala, R. Planning in Developing Countries; Lessons of Experience. World Bank Staff Papers, No. 576, World Bank (December 1983).


Encyclopedia Britannica. explanation of corporate planning.


Heath, T.B. 'Control Systems for Public Enterprises in Developing Countries.' in book edited by Fernandes of ICPE.


Malaysian Government Publications. (published by the Government Printing Department)


Oman, C. New Forms of International Investments in Developing Countries. OECD, 1984.


Ozgediz, S. Managing the Public Service in Developing Countries. World Bank Staff Papers no. 583, World Bank, July 1983.

Paul, S. Training for Public Administration and Management in Developing Countries: A Review. World Bank Staff Papers No. 584, World Bank, July 1983.


Quinn, J.B. *Strategies for Change; Logical Incrementalism*. Irwin, 1980.


Schulz, A. *The Phenomenology of the Social World*. 456


Warren, K.E. Long Range Planning. The Executive Viewpoint. Publisher?


Ahmad, A.S. "Role and Functions of Focal Points for Public Enterprises; Malaysia's Experience", Proceedings of Workshop on Relations Between Government and Public Enterprises, ICPE, 1986, pp 114.


Bhatty, E.F. "Corporate Planning in Medium Size Companies in


Capon, N.; Farley, J.U.; Hubert, J.M. "International Diffusion of Corporate and Strategic Planning Practices", Columbia Journal of
World Business, Fall 1980, pp 5-13,


Edward, M.J. "Marketing Plan and The National Coal Board", Long


Fu Chen Lo, Salih Kamal. "Growth Pole and Regional Policy in Open Dualistic Economies; Western Theories and Asian Realities", paper presented at a seminar in Nagoya, Japan, Nov. 4-13 1981 and published by the United Nation Center for Regional Development, pp 191-245.


64-69.


Kefalas, A.; Schoderbek. "Scanning the Business Environment. Some


1979, pp 63-75.


Mahbub ul Haq. Director of Planning, World Bank and the speech was quoted by Todaro (1981).


Mazzolini. "The International Strategy of State Owned Firms; An Organisational Process and Public Perspective", Strategic


New Straits Times, article, "Computers in Malaysia" special
supplementary 14th June, 1986.


Rafaei, S.M. "Status of Corporate Planning in Malaysia as of 1985", Management Department Staff paper, Universiti Kebangsaan


pp 643-647.


Universiti Pertanian Malaysia. Minutes of Senate meeting on September, 1981. "Opening speech by the Chairman".


Zainal, A.M. "Strategic Planning at the Agricultural Division of ICI, Sunderland", unpublished report prepared as a preliminary exercise for the research.