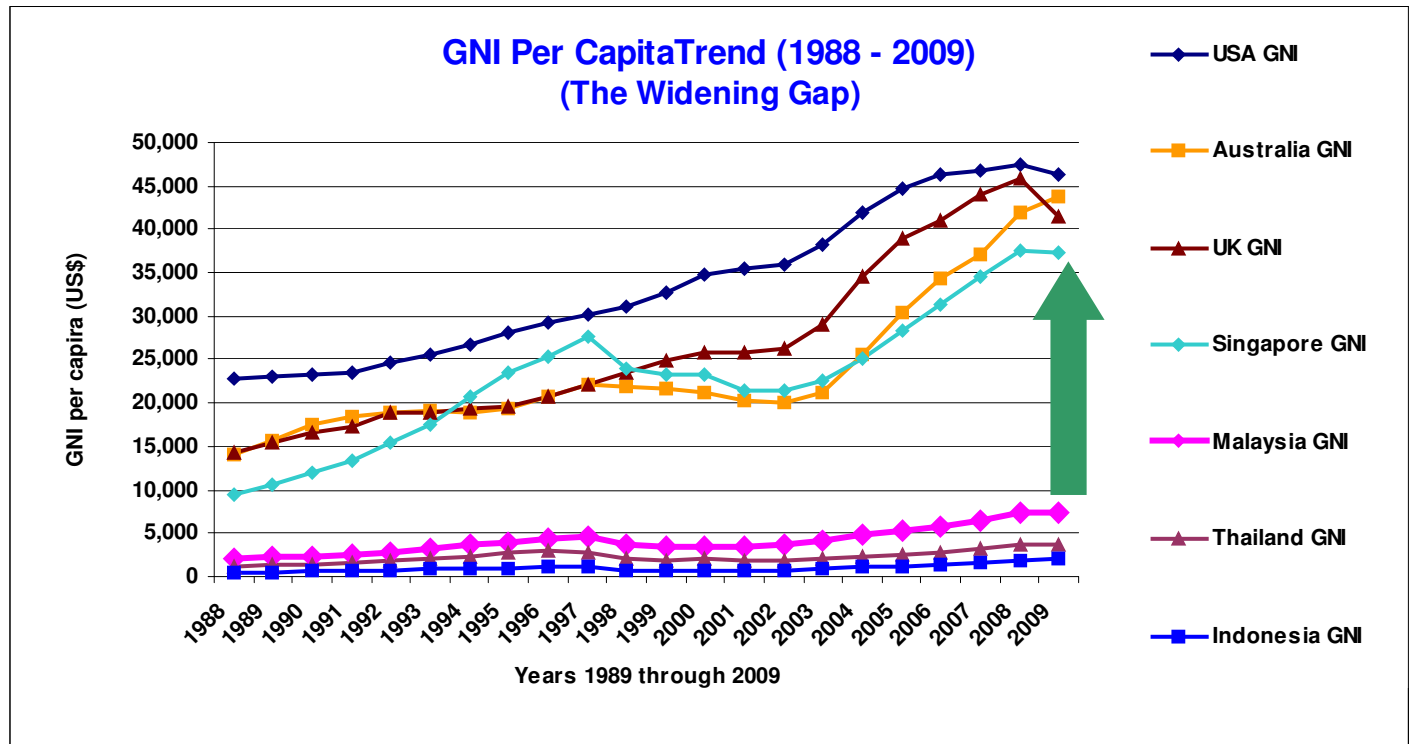


Becoming a High Income Nation – Benefits, Costs, Actions

The Target

Malaysia is aspiring to become a High-Income Nation by Year 2020 with Gross National Income (GNI) per capita at USD15,000. or about RM48,000. This is to be achieved on the back of an anticipated 6% increase per annum in GNI per capita with more than 3.3. million new jobs created.

For comparative purposes, Malaysia's GNI per capita trend for 1988 through 2009 is presented against those for Indonesia, Singapore, Thailand, Australia and the US in the following chart.



What are the Benefits of a High-Income Nation?

- The elevation of the standards of living in the country, allowing its citizens to enjoy better standards of health care, education and life style, among others.
- Reduction in employee turnover, translating into savings from lower recruitment, selection and training costs plus, more importantly, the retention of talent and skills.
- Putting more money in the hands of the people who will put it right back into businesses via consumer demand for goods and services that will, in turn, will stimulate more production and growth of the economy at large; and the Economic "Circle of Life" will go on.
- Recognition as a high-income nation with high standards

of living will help the cause of eventually slowing, and hopefully reversing, the flow of the brain drain presently experienced.

The Present Challenge

Malaysia's GNI per capita was US\$7,350. in 2009, i.e. at only 49% of the targeted US\$15,000. With less than ten (10) years left to the deadline; considerable steps must be quickly taken if we are to timely arrive at the target.

The most significant component of GNI is the value of goods and services that we produce. Many Malaysian organizations now operate on a global scope and to global standards. However, it is still a fact that although the average Malaysian is not working any less hard than an American or a Singaporean, our work-effort is valued less.

Taking the case of an employee in Malaysia with the same job role, it is very likely that he is being paid less than his counterparts below:

- The software programmer at Redmond, Washington, USA who works 18 hours but he has a global impact.
- The Singapore Airlines Human Resource Manager who has a global impact because the airline provides services to a global traveler.

How then and to what extent can we bring up our goods and services to world-class standards so that they can be sold in the global market place?

There is a tendency among Malaysians to confine our aspirations within our national boundaries. In contrast, global organizations like CNN goes "Beyond Borders" and its services are sold worldwide; thus, CNN employees have a global impact.

Many Malaysian organizations have mission statements that read somewhat along the lines of:

"We want to be a **world leader** in the production of xxx or in the provision of yyy services."

However, in reality, the spirit of being a "world leader" is rather sadly absent from the actions of the typical Malaysian organization and its people, from its leaders down to the rank-and-file employees; instead they often exhibit satisfaction with mediocrity and with setting "achievable" goals - which are usually **average performance standards**.

Many Malaysian employees still very much carry the traditional Asian "follow the leader" mindset, toeing the "elders-must-be-respected" line, reluctant to assert or express themselves more openly. Many Asian leaders or managers still tend to manage and control rather than lead and coach, often not appreciating or even suppressing alternate viewpoints from subordinates and thereby unknowingly short-changing themselves of the **untapped talents** close by their very sides.

The Role of Organization Leaders and Corporate Managers as Catalysts

What can be done to arouse the average performing Malaysian leader, manager and employee to stretch further towards

higher aspirations, greater productivity and greater contribution to society?

This "arousing" responsibility must fall squarely on the shoulders of organization leaders and corporate managers themselves to bring about the necessary change, starting at their own level with and among their peers and subsequently cascaded down the ranks of the organization. But, what then would be the buttons to push, the levers to pull?

Stretching for the Extra "Productivity" Mile

Over the most recent 5-year period from 2006 through 2009, the GDP growth rate per annum was at an average of **5%**. In view of the fact that a 7% growth in GNI would likely be required to ensure timely arrival at the target, the past GDP growth at an average rate of 5% suggests that "business as usual" will no longer be acceptable if we are to finish the race in a timely manner.

The challenge now is for corporate leaders to creatively translate the minimum 7% GNI rate of growth into appropriate corporate plans to ensure commensurate increase in revenue and productivity growth.

The primary leverage for achieving this growth **is the motivation of people to think, feel and act differently** in contrast to how they had thought, felt and acted in the past. Corporate leaders need to urgently take up the baton, ascend the podium and orchestrate the interrelationships between the employees, the customers and the organization to **facilitate** the social aspirations of all three.



Motivating the People

Motivating Malaysians to strive for the social goal of becoming a high-income nation is now a national strategy. At the operational level, socially tuned-in employees will expect their employers to be in line with the national strategy and, accordingly, business leaders need to respond by making available **the opportunity to perform** and **the opportunity to earn**.

In return, however, **employees need to understand that basic economic principles dictate a strategy that requires employees to be highly productive.**

The challenge then is to **motivate people to strive for, and to produce, superior performance**, which is defined for our purposes to be as follow:

Superior Performance = Performance at More Than One Standard Deviation (>18%) Above Average Performance

The following examples based on real-life cases illustrate the difference between average performers and superior performers.

Average Performer	Superior Performer
Car Salesman	
A car salesman who achieves sales of 2 cars per month.	A car salesman who achieves sales of 5 cars or more per month.
Project Manager	
A project manager who completes a project with a value-add of 10%.	A project manager who completes a project with a value-add of 25%.

In order to establish and nurture the Superior Performance model, the associated compensation would need to be appropriately incentivized.

Generally, it has been observed that Executive Base Salary moves up by approximately 4% per annum. The range has

been approximately 3% to 12%, where the 3% is paid to all employees irrespective of performance while the high performers were awarded 10% to 12%. This was in a market place where GDP was growing at about 5% and the rate of inflation was averaging 2.5% to 3%.

The average salary increments need to be higher than 7% annually over the next 10 years in order to realize GNI per capita of US\$15,000. by Year 2020.

For Superior Performers, salary increments of at least 15% through 20% will be more attractive.

Human Capital Management = Investing in Talents for Returns in Corporate Performance

Incentivizing Performance

Traditionally, the awarding of bonuses is on an "after-the-fact" basis in that it is only after the finalization of financial results that organizations then determine the non-contractual bonuses to be awarded to employees. However, this approach leaves business results and the awarding of bonuses too much to chance. This often leads to perception of unfulfilled promises and consequent loss of morale and trust in management.

A more motivating approach would be one that links bonuses to performance, where corporate and business leaders transparently contracts upfront (**performance contracting**) with their employees in respect of how performance-linked incentives will be objectively determined and awarded vis-à-vis the contracted performance.

Stemming the Brain-Drain – Retaining Talents

A recent World Bank report indicated that the number of skilled Malaysians living abroad has tripled over the last two decades. Two (2) out of every ten (10) Malaysians with tertiary education opted to leave for Singapore or other OECD (Organization for Economic Cooperation and Development) countries. The report identified the **top three drivers for the brain drain** as being **career prospects, compensation and social justice**.

This supports our observations that among the reasons often put forth for the outflow, one stands out glaringly, that is, **the lack of opportunity and support for self-development as well as self-actualization by the best and brightest**.

At the micro level, this very same clear and loud signal also holds true. It must be heeded and addressed by corporates in Malaysia, particularly where retention of talents is increasingly under the threat from competitors offering not only better compensation and perhaps better employer branding but also better career advancement (now often translated into opportunities to work overseas) and perceived better opportunities for development and actualization of self.

Self-Actualization, at the top of Abraham Maslow's "Hierarchy of Needs", is where an individual seeks to satisfy the need to:

- attain a sense of morality and unprejudiced acceptance of facts; and
- be unfettered in the exercise of his creativity, spontaneity and problem solving ability.

Clearly the challenge for corporates in Malaysia today is to understand this need and to parlay this understanding into building a Human Capital Management infrastructure that not only motivates talent but more critically **retains talents**. However, it must do so in **a manner that links and balances motivation and compensation (investment) for the talents with commensurate levels of productivity that translates into financial business results (returns on investment in talents)**.

Having articulated the challenge, now arises the question:

How should organizations go about building this Infrastructure for Motivation and Retention of Talent?

This question needs to be addressed at two (2) levels:




- **Avenues and opportunities for Employee Self-Development and Self-Actualization;** and
- **Commensurate Compensation and Motivating Incentives and Rewards for Employee Performance.**

Motivating Social Purpose

As Malaysian organizations adopts greater **social responsibility**, every Malaysian employee should be encouraged to ask the question:

"What is my role in this new era and **what can I expect** for the new role?"

This calls for both the employer and the employee to view their relationship in a new light, specifically a "client ↔ service provider" relationship.

Past	The Paradigm Shift	New Era
Top Manager (Driven by finance)		Social Leader (Serves all Stakeholders)
Middle Manager (Gate-keeper)		Motivator / Cheer Leader (Motivates Employees)
Employee (Works based on instruction)		Service Provider (Customer-Oriented Knowledge Worker)

Traits of Socially Responsible Leaders and Employees

ICC's studies and observations revealed that the following traits are prominently demonstrated among the leaders and employees in organizations where the sense of social responsibility and obligations is high:

Capability Level	Actualized Social Role & Accountability	Actualizing Actions	Aligned KPIs
Visionary & Effective Social Leaders & Employees	Upholds creation of value for society as an integral part of the solutions to organizational challenges to ensure benefits to both the organization and society.	<ul style="list-style-type: none"> Actively set ways to impact social well-being. Willing to make changes to organizational structures and norms in pursuit of long-term social well-being. Uphold the principles of co-operation, teamwork and collaborative effort in working toward solutions, which generally benefit all parties involved. Demonstrate an understanding of the link between one's own job responsibilities and overall organizational goals and needs and performs one's job with the broader goals in mind Strategize and act to influence, persuade or otherwise impact on others in socially beneficial ways. Effectively utilize actions that are calculated in advance, selecting and revealing information, assembling coalitions, using third-party experts to achieve results. 	<ul style="list-style-type: none"> Organizational and social effectiveness. Total integration of organization results with social goals. Longer term organizational development with social objectives. Ultimate socially aligned organizational actions and results.

Capability X Motivation → Superior Performance

Since the 1980's, **ICC Consultants** have been studying base salary and total compensation practices of organizations in Malaysia and collating and updating the information into our databases for both the Executive Levels and the Non-Executive Levels.

Best Practice Salary Structure for Executives and Non-Executives 2011/2012

To be used as effective tools for salary benchmarking, **ICC Consultants** have developed the latest Executive and Non-Executive Salary Structures for 2011/2012 based on the Point Factor Job Evaluation Method and the best practices of superior performing organizations in Malaysia.

Feel free to contact us, and it will be our pleasure to discuss the salary structures, methodology and the underlining best practice principles with you.

The Differentiator

The primary feature that differentiates the information available at **ICC** from other sources is that **ICC** provides **Malaysia-relevant, top-tier** information that is collated through the comparisons of compensation best practices in **selected model superior performing organizations in Malaysia**, including:

- **large corporations,**
- **multinationals and**
- **Government Linked Corporations (GLC)**

that have demonstrated superior performance along the following standards:

Superior Performance =

- **Customer Satisfaction**
- **Employee Satisfaction**
- **Shareholder Satisfaction**

Contact Us

For clarification on any of the ideas in this newsletter, to register for future editions of our complimentary Executive Newsletters/Briefs and for invitations to **ICC** events or if we can provide further information or be of further assistance, please feel free to contact us at: **03-2715 6468** or email us at: icc@icc.com.my