

**CORPORATE GOVERNANCE OF TENAGA NASIONAL BERHAD BEFORE  
AND AFTER PRIVATISATION**

**-A Study of Compliance and Breach of Cadbury's Code-The Code of Best Practice.-**

No.	COMPLIANCE/BREACH	<u>Before Privatisation</u>	<u>After Privatisation</u>
1.	Compliance	21	26
2.	Not Full Compliance	1	5
3.	Breach	11	6
4.	Inadequate Information	6	5
5.	Not Applicable	4	1
6.	TOTAL CRITERIA TESTED	43	43

**7. CONCLUSION AND RECOMMENDATIONS**

**7.1 Summary and conclusions**

Based on the information gathered and the test carried out on the corporate governance of Tenaga Nasional Berhad the following can be said:

1. Management's ability to be able to drive the company free from overdue constraint covered by government interference, fear of litigation, or fear of displacement.

Over the years this ability has been steadily eroded. The present management of Tenaga Nasional Berhad are much worse off than their predecessors in their ability to

drive the company forward. The constraints come not only from the regulator the Ministry of Energy, Telecommunication and Post, but also from the Owners, Minister of Finance Incorporated and Kazanah Holdings through their complete domination of the board of directors. The decisions made were not based on engineering, technical or even purely on business consideration that would add value to Tenaga Nasional Berhad, but based on a wider consideration by the Ministers which were 'supposed to benefit the country as a whole.' Some of the decisions made could even place Tenaga Nasional Berhad into serious financial difficulties.

## 2. Framework of effective accountability

Before and on privatising Tenaga Nasional Berhad the Government has made it very sure that the management of Tenaga Nasional Berhad is fully accountable for their actions within their scope and term of reference. The presence of the regulator and government owners' nominees in the board with the appropriate board committees ensure that the management is kept under control. From the test result it shows that the present management's accountability framework has improved over the one before privatisation.

## 7.2 *Suggestions of additional research*

A much better model, measurement and approach can be constructed to make a more comprehensive, accurate and useful study on corporate governance not only to Tenaga Nasional Berhad but the other formerly government owned companies that have been privatised.

The model to be developed should include inputs from other systems of corporate governance other than just from United Kingdom and the United States. Systems from Japan, France, Germany can also be considered.

The measure of government interference need to be improved so that the appropriate criteria can be established and constructed. Maybe there is a need to make comparisons with other similar companies in order to established whether Tenaga Nasional Berhad is the only company experiencing the government interference or is common to all.

### 7.3 *Implications(Group, theory, organisation, discipline that will benefit from this research)*

All the formerly government owned companies that have been privatised belong to the people of this country. Therefore, their future existence and growth should benefit everyone and not just certain group of people or individuals. The other minority shareholders of these companies and the people as a whole should be aware and take an interest in the governance of these companies to ensure their continued well being is well taken care off.

The present trend of giving away controlling shares and power of these companies to certain corporate figures close to the government must be monitored very closely as the risk of mistakes are much greater.

#### 7.4 *Recommendations*

- ∅ All members of Tenaga Nasional Berhad's management should be educated and briefed on the subject of its corporate governance so as to avoid misunderstanding of their roles and duties in the organisation.
- ∅ Management in Tenaga Nasional Berhad should focus their effort on doing their jobs within their purview without wasting their effort on getting autonomy from the present owners because it will not be getting any better under the present environment.
- ∅ Management and the board must find ways and means and strategise how they can be entrusted and empowered to make decisions so as to create values to the company
- ∅ Management must understand very clearly and accept the role and aspiration the Government has of it and try its best to accelerate its achievement rather than trying to slow it down. It is the duty of the board to give this direction in no uncertain term for the management to execute.
- ∅ The board and management must try to improve its decision making process within the present constraints imposed upon it by the regulators and the aspiration of the owners so that values can be maximised in spite of them.
- ∅ If the government decides to sell its controlling shares of Tenaga Nasional Berhad to an individual like what it did to Malaysia Airlines and HICOM the risk will be greater in terms of governance. The country cannot afford to have an ineffective and an inefficient power utility when pursuing its development and growth. There must be enough safeguard against domineering and capricious individuals to prevent a disaster. The fall of Robert Maxwell empire and also the present predicament of Perwaja Steel Sdn. Bhd. are good examples of what could happen. In the United States and United Kingdom, the shareholders are in fact tightening the control on such companies.

∅ There is a need for minority shareholders not connected with the government i.e. common investors who seek dividends and capital gain, to get together to form an association so that nominees can represent them in the Tenaga Nasional Berhad board to look into their interest. The Institutional investors and foreign minority interest could initiate this to balance the government's control.

∅ The owners, regulators and the board must find ways and means in terms of policies and strategies to promote and provide incentives to the management in terms of empowerment and trust so that the professional talents in the management can be nurtured and utilised to the maximum in creating values for Tenaga Nasional Berhad according to its objectives whether it is commercial, social, economic or political. Failure to do this will reduce their morale and retard their professional growth. This will be a waste of professional talent.