



## **A Paradigm Shift in Public Service Delivery: The Malaysian PEMANDU**

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### **Abstract**

*There is widespread agreement that improvement in service delivery is the key for sustainable development. One of the major challenges in making this happen has to do with implementation. Over the past two decades, there has been a number of efforts to establish prime ministerial or presidential delivery units that can help overcome the challenges of implementation in key service areas. Such executive delivery units represent a new paradigm in promoting effective leadership and governance for improved service delivery in developing countries. Among these initiatives, the Malaysian experience with Delivery Units is often seen as a transformational model for other countries to emulate. This paper looks at the question of how the Malaysian Performance Management and Delivery Unit (PEMANDU) model can help improve public sector service delivery. As part of the effort to answer this, the paper walks through the context, establishment, challenges, approaches, key outcomes, and success factors of the PEMANDU. It also highlights some contrasting features with the United Kingdom's Prime Minister's Delivery Unit (PMDU) and draws lessons for leaders and policy makers of the developing world who might want to establish such transformational delivery units in their own countries. This paper also studies how PEMANDU was able to sustain itself over a period of six years and maintain its relevance within the Malaysian government and the public. The paper concludes by sharing some policy implications and recommendations that would be helpful for policy makers and government leaders who are thinking of establishing similar units in their own contexts. This paper is not meant to be a comprehensive evaluation of PEMANDU's performance, but rather seeks to highlight a few specific outcomes and to unpack how and why the PEMANDU model is transformative and represents a paradigm shift in transparent, citizen-centric public service delivery.*

### **1. Introduction**

There has been a number of studies on ways in which delivery units could be organized and set up, as well as studies on their impact. This paper looks at the question of how the Malaysian Performance Management and Delivery Unit (PEMANDU) model can help improve public sector service delivery. It seeks to understand the reasons as to why the

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Malaysian government made the decision to set up a delivery unit (PEMANDU) and the process that was undertaken to do so. PEMANDU represents the first time any Malaysian administration had embarked on such an ambitious program reporting directly to the Prime Minister's Office. Accordingly, the paper seeks to document the formational process to better understand its foundational underpinnings, some of which are unique to Malaysia's specific socioeconomic, cultural and political context, and draw lessons that might be useful for other developing countries. Secondly, this paper also looks at how PEMANDU was able to sustain itself over the past six years, and maintain its relevance to the Malaysian government and to the public. Arguably, PEMANDU's model would not have been sustainable at its inception, given the massive duplication of roles with the existing Malaysian civil service. Despite skepticism from various segments of the Malaysian population, PEMANDU has survived and evolved over the past six years. Thirdly, this study also aims to assess the role it has played in driving a broader change in the way Malaysian government functions. Although the Government of Malaysia had at least twelve different initiatives for the improvement of government delivery in the past, none of them had as disrupting and value-adding an impact on the delivery of public services as PEMANDU. The fact that PEMANDU has not only continued to successfully provide valuable services to the government but also exported its brand overseas is worth recognizing and examining and could hold relevant insights for policymakers.

## **2. Background on Delivery Units**

The executive delivery unit model represents a new paradigm in promoting effective leadership and governance for improved service delivery in developing countries. Increasingly, national governments have started turning to the Center of Government Delivery Units to help drive improvements in performance in key service delivery sectors. The history of such delivery units is brief. Though virtually unheard of just a little over a decade ago, they are now actively studied as effective management bodies in promoting better service delivery. In 2014, World Bank President Jim Yong Kim established the World Bank's Presidential Delivery Unit, which is perhaps presently one of the more visible delivery units in the world, to monitor and communicate progress on the World Bank's priorities and country projects.\*

McKinsey defines delivery units as "a small group of dedicated individuals focused exclusively on achieving impact and improving outcomes."<sup>†</sup> In a political context, the delivery unit is an organization commissioned by the government to direct, streamline, and sustain a high level of service delivery by governmental departments. Conceptually at least, it maintains a high level of independence in decision-making, while working closely with the government, thereby ensuring fairly objective checks and balances.

The first delivery unit established in such a context is the Prime Minister's Delivery Unit (PMDU) in the United Kingdom, pioneered by Tony Blair's administration in 2001 as a response to the fragmented delivery of service by various UK governmental agencies, and as part of a system-wide effort to improve government performance. The challenge at hand was how to drive strategic public reform initiatives in a coherent and coordinated manner in a culture of stagnancy within government agencies. The PMDU was envisioned as a small,

\* See <http://pdu.worldbank.org/sites/pdu2/en/about/PDU/LearnMore>

† Barber M., Kihn P. and Moffit A, *Deliverology: From Idea to Implementation*, McKinsey on Government, Spring 2011. 33.

high-performance team tasked with identifying priority areas, as well as using data and processes to ensure that the ‘public sector delivery’ achieved specific outcomes.\*

The PMDU worked with Blair on his priority areas: health, crime, education, and transport. With a team of forty staff working with five government departments, the PMDU regularly brought together secretaries and department personnel, thereby accelerating the decision-making process and feedback loop. With such a structure, the PMDU was also able to observe progress and gather performance data, identifying management capacity, and deficiencies at the departmental level. Such an approach forms the core of “Deliverology,” where a small unit focuses exclusively on achieving impact and improving outcomes. Barber’s concept of delivery units has four organizational design attributes:

- Respected leadership
- A small size
- Top talent
- A non-hierarchical relationship with the system†

Michael Barber, an educationist with an outstanding record in leading education policy and reforms, was selected to lead the PMDU.‡ Under his leadership, the PMDU prevented an overlap of responsibilities by focusing on a subset of Public Service Agreements (PSA) targets§, to ensure alignment of PMDU objectives with its financial priorities.

After the considerable success of the PMDU with their PSAs, similar programs were then implemented around the world: The Cabinet Secretariat for Performance Management in India (set up in 2009), Indonesia’s Presidential Unit (set up in 2009), South Africa’s Delivery Unit (set up in 2009), Malaysia’s Performance Management Delivery Unit (PEMANDU) (set up in 2009) and Thailand’s Public Sector Development Commission.¶

### 3. Conceptualization of PEMANDU and its Approach

In 2008, the ruling Barisan Nasional coalition chaired by Prime Minister Abdullah Badawi suffered its greatest loss of seats in Parliament in the 2008 general elections, and lost two-thirds of its majority for the first time since the country gained independence. Conceding that he had lost the mandate, Mr. Badawi stepped down, paving the way for then Deputy Prime Minister Najib Razak to take over at the helm. Within the same year, a global recession occurred as a result of the subprime mortgage crisis in the US. Malaysia was not spared from the effects that reverberated around the world, and national growth contracted due to a collapse in demand for exports to the US. The sharp decline in GDP growth rates also created a shortfall in the trajectory to achieve a developed nation status by 2020 (defined as having a per capita income of US \$15,540).\*\*,††

\* See Panchamia N. and Thomas P., Public Service Agreements and the Prime Minister’s Delivery Unit, Institute for Government.

† Barber M., Kihn P. and Moffit A., Deliverology, 33-35.

‡ Barber had previously been charged with developing a strategy to raise standards of literacy in primary schools over a five to ten year period. The success of the National Literacy Strategy cemented Barber’s reputation and earned him Blair’s and the education community’s trust.

§ Barber M., Kihn P. and Moffit A., Deliverology, 35.

¶ “Recently Asked Questions Series”, GET Note: Center of Government Delivery Units, World Bank (Nov 2010), 1.

\*\* [http://www.isis.org.my/attachments/e-books/The\\_Global\\_Financial\\_Crisis\\_and\\_the\\_Malaysian\\_Economy.pdf](http://www.isis.org.my/attachments/e-books/The_Global_Financial_Crisis_and_the_Malaysian_Economy.pdf)

†† <https://www.theciip.org/sites/ciip/files/documents/PEMANDU%20Study%20-Final.pdf>

The aim to become a developed nation by 2020 had been the brainchild of former Prime Minister Mahathir Mohamad, whose aggressive push to achieve a developed nation status by a definite deadline was once widely lauded for its vision and boldness. Now, however, many were beginning to question the feasibility of the target. This, coupled with boiling resentment over issues as varied as widespread perception of a corrupt government, discriminatory policies, and suppressed personal freedoms, meant that the ruling coalition was at risk of being ousted by the next general elections unless they addressed these issues.

This prompted Prime Minister Najib to embark on a national transformation program. A major challenge for this program was to overhaul a Malaysian civil service grappling with heavy bureaucracy and supported by institutions with limited capacity (as is the case in many developing nations). There was an overdue need to reform the delivery culture of the Malaysian civil service as a whole.

The idea of setting up a Delivery Unit reporting to the Prime Minister in Malaysia was conceived in early 2009. Although there is no firm indication as to how the idea first came about, the idea for PEMANDU incubated at the highest level of government subsequently involved consultants who began the detailed planning and helped set the direction for the shape that the Delivery Unit would take. Given that Michael Barber (former head of the UK's Delivery Unit) was working with McKinsey as a partner, McKinsey was tapped to help kick-start the process.

Along with the launch of a '1Malaysia' slogan campaign which had tinges of a branding exercise, Prime Minister Najib created a new cabinet post, the Minister of National Unity and Performance Management, of which the first appointee was former Penang Chief Minister Koh Tsu Koon. A series of meetings between Prime Minister Najib and his close advisors, Koh, and the rest of the Cabinet quickly reached a consensus on the need for a "government transformation program" which would consist of a formal unit within the government with permanent staffers.\*

A team consisting of local McKinsey consultants as well as international consultants—some from McKinsey's London office, including advisory support from Michael Barber—as well as a partnership with a local strategy consulting firm, was soon established. Thereafter, a working group within the Prime Minister's office was formed to help drive the initial setup of the unit.

Comprehensive planning prior to the setup of the Delivery Unit went into structuring the final mandate, the size of the unit, governance structures, focus areas, the balance between private-public sector talents, and how it would interact with various Ministries. This entire setup process took between three to six months in the latter half of 2009. Beginning in late 2009 and over the course of the next four years, the Malaysian government subsequently embarked on a few key 'Delivery' programs that cut across many areas of public sector governance. These programs are:†

- a. **Government Transformation Program (GTP)** – Modeled most closely after the unit in the UK, the focus of this program was narrow, targeted, and focused on public service delivery transformation.

\* <https://www.theciip.org/sites/ciip/files/documents/PEMANDU%20Study%20--Final.pdf>

† Organization Structure, Pemandu, <https://www.pemandu.org/>

**b. Economic Transformation Program (ETP)** – Aiming to build on the efforts of the GTP to use a ‘process’ to transform delivery, the ETP was much wider, involved extensive private-public collaboration, and targeted many areas for economic reform. The ETP consists of the NKEAs (National Key Economic Areas) as well as the SRIs (Strategic Reform Initiatives).

#### 4. The Government Transformation Program (GTP)

According to Michael Barber’s *Deliverology 101*, strong delivery efforts need well-defined aspirations from system leaders. When aspirations are vaguely or poorly communicated, team motivation is affected. At the very least, the specific outcomes of aspirations should be communicated in a clear, concise, and accessible verbal manner.\*

With the goal of clearly communicating well-defined aspirations, Malaysia’s Government Transformation Program (GTP) was launched in 2009, and PEMANDU took significant steps in opening up channels for the public to share their views through a multi-pronged approach. The improvement areas were identified using surveys, opinion polls, and dialogues conducted among Malaysian citizens. This is very much in contrast with the government’s usual style of rolling out national programs with little to no public consultation, an example being all ten Malaysian Plans—a series of quinquennial national economic blueprints dating back to 1966 that were wholly designed within the center of the government.

As part of the public consultation process, members of the public could write down their comments on notice boards posted around public places. “Open Days” were held in Kuala Lumpur (KL), Kuching and Kota Kinabalu from December 2009 to January 2010 at a cost of RM15.1 million.† 5,000 people attended the Kuala Lumpur Open Day alone.‡§ And for those members of the public who missed the Open Days, they could reach PEMANDU via a dedicated public feedback email. Furthermore, all public feedback was reviewed by a joint team of consultants (PEMANDU staffers as well as external specialists in each major development area) before the final plan for the GTP was decided.¶ As a result of the consultations, the following six National Key Result Areas (NKRAs) were identified, namely:

1. Reducing crime
2. Fighting corruption
3. Improving student outcomes
4. Raising low-income households’ living standards
5. Improving rural basic infrastructure
6. Improving urban public transport

In 2011, a 7<sup>th</sup> NKRA was added to address the rising costs of living, following a cabinet meeting where Prime Minister Najib commented that the omission was due to the fact that rising costs of living had yet to become a national concern at the time the NKRAs were

\* Barber M., Kihn P. and Moffit A. *Deliverology 101: A Field Guild for Education Leaders*. Corwin, 2.

† <https://blog.limkitsiang.com/2011/06/15/rm63-9m-spent-on-consultants-and-etp-gtp-open-days>

‡ <http://www.pemandu.gov.my/GTP/upload/96893272-e30f-498f-a156-18b8f5c1a02e.pdf>

§ GTP Road Map, 2010. <http://www.scribd.com/doc/42440223/GTP-Roadmap>.

¶ <http://www.thestar.com.my/News/Nation/2012/07/25/Pemandu-to-review-all-public-feedback/>

first developed. As a certain level of flexibility is necessary to ensure that the NKRA are aligned with the changing needs of the country, in this instance, the inclusion of the 7<sup>th</sup> NKRA demonstrated the government's responsiveness to popular concerns.

Targets for each NKRA were developed collaboratively in an intensive two to three month working session with a variety of stakeholders from the public sector, using a methodology termed 'Delivery Labs'. This methodology was inspired by PEMANDU's former CEO Dato' Sri Idris Jala, who had successfully implemented transformation efforts based on similar approaches at large corporations such as Shell and Malaysia Airlines.

Each NKRA had a specific outcome. For example, the NKRA for reducing crime revolved around five areas with SMART (specific, measurable, achievable, relevant, and time-bound) performance indicators;

- reducing reported index crime by 5% annually from 2010 to 2012
- reducing reported street crime by 20% from 2009 to 2010
- reducing the fear of becoming a victim of crime
- improving the justice system by clearing a backlog of violent crime cases
- increasing public satisfaction with the Royal Malaysian Police's performance via customer service rating devices deployed at all police stations in Selangor.\*

Each NKRA was led by a Cabinet Minister who was responsible to the Prime Minister for the successes and shortfalls of their respective NKRA key performance indicators. From the above examples, the Minister of Home Affairs headed the Reducing Crime NKRA, while the Minister of Transport headed the NKRA on Improving Public Transport. This structure is quite different compared to the PMDU, which was set up to circumvent departments and ministers to deliver priority results.

## **5. Economic Transformation Program (ETP)**

A year after the GTP was launched, the Economic Transformation Program (ETP) was announced to the public. Part of an extensive plan in the making, the ETP was conceived as the Malaysian government's response to an increasing competitive global economy to break out of the middle income trap<sup>†</sup> into a high income economy. The ETP envisioned the following characteristics of a high income Malaysian economy: services to account for a much greater share of the economy, sustainable economic growth as well as a larger portion of the population living in urban areas.

From the ETP's inception, PEMANDU sought to involve the private sector. After a large forum involving many prominent business leaders as well as analysis done by the country's Economic Planning Unit, twelve focus areas were identified. These areas were picked based on their potential to contribute towards the Gross National Income (GNI) of Malaysia by 2020, as well as the number of jobs that they contributed to the overall economy.<sup>‡</sup> (See Table 1 below)

\* [http://www.pemandu.gov.my/GTP/Reducing\\_Crime-@-GTP\\_1@0\\_Reducing\\_Crime.aspx](http://www.pemandu.gov.my/GTP/Reducing_Crime-@-GTP_1@0_Reducing_Crime.aspx)

† The middle income trap is a theorized economic development situation, where a country which attains a certain income (due to given advantages) will get stuck at that level. See [http://en.wikipedia.org/wiki/Middle\\_income\\_trap](http://en.wikipedia.org/wiki/Middle_income_trap)

‡ Economic Transformation Programme Annual Report 2011, Pemandu, [http://etp.pemandu.gov.my/annualreport2011/12\\_National\\_Key\\_Economic\\_Areas-@-12\\_National\\_Key\\_Economic\\_Areas.aspx](http://etp.pemandu.gov.my/annualreport2011/12_National_Key_Economic_Areas-@-12_National_Key_Economic_Areas.aspx).

**Table 1: The 12 Focus Areas of the Economic Transformation Program**

Oil, gas, and energy	Business Services	Healthcare
Palm oil and rubber	Electronics & Electrical	Communications
Financial services	Wholesale & Retail	Greater Kuala Lumpur
Tourism	Education	Agriculture

The ETP's focus was quite different from the GTP's—instead of setting targets on different 'delivery' metrics, the focus was almost exclusively on increasing investment, GNI, and increased job creation by 2020. The 'Delivery Lab' approach was used once again, bringing diverse stakeholders together for a three-month period to collectively define projects as well as the changes needed in the system in order to meet these economic and job targets.

For instance, the target for the oil, gas, and energy NKEA is a 5% annual growth for the sector (PEMANDU 2011) in the backdrop of declining oil and gas production. In nominal terms, this means an increase of RM131.4 billion in GNI contribution between 2010 and 2020.\*

Much of the direction of the private sector within Malaysia is determined by policies within government and state-owned enterprises and this meant that the NKEAs had to be dictated by central planning rather than market forces. For example, several of the Entry Point Projects (EPPs) identified under the NKEA related to oil and gas were under direct control of government machinery<sup>†</sup> and reported directly to the Prime Minister, who was also the Chairman of the Board. Areas of focus, such as solar and energy efficiency as well as hydro-electric potential, were often governed by actions and/or policies set by the Ministry of Energy and Green Technology, as well as Malaysia's largest electricity provider, the partly state-owned Tenaga Nasional.

There was some overlap and duplication between the 'ETP Process' and regular government functions including the annual planning process by the Economic Planning Unit (EPU), as well as the annual budget process typically run by the Ministry of Finance (MoF). Although EPP's projects are under government-linked companies or private firms, there were sometimes government related regulatory and institutional changes that were occasionally required, and the disbursement for some of this capital was managed by the EPU.

Having learnt from the GTP (Government Transformation Program), where some targets were set despite insufficient budget being set aside to pursue the objectives, PEMANDU involved the Economic Planning Unit and Ministry of Finance deeply in the ETP work to minimize overlap and enhance synchronicity.<sup>‡</sup>

The SRIs were originally a consolidation of some 40+ proposals developed by the National Economic Advisory Council (NEAC) ahead of the launch of the New Economic Model in 2010. They were subsequently taken over by PEMANDU in 2009 and classified

\* Oil, Gas, and Energy, Economic Transformation Programme Annual Report 2011, Pemandu, [http://etp.pemandu.gov.my/annualreport2011/12\\_National\\_Key\\_Economic\\_Areas-@-Oil\\_Gas-%E2%97%98-Energy.aspx](http://etp.pemandu.gov.my/annualreport2011/12_National_Key_Economic_Areas-@-Oil_Gas-%E2%97%98-Energy.aspx)

<sup>†</sup> The oil and gas company PETRONAS is 100% owned by the Malaysian Federal Government.

<sup>‡</sup> [https://www.pmo.gov.my/dokumenattached/NTP-Report-2013/ETP\\_2013\\_ENG.pdf](https://www.pmo.gov.my/dokumenattached/NTP-Report-2013/ETP_2013_ENG.pdf)

into six clusters instead (see Table 2 below). These programs are aimed at overcoming some institutional and bureaucratic barriers that hinder the successful implementation of the GTP and ETP, targeted specifically at reforming select processes and foundational elements of public service delivery.

**Table 2: Focus Areas for the Strategic Reform Initiatives\***

Standards and Liberalization (CSL) <sup>†</sup>	Narrowing Disparity
Public Finance	Reducing Government's Role in Business
Public Service Delivery	Human Capital Development

Like the NKEAs, 'Delivery Labs' were used to identify the six SRIs. However, one key difference was that the targets and timelines for the SRIs were undisclosed, potentially due to the sensitive political nature of many of the reforms and the variety of special interests that would be upset if any of these foundational reforms actually went through.

An example of this was the Public Finance SRI. Identified next steps included critical changes needed for public sector delivery such as adopting accrual accounting for prudent fiscal management and implementing efficient broad-based taxes to improve fiscal stability. However, if there had been any detailed implementation plans or specified timelines for completion, they were not publicly available.<sup>‡</sup>

The lack of measurable objectives (as per M. Barber's *Deliverology 101* model), despite the numerous proposals contained within the SRIs, may indicate either that the SRIs were deprioritized compared to the NKEAs, or that the timeline for the implementation of the SRIs was highly dependent on the NKEAs' achievements. Another possible reason for the lack of activity on the SRI front, despite its objective of boosting Malaysia's competitiveness was the sheer number of ministries and departments which were involved. The working team faced coordination issues, therefore increasing the lag time between decision-making and actual implementation, as mentioned by Michael Barber. As of 2015, there remains scant documentation and public information on the outcome of the SRIs.

## 6. Key Outcomes

PEMANDU's progress between the years 2010–2012 were available for review when this section of the paper was written. To illustrate PEMANDU's impact and sustained relevance, we focused on the outcomes from two areas: the Reducing Crime (GTP) and Greater Kuala Lumpur (ETP). We also looked at progress on some macroeconomic indicators and how PEMANDU has been viewed by the international community. This section is not meant to provide a comprehensive evaluation on PEMANDU's performance, but instead assess some outcomes that have been attributed, at least in part, to its establishment.

Although PEMANDU's annual results are audited by an external auditor each year, the extent of the audit reaches only as far as PEMANDU and the relevant Ministries track their

\* 6 Strategic Reform Initiatives, Pemandu, <http://etp.pemandu.gov.my:80/annualreport2013/1>.

† [http://etp.pemandu.gov.my/annualreport2011/SRI\\_Overview-@-Competition\\_Standards\\_-%E2%97%98-\\_Liberalisation.aspx](http://etp.pemandu.gov.my/annualreport2011/SRI_Overview-@-Competition_Standards_-%E2%97%98-_Liberalisation.aspx)

‡ Public Finance Reform, PEMANDU, [http://etp.pemandu.gov.my/annualreport2013/SRIs-@-Public\\_Finance\\_Reform.aspx](http://etp.pemandu.gov.my/annualreport2013/SRIs-@-Public_Finance_Reform.aspx)

performance, and these audits do not seek to provide validation for the broader institutional and macro-economic impacts PEMANDU might have, which is a topic that could be explored in a separate paper.

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*“PEMANDU created conditions for and facilitated a paradigm shift in decision making and implementation in the civil service.”*

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The reducing crime national key result area focused on four main targets. Initial targets in 2010 and actual performance by 2012 are summarized below:

**Box 1: Reducing Crime NKEA: Outcomes Achieved**

The Reducing Crime national key result area had four key objectives:

- a. Reducing the reported index crime by 5% annually from 2010 to 2012 (Actual reduction: 15% annually)
- b. Reducing reported street crime by 20% from 2009 to 2010 (Actual reduction: 35%)
- c. Improving the justice system by clearing the backlog of violent crime cases (Old cases processed in 2001-2010)
- d. Increasing public satisfaction with the Royal Malaysian Police’s performance via Customer Service Rating Devices deployed at all police stations in Selangor (Increase in reported public satisfaction: 35.8% to 55.8%) \*

After three years of progress, evidence shows that all four key objectives in the Reducing Crime NKRA were met. (See Box 1 above)

We also looked at outcomes in the Greater Kuala Lumpur NKEA, of which the outcomes are summarized as follows:

**Box 2: Greater Kuala Lumpur / Klang Valley NKEA: Outcomes Achieved†**

The objective of the Greater Kuala Lumpur (KL) national key economic area was to transform Malaysia’s capital city into a world-class metropolis that boasts top standards in various areas, ranging from business infrastructure to livability. Nine entry point projects were selected as part of this focus area, including a large Mass Rapid Transit (MRT) project and a project to setup a front-end agency (“InvestKL”) to facilitate FDI into the city.

In part, due to project management support from PEMANDU, in 2012 there was substantial progress made in the MRT project. Land acquisition was 94% completed and all civil engineering tender packages were awarded. Project leadership indicated that the project was meeting its budget requirements on time, for its first planned opening on 31<sup>st</sup> December, 2016, and that payments to contractors were made on time.

\* TP 1.0 Reducing Crime, Pemandu, [http://www.pemandu.gov.my/Gtp/Reducing\\_Crime-@-GTP\\_1@0\\_Reducing\\_Crime.aspx](http://www.pemandu.gov.my/Gtp/Reducing_Crime-@-GTP_1@0_Reducing_Crime.aspx).

† Only applies to EPP 1.

InvestKL was able to attract eleven multinational corporations (e.g. Schlumberger, Toshiba, PayPal etc.)\* into the Klang Valley area in 2012, creating 1,393 jobs. British business leaders were impressed with Kuala Lumpur's infrastructure, strategic location, and regional connectivity to neighboring technology markets, and were encouraged by InvestKL's CEO, Zainal Amanshah, to utilize KL's strategic location as the hub for each organization's ASEAN operations. The Express mentioned that this was part of the British and the Malaysian governments' efforts to double bilateral trade to £8 billion by 2016.†‡

Perhaps one might question the fact that the outcomes above were sourced from PEMANDU itself, and though PricewaterhouseCoopers (PwC) Malaysia was recruited to verify PEMANDU's program KPIs as well as review KPI results, it is still difficult to assess the veracity of such data sans a full disclosure of the methodology.§

Claims from within PEMANDU have also been made with regard to the ETP's influence on Malaysia's macroeconomic environment on several fronts, particularly increases in GNI and private investments. However, the clear impact of PEMANDU's work on the macroeconomic environment is somewhat inconclusive and further research is required before firm conclusions can be drawn.

A strong growth of GNI per capita—from \$6,700 (RM20,920) in 2009 to \$9,970 (RM31,131)\*, or a surge of a 48.8%—was recorded in two years since the launch of the ETP in 2010. On the surface, this seems to be indicative of the ETP's success. However, it is extremely difficult to ascertain the extent to which this trend was a direct effect of the implementation of the ETP, and the extent to which it was influenced by other factors, such as the gradual global recovery from the 2008 subprime mortgage financial crisis.

In the initial years of the ETP, there were worries that investment in the ETP would be dominated by government-linked corporations (GLCs), but private investment quickly picked up to a record 22% by 2012 from 12.2% in 2011 and an average of 6.7% between 2010 and 2011.\*\* Nominal private investment, being driven by high capital expenditure in the manufacturing, services, and mining sectors, reached RM139.5 billion†† and in the process eclipsed the 2012 target by 9.1%. However, again, it is hard to draw any direct causation between the implementation of the ETP and the surge in private investments. Perhaps it is still too early to tell whether the improvements made in the post-2010 years can be merely attributable to the global recovery from the 2008 global recession.

Nonetheless, after three years in operation, in part due to their transformation efforts, PEMANDU was able to facilitate the creation of 1.8 million new jobs between 2010 and

\* [http://www.investkl.gov.my/Investors\\_Says-@-LandingContent.aspx](http://www.investkl.gov.my/Investors_Says-@-LandingContent.aspx)

† <http://www.express.co.uk/finance/city/440549/Kuala-Lumpur-s-Eastern-promise-for-UK-firms>

‡ Greater Kuala Lumpur/Klang Valley, Economic Transformation Programme Annual Report 2012, [http://etp.pemandu.gov.my/annualreport2012/upload/Eng\\_ETP2012\\_03\\_NKEA01\\_GKL.pdf](http://etp.pemandu.gov.my/annualreport2012/upload/Eng_ETP2012_03_NKEA01_GKL.pdf).

§ [http://etp.pemandu.gov.my/annualreport2013/upload/ENG/01\\_ENG\\_Opening\\_8Steps.pdf](http://etp.pemandu.gov.my/annualreport2013/upload/ENG/01_ENG_Opening_8Steps.pdf)

¶ [http://etp.pemandu.gov.my/annualreport2012/upload/Eng\\_ETP2012\\_01\\_Opening.pdf](http://etp.pemandu.gov.my/annualreport2012/upload/Eng_ETP2012_01_Opening.pdf)

\*\* [http://etp.pemandu.gov.my/Transformation\\_Unplugged-@-Helping\\_businesses\\_flourish\\_in\\_Malaysia.aspx](http://etp.pemandu.gov.my/Transformation_Unplugged-@-Helping_businesses_flourish_in_Malaysia.aspx)

†† <http://www.mot.gov.my/en/Explosion/Ucapan%20YB%20Senator%20Dato%20E%20%99%20Sri%20Idris%20Jala-%20ETP%20dan%20GTP%20pada%2026%20Feb%202013%20V03.pdf>

2014.\* Due in part to this strong performance, the PEMANDU team was invited by the Government of Tanzania to lead a similar transformation program there, which was funded in part by a consortium of donors likely including the UK's Department for International Development (DFID).† PEMANDU was also selected as a case study in Harvard Business School.‡

To some extent, the heavy involvement of management consultants at the establishment phase of PEMANDU helped to build capacity within the civil service, particularly in performing rigorous analysis and due diligence before determining policy decisions. Bringing in external consultants and creating a new body with responsibilities which in many cases overlap with those of regular civil service bodies had a potential to create tension and friction between the PEMANDU staff and civil servants. However, PEMANDU avoided such a scenario and successfully put Malaysian public service on the path of change and improvement. Characteristic of the program was inclusive planning which contributed to the sense of ownership among many stakeholders, including public servants. The consultants collaborated closely with civil servants in “reconnaissance” work, including identifying weaknesses and strategic entry points, scoping, and developing detailed action points for each GTP/ETP area, and the civil servants absorbed much of this expertise. Visible progress towards specific and feasible targets showed not only people but the civil servants as well that the new system works, and in that way motivated them to embrace it. A combination of top-down and bottom-up approach, as opposed to only the former, and engagement of the civil servants in the process resulted in a large-scale spill-over of good practices and professionalization of the Malaysian civil service. Not only that. With its nodal role it served as a knowledge-sharing center, PEMANDU created conditions for and facilitated a paradigm shift in decision making and implementation in the civil service. This reflects sustainable and lasting impact it had on governance improvement. As PEMANDU gradually weaned off the external consulting expertise, the internal team had built sufficient capacity to provide consulting support to developing nations seeking to adopt a similar approach such as Tanzania and India, thereby promoting delivery strategies beyond Malaysia.§

One such example is the role of McKinsey in helping PEMANDU and the civil service develop their capacity in monitoring school performance. During the early years (between 2010-2011), McKinsey was responsible for developing the National Education Blueprint (NEB), a large-scale plan to transform the Malaysian public education system between 2013-2025, with a focus on teacher support, improving core skills among students, accelerating system improvement, and increased operational flexibility. Over time, however, the dependence on McKinsey was gradually decreased. By 2012, the Ministry of Education in consultation with PEMANDU was able to set up the Education Performance and Implementation Unit (PADU) to track the progress of 100 initiatives set out in the NEB, using many of the same management principles, as well as the same level of analytical rigor and clarity of communication that was learned from McKinsey.¶\*\*

\* [http://etp.pemandu.gov.my/annualreport2014/upload/ETP2014\\_ENG\\_full\\_version.pdf](http://etp.pemandu.gov.my/annualreport2014/upload/ETP2014_ENG_full_version.pdf)

† T.Selva (September 2013), Tanzania to work with Malaysian firms. *The Star*, <https://www.thestar.com.my/news/nation/2013/07/01/tanzania-to-work-with-local-firms-malaysia-helping-with-education-economic-planning-and-technology-s>

‡ Comin, Diego A., and Ku Kok Peng (2012) *Malaysia: The Economic Transformation Program (B)* in *Harvard Business School Supplement* 713-008, September 2012. (Revised February 2013.)

§ <http://dev.nst.com.my/node/53160>

¶ <http://www.themalaymailonline.com/malaysia/article/local-experts-better-pick-to-prepare-schools-blueprint-mps-say>

\*\* <http://www.padu.edu.my/resources/meb-2013-2025/pppm/>

The analysts and managers who made up the PEMANDU staff were generically termed consultants. However, they should not be confused with management consultants in the conventional sense. They had a dual role in both implementing private sector practices within the civil service, and in supporting the civil service from within. In that sense, the growth of PEMANDU's internal team also helped the growth of the civil service and development of good governance in Malaysia.

## 7. Challenges Faced by PEMANDU

In spite of the aforementioned successes, PEMANDU attracted substantial external critique throughout its early years, most notably from the independent think-tank REFSA (Research for Social Advancement).\*

In 2012, REFSA evaluated the ETP based on the following framework:†

1. Data transparency: the ease with which an independent analyst can evaluate relevant figures and ETP's targets
2. Execution: progress of EPPs
3. Enterprise: status of private investments
4. Distribution: distribution of EPPs across NKEAs which show a balance of projects
5. Socio-economic impact: evaluation of main beneficiaries of the economic activities generated by EPPs.

Among the concerns raised by REFSA include:

1. The complete omission of notable EPPs in Annual Reports released by PEMANDU‡
2. Data misinterpretation in said reports arising due to failure to differentiate between nominal and real growth rates§
3. Possible bias towards more financially capable (and more vocal) companies with vested interest in project recommendations.¶
4. Lack of data transparency due to omission of GNI and employment figures during recalibration exercises.\*\*

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\* Caution must be paid to the possibility of conflict of interest due to the fact that REFSA, being set up and staffed by members of the opposition coalition, focuses its critique on the federal government. Furthermore, one of the co-authors of the 'Critique of the ETP' paper series, Ong Kian Ming, is now a prominent opposition politician, although he was an independent analyst at the time of writing these papers.

† O. Kian Ming and T. Chi-Chang, Critique of ETP(1), REFSA, Focus Paper 2010/01/19, <https://refsa.org/focus-papers/dissecting-the-etp-annual-report-part-2-the-mystery-of-the-disappearing-epps/>

‡ O. Kian Ming and T. Chi-Chang, Dissecting the ETP Annual Report: Part 2

- The mystery of the disappearing entry point projects (EPPs), REFSA, Focus Paper 2012/06/07, <http://www.refsa.org/focus-papers/dissecting-the-etp-annual-report-part-2-the-mystery-of-the-disappearing-epps/>

§ O. Kian Ming and T. Chi-Chang, Dissecting the ETP Annual Report: Part 3

- It was only RM12.9 billion of ACTUAL investments, REFSA Focus Paper 2012/06/21, <https://www.refsa.org/focus-papers/dissecting-the-etp-annual-report-part-3-it-was-only-rm12-9-billion-of-actual-investment>

¶ O. Kian Ming and T. Chi-Chang, A Critique of the ETP: Part 3 (iii) - Execution (iii)

- Doubtful EPPs; doubtful achievements and due diligence, REFSA Focus Paper 2012/02/09, <https://refsa.org/focus-papers/a-critique-of-the-etp-part-3-iii-doubtful-epps-doubtful-achievements-and-due-diligence>

\*\* O. Kian Ming and T. Chi-Chang, Dissecting the ETP Annual Report Part 7

PEMANDU Perception Manipulation and Deception Unit, REFSA Focus Paper 2012/08/09, <https://refsa.org/focus-papers/dissecting-the-etp-annual-report-part-7-pemandu-perception-manipulation-and-deception-unit>

With these concerns in mind, REFSA has made the following recommendations for PEMANDU:

1. Greater transparency on key data for each and every EPP, methodology, as well as targets for GNI, investment, and job creation
2. The creation of a revision mechanism for EPPs in light of actual impact on GNI, investment, and job creation, and the removal of doubtful EPPs if/when necessary
3. Clearer explanation of transformation resulting from EPPs\*

PEMANDU's focus on increasing per capita GNI fails to meaningfully take into account how increasing wealth is distributed among the public. After adjusting for the income of the self-employed, Malaysia's income as a share of GDP increased from 33.6% to 52.7% between 2005 and 2013. However, this is still lower than its peers among the upper-middle income and advanced economies using the same methodology Thailand (averaging 76.4% between 2005 and 2010) and Singapore used (averaging 63% over the same period).†

Then, there is the theoretical issue of effective penalties for government institutions that fail to comply with targets set by PEMANDU. Traditionally, government agencies such as the EPU (Economic Planning Unit) or UKAS (Public-Private Partnership Unit) had more power to require compliance because of the control they commandeered in terms of fund allocations, but PEMANDU has no pragmatic authority in effecting change in existing institutions, so it is questionable to what extent PEMANDU can ensure the cooperation of government instruments that is critical to its transformation projects.

Still, all delivery units (and delivery unit-style programs) in developing context are bound to encounter significant challenges when implementing large-scale changes in complex environments, due to similarities in fragmented institutional environments. Based on the authors' experience, these include, but are not limited to, variable stakeholder expectations, typically insufficient adherence to minimum standards of professionalism throughout the system, failed compliance, as well as weak management and leadership capacity at multiple levels. This is often further hampered by a lack of education, training, and expertise (especially at the grassroots level).

Perhaps it should be noted that the critiques brought up by REFSA are all technical problems not uncommon to young organizations. For example, even the PMDU has not been spared from making the same mistakes. The noted British economist Tim Harford has criticized the PMDU for its poor design in target-setting in some areas which has resulted in a distorted picture of progress. For example, one of the priorities set by the PMDU was to speed up the delivery of emergency medical care, and one of the stipulated targets was that first responders should arrive to "immediately life-threatening cases" within eight minutes, 75% of the time. What resulted was that the data showed a disproportionately high number of first-responders arriving in seven minutes 59 seconds despite the variance in the severity of cases. In some instances, a lone first responder had arrived on scene on a bicycle and would therefore have no realistic chance of delivering a patient to the hospital, thereby hitting the target without producing the desired outcome of improving healthcare.‡

\* O. Kian Ming and T. Chi-Chang, *Dissecting the ETP Annual Report: Part 6 Recommendations for Pemandu and the ETP*, REFSA Focus Paper 2012/08/02, <http://www.refsa.org/focus-papers/dissecting-the-etc-annual-report-part-6-recommendations-for-pemandu-and-the-etc/>

† [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/12/17/000333037\\_20141217021308/Rendered/PDF/932370WP0P1528010MiddleClassSociety.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/12/17/000333037_20141217021308/Rendered/PDF/932370WP0P1528010MiddleClassSociety.pdf)

‡ <http://timharford.com/2014/07/underperforming-on-performance/>

## 8. Implications and Insights for Policy

While it is important to note that this paper is not designed as a how-to guide on setting up a delivery unit, it would be useful to highlight the unique factors that contributed to PEMANDU's successful integration into government and its long-term sustainability. We also looked behind the scenes to provide the context and details on critical elements in its formation and operations to explore the policy implications in establishing and sustaining a delivery unit like PEMANDU.

Very early on in the process, some initial big questions emerged—ones that were critical in shaping how the Delivery Unit would be structured in Malaysia. Some of these decision points highlight a few of the differences in implementing these type of units in emerging markets, vs. a more mature political and economic landscape such as that in the UK. Some of these examples of decisions that were made early on when comparing between the UK model and what PEMANDU would do in the Malaysian context are incorporated into the policy implications below.

## 9. Leadership Matters – PEMANDU's Singing Minister

In order for PEMANDU to function effectively, two factors were essential in the selection and empowerment of its leader:

- a. Background and experience of the leader:** It was determined early on that a CEO for the Delivery Unit should have extensive project management and performance-management experience and should ideally be an expert in transformation and turnaround given the state of public sector delivery in Malaysia. This was different from the UK where the head of the Delivery Unit typically had a stronger background in one content area (e.g. Michael Barber was an academic) in using data/statistics to drive performance, versus broader experience in culture-change and large scale transformation programs.
- b. Official designation of the leader:** If the CEO of the Malaysian delivery unit did not have a Ministerial post, his/her clout in being able to collaborate with other Ministers in charge of specific areas would have been limited. Given the importance of status/bureaucracy in the Malaysian government relative to perhaps the UK, a CEO of the Malaysian delivery unit would be required to hold a Minister-level appointment.

The CEO of Malaysia's Delivery Unit is Dato' Sri Idris Jala. Apart from holding a Ministerial level appointment to ensure his credibility among other top government officials, Jala is one of the highest paid public sector officials in Malaysian history. He was not a politician prior to his appointment as a Minister, thus earmarking a departure from typical practice of appointing politicians to Ministerial posts.

Jala comes from humble beginnings. As a native who was born in a small town in eastern Sarawak state, he attended a local public school which he walked to and from for several hours each day. Through diligence and hard work, he was one of the few from his hometown to secure a position as an undergraduate student in Peninsula Malaysia, where he pursued a degree in management and graduated in 1982. He subsequently secured a job with Shell and pursued his graduate studies in the UK on scholarships. His career within Shell grew rapidly; his last held position was that of a VP based in London with Shell's internal consultancy

group. He had a reputation as a corporate troubleshooter, turning around problematic operations into success stories.\*,†,‡

In 2005, he was recruited as the CEO to lead the transformation effort at Malaysian Airlines System (MAS). The challenge to turnaround MAS was immense as it was reporting an annual loss of RM1.7 billion. Jala started at MAS in December 2005 and presented a turnaround plan that involved dropping unprofitable routes, and eliminating jobs using the voluntary separation scheme, in addition to overhauling every department in the company. MAS broke even after a few years of Jala's leadership, and started to deliver record profits.§

In 2009, after having gained the attention of the Prime Minister as a credible 'transformation expert', Jala was approached to lead the newly setup Delivery Unit. Given his lack of interest in being involved in anything tied to politics, Jala's initial reaction was one of reluctance. However, after much persuasion about how this role could significantly contribute towards meaningful development in Sarawak (his home state), Jala decided to accept the role under three conditions.

The first was that he would remain politically unaffiliated. The second was that he would be made a full minister with equivalent authority as other members of the cabinet. This made him the only minister without a political party in the cabinet, a distinguished concession in a politically charged federal government. The third condition was that he would be allowed to recruit talented executives from the private sector with competitive wages, which would become both a success factor for and source of resentment against PEMANDU.¶

The importance of Jala's ministerial position cannot be understated. Unlike the UK or other culturally similar countries where the President's/Prime Minister's buy-in would have been sufficient to lend legitimacy to a Delivery Unit, Malaysia has the highest Power Distance Index in the world.\*\* This indicates a very hierarchical society where authority rests on official titles. Additionally, the historian Farish Noor has written on how politics in Malaysia remains very much driven by the cult of personalities.†† It is likely that Jala would have been much less persuasive to his colleagues had he not been made a full minister.

Jala has a warm, joyful personality, as well as an affinity for music, and could sometimes be found strumming his guitar and humming tunes at events. This, along with his career background, made him unique among Malaysia's high-profile public officials. As one of the few cabinet ministers hailing from Sarawak—the largest and second least-developed state in Malaysia, he had a deep empathy for the inequalities in development across the Malaysian states. As the former CEO of MAS, he was one of the very few leaders in the country who combined global perspective with the experience of executing a multi-billion-transformation program. Last but not least, he successfully introduced the innovative management techniques that he had pioneered in the private sector into government.

\* <http://www.flightglobal.com/news/articles/idris-jala-transforming-malaysia-airlines-222296/>

† <http://idrisjala.blogspot.com/p/about-me.html>

‡ Human Heart of Borneo, Heart of Borneo Initiative, [http://awsassets.panda.org/downloads/versi\\_inggris\\_revisi01092013\\_cetakfinish\\_1.pdf](http://awsassets.panda.org/downloads/versi_inggris_revisi01092013_cetakfinish_1.pdf)

§ D. Alex, Lind F., and Singham S, Turning around a struggling airline: An interview with the CEO of Malaysian Airlines, McKinsey Quarterly (Nov 2008).

¶ Elena Lesley, *Mapping a Successful Transformation Journey: A Strategy for Malaysia's Future 2009-2011*, Innovations for Successful Societies, Princeton University.

\*\* Power Distance Index 2015 – Malaysia, <https://www.hofstede-insights.com/country-comparison/malaysia/>

†† <https://www.malaysiakini.com/news/2028>

Subsequent to his appointment as the CEO of PEMANDU, it is evident that Jala's presence has shaped much of the organization's journey. Many senior staffers and corporate leaders who had joined PEMANDU shared with the co-author that a key reason they joined the government was because they were inspired by Jala's charismatic leadership style and reputation as an incorruptible official, and wanted to work with him. Beyond attracting corporate sector 'superstars' into the PEMANDU team, Jala's consensus-building approach enabled him to rise above party politics—giving the Prime Minister enough confidence to elevate him to a full Cabinet Minister. Before long, Jala was representing Malaysia at international business forums alongside other Ministers, enabling PEMANDU's mandate and approach to be broadcast to the world.

In the course of working with PEMANDU staff, the co-author attended project briefings with Jala, who insisted on the application of rigorous 'Six-Sigma'\* inspired thinking to public sector delivery programs—the first time it was done in the country. Measurable and realistic performance delivery targets were set for different social focus areas, for instance in education, the aim was to increase the enrolment of students attending pre-school by 15% within twelve months. He also borrowed corporate management practices from his previous roles extensively, including the Delivery Labs methodology which he had developed at Shell. More recently, Jala was named by Bloomberg as one of the 10 most influential policy makers in the world.†

Jala's role in PEMANDU's success cannot be understated. In addition to his years of experience in the private sector at the highest level and innovative management approaches, his lack of political affiliation and the universal respect which he commanded made him the ideal mediator in a complex network of politicians from both sides of the political divide, civil servants, and private sector leaders. In hindsight, he was very much the appropriate person to lead PEMANDU.

## **10. 'Delivery Labs' – Inclusive Problem-Solving in Project Design**

When Jala joined the Delivery Unit, he set in motion a process-oriented approach that has defined much of his leadership in Malaysia—the 'Delivery Lab' approach. Initially, the consultants who were largely leading the strategy and setup of the delivery unit were keen on using a more typical approach involving small working teams and select stakeholder interviews to determine the 'plan and targets'. Jala favored a more inclusive, broader approach to problem solving, one that involved creating internal champions, and pulling together people from all segments of the organization to 'pitch in' to solve a challenge.‡

Influenced from his experience using the Six Sigma methodology at Shell (which he later replicated at Malaysia Airlines), Jala pioneered the concept of 'Delivery Labs' in the Malaysian public sector. Starting with the Delivery Unit, Jala set the course for a multi-stakeholder, multi-sectoral approach to problem setting and target setting. Over 150 officials, academics, and subject matter experts from the public sector were carefully selected to be part of an intensive twelve-week process. Subsequently, the ETP, together with 500 of the best representatives from the private sector (350 persons from 200 different companies and

\* Six Sigma is a set of techniques and tools for process improvement.

† <http://www.thestar.com.my/News/Nation/2014/09/09/Idris-Jala-named-in-Bloomberg-list/>

‡ Interview with Idris Jala, Delivering Change Foundation, <http://www.deliveringmaharashtra.com/Article.aspx?AID=5243082309353455676&isKA=1>

150 persons from 60 different public institutions, ministries, and agencies), over a grueling two month period attended 600 syndication meetings with government ministries, agencies, MNCs, and NGOs (Performance and Delivery Management Unit, 2011).\*

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*“Strengthening ties through inclusivity facilitates learning and knowledge sharing, as well as adoption of good management practices, result-oriented thinking and professional conduct by civil servants.”*

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Each delivery lab is differentiated by topic and there is a full-time team working towards clear goals and problem-solving. This process is intensively monitored. This platform is used for the syndication and experimentation of ideas, followed by the swift implementation of those ideas. The labs are run with a lean structure, placing everyone on the same playing field and encouraging the conception of groundbreaking yet practical solutions. After forming the teams for the labs, the next step was to conduct “lab scoping.”† This is a process of defining problems and identifying directions towards the goals. The proposed directions were supported by data analysis, followed by brainstorming sessions with the relevant stakeholders (i.e. fact-finding discussions and debriefs). The findings and proposed solutions are then presented to the ministries and departments to create a delivery plan for each area, together with procurement and resource utility strategies. The delivery plan includes detailed information on projects, resources, timelines, targets and project owners. The success of each lab is highly dependent on the quality of the team members to ensure the quality of the solutions.

This structure has a few differences compared to the UK’s PMDU, which plays a more facilitative role in setting targets for the center of government and ensuring that it delivers on its public delivery promises. Contrast this with PEMANDU, which is highly involved in detailed policy making, of which the delivery labs is just one of its policy-making processes. As described by Richards and Smith, PEMANDU has direct contact with the various government departments as compared to previous years where the center of government in Malaysia was dependent on the departments for information.‡

PEMANDU is more inclusive in its approach as the labs include members of the public in charting Malaysia’s future, compared to PMDU’s approach, which is still top-down. Each approach has its own pros and cons, but the essence of the models is similar: using a highly empirical process to identify and solve problems, and measuring the effectiveness of the proposed solutions.

Aside from its core goal, delivery labs add value to the public service of Malaysia through their inclusive nature. Having civil servants take part in the labs helps them gain sense of ownership of the process and identification with its purpose. This consequentially prevents

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\* [http://www.pemandu.gov.my/gtp/upload/BFR\\_Methodology.pdf](http://www.pemandu.gov.my/gtp/upload/BFR_Methodology.pdf)

† [http://etp.pemandu.gov.my/News-@-Quick\\_results\\_from\\_labs.aspx](http://etp.pemandu.gov.my/News-@-Quick_results_from_labs.aspx)

‡ Alessandro M., Lafuente M., and S Carlos., The Role of the Center of Government: A Literature Review, Inter-American Development Bank (Sep 2013).

alienation of civil servants from the core PEMANDU staff and contributes to communication and cooperation in the later stage of implementation. Strengthening ties through inclusivity facilitates learning and knowledge sharing, as well as adoption of good management practices, result-oriented thinking and professional conduct by civil servants. In other words, better governance comes directly as well as indirectly from PEMANDU's actions. This process is already being replicated in Tanzania, where former Prime Minister Mizengo Pinda announced the adoption of Malaysia's delivery unit model.\*

'Delivery Labs' set very ambitious targets and seek to remove hurdles. During these meetings with PEMANDU staff, Jala highlighted the need for ambitious targets as transformation would be irrelevant and the purpose of the labs would be defeated if only incremental targets were set. He quoted the example of setting a reduction target of 20% for crime rates, which although seemingly impossible was the right thing to do, as radical approaches were needed, thereby fulfilling the need for the labs.† He added that people are usually aware of the solution but seldom embark on achieving it due to roadblocks (whether administrative or political). The labs help bring those solutions to fruition, along with best practices from the industry.

The collaborative approach used in the 'Delivery Labs' was essential in helping to bring interesting and new ideas to the table, while keeping the broader goal of growing the economy intact. For example, as a result of the labs, techniques like Enhanced Oil Recovery (EOR) that uses chemical injections or thermal flooding were identified as a means to pursue mature oil fields for exploration and were also expected to improve oil recovery from mature oil fields.‡ The low first-cut risk analysis (fiscal, social, environmental) for these new technologies were conducted simultaneously during lab sessions, and for areas where further research was required, it became part of the detailed implementation plan to be executed by project owners overseen by PEMANDU.

The Delivery Labs, however, are not without their limitations. Sabel and Jordan (2015) highlight the risk that the Labs might become divorced from the reality of the budget and planning process.§ Secondly, although hundreds of firms are invited to participate in the Delivery Labs process, some self-selective effect might still take place, as firms that are smaller or with more limited capacities might be less willing to commit the enormous time and leadership expertise needed for the labs, skewing the final selection of participating firms towards those that already have sufficient resources in voicing their views.

Nonetheless, steps were also taken to mitigate these risks. First, "stress tests" were held regularly, whereby the relevant officials were invited to quiz the Labs' members on the rationale behind their proposed plans, as well as discuss the financial reality of what's achievable. Secondly, the recursive process of invitations means that firms that might have been marginalized at any stage had future opportunities to participate in the Labs to help make them as inclusive as possible.¶

\*<https://www.thestar.com.my/news/nation/2013/07/01/tanzania-to-work-with-local-firms-malaysia-helping-with-education-economic-planning-and-technology-s>

† Lim N., Malaysia's Point Man on Reform, Forbes (June 2010), <http://www.forbes.com/2010/06/14/malaysia-idris-jala-razak-reform-guitar.html>

‡ EPP 1: Rejuvenating Existing Fields through Enhanced Oil Recovery (EOR), [http://etp.pemandu.gov.my/Oil\\_Gas\\_and\\_Energy-@-Oil\\_Gas\\_and\\_Energy\\_-\\_EPP\\_1-:Rejuvenating\\_Existing\\_Fields\\_through\\_Enhanced\\_Oil\\_Recovery\\_\(EOR\).aspx](http://etp.pemandu.gov.my/Oil_Gas_and_Energy-@-Oil_Gas_and_Energy_-_EPP_1-:Rejuvenating_Existing_Fields_through_Enhanced_Oil_Recovery_(EOR).aspx)

§ <https://www.theciip.org/sites/ciip/files/documents/PEMANDU%20Study%20--Final.pdf>

¶ Luke Jordan and Charles Sabel, *Doing, Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program*, Competitive Industries and Innovation Program, World Bank Group, January 2015.

## 11. Crafting a Public Communications Strategy – Integrating Politics and Delivery

At the time of PEMANDU's formation, the public sector did not enjoy the most favorable perception, collectively—rightly or wrongly—painted with the same perceptual brush as ineffective at best, and distrusted at worst. Stepping into this breach, PEMANDU's communications strategy took on the tricky balancing act of elevating the perception of the entire sector without overly diluting the role of other agencies.

When the unit was conceptualized to spearhead the transformation of the public sector, generating the right sort of publicity for its efforts was very important for the ruling coalition. Prime Minister Najib was taking over a somewhat rocky position within party leadership and therefore needed to ensure that all the transformation efforts received the right attention from within his party as well as from the general public.

However, creating a comprehensive public relations strategy for PEMANDU was no easy task. At first, several advertising and marketing agencies were approached to do branding for PEMANDU, but all of them dropped out as soon as they realized the scale and complexity of its programs. In the end, PEMANDU had to do its own branding campaign. A large part of this public communications strategy was achieved through two means—using a strong, public-focused roadshow methodology as well as a strong external facing communications team within the delivery unit.\*

After initial targets and recommendations for focus areas were developed through the 'Delivery Labs' approach, highly publicized 'Open Days' were held to get feedback from the broader public about the approach. In reality, the exercise was broadly focused on generating buzz and buy-in for ideas versus any real 'feedback solicitation'; the public attended expensive and ostentatious events held in hotels and convention centers around the country and were allowed to share their thoughts using sticky notes as well as pose questions to public sector officials who manned the booths throughout the event. The booths also had large charts and displays that highlighted the different delivery targets and rationale for each of the focus areas.

*An example of these 'Open Days' was events held after the recommendations for the Economic Transformation Program were developed, where public syndication was held all across the country for public feedback. As a consequence of the RM12.5 million investment<sup>†</sup> spent to engage Malaysians, the twelve focus areas for reform got a huge amount of local and international press coverage, and a significant amount of buzz was generated on all the upcoming projects. Although the broader public feedback process could still be improved upon, it was still an improvement upon the government's usual way of rolling out policy decisions with limited public engagement, and in this sense, outreach efforts by PEMANDU can be considered a success.*

\* Elena Lesley, *Mapping a Successful Transformation Journey: A Strategy for Malaysia's Future 2009-2011*, Innovations for Successful Societies, Princeton University.

† <http://www.themalaysianinsider.com/malaysia/article/rm63.9m-spent-on-consultants-and-etp-gtp-open-days>

After the ‘event driven’ media strategy, a strong communications team was built within the Delivery Unit. Bringing in a variety of communications professionals from the private sector as well as some small companies in the PR space (e.g. social media firms), the government began an ongoing process of keeping the Malaysian public involved and interested in their delivery work. This ranged from full-page newspaper advertisements, close support provided to each Ministry on their own communications efforts, to actually engaging Malaysians on Facebook and other social media platforms. This marked a radical refashioning in transparency from the government on critical areas of public sector delivery.

Many of these intensified communication efforts were received with mixed support from the public, with some hailing the increase in engagement as helpful and meaningful in furthering the debate on key issues, while many others (especially those from the opposition party) seized the opportunity to carefully analyze the shared data and information, and identify flaws in the approach.

It should also be noted that the incumbent government probably also used the road shows and open days as a subtle method to survey public sentiment and understand why it lost two-thirds of its majority in the 2008 general elections. A pre-election study carried out by the Merdeka Center back in 2007 showed that issues such as low household income, crime, and corruption topped the list of issues that generated the most resentment towards the Barisan government.\* The public engagement exercises carried out by PEMANDU merely helped confirm these findings. The NKRA that were subsequently drawn up, as well as the very vocal public statements by PEMANDU in asserting that improvements have been made in these areas, suggest an effort to address these issues, in part perhaps to regain support for the next general elections.†

## **12. Ensuring Sufficient Financing – Delivery for a Price**

Sufficient budgetary resources were crucial for PEMANDU to attract the best talent, enable capacity building and sustain an ambitious communications strategy. Given the large gap between the pay-scales within the Government and the private sector, the one factor needed to attract the best talent was to ensure a competitive remuneration scheme for those working in the Delivery Unit. A detailed scheme that was developed set the pay very close to within 20% of comparable private sector roles, across all levels of the organization.

PEMANDU leaned heavily on external consulting support and an extensive communication budget to ensure that it developed in-house capabilities and also brought the Malaysian public along for the transformation journey. Even with private sector compensation schemes in place, the ‘up-skilling’ that was required by placing the PEMANDU employees next to seasoned management consultants and policy experts proved to be valuable in the long run.

Consulting support costs and communication expenditure across 2010-2011 for PEMANDU are estimated to cost RM66 million (est. US \$20 million), of which the majority of RM36 million (est. \$11 million) was supposedly paid to consultants, thereby generating significant public criticism‡ (the remainder, US \$9 million, went mostly towards

\* <http://www.merdeka.org/v2/download/Post%20Election%20Overview%20-%20Presentation.pdf>

† <http://www.themalaysianinsider.com/malaysia/article/pemandu-crime-dropped-10.1pc-from-january-to-may>

‡ <http://www.malaysiakini.com/news/149861>

communication efforts). Of the initial cohort of 13 ETP (Economic Transformation Program) labs held concurrently over a three-month period, at least seven commissioned external consulting teams from companies such as McKinsey, the Boston Consulting Group, and Bain were hired.

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*“External consulting support is temporary but can be meaningfully used to build capacity, if utilized in the right way.”*

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The high salaries of the internal consultants have been a source of resentment for the civil service. According to Jordan and Sabel (2015), the active recruitment from the private sector, the high wages, as well as the use of performance bonuses have all been vital to PEMANDU’s success in maintaining a staff of high-performing individuals. However, such blatant use of monetary incentives also carried several risks, including the effect on the morale of middle and junior officials, the effect on recruitment for the civil service beyond PEMANDU, the undercutting of esprit-de-corps, and the herd mentalities that such incentives might generate.\*

In response to charges of high expenditure allocated to PEMANDU, Jala released a statement in October 2010, contending that the operating budget of PEMANDU for 2011 was RM40 million (est. \$12 million), while a further RM334 million (est. \$100 million) and RM355 million (est. \$105 million) were allocated for the GTP and ETP transformation projects respectively.† Nonetheless, the establishment of PEMANDU in the early years could still have been replicated at a lower cost, had the Malaysian government been more willing to rely on capable local experts than on international management consulting support—a view that has been shared by opposition lawmakers.‡

The high expenditure notwithstanding, the investment in consulting support helped develop capacity-building for PEMANDU staff, who subsequently (without any further consulting support) ran the more complex delivery labs for the Strategic Reform Initiatives (SRIs) and went on to provide consulting support to countries such as Tanzania, for which PEMANDU has received remuneration for its expertise. Hence, high compensations which might seem like a short-term expenditure were rather long-term investments which contributed to the professionalization of the public service and better governance.

Based on the authors’ close working knowledge and interviews with current and ex-PEMANDU staff, it is also important to note that today the organization informally serves as a ‘center of excellence’ within the government and is often seen as a place where several Ministries and agencies can go to for internal consulting support on complex problem-solving. The lead author (as one of the external consultants involved in PEMANDU’s early days) can also testify to PEMANDU’s dramatic reduction in reliance on consultants over the first few years, to the point that by 2013, external consulting support for PEMANDU’s activities had become an exception rather than a norm. In that period, PEMANDU developed

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\* Luke Jordan and Charles Sabel, *Doing, Learning, Being: Some Lessons Learned from Malaysia’s National Transformation Program*, Competitive Industries and Innovation Program, World Bank Group, January 2015.

† Media Statement by Senator Dato’ Idris Jala (Oct 2010), [http://etp.pemandu.gov.my/upload/Media%20Statement%20-%20Recently%20Asked%20Questions%20\(29%20October%202010\).pdf](http://etp.pemandu.gov.my/upload/Media%20Statement%20-%20Recently%20Asked%20Questions%20(29%20October%202010).pdf)

‡ <http://www.themalaymailonline.com/malaysia/article/local-experts-better-pick-to-prepare-schools-blueprint-mps-say>

a strong internal team who had, from years of close collaboration with external consultants, learned to incorporate many standard consulting approaches such as stakeholder management plan design and 80-20 analysis, as well as translate complex processes into meaningful and accessible presentation documents. This demonstrates that external consulting support is temporary but can be meaningfully used to build capacity, if utilized in the right way.

### 13. Aligning Targets with Implementation Feasibility

PEMANDU seems to have documented less success in implementing the SRIs relative to other components of the ETP or the GTP. The SRIs, focused on extremely broad institutions such as public finance, cover challenges that are difficult to measure by a KPI-type mechanism. Meanwhile, there are also SRIs, such as human capital development, which require changes on a societal level. For an organization that delivers solutions from a top-down level like PEMANDU, there are realistic limitations on the extent with which PEMANDU is able to effect change on a vast social scale. This is perhaps something that other countries intending to replicate the PEMANDU model might want to take note of.

Another example of the possible misalignment between program targets and implementation feasibility in PEMANDU is the case of improving access to education for special needs children in Malaysia. Under the 2013-2025 Education Blueprint drawn up by PEMANDU, the government aims to enroll 30% of all special needs children in inclusive programs by 2015, and up to 75% by 2025. However, the same document also admits that (1) the UNESCO estimates that approximately 10% of children in Malaysia have special needs, and (2) there are currently only 50 clinical psychologists and 157 speech therapists employed by the government. Given the current population of Malaysia at 30 million and approximately 30% of the population aged 15 and under, there could be up to 900,000 children with special needs in Malaysia, whereas *The Star* reported in 2014 that only a paltry 58,253 children with special needs have been enrolled in Malaysian schools, and of which less than 8,000 were in inclusive programs.\* As lofty as PEMANDU's goals may be, it's highly unlikely that these targets can be met without an accelerated program in place to train the necessary personnel for special needs education on a large scale. This is just one example, and it suggests that some targets set by PEMANDU may be unrealistic given the implementation constraints in the country.

The pressure to meet targets with implementation issues brings to question the extent to which delivery units should balance between strategy/monitoring and implementation support. Given that many of the executing agencies in Malaysia are less effective than their counterparts in developed countries in terms of implementing public policies, a strategic decision was made that PEMANDU would play a small role (ideally minimal) in implementation support versus pure monitoring and analysis of results.

### 14. Conclusion

The fact that PEMANDU has received significant recognition beyond Malaysia for its transformation efforts and been heavily studied as a reference point for the establishment of similar organizations in developing nations is testimony, to a certain extent, to the effectiveness

\* <http://www.thestar.com.my/News/Education/2014/08/24/Special-needs-learners-face-obstacles/>

of its organizational and execution frameworks. This paper has outlined the background and context of how and why such a delivery unit was conceived of, and eventually set up, in Malaysia. Secondly, based on PEMANDU's experiences both in its successes and challenges, our research has identified several key policy implications, namely:

- the importance of strong leadership;
- the delivery labs approach;
- a strong public communications strategy;
- the ability to finance program and staff, and;
- the need to align targets with implementation feasibility.

PEMANDU has often been on the receiving end of external criticism, but as laid out in the paper, many of these are technical in nature. If the PMDU, a delivery unit in a developed nation headed by leaders hand-picked by the Prime Minister, is capable of committing technical mistakes, then it would not be hard to imagine that similar organizations like PEMANDU, in developing countries, would be susceptible to making some mistakes over the course of executing such a vast and complex transformation program.

While PEMANDU's long-term success remains to be seen, the authors are largely in agreement with some of the criticisms leveled against it that the problems highlighted could be rectified through the proposed solutions—greater transparency, the creation of a revision mechanism to ensure that figures are updated in a timely fashion, better monitoring, to name a few. This is not a defense of PEMANDU's genuine shortcomings, we are merely pointing out that these shortcomings are not unique to PEMANDU, and that they are not insurmountable.

As for Malaysia's role in helping Tanzania implement its Big Results Now program, a few caveats need to be kept in mind with regard to the application of a PEMANDU-like agency in another country. From Malaysia's perspective, the opportunity to expand the principles and methodology of PEMANDU beyond its shores is attractive for cementing its credibility and heightening its political influence, but the approach is not without risks.

According to Jordan and Sabel, replicating a PEMANDU-like program requires at least three conditions: first, a political consensus in favor of carrying out reform in public service (or at least a lack of possible political hindrances), second, a government that is responsive towards information in enacting changes and penalties, and third, a minimal level of variation in the capabilities of government, firms, and agencies so that there is space for improvement. Failure in securing these conditions would be costly to both PEMANDU and the government receiving consulting support. However, it seems that PEMANDU has developed mechanisms for ensuring that the political/government conditions are met, as well as willingness on part of the recipient government in information sharing before engaging abroad as in the case of Tanzania.\*

The ETP launched by Prime Minister Najib was a means to an end; to elevate the country to developed nation status by increasing investments and creating jobs in twelve NKEAs.

\* Luke Jordan and Charles Sabel, *Doing, Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program*, Competitive Industries and Innovation Program, World Bank Group, January 2015.

The delivery unit (PEMANDU) fulfilled the key organizational-design attributes described by Michael Barber (Barber, 2011) namely; respected leadership (Jala's proven track record at Shell and MAS' business turnaround plans), limited team size, top talent from the private and public sectors, and a non-hierarchical relationship with the system (PEMANDU's non-overlapping relationship with government agencies and ministries).

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*“We have identified several insights and implications for policy makers that can help operationalize a paradigm shift.”*

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Given the significant differences in political and economic development between Malaysia and the UK, the design and setup of PEMANDU (the Malaysian Delivery Unit) had to be tailored to suit the Malaysian socio-political landscape, even as it was modeled after the PMDU (Prime Minister's Delivery Unit). Though the political maturity may vary among other countries seeking to simulate the establishment of delivery units, the need for region/culture-specific customization of leadership styles, organizational hierarchy, and human resource management is essential for the maximal alignment of the Delivery Unit's structure as well as its goals and purposes. Bearing these inevitable differentiations in mind, the measured success of PEMANDU, since its inception in 2010, in improving governmental service delivery in Malaysia, demonstrates the viable adoption of the PMDU model to other developing nations.

At the outset, this paper sought to study how the Paradigm Shift that PEMANDU represents could help improve governance and leadership for better public sector service delivery. Over the course of the paper, we have identified several insights and implications for policy makers that can help operationalize a paradigm shift. It is our hope other countries and organizations will look at the transformational efforts of the Malaysian PEMANDU as an inspiration in the establishment of contextualized delivery units.

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