Human Capital and Governance of Public Administration in Malaysia: A HRM strategy

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Abstract

The concept of human capital recognizes that quality of human resources can be improved by investing in their knowledge, skills, and training attainment. This paper relates the governance of public administration to the element of human capital and suggesting a HRM strategy, practices and outcomes to effectively promote better work performance and governance in the hope of contributing to better climate of professional services and societal accountability.

Introduction

The term human capital has been used since the neoclassical economic literature and Gary Beckers’ writing published in 1964 and the concept has been used infinitely ever since to include knowledge, skills, physical means of production via investments through education, training, that would lead to better outputs or performance. Current policies regarding education and job training had been focused on cognitive skills and knowledge based development to the exclusion of non-cognitive skills and motivation that causes serious malfunctions of governance of public administration. The emphasis on formal educational institutions whilst important as a human capital tool however has not served well in managing the public institutions and in policies that seek to remedy deficits. In this paper I examine the human capital as the public servants drawing on the governance of public administration in the country, the challenges arising from public participation and interests defined in the context of UNDP good governance practices as described below and therefore propose that human resource management strategy be used in achieving better long term viability in work performance.

Characteristics of Good Governance

There are many definitions of good governance. Let us take one i.e. according to UNDP (1997), it defines characteristics of good governance practices as that of:
- **Participation** – All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.

- **Rule of law** – legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

- **Transparency** – Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.

- **Responsiveness** – institutions and processes try to serve all stakeholders.

- **Consensus orientation** – good governance mediates differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures.

- **Equity** – all men and women have opportunities to improve or maintain their well-being.

- **Effectiveness and efficiency** – processes and institutions produce results that meet needs while making the best use of resources.

- **Accountability** – decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.

- **Strategic vision** – leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

A blind spot here is that most of the above are not practiced to the level of satisfaction in measuring good governance of human capital in the country especially in the context of public administration in Malaysia.

**Governance in public administration: Some examples**

The role of public administration in governance is a continuing tool of management and of interests to many rising expectations and demands. Too often, government is seen by citizens as inefficient, bureaucratic, unresponsive, change-resistant, etc. The challenge remains for political leaders to redefine the role of government and to build the capacity of institutions to play beneficial roles. It is up to the political leaders to design regulatory institutions capable of providing a reasonable good accountability framework and ethical practices of public accountability. Such need to improve governance and public administration is widely recognized and essential. Indeed such acknowledgement is necessary to promote national competitiveness of economic growth. Effective governance implies transparent and accountable institutions to carry out and in strengthening the capacity of public administration.

Reports on abuses and irregularities in the annual Auditor-General’s Report such as the 2008 seem to appear annually and no obvious disciplinary actions were taken to avoid them being repeated. The government reportedly lost an estimated RM28 billion last year due to various abuses by civil servants in the procurement of goods and services for the government. It is often said that those public servants are either transferred or retired, hence making it difficult for the government to take any further actions. Often enough, they remain rhetoric as abuses even identified were not acted upon with proper disciplinary and remedial action. There is a need to change in terms of procurement governance and the limit of power given to the authority of the officers who make approvals. Procurement should be done more transparently and procedures made more stringent to prevent leakages in addition to possessing ethical human capital. With the extensive expansion of information technology (IT), such facilities could be capitalized upon to speed up the audit process in making improvements to overhaul the audit and procurement systems which have been subjected to regular abuses.
Audit reports reveal high incidence of failures on part of the federal, state, and local governments to comply with relevant rules and regulations, loss and embezzlement of public funds, improper monitoring and supervision. In developing economies, public administration has been an incomplete and faltering process, so associated regulatory reforms are either new or poorly conceived, and most often regulatory reforms will proceed piecemeal, without proper sequencing or coordination. Since poor governance is generally a situation in many developing economies, political and economic systems demonstrate a propensity for regulation inside government.

With regards to public transport, as reflected in the 2008 Auditor General’s report, the Finance Ministry who owns infrastructure company Prasarana (which in turn owns the assets of the RapidKL LRT lines, KL monorail line, RapidKL buses and the Langkawi Cable Car) have not done a good job with procurement issues. Though the government is responsible for introducing a key result area for public transport, with specific goals to improve public transport to 25% usage in urban areas, (though it was targeted earlier at 40% by the cabinet committee on public transport in 2007), the Performance Management and Delivery Unit, the Transit (The Association for the Improvement of Mass Transit), and the about to be setup, Land Transport Commission, are engaged to find solutions to the urban public transport problems.

The revamp of several public service departments and introduction of key performance index in reforming government-linked companies (GLCs) recently is an excellent opportunity to accelerate this process of good governance involving integrity and ethics as a fundamental issue in Malaysian nation-building. GLCs remain the primary provider of utility and infrastructure services including electricity, telecommunications, postal, airlines, airports, public transportation, water and sewerage as well as banking and finance. Reforms recently proposed in the government-linked companies are consolidating in the hope that removing GLCs from ministerial control and setting up special governance and oversights management will kick off the process. Such reform will reinforce both achieving financial goals and improvement in the public service and strengthening regulatory institutions from post privatization restructuring. By reforming the boards of GLCs, governance issues will be addressed and policy makers can
clarify and quantify costs of national development agenda on periodic basis not to mention opening up greater investment opportunities in the region.

The GLCs transformation are effected primarily through the establishment of internal transformation teams, instituting key performance indicators, improving performance management, increasing productivity through process and organization improvements, and divesting non-core unprofitable business and assets. GLCs transformation program encompass four phases spanning 10 years from the mid 2004 until 2015. Briefly, the four phases of transformation is illustrated in Figure 1. The transformation of GLCs is expected to generate benefits to at least five stakeholders – customers, employees, suppliers, bumiputra business community and other private companies operating within the same industries. More efficient and competitive GLCs are expected to increase the level of competition thus benefiting the entire economy. GLCs account for 7.2% of the total number of companies listed on Bursa Malaysia and 34.9% of market capitalization as at May 18, 2007. In terms of employment, GLCs employed 325,722 personnel or about 3% of the national workforce in 2006.

Figure 1: Four phases of GLCs Transformation

<table>
<thead>
<tr>
<th>Phase 1: Mobilization, Diagnosis And Planning</th>
<th>Phase 2: Generate Momentum</th>
<th>Phase 3: Tangible Results</th>
<th>Phase 4: Full National Benefits</th>
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<tr>
<td>Measures:</td>
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<td>KPI-PLCs</td>
<td>Issuance of Transformation Manual (July 29, 2005)</td>
<td>Continuation of the implementation of programs and initiatives</td>
<td>Continuation of the implementation of programs and initiatives</td>
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<td>Performance contracts</td>
<td>Laying out policy guidelines</td>
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<td>Board composition reform</td>
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<td>Revamp of</td>
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<td>Khazanah GLC Leadership change</td>
<td>Implementation of programs and initiatives laid out in the Transformation Manual</td>
<td>Targeted outcome:</td>
<td>Targeted outcome:</td>
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<tr>
<td>Diagnosis of GLCs conducted</td>
<td>2005/06 initiatives implemented</td>
<td>2005/06 initiatives implemented</td>
<td>Targeted outcome:</td>
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<td>Determination of Policy Principles</td>
<td>Full roll-out in place</td>
<td>Full roll-out in place</td>
<td>Targeted outcome:</td>
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<tr>
<td>Initial 2004 initiatives launched</td>
<td>Key policies endorsed and executed upon</td>
<td>Key policies endorsed and executed upon</td>
<td>Targeted outcome:</td>
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<td></td>
<td>Early fruits of sustainable improvements</td>
<td>Early fruits of sustainable improvements</td>
<td>Targeted outcome:</td>
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Targeted outcome: Tangible and sustained benefits across all GLCs. Visible benefits to all stakeholders e.g., customers, vendors, employees, etc. Large scale strategic and financial changes made. Material changes to boards.

Targeted outcome: 2 - 3 GLCs will be true regional champions. Most GLCs performing at par with competitors.


**Human Resource Management and Performance Model**

There are a number of conceptual models in explaining the relationship between HRM and performance namely those developed by Beer et al. (1984), Fombrun et.al.(1984), Guest (1997), Becker et.al. (1997), Paauwe and Richardson (1997), whereby the concern of HRM outcomes are...
the 4 Cs: commitment, competence, congruence, and cost effectiveness. A lot of empirical research has been carried out. In the interests of space, it is not viable to deliberate on the various models but I am only proposing a model which could be used. Using the framework of Guest (1997) presented in Figure 2, an overview of a normative model that serve as human resource outcomes seems appropriate; goals and policies that generate a range of organizational outcome such as high job performance. I find this framework relevant and appropriate in the public administration. Guest (1997) takes the view that a set of values provides a basis for prescribed best practices.

Guest’s model focuses on HRM practices. For instance in the HRM outcomes box, the ‘high commitment’ represents the desire to belong to the organization and the willingness to do things for the organization; ‘high quality’ refers to the capabilities, knowledge, and skills of staff; and ‘flexibility’ refers to the flexibility of the functional aspects of the employees. Guest assumes that only when all three HRM outcomes are achieved, only then can we expect that behavior change and higher performance. The behavioral change and higher performance are very much in need in public administration in Malaysia given the current situation of governance such as high job performance. I find this framework relevant and appropriate in the public administration. Guest (1997) takes the view that a set of values provides a basis for prescribed best practices. This means that public sector training ought to be geared towards fulfilling strategic objectives and the prevailing effectiveness which is very much neglected. It ought to bring about value-added aspects of HRM strategy, practices, and outcomes that could realize the behavioural, performance, and financial outcomes. Needless to say, they must have simultaneous effects on strategic, societal, and professional performance, implying action-oriented activities and moral dimensions embedded in the public sector training programmes.
Concluding Remarks

The effectiveness of public sector training programmes are of crucial importance as the emphasis is on outcomes where HRM strategy incorporates economic and business performance, contributing to the professional services and societal accountability. HRM is shaped partially by the power relations among the stakeholders, each with their own objectives, interests, policies and practices. With the base of value-laden HRM strategy, a climate of good institutional environment that serves a climate of high trust, responsibility, and willingness to change are justifiable in the public administration in Malaysia. The very essence of the management of human capital/resources exceeds the boundaries and is influenced by stakeholders and institutions where moral values such as fairness and legitimacy are integral to the performance construct. Much reform is needed in the human capital investment to eliminate distorting effects.
Effective governance implies democratic, transparent, and participative processes and the need for public administrators as human capital investment strategy to embrace change management of effective, efficient, and accountable administrative practices.

**Reference**

