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MALAYSIA PRODUCTIVITY CORPORATION



[TALENT MANAGEMENT PRACTICES AT GOVERNMENT- LINKED COMPANIES (GLC) II]

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PREFACE

This is the 2nd series of the research work on Talent Management at Government-linked companies (GLC). As with the first series published in August 2009, the study has two objectives:

- To gain first-hand understanding on talent management in GLC; and
- To analyse the importance of talent management in building a high performance and competitive workplace among GLC.

Talent Management has now been identified as a critical enabler for the Government Transformation Programme (GTP), Economic Transformation Programme (ETP) and the 10th Malaysia Plan (2011-2015) to propel Malaysia towards the competitive status of a high income economy and achieve our Vision 2020. It is time we tap our local talents to move forward. Malaysians need to synergise our strength to achieve the Strategic Reform Initiative II of ETP in developing quality workforce and reducing dependency on foreign labour. The Malaysian Government is setting the pathway by adopting an integrated human capital and talent development framework during the 10th Malaysia Plan. In this 2nd series, another two GLC are featured; namely, Pharmaniaga Berhad and Proton Berhad. The GLC shared on how they nurture, attract and perhaps, retain top talent for the nation.

“Every Malaysian citizen is crucial to the country’s development as he or she has the capability to contribute to the well-being of the nation.”
- *Datuk Seri Najib Tun Razak,*
Prime Minister of Malaysia.
(an extract from his 2010 National Day message)

CHAPTER 1: TALENT MANAGEMENT AT PHARMANIAGA BERHAD

The company

In May 1994, United Engineers (M) Bhd (UEM) was awarded the concession to privatise the Government Medical Store (GMS) through the Ministry of Health (MOH). The managing of the concession was handled by its subsidiary, Remedi Pharmaceuticals (M) Sdn Bhd (Remedi). This company started its operations on 1st December 1994 as Southern Task (M) Sdn Bhd with a paid up capital of RM20 million. Under the concession agreement, Remedi has the exclusive rights to manufacture, purchase, store and distribute pharmaceutical and medical products to medical institutions and hospitals under the jurisdiction of Ministry of Health (MOH). In May 1999, Remedi (*now known as Pharmaniaga Logistics Sdn Bhd*) became a subsidiary company of Pharmaniaga Berhad, an investment holding company. Since October 2002, all companies within the Pharmaniaga Group except Strand Pharmaceuticals (M) Sdn Bhd were renamed to carry the Pharmaniaga identity.

Pharmaniaga Berhad is the largest integrated local healthcare company in Malaysia. Its core business is generic pharmaceutical products, while the principal activities are manufacturing of generic pharmaceuticals, logistics, distribution, sales, marketing, supply of medical products and services and hospital equipments. The company is driven by their goal to enrich the lives of all those they come into contact with be it their

employees, customers and business partners or the patients who benefit from their products and services. Pharmaniaga Berhad's commitment is *to enrich life together guided by the philosophy of doing business with conscience; a philosophy the company continues to nurture as it journeys towards becoming a global total integrated healthcare solutions provider.* The vision of Pharmaniaga is *to be the preferred pharmaceutical brand in the regional markets and to provide quality products and superior services by professional, committed and caring employees* as a mission.

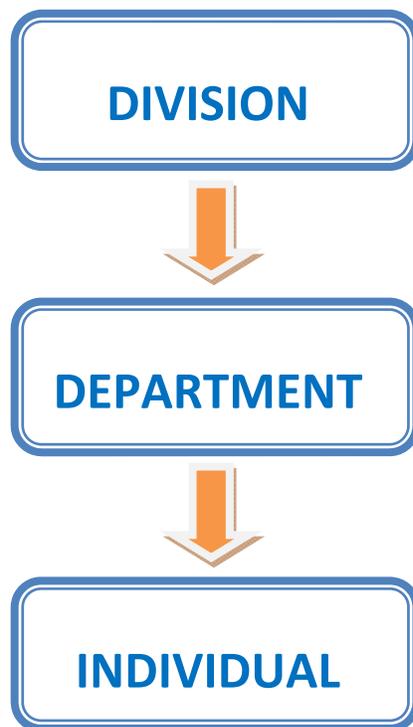
This research work on talent management at Pharmaniaga Berhad is a continuing effort to discover success stories of talent management initiatives by GLCs. The researchers have had the opportunity of a value-adding discussion and discovery journey with two Pharmaniaga personnel: En. Errman Zuhady Zainal, General Manager and En. Abdul Aziz Jameran, Recruitment and Organisational Development Manager – both of the Organisational Development Division on 9th February, 2010.

The Talent Management Practices

At Pharmaniaga Berhad, talent management is defined in two different perspectives. The initial perspective is related to individual performance using the balance scorecard with defined key performance indicators such as sales targets and the number of new products that can be developed and marketed within a specific timeframe. The second perspective looks at the individual potential that is gauging leadership ability, mobility to be relocated and behavioural characteristics. This company does not create any particular pools of talent as the

management believes that talents exist across the organisation. The identified talents whoever they are in the organisation will be ear-marked for advancement position and succession planning. Mr Errman advocates that people management is leadership accountability while the Human Resource Division will provide the tools and facilities as well as identifies resources to support business operations.

Pharmaniaga places lots of importance on Key Performance Indicators (KPIs) as a measurement in monitoring business performances and cascades the required business targets and bottom line as indicated below:



Through KPIs, the company is able to identify the who, what, where, when and how often to develop potential successor. The Organisational Development Division schedules half-yearly session with the management on strategic human capital matters. Employees at Pharmaniaga Berhad are categorised into four tiers: high potential (ability to take higher responsibility), promotable, well-placed (mere contributors, some difficulties in adjusting), and issues employees (miss-fit). The last tier employees are subjected to Performance Improvement Program (PIP) to bring up their work performance and put employees back on track.

This company believes in going for quality. As such, it has no specific targets or quota for the number of talents. Their utmost aim is to equip people with competencies and knowledge on current trend so that employees can be versatile and flexible to economic changes. The pharmaceutical industry in general is noted to be a rather economic recession proof industry; i.e. regardless of the economy scenario, there will always be people buying medicine and supplements. In fact, any change in economic scenario would provide a test of how persevere and resilient talents are besides managing operation costs. On the plus side, this company records low attrition rate and does not have any regrettable loss of talents.

Pharmaniaga Berhad has always strived to recruit the best talent in terms of capability and suitability to ensure that its selection provides the right talents for the right positions. The company gives emphasis on the mobility of talents where talents should be agile and multi-skilled to avoid

being too specialised in one job. With the changing demographics of the work force, Pharmaniaga Berhad takes cognisance of the characteristics of the Gen Y workforce: job satisfaction, honesty as well as timely and direct communication. In addition, the company places importance in observable behaviours in the required values such as integrity and how people consistently behave in the absence of the boss. There must also be self-governance in the absence of enforcement to facilitate a democratic work environment. In order to keep itself up-to-date and current with human capital development globally, Pharmaniaga benchmarks across industry and country with the aim to source best practices and becoming the employer of choice.

In the R&D lab, the company currently has acquired 22 research talents, and is planning for 6 additional talents to strengthen its focus on the bio-equivalent and bio-similars segmentation. Pharmaniaga also takes initiatives to source talents from India, Canada, Pakistan and the United Kingdom for its Product Development team. The strategy is to improve the dynamism of the company through re-skilling and changing mindset among talents. This approach that gears the company towards multi-skilling and multi-tasking among them is crucial as the company is the largest producer of pharmaceutical products in the country. It needs to focus on prescribed medication that generates higher returns to the company compared to over-the-counter products that provide smaller profit margin. The company also invests into ICT to address the geographical and regional divide in the pharmaceutical business and, being a leading pharmaceutical company in the nation requires focus on people management for leadership accountability. The Organisational

Development Division believes it functions as the facilitator-consultant in providing the relevant avenue and tools while execution of managing talents goes back to the leaders or respective heads in the company.

For the manager level, the company is providing them with the leadership development programme and skills development courses such as the one organised by Harvard Business School. The aim is to nurture them towards top positions of the company in the future. Even though the industry is facing economic challenges right now, the company still uses agreed upon key performance indicators to measure the resilience of its talents. As Pharmaniaga is a Government-linked company, the company has the opportunity to participate in the cross-assignment exercise operated by Khazanah Nasional Berhad. Identified talents are deployed to sharpen, widen and expand their acquired skills technically and managerially. This exercise proves crucial as we are living in a dynamic environment where business is borderless.

The emphasis on people and talent optimisation are strong at Pharmaniaga Berhad as business niche and competitiveness rely more on people than mere having processes in place. The simple reason being processes can be fixed but these must also be flexible to people needs, the people who make targets materialised. Pharmaniaga Berhad focuses on building its bench strength and the ability to provide different opportunities to employees whenever they are available. As such, the company believes that talents must be all rounder and should be trained to acquire the essential skills of the ability to have a helicopter view of the

business. In this connection, Pharmaniaga Berhad holds talent management as a top strategic priority of the company and does not think talent management is in any way disarray as perceived by some organisations. Each company has to adapt and adopt the practices appropriate for respective culture and company's DNA.

In essence, the leadership of any company must clearly define what talent is, and in what angle people are considered as talents, and how they are assessed with clearly communicated talent scorecard. Cognisance should be taken to address the challenge in balancing expectations from the employees and the management or company. The company encourages its employees to build their multi-tasking skills, make themselves marketable within and outside the company by branding one's expertise as well as enhancing networking with as many strategic people as possible. The achievements of these targets would path the way for Pharmaniaga Berhad to be an exporter of talents in general positions such as finance, human capital, marketing, sales and corporate communication in the future.

CHAPTER 2: TALENT MANAGEMENT AT PROTON BERHAD

The company

PROTON (Perusahaan Otomobil Nasional or National Automobile Enterprise) was established in 1983 under the direction of the former Prime Minister of Malaysia, Tun Dr. Mahathir Mohamad. PROTON is Malaysia's largest manufacturer of automobiles and the only full-fledged OEM car manufacturer in South-East Asia. With operations in key markets from UK to the Middle East, and across South-East Asia and Australasia, especially in countries like China and Iran, PROTON produces cars to suit a range of consumer demands and preferences.

Using technological know-how from Mitsubishi Motors Corporation, the production of PROTON's first model, the Saga began in April 1985 at its manufacturing plant in Shah Alam in Selangor. Initial components of the car were first manufactured by Mitsubishi, but as technologies were transferred and skills gained, local parts were then used. The 200,000th Proton car was produced in May 1990. Today, PROTON's offerings include the versatile and reliable four-door Saga and Gen2, two-door Satria Neo hatchback, luxurious and stylish Persona sedan, and spacious and affordable Exora MPV (multi-purpose vehicle), as well as world-renowned sports cars from Lotus. Most importantly, PROTON models are now developed with Lotus Engineering, offering its customers superior ride and handling experience in every drive.

The Talent Management Practices

The concept of talent management is defined as diversely as there are talent management practitioners. Talent management can be interpreted as the management of high-worth individuals¹. PROTON looks at Talent Management together with Succession Planning to maintain leadership continuity by identifying Critical Positions in the company and their potential successors through concerted development efforts.

In essence, PROTON acknowledges that each individual has talent potentials that should be identified and nurtured. These individuals are put through the Assessment Centre which has assessment tools such as the behavioural event interview, role plays, psychometric profiling questionnaire, job fit analysis, 360° feedback on leadership effectiveness as well as 3rd party assessments for Senior Level Mission Critical Positions.

PROTON has in place a development target for the Leadership Talent Pool in the company. It is to prepare and ensure that PROTON has a ready supply of talent with the right leadership skills. The mentioned target forms a broad base of talents which is periodically filtered through and assessed by PROTON. This is to avoid experiencing any succession planning gap when there is the need to fill critical positions with essential skills equipped talents.

¹ Source: Wikipedia.

PROTON relates talent management to two prongs of talent: one group that runs the business; people who are strategic drivers and skilled in balancing the external and internal environment of the business arena. The other group refers to people who manage the company; people who are discipline experts and focus on human capital aspects. Accordingly, if the end purposes be it key result areas (KRA) or key performance indicators (KPI) are known, the return on investment (ROI) of talent management can subsequently be measured. In the interview discussion with Cik Rozita Mohd Fajar Ali, the Head of Group Capability Development, she is of the opinion that talent management is a process and a continuous journey in identifying the “development pool”. PROTON has approximately 11,000 staff strength at group level; of which about 2000 personnel are at the executive level, and approximately 15% of them should be in the Accelerated / Talent Development pool.

At the macro level, it is a known fact that Khazanah Nasional Berhad, the Government arm that oversees Government-linked Companies (GLC), emphasizes succession planning amongst GLCs, constantly looking at the captains of industries and the ability of GLCs in filling C-suite positions. PROTON, in its proactive planning, carries out a broader initiative by developing its future strategic leaders and critical skill leaders using a variety of tools to assess its employees. According to Ms Rozita, PROTON’s engineers are sought after globally as the company extensively trains this group of employees. In addition, PROTON practices strategic hiring to ensure employee engagement in the company, especially among the senior management.

The identification of talents at PROTON begins by the initial nomination by respective head of departments, who are subsequently appraised using self-management factors such as EQ, SQ and PQ. Talent nominations are based on pre-determined selection criteria such as performance, years of service, unique skills, qualifications/ track record and potential leadership skills.

The basic talent management cycle in PROTON involves:

- Talent Spotting / Identification
- Talent Assessment
- Talent Categorization
- Talent Development
- Talent Reward & Recognition
- Deployment / Succession Management

Employees who are deemed high potentials are fast-tracked on development planning and ear-marked for critical positions.

PROTON has widened its manufacturing tasks to include OEM (consultancy) in a progressive move to expand its business prospects. With the wider scope of business, PROTON is always on the continuous initiative to assess Talent Needs Analysis and implementing individual development plans (IDP). The IDP covers the aspects of executive visibility, job-based learning & development, job expansion, project / task forces, external involvement, “stretch” job assignments, and mentoring / coaching. PROTON’s Talent Developing / Grooming grid of suitability and eligibility factors complements the IDP initiatives.

Again, PROTON acknowledges the fact that everyone has talent; and as such, talent must be measured individually. Management needs to have in-depth knowledge of the talents available in their respective organizations; otherwise, managing talent would prove to be a big challenge! And, talent management is basically about making sure that talent can be deployed strategically and technically to meet the business requirements of the company, in order for PROTON to not only survive, but thrive, even during challenging times.

Diagram 1: The Success Profile of a Top Leadership Talent



Proton relates talent management to two prongs of talent: one group that runs the business, people who are strategic drivers and skilled in balancing the external and internal environment of the business arena. The other group refers to people who manage the company; people who are discipline expert and focus on human capital aspects. Accordingly, if the end purposes be it key result areas (KRA) or key performance indicators (KPI) are known, then the return on investment (ROI) of talent management can be measured. In the interview discussion with Ms. Rozita Mohd Fajar Ali, the Head of Group Capabilities Development, she is of the opinion that talent management is a process and a continuous journey in identifying the “elite group”. Proton has about 11,000 staff strength at group level of which about 2,000 personnel are at the executive level with approximately 15% of them in the elite group.

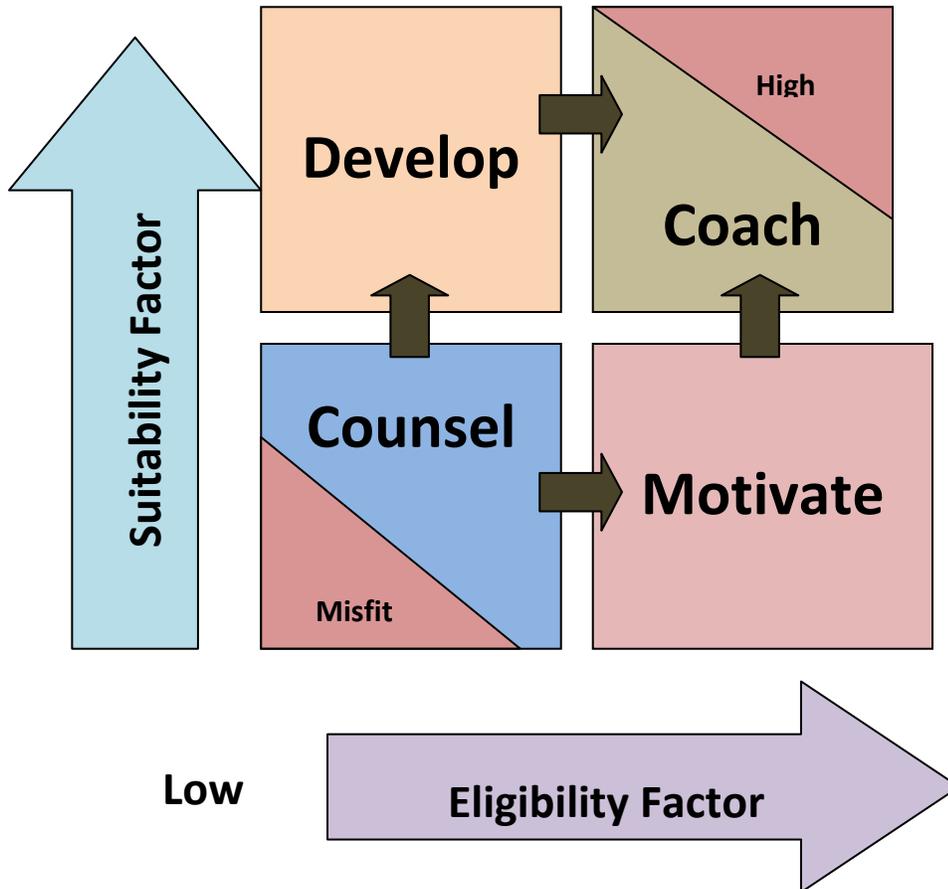
At the macro level, it is a known fact that Khazanah Nasional Berhad, the Government arm that oversees Government-linked Companies (GLC), emphasizes succession planning among GLC, constantly looking at the captains of industries and the ability of GLC in filling CXX (Chief) positions. Proton in its proactive planning, does a broader initiative by developing its “*catchments area*”, a term used to indicate broader scope of identifying potential talents, that is dynamic and versatile to ensure the continuity and prosperity of its business. Proton also uses a variety of tools to assess its employees periodically cumulating into the annual assessment at year end. According to Ms. Rozita, Proton’s engineers are well-sought globally as the company trains this group of employees well. This is reflected through the generous allocation of training budgets to enhance the professionalism of its engineers compared to the offer of attractive remunerations. In addition, Proton practices strategic hiring to

ensure employee engagement in the company especially among the senior management. A case in point is the hiring of an ex-BMW quality expert to navigate the quality of manufacturing processes at Proton.

The identification of talents at Proton begins by the initial nomination by respective head of departments, who are subsequently appraised using self-management factors such as EQ, SQ and PQ. Talent nominations are based on pre-determined selection criteria such as performance, years of service, unique skills, qualifications/ track record, and potential. All in all there are six stages in selecting talents at Proton: spot, assessment, categorisation, development, recognition and reward, and deployment / succession management. Employees who are deemed high potentials are fast-tracked on development planning and ear-marked for critical position. The main aim is to build directors and or division heads for Level 5 competency.

Proton has widened its manufacturing tasks to include OEM (consultancy) in a progressive move to expand its business prospects. With the widen scope of business, Proton is always on the continuous initiative to assess Talent Needs Analysis and implementing Individual Development Plan (IDP). The IDP covers the aspects of executive visibility, job-based learning and development, job expansion, project / task forces, external involvement, “stretch” job assignments, and mentoring / coaching. Proton’s Talent Grooming grid of suitability and eligibility factors complement the IDP initiatives. This grid of four quadrant comprises the factors of develop, coach, counsel and motivate as per Diagram 2.

Diagram 2: Developing / Grooming Talent at Proton



Overall, Proton practices the fact that everyone has talent and as such, talent must be measured at individual level. Management needs to have in-depth knowledge of the talents available in respective organisations or otherwise, managing talent would prove to be a big challenge. Talent management is about making sure that organisations have the right people in the right places at all time.

SUMMARY

Talent management is a process that emerged in the 1990s and continues to be adopted as more companies come to realize that their employees' talents and skills drive their business success. In order to see its impacts, a talent management system must be worked into the business strategy and implemented in daily processes throughout the company as a whole. As such, MPC took the initiatives to talk with Pharmaniaga Berhad and Proton Berhad on their talent management practices in respective organisation.

Pharmaniaga Berhad is the largest integrated local healthcare company in Malaysia which is driven by their goal to enrich the lives of all those they come into contact with, be it their employees, customers and business partners, or the patients who benefit from their products and services. Pharmaniaga Berhad gives emphasis on the mobility of talents where talents are agile and multi-skilled to avoid being too specialised in one job. With the changing demographics, Pharmaniaga Berhad also takes cognisance of the characteristics of the Gen Y workforce: job satisfaction, honesty as well as timely and direct communication.

Proton, a brain-child of Malaysia's former Prime Minister, Tun Dr Mahathir Mohamad , produced our very first national car, Proton Saga that was launched on 9th July 1985. Proton assumes all its employees to have talent potentials that should be identified and liberated. These are being put into practice through the behavioural interview and role plays,

individual timed exercises, 30 minutes psychometrics based questionnaire, 360° assessment, case studies, as well as third party assessment. Proton in its proactive planning, does a broader initiative by developing its “*catchments area*”, a term used to indicate broader scope of identifying potential talents.

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