

**A Case Study on Strategic Leadership in TNB:**

**Tan Sri Dato' Dr. Ani Arope (1991-1996)**  
**Tan Sri Datuk Dr. A. Tajuddin Ali (1996-1999)**  
**Dato' Pian Sukro (2001-Present)**


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A thesis submitted in fulfilment of the requirements for the  
degree of

Master of Business Administration

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SUBMISSION OF APPLIED BUSINESS PROJECT REPORT

Enclosed herewith a report of Applied Business Project entitled A Case Study on Strategic Leadership in TNB: Tan Sri Dato' Dr. Ani Arope (1991-1996), Tan Sri Datuk Dr. Ahmad Tajuddin Ali (1996-1999), Dato' Pian Sukro (2001-Present).

We would like to express our utmost gratitude for the effort and guidance that you have rendered for the completion of this project paper.

We hope this report can accomplish the requirement and expectation of the faculty.

Thank you.

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**DECLARATION OF ORIGINAL WORK**

MASTER OF BUSINESS ADMINISTRATION  
FACULTY OF BUSINESS MANAGEMENT  
“DECLARATION OF ORIGINAL WORK”

We,   Juhana Hassan  
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Hereby, declare that:

This work not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.

This project paper is a result of our independent work and investigation, except where otherwise stated.

All verbatim extracts have been distinguished by quotation marks and sources of our information have been specifically acknowledged.

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## **List of Abbreviations**

BOD	Board of Director
CEO	Chief Executive Officer
CIBS	Customer Information and Billing System
CSI	Customer Satisfaction Index
CTMU	Central Treasury Management Unit
EGAT	Electricity Generation Authority of Thailand
EIS	Executive Information System
EPU	Economic Planning Unit
FDI	Foreign Direct Investment
FMIS	Financial Management Information System
GDP	Gross Domestic Product
HRIS	Human Resource Information System
HVDC	High Voltage Direct Current
IPP	Independent Power Producer
IT	Information Technology
JDA	Malaysia-Thailand Joint Development Area
KLSE	Kuala Lumpur Stock Exchange
LLN	Lembaga Letrik Negara
LNG	Liquid Natural Gas
MESI	Malaysian Electricity Supply Industry
MESITA	Malaysian Electricity Supply Industry Trust Fund
MTJA	Malaysia-Thailand Joint Authority
NEB	National Electricity Board
NEP	National Economic Policy
PPA	Power Purchase Agreement
PTT	Petroleum Authority of Thailand
ROA	Return on Asset

SCADA	Supervisory Control of Data Acquisition System
SOPS	Standard Operating Procedure
SWOT	Strengths, Weaknesses, Opportunities, Threats
T7	Tiger on 2007
TNB	Tenaga Nasional Berhad
TQM	Total Quality Management
UNITEN	University Tenaga Nasional
Y2K	Year 2000 Problem

## **Abstract**

TNB is the most successful privatized company in Malaysia. This study was carried out with the intent to analyze the strategies implemented and challenges faced by each leader since its privatization period until present (1991-2002). The CEOs involved in this study were Tan Sri Ani Arope (1991-1996), Tan Sri Ahmad Tajuddin Ali (1996-2000) and Dato' Pian Sukro (2000-till present). This study was crucial in assessing the performance of TNB by analyzing its strategic leadership since it was a requirement to strategic success of any business to remain profitable.

The objectives of this study were to determine the strategic leadership approach applied by each leader, to analyze the strategies implemented by them, to study the challenges faced and to evaluate the performance through the strategy implemented. The in-depth interviews with all three leaders of TNB were conducted to obtain the primary data and the secondary data was gathered from the library and through the Internet search.

In analyzing the strategic leadership approach, the pattern-matching technique was used by adopting the Leadership Approach method and Strategic Leadership Star method. The SWOT analysis was used to determine the relevance between the challenges they encountered and the strategies that they used. Performance of each leader was examined by analyzing the indicators such as sales, productivity, net profit, operating expenses and Return on Assets (ROA).

This study found that each leader faced different challenges, thus implemented different strategies to cope with it. Ani Arope focused on changing government to corporate culture, where Tajuddin Ali aimed to increase efficiency in providing reliable electricity supply, and Pian Sukro was more on strengthening TNB by improving its services to meet the need of high quality electricity.

# CHAPTER 1

# INTRODUCTION

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

The researcher was interested to examine Tenaga Nasional Berhad (TNB) as it represents one of the most successful privatization efforts taken by the Malaysian Government. According to Hitt, Ireland and Hoskisson (2003), strategic leadership is a requirement to strategic success as strategies cannot be formulated and implemented to achieve above-average returns without strategic leaders. Thus, the researcher believed that strategic leaders were the factor that brought success to a company.

Through this study, the researcher hoped to find evidence through the finding made by Hitt, Ireland and Hoskisson (2003) by analyzing the approaches and strategies undertaken by TNB's leaders in facing challenges. How well the performance being achieved will be taken to proof that TNB's success was from the results of its strategic leaders.

This study covered the period of 12 years (1991-2002), where this was the period after its privatization. Only three leaders were involved in the study. The lists of the leaders are as follows:

- i. Tan Sri Dato' Dr. Ani Arope (September 1990 - August 1996)
- ii. Tan Sri Datuk Dr. Ahmad Tajuddin Ali (September 1996 - August 1999)
- iii. Pian Sukro Sukro (October 2000 - Present)

The researcher used two methods in analyzing the strategic leadership approach. The methods are:

- i. Leadership Approach
- ii. Strategic Leadership Star

(For further details on these methods, please refer to Literature Review section, page 8)

The strategies and challenges were traced through in-depth interviews with the leaders, the company's previous annual reports and others sources of secondary data.

In analyzing the performance, indicators such as sales, productivity, net profit, Return on Assets (ROA), operating expenses, Customer Service Index (CSI) and tariff were used.

Strength, Weaknesses, Opportunities and Threat (SWOT) analysis was also used to see the relevance between the challenges they encountered and the strategies that they used.

## **1.2 Problem Statement**

According to Hitt, Ireland and Hoskisson (2003), strategic leadership is a requirement to strategic success as strategies cannot be formulated and implemented to achieve above-average returns without strategic leaders.

Based on the finding above, the researcher tried to find evidence that strategic leaders were the factor that brought success to a company. This is done through analyzing TNB as it represents one of the most successful privatization efforts taken by the Malaysian Government.

## **1.3 Research Questions**

1. What was the strategic leadership approach applied by each leader?
2. What were the strategies implemented by each leader?
3. What were the challenges faced by each leader?
4. How did each leader bring the performance of TNB?

## **1.4 Significance of the Study**

This project had the significance in term of:

*To the researcher:*

1. To fulfill the requirement of MBA program prior to graduation.
2. To demonstrate the ability to observe, analyze and study the aspects of the subject.

*To TNB (Corporate Planning, Development & Services Department)*

1. To provide a research on strategies implemented by each leader as a reference for them in the future.
2. To study and understand the performance of each leader for formulation to determine the future strategic directions.

*To the public:*

Hopefully, this study would be able to enrich the academic reference for future researcher with regards to the study on strategic leadership as the factor that bring success to a company.

## **1.5 Objectives of the Study**

- a. To determine the strategic leadership approach applied by each leader.
- b. To analyze the strategies implemented by each leader.
- c. To study the challenges faced by each leader.
- d. To evaluate the performance brought by each leader.



## **1.6 Operational Definitions**

### **a. Privatization**

Privatization refers to the strategy or the process which transfers totally or partially, an asset or enterprise which is owned or controlled, either directly or indirectly, by the state to private organizations. The concept of privatization could be extended to include the transfer of the Government's responsibility in providing goods and services that are traditionally within its domain to the private sectors. A major objective of privatization is to improve efficiency, defined usually in terms of achieving higher productivity and lower-cost production.

### **b. Corporatization**

The definition of corporatization as given by the Valuation and Property Services Department of Malaysia, Ministry of Finance refers to the transfer of assets, liabilities, rights and obligations of a statutory body to a company formed under Companies Act 1965, but the ownership continues to lie within the public sector.

### **c. Leader**

In this study, the leader is referred to the Chief Executive Officer (CEO) of TNB. Need to note that from the year 1991 to 2000, the CEO of TNB was also the Executive Chairman of the Board. However, from the year 2000 until present, the CEO is no longer the Executive Chairman. The CEO now is known as the President of the company, while the Chairman position has changed to be the Non-Executive Director and is separated from the CEO/ President position.

## **1.7 Scope and Limitations of the Study**

### **1.7.1 Scope of the Study**

This study focused on the strategic leadership approach applied by each leader after TNB's privatization. The research includes each leader's strategies in facing challenges from the year 1991 to 2002 and also the performance achieved by them. The lists of leaders involved in the study are as follows:

- i. Tan Sri Dato' Dr. Ani Arope (September 1990-August 1996)
- ii. Tan Sri Datuk Dr. Ahmad Tajuddin Ali (September 1996-August 1999)
- iii. Pian Sukro Sukro (October 2000-Present)

### **1.7.2 Limitations of the Study**

#### **1. Time Constraint**

The researcher had a very short time to carry out the study which limited the opportunity to make a thorough study.

#### **2. The Availability of the Leaders**

The leaders had limited time to spare for in-depth interviews due to their busy schedules. Thus, it limited the researcher's ability to obtain more information from them.

This study had excluded Dato' Fuad Jaafar, one of TNB's leaders, as the researcher could not contact him. Dato' Fuad Jaafar served as President cum CEO of TNB for only one year (September 1999-October 2000).

CHAPTER 2  
LITERATURE  
REVIEW

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Leadership**

Over the years, leadership has been studied extensively in various contexts and theoretical foundations. The study of leadership has spanned across cultures, decades and theoretical beliefs. A summary of what is known and understood about leadership is important to conducting further research on strategic leadership.

##### 2.1.1 Definitions

Leadership is typically defined by the traits, qualities and behavior of a leader (Melissa Horner, 1997). In some cases, leadership has been described as a process, but most theories and research on leadership look at a person to gain understanding (Bernard, 1926; Blake, Shepard and Mouton, 1964; Drath and Palus, 1994; Fiedler, 1967; and House and Mitchell, 1974). Bennis (1989) described leaders as people who know what they want and why they want it, and have the skills to communicate that to others in a way that gains their support.

##### 2.1.2 Leadership Theories

In a comprehensive review of leadership theories, several different categories were identified that capture the essence of the study of leadership in the twentieth century (Stogdill, 1974). Leadership was explained by the internal qualities with which a person is born (Bernard, 1926). The thought was that if the traits that differentiated leaders from followers could be identified, successful leaders could

be quickly assessed and put into positions of leadership. Personality, physical and mental characteristics were examined.

### 2.1.3 Recent Leadership Theories

Additional leadership theories have emerged over the past ten to fifteen years. This is represented by the comparison of transactional versus transformational leadership. Transactional leadership stems from more traditional views of workers and organizations, and it involves the position power of leader to use followers for task completion (Burns, 1978).

Transformational leadership, however, searches for ways to help motivate followers by satisfying higher-order needs and more fully engaging them in the process of the work (Bass, 1985). Transformation leaders can initiate and cope with change, and they can create something new out of the old. In this way, these leaders personally evolve while also helping their followers and organizations evolve. They build strong relationships with others while supporting and encouraging each individual's development.

A more recent definition of leadership from Gardner (1990) holds that *"leadership is the accomplishment of group purpose, which is furthered not only by effective leaders but also by innovators, entrepreneurs, and thinkers; by the availability of resources; by questions of value and social cohesion."* By this definition, then, leadership can be thought of as an even broader phenomenon. Gardner begins to challenge the idea that leadership exists within a single designated person and a situation. Instead, he positions leadership as moving toward and achieving a group goal, not necessarily because of the work of one skilled individual (i.e. the leader) but because of the work of multiple members of the group. Not only does the leadership require someone who helps set the direction and move the group forward while serving as a resource, but it involves

the contributions of other great thinkers and doers, access to the right resources, and the social composition of the group.

## **2.2 Strategic Leadership**

According to Hitt, Ireland and Hoskisson (2003), strategic leadership is the ability to anticipate, envision, maintain flexibility and empowers others to create strategic change as necessary. Strategic leadership involves managing through others, managing entire enterprise rather than functional subunit, and coping with change in competitive landscape.

Additionally, strategic leaders must be educated and informed, because only those literate in appropriate theoretical knowledge can apply theory in a practical manner. Hence, strategic leadership should be regarded as interactive leadership, demonstrated by employees who are team players willing and able to create change, keep the corporation on target, and produce the desired results (Miah, 2002).

### **2.2.1 Strategic Leadership Approach**

#### **2.2.1.1 Leadership Approach**

CEOS who adopt the strategic leadership approach generally choose one of five distinct styles as their predominant approach of leadership (Farkas and Wetlaufer, 1996). The approaches are as follows:

##### **1) The Strategy Approach**

In the strategy approach, CEOs focus on the factors outside the corporation. They gather and analyze data to understand market

conditions, economic trends, customers' purchasing habits, new competitions and the role of substitutes.

They also study their own corporations to find out their strengths and weaknesses. They are very objective in finding out where the market is heading and how the corporation can be repositioned to take advantage of market movement. The CEOs who adopt this strategy often make decisions that have significant consequences for the corporation.

## 2) The Human-Assets Approach

In the human-assets approach, CEOs believe that the success of their organizations depends on the way the member companies perform, i.e., interact with customers, roll out new products, and design programs to defeat competition.

The CEOs in this case are mainly focused on hiring and always looking for few good people to do the jobs that need to be done. These CEOs value employees who display predictable characteristics such as honesty, loyalty, and hard work. These CEOs usually grant powers to individual top act freely on behalf of the company.

## 3) The Expertise Approach

In the expertise approach, CEOs believe that they must create specific expertise within the organization so that the organization can differentiate itself from its competitors and can maintain the leading position in the market. In day-to-day activities, these CEOs do not get involve in the operational details of the organization. They are focused on corporate policies that will strengthen their organizations.

They value employees who demonstrate expertise and share their expertise with others.

#### 4) The Box Approach

This approach is similar to the human-assets approach. Like the human-assets approach, the CEOs try to build the organization in such a way that under any circumstances, each individual in the organization will act just as the CEO would. This is achieved by enforcing standard operating procedures (SOP) and the employees are encouraged to think and act independently within the framework of the SOPs. Thus, the CEOs main focus is communication. The box approach could be stifling, however, it can bring clarity to everyone involved in-day-to-day activities.

#### 5) The Change Approach

In the change approach, the CEOs' role is to oversee change (overhaul) in every aspect of the organization. They believe that change is the best way to deliver consistently extraordinary results. The idea is to improve their organization through continuous renewal. Change is almost controversial and is often met with daunting resistance. If the change is not aligned with the underlying strategic vision, then change will bring controversy and resentment. The most challenging among the five leadership approaches is this approach: it is the most demanding and a leader needs to be versatile and knowledgeable enough to be successful. Many hi-tech CEOs follow this approach where they must have the vision and technical excellence to guide his or her organization to meaningful changes.