

MY SAY: Nurturing a KIP culture

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Move over BRIC (Brazil, Russia, India, China). Now, it's time for the PIIGS (Portugal, Italy, Ireland, Greece, Spain). Of the PIIGS, Greece is very much in the limelight, perhaps for the wrong reasons. Right or wrong, there is always a lesson to learn, that is, key intangible performance (KIP).

What seems clear is that the trail of flawed practices of America's toxic banking and financial institutions is now visible in other parts of the world, with Greece being a case in point. In some respects, it is reminiscent of the outrage that the US banking sector created recently. As the crisis deepens, this becomes even clearer, despite being cleverly camouflaged by an unscrupulous institution until recently.

As noted by Reuters columnist, James Saft (*International Herald Tribune*, Feb 17) and the international press, "Goldman Sachs was widely reported to have arranged a swap transaction for Greece early in the past decade that was structured in such a way to provide the country with US\$1 billion upfront in exchange for higher payments much later". It is said the large and lucrative deal would have turned other investment banks green with envy.

That said, the New York-based company was paid about US\$300 million in fees for a 2001 deal that helped Greece borrow "billions". Its apparent involvement in Greece seems to present "an invitation to construct a story line in which evil bankers once again loot and pillage their way through society", observed Saft, although some claim that nothing illegal was done, regardless of the far-reaching implications.

Some have likened the situation to the infamous Enron scandal. When it was eventually exposed, Enron owed billions in debt, which, critics say, could also happen to Greece. What is most unfortunate is that Greece is said to have misled the rest of the world, especially its European counterparts. Just like Enron, it duped its investors. The scandal apparently has presented the euro with the biggest challenge since its inception some 10 years ago. Some even see it as a possible "attack" on the single currency.

The jury is still out on how the situation will finally be resolved and whether it will drag Portugal, Italy, Ireland and Spain into a similar crisis. What is for sure is that we have learnt nothing from the previous fiascos.

Increasingly, there is evidence of manipulative statistical methods being used to conceal the true extent of the situation in Greece. The EU statistical office issued, with a stinging critique, financial data on how Greece chose a so-called complex financial instrument to disguise the management of mounting debt through currency swaps.

There are also suggestions that undue political pressure was exerted on the Greek National Statistical Service, akin to what the UK Office of National Statistics was subjected to not too long ago, writes Patience Wheatcroft (*Wall Street Journal, Europe*, Feb 16). Her article on Greece's Enron-style accounting without denting the balance sheet sounds familiar enough.

She says: "The likelihood is that much of Europe has been practising a bit of prestidigitation when it comes to producing accounts. Investment bankers may have been ready and willing to help, in return for a fat fee; they needed willing clients. Politicians trying to con their electorates and the bond market are wonderfully susceptible." Most probably, this applies to Asia and the rest of the world as well.

This is where the significance of nurturing KIP comes in. As Saft pointed out, it is one thing if an uneducated individual or a company was involved but another if it is a sovereign country within the euro zone. Greece is not alone when it comes to juggling its finances in difficult times when weaknesses in ethical practices make things more vulnerable.

On the home front, one need only recall the scathing Auditor-General's report to get an idea of how bad things can be. Until the characteristics of KIP, such as honesty and strong ethics, are given importance, Portugal, Italy, Ireland and Spain could go down the same path as Greece.

In short, unless KIP is made an overarching practice, we may have to summon more than the ancient Greek gods to discipline the pigheadedness of those that cheat.

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