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Topic 3: Statistical Systems / Administration & Management of Statistical Organizations

Organizational transformation of the Department of Statistics, Malaysia: Implications for the future

by

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Abstract

Following a strong directive from the government to revamp or overhaul the Department of Statistics, Malaysia, a major organizational transformation is under way. Funded by the central bank, a consulting firm has been engaged to come up with recommendations to strengthen the department with respect to organization structure and human resource requirement as well as to act as an independent Project Management Office to oversee the overall transformation which is to take place over the next three years. Three task forces have been set up to assist the consultants on the more technical aspects of the exercise, specifically with respect to : (1) data gaps & administrative data; (2) common national registries; and (3) data codes, definitions & classifications. Focusing on the organization structure and human capital management, the paper presents the proposed flatter organization and discusses the implications of the intended shift from the pyramid to the diamond shaped structure.

1. BACKGROUND

In January 2004, the Prime Minister of Malaysia announced that the Department of Statistics, Malaysia (DOSM) shall be overhauled in order to make it more business friendly. This was indeed long overdue, considering the fact that the Department has undergone little or no major revamp since its establishment in the 1960's. The Central Bank of Malaysia, Bank Negara Malaysia (BNM) was given the responsibility to oversee the review and its intended transformation.

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A review committee was formed with the Deputy Governor of the BNM as the chairman. The following four working groups reported to the committee on a regular basis.

- a. Data and Compilation - headed by DOSM
- b. Systems and Processes - headed by BNM
- c. Data Output and Dissemination - headed by EPU
- d. Resources - headed by Treasury

Considering Statistics Canada's international status as one of the leading statistical agencies, five officers from the Economic Planning Unit (EPU); BNM, and DOSM visited the Statistics Canada office to gain exposure and insight on the direction of the intended transformation.

A project Consultant was then engaged and started his work at the Department in October 2004. He submitted his final report to the BNM in February 2005.

Then on 28th October 2005, the Governor of BNM presented a report on DOSM's review to a committee chaired by the PM, and the recommendations were accepted for implementation.

The five-year implementation plan has defined roles and steps for DOSM, among which are:

- A. To formalise DOSM's role as:
 - i. the national authority on statistical standards; and
 - ii. the main statistical coordinator which is expected to initiate data sharing arrangements among relevant government departments and agencies.
- B. To closely monitor the implementation of 5-year ICT Strategic Plan (ISP).

C. To reorganise DOSM into a flatter organisation structure with four main programs.

D. To form three Task Forces to perform the following roles :

- i. To synchronise business registries and prepare proposal for development of common national business & company registries and individual profile databases
- ii. To assess data gaps and review administrative records
- iii. To develop national statistical standards and standardise definitions, classifications and procedures

2. PRESENT ORGANISATION

The present organisation structure has 3 main programs comprising of the Macro & Development Program, the Socio-economic & Trade Program and the Common & Support Services Program. There are a total of 17 Divisions. Besides, there are 14 State Offices with some of the larger states having several operational centres (Refer to the organisation chart in **Appendix A**).

3. PROPOSED ORGANISATION

The proposed organisation structure is expected to address the shortcomings of the existing structure. Several new divisions are proposed to cater for the new and growing areas, as follows:

- i. Agriculture & Agro Based Industries Statistics Division;
- ii. Economic Data Base
- iii. Social & Demographic Data Base
- iv. Coordination Unit for the State Offices and Cadre Service Officers.

(Refer to the organisation chart in **Appendix B**)

4. FUTURE AREAS OF FOCUS

However, even after the restructuring exercise, there is still a limit as to what DOSM can effectively perform. Looking at the growing number of tasks and the new challenges they pose, it is important for DOSM to evaluate their relative priorities before coming up with a few areas of focus in the near future. Although both the proposed National Statistical Council (NSC) and the Main User Committee (MUC) are expected to provide the judgement and authority in filtering the requests for DOSM's services, it is DOSM's responsibility to provide the relevant inputs for their deliberations.

One of the areas identified relates to developing common national business registries, individual data base and metadata. Although this may have been initiated before, albeit with limited success, it is important for DOSM to take up the challenge. Considering that the success of the endeavour is very much dependent on the commitment and involvement of the relevant agencies, regular interactions with them as well as the influence of NSC and MUC are expected to play a crucial role.

For the data structure of the establishment frame, based on a user requirements study, 29 fields have been proposed. Two new fields i.e. building units & commercial quarters have been added.

For the data structure of the individual frame, based on user requirements study 18 fields have been proposed, out of which 11 are new fields to be added while the 7 existing data fields in the Census Frame Database System (SPDRB) would be maintained.

With the above proposals, the architecture of the national sampling frame would consist of the business establishment frame, the individual frame and the digital mapping system.

Data requirements and user needs seldom diminish but keep on expanding, thus giving rise to the need to explore avenues to make full use of available data from other sources. In this connection, the use of administrative data has so far been limited. DOSM's focus then is to address the data gaps and to fulfil requests for the 9th Malaysian Plan which was tabled by the Prime Minister on the 1st September of 2006.

Finally, some focus is also given to standardisation of definitions, classifications and codes. This has to be an on-going exercise to cater for the changes.

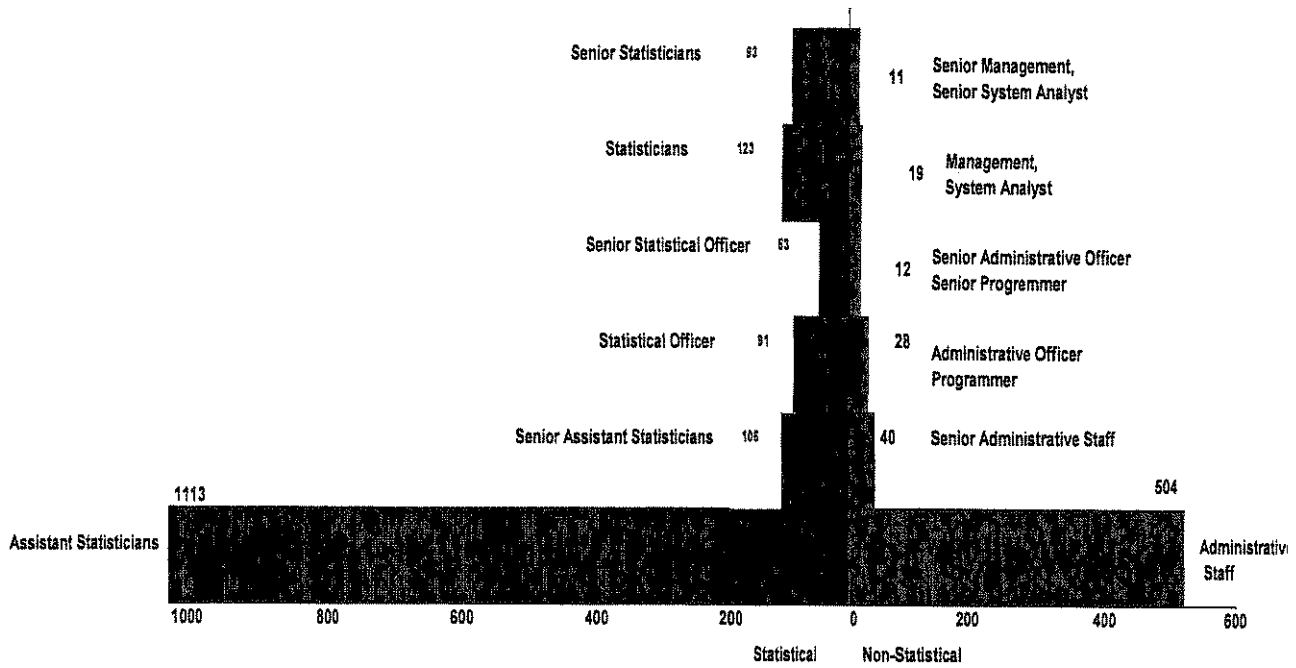
5. IMPLEMENTATION PLAN

Drafting of the implementation plan for this transformation was attempted way back in 2004, with some initial findings and recommendations. The full scale implementation should start in 2007 for a 3-year period till 2009. The implementation is monitored by a private project management office (PMO) funded by the Central Bank of Malaysia.

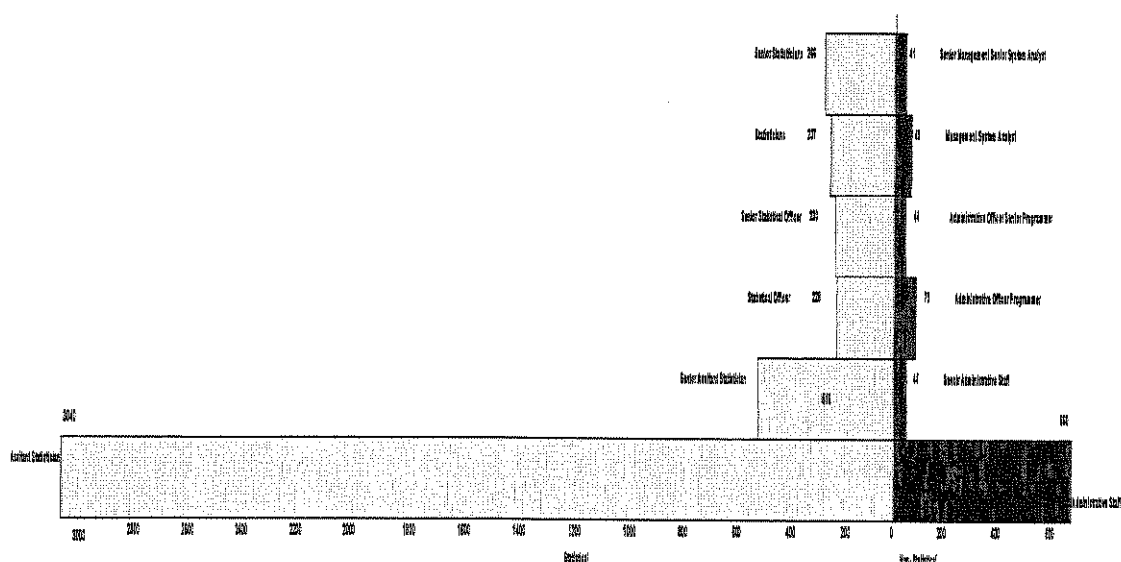
6. FUTURE IMPLICATIONS

In the short term, a flatter 'pyramid' is proposed. A comparison of the organisation charts in **Appendix A** and **Appendix B** highlights the major changes to the existing structure. Ultimately, in the long term, the plan is to shift to a 'diamond-shaped' organisation structure as illustrated in **Appendix C**. Some of the main considerations in implementing changes to the organization structure are presented below.

Dosm's Staff Strength - Current



Dosm's Staff Strength – Proposed (short term)



- a. The human capital management has to take into consideration the recruitment procedure, salary structure and avenue for career advancement.
- b. In the current era, knowledge workers are highly valued. As such, in a statistical agency, statistical know-how is important not only for the proper functioning of the department but also to uphold the professionalism associated with the said institution. At this point, one cannot run away from ICT know-how which has become a part and parcel of our working environment. Besides the 'hard-skills' mentioned above, 'soft-skills' too, have reserved a permanent place in our working environment. For example, a lot of emphasis is placed on communication skills, which includes not only oral and writing skills but also listening skills as well. These attributes are entrenched in the human resource development today.

- c. Government agencies' request for small area data or micro level statistics is increasing due to the need to monitor the effectiveness of public policies, especially pertaining to the impacts on the intended target groups or focussed areas. Statistics are required for the various levels of details (e.g., sub-national, district, administrative and municipal boundaries).

Due to changes in the social and economic structures, new and emerging sectors (e.g. ICT & E-commerce, biotechnology) and issues (e.g. integrity, consumer satisfaction) are gaining prominence. The new developments have posed new challenges to statistical agencies.

- d. The growing and changing requirements of statistical data in some critical areas have necessitated the creation of expert groups in some fields like the National Accounts, Poverty Measurements (Urban) and ICT related statistics.

Strengthening training capability and capacity is particularly important in the case of a 'technical-based' organisation like DOSM. Knowledge sharing is crucial so that new thoughts, methods and information are known to a wider audience. The setting up of the Statistical Training Institute in Malaysia by 2007 is an important step in institutionalizing such knowledge sharing efforts.

7. CONCLUSION

The intended overall transformation of DOSM is expected to have a far reaching effect on its delivery system as well as the human capital development within the department.

The above mentioned transformation, nonetheless, must come hand in hand with attitudinal transformation of the members of the organisation. A paradigm shift in the

thinking, removal of mental blocks and more pertinently, the 'buy-in' and 'ownership' of the organisation's mission and vision are vital in ensuring the success of the organisation.

DOSM's immediate shift is to a flatter pyramid, which over time, will eventually lead to a 'diamond shaped' structure. The 'diamond shaped' organisation would mean that the number of staff in the middle and upper middle will be more than the lower level staff. There will thus be relatively more people with higher qualification compared to those with lower educational levels. They should then be required to perform in accordance with their diploma, degree or higher degree attainments. Presumably, we can assume that the output would be of better quality.

Prior to the ultimate transformation into a 'diamond shaped' structure, a flatter pyramid is recommended for the first phase. There are a few factors to be taken into account to warrant this flatter pyramid.

Firstly, there is no out-sourcing of data collection in DOSM at the current moment. Field operations are increasing and thus, a larger number of lower level staff is needed to do this job.

Secondly, the present work processes and systems are maintained. This being the case, it would be unwise to think of reducing the number of staff and a more logical step would be to study the processes and the systems, and then down-size accordingly.

Thirdly, the ICT Strategic Plan (ISP) for DOSM is not expected to be fully implemented in the immediate future. Greater usage of ICT would potentially lead to reduction of lower level staff, while greater employment opportunities will be created for the more skilled workers.

Thirdly, data sharing among users is currently limited due to lack of data sharing arrangements. It should be noted that some of the data users, such as the various government agencies, are themselves data providers.

Shifting a substantial portion of the wider base to form the middle bulge of the 'diamond' would entail massive upgrading of skills and qualifications, facilitated perhaps by the establishment of the Statistical Training Institute.

Substitution of the large number of lower level posts with relatively fewer additional middle level posts after the first phase of restructuring would require going through another round of bureaucratic process of obtaining approval from the authorities concerned.