

ALL THE RIGHT INGREDIENTS

Partners Mohamed Shah Abdul Kadir, McDonald's MD, and Vincent Tan go back a long way together.

WHEN TAN SRI Vincent Tan Chee Yioun, group chief executive officer of Berjaya Group Bhd, got the McDonald's franchise for Malaysia in 1982, he had no title to his name and was unknown in the corporate circles, though he was a successful life insurance agent for American International Assurance (AIA). But with McDonald's, he became 'McTan' and got his big break.

The franchise gave him credibility and put him on the platform to corporate stardom. The reason: in addition to Tan, McDonald's was aggressively courted by several other large and well-established Malaysian concerns prior to starting business here. And Tan managed to convince executives of McDonald's Corporation to award him the franchise. His reputation blossomed and he became a young, aggressive businessman to be reckoned with.

Perseverance has paid off. The reward was sweet, considering that he had pursued McDonald's for more than eight years from the time he read about the fast-food chain in *Time* magazine in 1973. Currently Tan is no longer running McDonald's even though he is still the largest local shareholder. Mohamed Shah Abdul Kadir, McDonald's other major shareholder, is managing director (see accompanying story for share equity structure). As Shah puts it, it is 'a unique kind of situation' that Tan is a dormant, major local shareholder which is contrary to the McDonald's owner-operator philosophy.

Tan is steering a much bigger corporate group – Berjaya – these days. There is not enough time for him to be hands-on in McDonald's. 'If you're not actually hands-on, it's rather difficult to lead and motivate a team and to ensure that there's sustained growth, and to make sure that there's profitability in the end,' Shah explains.

Tan had discussions with McDonald's Corporation in 1988 and brought with him Shah, who was still an undischarged bankrupt then. They met up in Hong Kong. After some intensive discussions and negotiations, there was an agreement for Tan to relinquish his managing directorship.

Shah was made the managing director designate, but there were conditions attached. In addition to obtaining permission from the Malaysian High Court to be on the Golden Arches Restaurants' board of directors as required under the provisions of the Company's Act, Shah had to undergo and complete the rigorous McDonald's training programme which includes stints in the McDonald's Hamburger University in Oak Brook, Illinois. According to Shah, that was to make sure that 'he likes the job and the job likes him'.

Shah recounts an incident when he was still the managing director designate. While cooking burgers and cleaning the grill at a McDonald's restaurant one day, a crew member came up to him and asked: 'Excuse me uncle, aren't you a little old to be a crew member? How long have you been unemployed?' Shah replied: 'Times are hard and I have a few children to maintain.' News about him being the managing director designate was still a secret then.

In total, Shah trained for 1½ years before he was officially appointed managing director. That was in May 1989. He was discharged of bankruptcy on Oct 3,1990. Says he, 'I'm glad it's all over. It feels good to be born again.'

'I have a feeling that I manage other people's money better than I manage my own money,' Shah adds. 'My children see that in me, and they get their pocket allowances raised easily. My employees cannot get a raise in their salaries that easily because it's Vincent's money and I have to control it.'

Beyond financial assistance, Shah is grateful to Tan for the trust he has shown him. The recession years were a bad time for most people in Malaysia. Many companies folded up and Shah was one of them who went down with the ship. Executives close to Tan say that it was through no fault of his own. Shah was one of the directors in a construction engineering company, the now defunct Kumpulan Pantai which was involved in the constructions of palm oil mills and power stations.

Shah, in recalling the unfortunate incident, says, 'If you don't see the light at the end of the tunnel, it's better to close shop and get everybody out; bite the bullet instead of dying the slow death.' That he did. And in 1985 that he joined Tan as a full-time partner and director in his businesses.

To say that Shah is grateful to Tan is putting things mildly. 'It's not easy for people to trust you especially when you have been in that kind of a rut. But Vincent trusts me a lot and really believes in my managerial skills. And since 1985, I have not proven him wrong yet,' Shah says. 'All the companies that I've touched, other than Sports Toto and McDonald's, have turn to gold for him.' He was referring to the Pulau Tioman project, Plaza Damansara and a few other companies.

Shah relationship with Tan stretches to as far as 1971 when Tan showed up one day to sell Shah a life insurance policy.

'I like his style,' Shah says. 'He's very aggressive and to shake him off, I bought a policy from him.' The relationship obviously did not stop there.

'We were good friends, we still are, and today we're business partners,' says Shah.

But will Tan keep his shares in McDonald's despite its stream of red ink? Executives close to Tan hint that he may sell them. Shah doubts it. 'Even though Vincent could make better use of his money elsewhere for better immediate returns, I don't think he'll sell his McDonald's shares,' Shah says. 'He's very sentimental about McDonald's.'

Sources close to McDonald's also say that it was agreed that Tan will not inject more personal funds into McDonald's to increase his stake. 'Unless, of course he wants to give McDonald's a cheap loan,' Shah jokingly says. Tan also is not able to take funds out from McDonald's for his other businesses.

'I don't think he needs any funds from McDonald's; we're a net borrower anyway,' Shah explains. 'There's a dividend policy, but there's no dividend to declare at the moment. Vincent is able to take out dividends but as for the share equity ratio, it will remain the same throughout (even though there are options to change).'

There is a formula in the agreement drawn up with McDonald's Corporation in which Shah could buy up all the shares on the local partnership side. McDonald's Corporation can buy up the shares, too.

'But I'm happy with the tripartite arrangement because I see no hindrances to Vincent being a shareholder,' Shah says. 'The advantage of him being a shareholder is he has been in the business for years before. And he knows what's going on.'

It appears that employees at McDonald's like Shah, commending him for his leadership and management skills. Shah has this to say: 'In reality, the McDonald's business takes more of a system than a man to make it successful. But of course you've got to have the man – someone who's dedicated to the system.'

Tan had his break with McDonald's. Will it be the same for Shah?