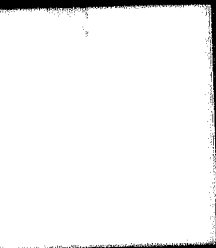


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**A STUDY ON MANAGING CHANGE DURING
ECONOMIC CRISIS WITH SPECIAL REFERENCE TO THE
CASE OF CONSOLIDATED CABLE SDN BHD**

BY

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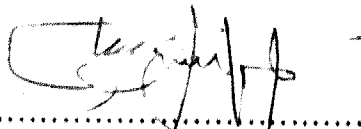
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ABSTRACT

The primary aim of this dissertation is to analyse and present the concept of managing change during economic crisis within the context of the Malaysian business scene. This evaluation is made based on the actual experience of Consolidated Cable Sdn Bhd, a power cable manufacturing company in weathering the economic storm through the adoption of changes in their business strategies in terms of financial, marketing, human resources and competitive landscapes. Equally essential is the identification of the benefits, pitfalls and challenges encountered by the staff and management of Consolidated Cable in the process of managing strategic and operational change. Literature review of the concepts of managing change and crisis management were also explained. The root causes of the economic crisis and the recovery action taken by the Malaysian government to counter the economic crisis and its impact to the Malaysian business sector are also highlighted. By understanding the background of the case study company (CCAB) and their business operation, it was possible to portray the impact of economic crisis on the company's business performance. Highlights of their management turnaround strategies for future survival, growth and long-term viability are also explained. From the analysis and findings, conclusions and recommendations are exhibited for the benefit of the company and other businesses in dealing with the challenges of change and economic crisis.

ABBREVIATIONS

AFTA	-	Asean Free Trade Area (AFTA)
BNM	-	Bank Negara Malaysia
CCAB	-	Consolidated Cable Sdn Bhd
CPI	-	Consumer Price Index
FDI	-	Foreign Direct Investment
IMF	-	International Monetary Fund
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
KLIBOR	-	Kuala Lumpur Interbank Offer Rate
KLSCC	-	KL Strategic Change Consultancy
MSC	-	Multimedia Super Corridor
NERP	-	National Economic Recovery Plan
NPL	-	Non-performing loans
OEM	-	Overseas Equipment Manufacturing
PPP	-	Purchasing Power Parity
QFR	-	Quality Field Report
R&D	-	Research and Development
RM	-	Ringgit Malaysia
RWCR	-	Risk Weighted Capital Ratio
SRR	-	Statutory Reserve Requirement
US \$	-	US Dollar

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Chapter 1

RESEARCH PURPOSE AND SCOPE

1.1 INTRODUCTION AND BACKGROUND OF STUDY

Anticipation of uncertain events is not sufficient for a company to survive and sustain its competitiveness in the market place without adequate capabilities of managing the required change. Companies are exposed to controllable and uncontrollable factors that may jeopardize or enhance their position in the market. With reference to the recent economic downturn in Malaysia, many companies collapsed due to their inability to manage change. They were slow to revive their strategies and implement the intended changes.

Recent experiences of many companies particularly in this Asian region, indicated that failure to manage change causes tremendous negative impact on the overall economy. With regards to the recent economic crisis experiences, I strongly feel that 'Managing Change During Economic Crisis' is an important area to study particularly the practical experience of the selected company under study in comparison with the theoretical aspects of managing change.

This dissertation is divided into 4 subtopics. Chapter 2 deals with the first topic by drawing upon various literatures to review and provide the essential background to fully understand the new mode of thought of managing change. The literature review addresses issues that drive change and the organizational change process. It also identifies factors that hinder successful change and effective ways of managing change.

Chapter 3 delves into the recent economic crisis and the actions taken by the Malaysian government to revitalize the economy. It also examines in-depth the causes underlying the economic crisis, its impact on the Malaysian business sector and the needs for implementing change.

Chapter 4 describes the profile of the case study Company and outlines its principal operational activities. The impact of the 1997 economic crisis on its performance and their recovery strategies in managing the impact of economic crisis are also highlighted.

This sets the stage for Chapter 5, the final chapter, where recommendations and conclusions based on my literature review, personal observations and CCab management experience are described for managerial solutions in dwelling with managing change during and beyond the economic crisis.

1.2 OBJECTIVES OF STUDY

This research explores the means of managing change during economic crisis with specific reference to a medium size power cable manufacturing company. Detailed literature review on managing change and crisis management topics will be discussed, analysed and later compared with the actual experience of the case study company. This is crucial under unfavourable economic situation faced by most Asian countries. Although crises occur in every economic cycle, most companies tend to ignore the fact as they are too carried away during good times with over expansion, high wastage, extravagant spending and heavy borrowings. The recent economic crisis has caught many companies off-balance with severe cash flow problems amidst tighter liquidity. Highly leveraged companies were suddenly confronted with rapidly mounting interest payments as interest rates rose and currencies depreciated. Due to financial distress, many companies defaulted on loan repayment or declared bankrupt.

The objectives of the study are as follows:

- 1) To briefly review the concept of managing change, factors influencing change, the change process as well as the barriers to successful change and rules for managing change effectively.

- 2) To examine the concept of crisis management, the common mistakes made by organisations in responding to a crisis and how these mistakes can be avoided.
- 3) To study how a bumiputera Malaysian company faced the economic crisis and its strategies to overcome the crisis.
- 4) To outline the Malaysian government strategies in weathering economic crisis.
- 5) To provide recommendations for managing change effectively for future references.

1.3 RESEARCH METHODOLOGY

A case study method is used for this research. The case study of a single power cable company provides description of an actual situation and valuable evidence of the real issues involved.

For the purpose of this research, both primary and secondary qualitative data were collected and explained. Observations on the company operation and personal interviews with the key management personnel of the company in study make up the primary data. The secondary data were mainly collected through a desk research.

1.3.1 Desk Research

Secondary data were obtained through desk research of relevant literature such as books, magazines, journals, pamphlets and newspaper articles, both from local and foreign origins. Most of the literature research was carried out at the International Islamic University Library, Malaysian National Library and University Technology Mara Library. Company Profile of the entity involved was obtained from the company itself. The collection of data and information through this methodology serves the purpose of reviewing the past and current trends of how companies manage change or crisis.

1.3.2 Personal Interviews

Personal interviews form major part of the primary data collection process. The personal interviews were conducted in an unstructured manner so as to allow interactions that can facilitate clarification of questions as outlined in Appendix A. This manner of interviewing also allows researchers to probe for specific meanings in the responses made (Brannen, 1992). Face-to-face interviews were undertaken to enable the researcher to interpret the interview questions so as to acquire the most valid response (Rhode, 1972). Interviews also allowed the researcher “access to matters which were rarely publicly discussed, or which were not discussed openly in a public context” (Bryman, 1988, p. 28).

Thus, the interviews in this research were carried out in an informal and interactive manner, rather than in a formal and standardized way. In the unstructured interviews, the researcher had in his mind certain topics concerning managing change as outlined in Appendix A.

The interviews involved personnel from various departments who were directly involved in managing the company's daily operations. The purpose of the interviews was to obtain clarification regarding certain issues, to gather information, to generate ideas, and to verify the researcher's understanding of the research topic.

The interviews were conducted with the following personnel of CCab:

- i. Encik Syed Abdul Rani bin Syed Abdullah
Managing Director

- ii. Encik Mohlis bin Ahmad Milatu
Director of Operation

- iii. Encik Sofian bin Shamsuddin
Group General Manager Marketing & Corporate Affairs

- iv. Encik Mohd Sapuan bin Hj. Ali
General Manager, Business R & D

- v. Encik Ishak bin Sulaiman
Financial Controller

- vi. Encik Nahar Azmi bin Samsuddin
Manufacturing Manager

Chapter 2

MANAGING CHANGE AND CRISIS MANAGEMENT: A LITERATURE REVIEW

2.1 OVERVIEW OF MANAGING CHANGE

“Change is the law of life. And those who look only to the past and present are certain to miss the future.”

-John Fitzgerald Kennedy

Sharma (1982) defines change as any alteration in the present state of a system. He further explains that change occurs when managers determine that the configuration of the components in the current state is not effective and the organization must be reshaped.

The management of change is about recognising the need for change and determining how to provide an effective response to some significant threat or opportunity arising outside of the organisation ¹. People and organizations need to change in order to survive and face the challenges. The nature of competition is changing rapidly with more demanding and sophisticated customers as well as accelerating technological change. The managerial thinking needs to change

as management work itself undergoes change. Wang (1994, p.17) provides a rationale for change in stating that “markets change, tastes change, so the companies and the individuals who choose to compete in those markets must change”.

Literally, Oxford Dictionary defines managing change as the control of the process of transforming or becoming differently from the past in terms of nature, character, action and thinking.

Pettigrew (1985, p. 82), argues that “changes within an organization take place both in response to business and economic events and to processes of managerial perception, choice and actions. Managers in this sense see events taking place that, to them, signal the need for change. They also perceive the internal context of change as it relates to structure, the system of power and control to get further clues whether it is worth trying to introduce change”.

Beckhard and Harris (1987) focus on the importance of the transition state through which the organization must navigate in order to evolve from its “present state” to its “desired future state”. Members of an organization first realize their dissatisfaction with the current state and then identify a desired future state, thus describing the new role, function or structure that the organization needs to adopt.

¹ Moberg & Caldwell (1988, pp.191-211).

Previously, the appetite of change is mostly driven by fear. Increasingly today, vision has become the driving force for change as companies examine their strategies, structures and systems to achieve their vision. This ‘vision-building’ for change helps to give clear view of the direction towards which the company is moving. For example, when the organization tries to anticipate problems in the market place or negate the impact of worldwide recession on its own business, proactive change is taking place (Huczynski and Buchanan, 1991). However, this approach relies on strong leadership role to direct the change. Practically, managing change is difficult and very complex to handle as it involves many imponderables that are continuously changing such as people attitude and behavior. It also relies on managers understanding what organization change entails and what has to be present for it to be successful.

2.2 FACTORS INFLUENCING CHANGE

Tan (1997) focuses on three critical factors of change: external factors, internal driving factors and internal restraining factors. Examples of the external driving factors include increased competition, technology innovation, rise in customer sophistication and demand, industry regulation changes, increasing awareness on labor rights (in terms of benefits and wages) and changes in economy. Internal driving factors, which can be seen as the symptoms of change, relates to decreased profit, lower-market share, low productivity, high staff turnover and operational deficiency resulting in customer complaints. He also lists the

factors inhibiting organizations from undertaking change which include lack of resources and performance indicators to gauge actual results, lack of understanding of customer needs and disregard of employee view (Refer to Table 1).

According to Tan (op.cit.), although there are strong external and internal pressures for organizations to change, these factors may be countered by more compelling internal restraining factors in the form of blatant ignoring of the competition or acceptance of decreasing profit as a result of lower sales. Management often attributes these facts to market conditions or the power of 'big boys' in cornering the market (unhealthy competition practised by big companies). At the end, the company remains in status quo, making no response to the external driving factors of change.

Table 2 illustrates his observation on how the internal driving forces can overcome both external driving factors and internal restraining factors to alter the status quo. Examples of the internal driving factors are undertaking competitor benchmarking, analyzing customer needs, conducting employee satisfaction survey, implementing training programs and assessing business impact of regulations. Fast or slow action for change to be implemented will depend on how strong the internal driving factors in counteracting the restraining factors.

TABLE 1**THE INTERPLAY OF EXTERNAL AND INTERNAL FACTORS OF CHANGE (Resulting in maintenance of status quo)**

External Driving Factors	Internal Restraining Factors	Internal Driving Factors	More Restraining Factors	Response to Driving Factors
Increased Competition	Ignoring Competition	Profit Drop	Acceptance of lower profit	Maintain status quo
Technological innovation	Lack of Resources	Outdated, inefficient operations resulting in customer complaints	Acceptance of lower prices	Maintain status quo
Increased customer sophistication and demand	Lack of understanding of customer needs	Lower sales, lower market share	Acceptance of lower sales and market share	Maintain status quo
Increased employee demands	Lack of understanding of employee needs	Lower morale and productivity, higher staff turnover	No staff training, poaching, acceptance of lower productivity	Maintain status quo
Regulatory changes	Lack of assessment of regulatory impact on business	Lower business performance	Rationalizing lower performance and blaming changes	Maintain status quo