

# CHAPTER 1

## INTRODUCTION

### 1.1 INTRODUCTION

The economic crisis engulfing the Asian region has reached a formidable proportion since the devaluation of most Asian currencies in the middle of 1997. Many countries have experienced a slump in economic activities as such. Although most countries throughout 1997 sustained positive growth, the economies of most countries registered negative growth throughout 1998. The economic growth figures for the years 1997 and 1998 of selected Asian countries are highlighted in Table 1 below.

Table 1: Gross Domestic Product for Asian Countries in year 1998 and 1999

COUNTRY	1997 GROWTH (%)	1998 GROWTH (%)
China	8.8	7.8
Indonesia	4.6	-15.0
Japan	-0.7	- 2.1
South Korea	5.5	- 5.9
Malaysia	7.8	- 7.0
Philippines	5.2	0.3
Singapore	7.8	1.3
Thailand	-0.4	- 0.7

Source: *Far Eastern Economic Review* - 25 March 1995 (8)  
*Economic Report, Bank Negara Malaysia 1988 - 1998*  
*The Edge* Jan 17 2000

Organizations, from large multinationals to the small backyard industries had been caught off guard as the growth rates enjoyed by countries in the region

came to an abrupt halt. This has led to a slowdown in business activities as such, which, in turn led to the collapse of the private sector in most of the Asian countries. Companies across a large part of Asia continue to face an uphill task in attempting to reverse negative growth rates.

## **1.2 PROJECT OBJECTIVE**

It is against the backdrop of the economic crisis that the project paper will be based upon. The objective of this study is to provide an insight into how a medium sized property developer in Malaysia managed to sustain itself in maintaining its business and remain profitable during these troubled times. The scope of this study includes an overview of the economic crisis in the region, its effect on the property development industry in Malaysia, and the strategies employed by a developer to survive this crisis. The study concentrates on the strategies to overcome the effects of the crisis, examining a property developer in Malaysia in particular.

The crisis itself has taught us an important lesson - which of making the best use of limited resources available, be it financial or non-financial in nature. It essentially looks at how the company has managed to create opportunities and utilize its resources to further put strategies into practice.

The study is concerned with what the company plans and why it is planned. This essentially means highlighting revenue against cost towards an acceptable profit (sometimes it is termed as balanced profit and loss accounts), effective debts and cashflow management, quality management and optimizing marketing and human resource management within the property development industry. Hence, the underlying thrust is that the company operates in competitive environment, made even more competitive in times of the crisis.

In a nutshell, the objectives of the studies are as follows: -

- i. To examine the impact of economic/ financial crisis in year 1997 - 1998 on the property development industry.
- ii. To examine the strategies adopted by a medium sized property developer in response to the crisis.

### **1.3 LEARNING OBJECTIVES.**

The learning objectives of conducting this study are to provide a "helicopter view" of various functional areas within an organization. It indicates the absolute importance and necessity of integration of all various functional areas, be they financial or non-financial in nature, in order for the organization to be successful.

### **1.4 RATIONALE AND SIGNIFICANCE OF THE STUDY**

The rationale for, and significance of this study lies in the fact that many organizations today are facing the task of survival instead of trying to fulfil its original visions and missions. Instead of looking at long-term planning, many organizations are looking at the current situation. Failure to cope with the current situation would mean the end of the organization and hence no need for any long-term vision and mission.

Other than the above, the choice of management problem would be highlighted to yield implications and lessons to be learnt.

### **1.5 LIMITATIONS OF THE STUDY**

The study concerns itself with only the analysis of a company, which has no financial difficulties in terms of borrowings and cashflow in implementing its core business. It does not give an account of first hand experiences of a company strapped by cashflow problems. However, by looking at the strategies adopted by this company to cope with expected problems in this

area, invaluable insights and lessons can be learnt regarding how companies may restructure themselves to protect and deal with such problems in the event that they arise.