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ACI-0422

INVC...ms. 10/2/01

PERPUSTAKAAN UNIVERSITI MALAYA

# REENGINEERING IN A LOCAL MANUFACTURING COMPANY

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Submitted to the Faculty of Business and Accountancy,  
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of requirements for The Degree of  
Master of Business Administration

1998/1999

Dimikrofikasikan pada..... 05.02.2009.  
No. Mikrofis..... 15242  
Jumlah Mikrofis..... 1

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PERPUSTAKAAN UTAMA  
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## ACKNOWLEDGEMENTS

It has indeed been an enlightening three-year programme. My participation in this MBA programme has given me fresh insights into the management of a business. It has exposed me to multifarious aspects of management theories and case studies.

The lectures, assignments and group discussions have enriched me and provided me with the building blocks of management skills. This programme has helped me to focus on issues crucial to the running of a business. The new insights gained have been of great benefit to me and consequently, the company I work in.

I am grateful to the lecturers in University of Malaya for their dedication in transferring their knowledge, thoughts and experience to us. In particular, I am very thankful to the lecturers for their willingness of participating in the courses conducted by Dr. G. Y. Lim, whose critical thinking and evaluation helped me advance to a higher level of thinking.

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I have learnt that MBA programme is not just about business theories and practices but more importantly, about dealing with people, the biggest asset in any company.

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## EXECUTIVE SUMMARY

### The Company

This paper evaluates the situation of a company and analyzes the causes of declining sales and poor profit margins. Founded in 1957, at the dawn of industrialization in Malaysia, ABC has grown to become the largest manufacturer of switchgear in South-East Asia. In the late 70's and early 80's, ABC had looked on the press for a new technology in switchgear and

### The Problem

well-established in the market and proud of its past success. ABC became complacent. Production problems, outdated and delivery conditions, and quality control and quality were an everyday affair. **Executive Summary** In foreign companies and the increasingly arising demands of its main customer, a utility company and potential customers resulted in declining sales and profit margins.

### Restructuring of the Solution

ABC was very much aware that at this stage of maturity of its corporate lifecycle, its structure must be reevaluated and reorganized to gain the competitive edge. Through a reengineering exercise, it had managed to stay up their standards of new processes and a shared vision.

This study is based on the reengineering exercise of two core processes in the engineering department and the Works Department. In the engineering Dept, the regrouping of the design section by product lines and transfer of notes related to engineering and design from a central office to a product-based approach. The individual

## EXECUTIVE SUMMARY

### *The Company*

This paper evaluates the situation of a company and analyses the causes of declining sales and poor profit margins. Founded in 1967, at the dawn of industrialisation in Malaysia, ABC has grown to become the largest manufacturer of switchgear in South-East Asia. In the late 70's and early 80's, ABC had ridden on the crest of a new technology in switchgear and enjoyed the fruits of the product in its growth years.

### *The Problems*

Well-entrenched in the market and proud of its past successes, ABC became complacent. Production problems mounted and delivery commitments were not met. Internal strife and squabbles were an everyday affair. Growing competition from foreign companies and the increasingly exacting demands of its major customer, a utility company and potential international customers resulted in declining sales and profit margins.

### *Restructuring as the Solution*

ABC was very much aware that at this stage of maturity of its corporate lifecycle, its workforce must be revitalised and reenergized to gain the competitive edge. Through a reengineering exercise, it had managed to stir up their excitement of new processes and a shared vision.

This study elaborates on the reengineering exercise of two core processes i.e. the Engineering department and the Works Department. In the Engineering Dept, the regrouping of the design section by product lines and redefining of jobs meant a more focused approach. The individual

teams in the design section could then concentrate on a narrow range of products and develop skills faster and easier. The Works Department moved away from its job-based processes to sub-assemblies. This modularised approach allowed for more flexibility and timely deliveries. Breaking up processes into modules allows concentration on a particular competency in the same manner as the Engineering Dept.

This study explores the various steps undertaken by the company to manage these structural changes. It highlights critical and delicate issues which managers had to handle to smoothen the bumpy transition to meet strategic initiatives. The emphasis on information technology and high technological capabilities to create genuine competitive advantage to stay ahead of competition was also investigated. This study focuses on the responsibilities of the CEO in steering the whole restructuring process.

#### *Problems Encountered in the Reengineering*

As with all changes, the restructuring served to solve certain critical issues but these also resulted in problems such as compartmentalisation and team conflicts. As in the case of the Engineering Dept, new segmentations brought about segregation and accentuated "turf wars". Unclear demarcations in the scope of responsibilities created communication problems that demanded further considerations and refinements. The delay in implementing the reward system made it more difficult to motivate the staff of ABC.

#### *Positive Outcome*

Even as work processes were being put in place, ABC had not forgotten that education played an important role in this information age. The management realised that it could no longer rely wholly on the old practices

of learning-on-the-job nor have the luxury of time for the workers to develop the right skills at their own pace. Therefore, it focused on developing skills quickly to cope with the rapid pace of work and institute stringent demands on quality through dedicated knowledge transfers and executive development programmes. In identifying the various design teams with the different product groups, product ownership is accentuated. This provided opportunity to display creativity and pride in the work. Delivery times were reduced through the implementation of the weekly scheduling and common material listing for the two departments.

### *Recommendations*

Reengineering should not stop at the two departments. Other core processes should have been 'put under the microscope' as well for they too had their weaknesses and failings that must be uncovered and removed.

Apart from the restructuring the processes, ABC should consider recreating its organisational culture to reduce cross-departmental conflict which tended to decrease productivity and raise cost. The managers should be made to realise that competition was out there and not within. Training must be emphasised to raise the level of expertise of the workers. What was also needed were ways to motivate all levels of employees to participate in teamwork. A true unifying concept would produce the necessary stimulant for the people to rally around. The most important determinant of success is the effectiveness of day-to-day interactions between the people. If contacts were contentious, turf-oriented and parochial, the company would flounder, bureaucracy increase and internal competition rampant.

In addition, ABC should also consider the strategic business outlook by looking at the business as a whole and deliberate the need to redesign its value chain so as to serve the company better.

In conclusion, the reengineering exercise in ABC could be said to have achieved restructuring the processes but only partially its objective of delivering profitable growth partially. Much more concerted effort and discipline were needed to make ABC advance into the twenty first century.