

3.0 THE NEED FOR SYSTEMWIDE REENGINEERING

ABC saw a decline in profits and sales in 1996. The major contributing factor to this decline was the loss of one major customer. In the years of rapid growth in early 90's, ABC was dependent on one major customer and had enjoyed the patronage of this customer. However, with globalisation, as more entrants pushed their way into this prime market, bringing along with them more advanced technologies, customers were becoming more sophisticated in their demands. The engineering Manager was drawn into this maelstrom and neglected his department. Due to neglect, errors in processes and systems' procurements, production delays and reworks

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Droping sales and profits in 1996. A preliminary survey, poor product quality, increasing cost of reworks and delivery problems were signs of problems brewing for ABC. Interdepartmental conflicts heightened as the Sales Dept. continued to harp on the internal operational problems. Right from the start of the Sales Dept., the customer was king and the blame was always placed on the company. Engineering and Works departments had constant conflicts. Small issues were blown out of proportion and individuals who bore the brunt of such accusations were fired and discredited. Internal friction grew to the extent that co-operation between departments was lacking and managers became protective instead of

cooperative. In the absence of a clear strategy, the Sales team was slow to increase its market coverage. They had come to believe that the product sells itself in view of the phenomenal success of the past growth. Embroiled in fighting, the top management was slow to react to the external and internal signals. ABC was a victim of its own success, believing that it could sail through just

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Dropping employer ratings in the 1996 company survey, poor product quality, increasing cost of reworks and delivery problems were signs of problems brewing for ABC. Interdepartmental conflicts heightened as the Sales Dept. continued to harp on the internal operational problems. Right or wrong, for the Sales Dept., the customer was king and the blame was always rested on the company. Engineering and Works departments had constant conflicts. Small issues were blown out off proportion and individuals who bore the brunt of such accusations were tired and disheartened. Internal friction grew to the extent that co-operation between departments was lacking and managers became protective instead of productive.

Shrouded in complacency, the Sales team was slow to increase its market coverage. They had come to believe that the 'product sells itself' in view of the tremendous success of the past growth. Embroiled in infighting, the top management was slow to react to the external and internal signals. ABC was a victim of its own success, believing that it could sail through bad

times just as easily.

In late 1996, the shareholders were jolted by the year-end reports which showed drastic drop in sales and profit. Although Malaysia was still experiencing high growth then, the company suffered sales decline due to severe delivery and quality problems which were aggravated by the lack of skilled workforce.

Faced with increasing labour cost, shorter product lifecycle, increased competition, and changing customer demands, ABC was literally walking on a tight rope. If these problems were not handled properly, they would severely affect the businesses of the company. Such early signs had to be reckoned and dealt with for ABC to continue delivering profitable growth. ABC had to look into their weaknesses, minimise internal strife, encourage cooperation, ensure effective communication, and reengineer their processes to reduce operational woes.

Higher levels of service and quality were important to attain the next level of competition. This was particularly difficult when Malaysia was facing a booming economy with an acute shortage of skilled and cheap labour. It was appropriate that the company's strategy in 1997 was targeted at the existing operational problems.

A reengineering exercise was initiated as the company focussed on export markets where specifications and requirements were more stringent. Much of the business process reengineering in ABC focused on two main core activities, i.e., Engineering and Works Dept. The following section deals in detail the restructuring exercise conducted by ABC.

In an age of globalisation, restructuring and rethinking the business

strategy is essential to cope with the rapid pace of technological changes. In view of the numerous production problems arising in the last two years, ABC had emphasised on process reengineering and the redesign of the organisational structure to allow more focus and flexibility to cope with the rapidly changing pace of the business and customer demands.