

## CHAPTER 1 INTRODUCTION

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After three decades of remarkable expansion, the economies of East Asia have gone into a tailspin since July 1997. The currency and financial crisis which started in Thailand has spread to South Korea, Indonesia, Malaysia and Philippines. According to the World Bank Report (1998), this crisis wiped out savings of the middle class and newly rich and the decline in equity values in the region surpassed US\$400 billion. The "tomyam effect" has gone beyond East Asia to affect other countries such as Russia and Brazil. The World Bank's Ninth Annual Global Economic Outlook projected global economic growth rate of minus eight per cent in 1998 and 0.1 per cent in 1999 for the these East Asia countries. On an annual basis, the Malaysia's economy has contracted by 6.4 per cent for the first nine months. The construction sector, one of the growth sectors has declined by a sizeable 28.2 per cent. If the fourth quarter fails to show any improvement, it will be impossible to see a slower GDP growth (-4.8%) and construction sector (-19.2%) for 1998 which was envisaged in Budget 1999 (Malaysia Economic Report 1998/99). The economic turmoil has rendered a lot of abandoned or deferred projects. Companies which were not financially sound faced severe difficulties caused by the financial crunch and saddled with considerable bad debts. By categorising the construction industry as a non-productive sector in July 1997 by the government (latter re-affirmed as productive sector in July 1998) also aggravated the already dampening construction industry. Thus, similar other construction related companies such as Abric Cladding Sdn. Bhd. (ACSB) a fully owned subsidiary of Abric Berhad also face the brunt of the recession.

In view of the above problems, this study has become significantly beneficial and useful in deciding the steps to be taken in order for ACSB to survive through this crisis. With a detail situation audit of ACSB in its internal and

external environment, appropriate strategic plans are recommended for implementation.

## **1.2 OBJECTIVES OF STUDY**

The main aim of this study is to formulate corporate strategies for Abric Cladding Sdn. Bhd. (ACSB). Through the analysis, two levels of strategy actions are recommended. Firstly, to capture and increase ACSB's market share domestically and globally. Secondly, to revitalise ACSB's activities by creating and strengthening its core competencies to sustain its competitive advantages.

Finally, recommended strategic action plans for ACSB are structured for immediate implementation. In this current economic turmoil, although short term plan is much more favourable, we should emphasise on long term plan in order for ACSB to survive and remain competitive in the construction industry.

## **1.3 SCOPE OF STUDY**

This study will be confined to Abric Cladding Sdn. Bhd. (ACSB) a fully owned subsidiary of Abric Berhad. However, the methodology and approach used in this study can be applied to other subsidiary companies.

## **1.4 SOURCES OF INFORMATION**

Only secondary data will be obtained through sources such as publications and periodicals. Oral interview with key customers, ACSB employees, senior managers, and professionals in the construction industry are carried out to get the first hand information on their perceptions on the company.

## **1.5 A BRIEF LITERATURE REVIEW**

The focus fundamental theory on strategy and strategic management model will involve Johnson & Scholes' model, Checkland's SSM, Michael E.Porter's Structural Analysis and Generic Competitive Analysis, SWOT Analysis and Core Competencies Analysis. Checkland's Soft System Methodology or EMD has been employed to analyze ACSB's human resources particularly recognizing and developing employees by initially providing a pure view of having an actual system and then comparing it against an ideal system or model to reveal the strength and weaknesses as well as the inherent effect. In addition, Johnson & Scholes' model will be used to highlight the importance of strategic management with emphasis on various analytical/diagnostic techniques for formulation of appropriate strategies and its subsequent implementation.