

CHAPTER I

INTRODUCTION

Tenaga Nasional Berhad (TNB) formerly known as National Electricity Board (NEB) was privatized in 1990 and listed on the Main Board of the Kuala Lumpur Stock Exchange (KLSE) in 1992. The listing of TNB set some records where the KLSE is concerned. Among them: the largest float and the biggest market capitalization. Also, for the first time in Malaysian listing history, a portion of the shares was tendered out i.e. offered to other organizations for bidding, with the one that quoted the best being offered the shares. By November 1996, 3,080,515,300 shares had been issued to 65,567 shareholders.¹

In order to foster their loyalty and to motivate them, TNB staff were offered an Employee Loyalty Share Option Scheme (ELSOS). Under this scheme, the employees holding the original 'pink form' shares for three years were given additional shares. TNB staff were also offered an Employee Share Option Scheme (ESOS). Under this scheme, additional shares were given to employees based on the average price of the share 5 days after the first day of listing. The number of shares given was based on the employee's length of service and his or her position in TNB. In addition, staff benefits were also enhanced through collective bargaining and incorporated in a collective agreement effective

¹ TNB Annual Corporate & Financial Report 1996, p. 142.

for three years.

After the national blackout in 1992, the federal government gave licenses to independent power producers (IPPs) such as Yeoh Tiong Lay (YTL) and Genting Sanyen to generate power, thus removing TNB's monopoly in this sphere. Based on the total generating capacity of 11,042.5 MW, the IPPs contribution to the grid generation capacity amounted to 31 percent in 1996.

In response to the competition from the IPPs, TNB took steps to be more aggressive in marketing electricity and to explore its business potential in other areas. Three new Strategic Business Enterprises (SBEs) were created in 1996 namely, TRMS Freight Forwarding Services Sdn. Bhd. (TFFS), Tenaga Nasional Repair and Maintenance Sdn. Bhd. (Remaco), and Tenaga Switchgear Sdn. Bhd. In addition, three core Strategic Business Units (SBUs) were formed to ensure the continuous supply of energy, namely, the Generation SBU, the Transmission SBU and the Distribution SBU.

The Generation SBU has formulated various strategies in order to accomplish the mission set by its General Manager: *"to be a leading power generation enterprise and to deliver with quality and at the most competitive cost"*.² These strategies are as follows:-

- (i) To re-engineer the business process by:
 - (a) optimizing generation capabilities and production planning;
 - (b) by setting up an Energy Trading Unit;
 - (c) right sizing and restructuring the Generation SBU; and

² General Manager (Generation) Circular - (Vision Statement), October 7, 1993.

(d) initiating a continuous systems audit and remedial action plan.

(ii) **To implement “change management” by:**

(a) converting power stations into profit centers;

(b) reducing operating costs;

(c) monitoring key parameters;

(d) introducing a business development unit; and

(e) providing business skills to its managers.

One important step taken by the Generation SBU was *to optimize the number of personnel by right-sizing and deploying staff where necessary to other power stations or to other SBUs or TNB subsidiaries*. Most IPPs run power stations with a minimum number of operators. All repair and maintenance work, be it routine or major, are contracted out to original equipment manufacturers (OEMs) or local maintenance contractors. In order to match the productivity of the IPPs and to remain competitive in the power generation industry, the Generation SBU took steps to separate the major repair, overhaul and maintenance functions in its power stations and to group them under the new subsidiary, Tenaga Nasional Repair and Maintenance Sdn. Bhd. (Remaco). Presently, the personnel in the power stations are mostly operators and the small number of maintenance staff required to ensure that the power stations run without interruption. With the small number of maintenance staff available, the operators have to carry out routine maintenance jobs such as changing the oil filters and topping up the lubricating oil.

The privatization of TNB and the introduction of IPPs in the power industry constitute two of the biggest challenges faced by the company and its employees in its

history. This study examines how the challenge of privatization has affected the perceptions and the behavior of the TNB personnel employed in its hydroelectric power stations in terms of their work culture, attitude and motivation on the job.

SIGNIFICANCE OF THE STUDY

The study will be of significant value primarily to the management of the Generation SBU and in particular, the management of the hydroelectric power stations, when designing the strategies that can be taken to resolve the problems encountered by the staff as a result of privatization. It will also benefit the Generation SBU personnel as action will hopefully be taken by the management based on the study on the problems faced by them after privatization.

In addition, the management and personnel of other SBUs such as the Transmission and the Distribution SBU's may find this study useful in improving their working environment. Other Strategic Business Enterprises such as Remaco or Tenaga Nasional Engineering and Consultancy (TNEC) can also benefit from the findings of the study. Besides, the study may help TNB top management in assessing whether the business strategies and planning after privatization of TNB have been well executed and have the support of the employees. The study might also be useful to the top management of other organizations with a set up similar to TNB such as Projek Lebuhraya Utara-Selatan (PLUS), Telekom Malaysian Bhd., Keretapi Tanah Melayu Bhd. (KTMB) and Pos Malaysia Bhd. when implementing the change process in their organizations.

OBJECTIVES

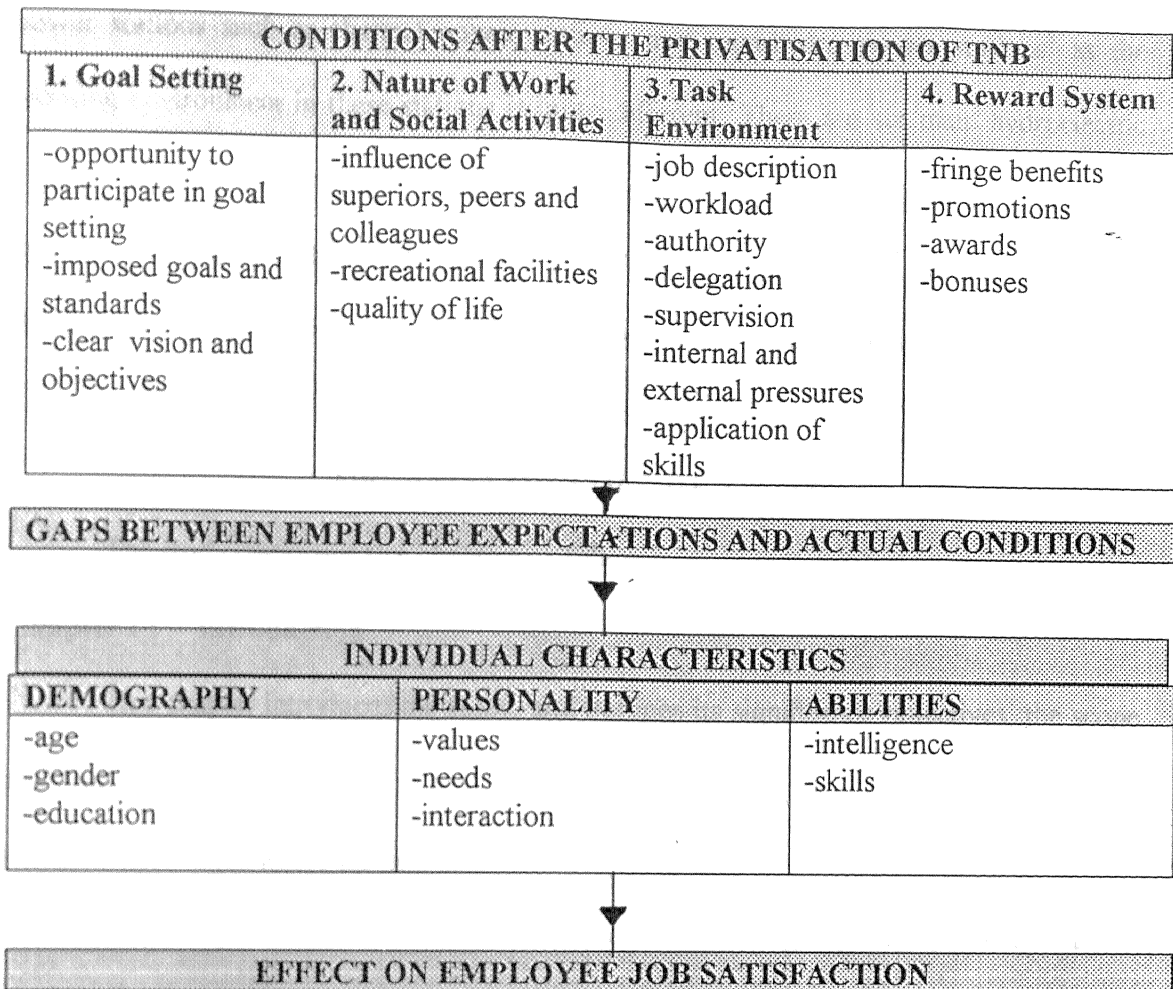
The main objective of the study is to examine the perception of TNB'S hydroelectric power station personnel as regards the privatization of TNB. The specific objectives are:

- (i). to identify the expectations of TNB Hydro personnel before the privatization of TNB;
- (ii). to determine whether the expectations of TNB Hydro personnel have been met after the privatization of TNB;
- (iii). to ascertain the employees' experience of the privatization of TNB with respect to the nature of their jobs; and
- (iv). to determine the employees' experiences of the privatization of TNB with respect to the behavior of their co-workers, superiors and workplace.

METHODOLOGY

The study used the survey approach. Primary data was collected by means of a questionnaire on the perception of the target population on privatization. The target population was divided into two groups namely executives and non-executives. The executive group comprised managers, engineers, technical assistants and administrators, whilst the non-executives comprised technicians, welders, machinists, fitters, drivers, clerks, etc. The data obtained through the questionnaire was analyzed by means of statistical techniques such as frequencies, and ANOVA.

The analytical framework used in the study is an adaptation of the model proposed by Seashore and Taber (1975), and modified by Wexley and Yuki (1977). Figure 1 shows the constructs that influence the job satisfaction of the employees namely; (i) goal-setting, (ii) nature of work and social activities, (iii) task environment, and (iv) reward system. Employee awareness of the change direction and the personality of the employee might also affect his or her job satisfaction. Generally, satisfied employees will have a positive attitude towards work and will work diligently for the organization.



Source: (1) Wexley, K. and Yuki, G. (1977) , Organizational Behavior and Personnel Psychology, Homewood: Richard D. Irwin Inc. (2) Seashore, Stanley E. and Taber, Thomas D., "Job Satisfaction Indicators And Their Correlates": American Behavioral Scientists, Vol. 18(3): 1975, cited by Milton C.R. (1981), Human Resource Behavior in Organizations: Three Levels of Behavior, Englewood Cliffs: Prentice Hall Inc.

Figure 1 : Factors which influence the Job Satisfaction of Employees

SCOPE AND LIMITATIONS

This study analyses the impact of privatization on TNB's hydroelectric power station personnel throughout Peninsular Malaysia. It does not extend to personnel in other

power stations such as thermal power stations and mini-hydro power stations³ as the working environment in these stations is quite different. There are six main hydroelectric power stations in Peninsular Malaysia, employing 400 employees. Furthermore, although hydroelectric power stations personnel are classified in various groups, the study classifies them in only two groups namely executive and non-executive based on their job functions.

ORGANISATION OF THE STUDY

The study comprises five chapters as follows.

Chapter I : Introduction

This chapter introduces the study, and outlines its significance objectives, the scope and limitations of the study.

Chapter II: Literature Review

This chapter reviews the literature on the change process, change agent characteristics, resistance to change, and the problems involved in breaking the functional mind set.

Chapter III: Research Methodology

This chapter explains the research methodology used in the study and describes the sampling procedure, research instrument, data collection method and data analysis

³ The main difference between hydroelectric power stations and mini hydroelectric power stations is that the mini hydroelectric is very small in terms of the power output (less than 1 MW). Furthermore, the mini-hydroelectric power station requires only a few personnel to operate the machines. Currently, the operations and maintenance of mini-hydroelectric power stations are under Projass Engineering Sdn. Bhd. Generally, the hydroelectric power station is generating more than 1 MW. The largest hydroelectric power station in Peninsular Malaysia is located at Pergau, Kelantan with 4 units of generator, generating 600 MW of electricity.

techniques.

Chapter IV: Research Results

This chapter analyses the results of the survey and describes the research findings.

Chapter V: Conclusion

This chapter summarizes the main finding of the study and makes some recommendations on the change process initiated by TNB.