

CHAPTER 1

INTRODUCTION

1.1 The Privatization Of Utilities

The concept of the privatization of state-owned industries was one of the big ideas of the 1980s and this idea continues to be implemented in many countries until now. Electric utilities throughout the world are facing a certain change process caused by the move from strict regulation to the encouragement of competition and the change from fully government-owned organizations to private-owned entities. However the nature and speed of such change differs from nation to nation with one common theme throughout: The utility must run efficiently as a market-oriented business in order to survive. There can be no doubt that privatization has profoundly changed the face of the Malaysian industries. As the result of the privatization program in Malaysia, companies known today as Syarikat Telekom Malaysia and Tenaga Nasional Berhad have been transferred from fully government-controlled entities to public companies listed in the KLSE. Even though the two companies major equities are still under government control, they can still accomplish the goals of privatization.

1.2 A Brief History Of TNB

Tenaga Nasional Berhad (TNB) formerly known as Lembaga Letrik Negara was corporatised in 1990 and subsequently became a company listed on the Main

Board of the Kuala Lumpur Stock Exchange(KLSE). The company is responsible for the generation, transmission and distribution of electricity with approximately 4 million customers. The Malaysian power generation industry used to be monopolized by TNB(LLN) but as the result of the privatization of the electricity industry, the situation now differs. Licenses were given by the Government to the Independent Power Plant Producers (IPPs) to build and operate power plants. Since the proportion of the electricity generated by TNB and the IPPs has been determined by the Government as in the proportion of 70/30, the annual revenue collected by TNB has been substantially affected. Three core Strategic Business Units (SBUs) have been formed in TNB to ensure continuous supply of energy for national development and to upgrade the quality of life. The three SBUs are the Generation SBU, the Transmission SBU and the Distribution SBU.

1.3 Strategic Management Of TNB Generation SBU

Some strategies have been formulated and implemented by TNB Generation's top management in their effort to turn this SBU into an efficient unit and to improve the organization. TNB Generation's General Manager in his Pekeliling Pengurus Besar (Penjanaan) dated 7th October 1993 has indicated the direction where TNB Generation is heading. The mission and vision statement have been constructed which reveal the declaration of TNB Generation's "reason for being" and the long- term vision of what it wants to be and whom it wants to serve.

The mission and vision statements of TNB Generation SBU as per Pekeliling Pengurus Besar (Penjanaan) dated 7th of October, 1993 are describe as follows:

Mission Statement

To effectively manage the generation business using technology and team work to:

- 1) meet performance targets
- 2) satisfy customer needs
- 3) be fully responsible and accountable for resources and outputs and
- 4) care for the environment.

Vision Statement

To be a leading power generation enterprise and deliver with quality and at the most competitive price.

Various strategies have been formulated and implemented to accomplish the set goals and objectives. The objectives and the planned strategies are listed as follows:

a. To re-engineer the business process by:

1. Optimizing generation capabilities or outputs and undertaking short to medium term production planning through the establishment of energy trading unit.
2. Right-sizing the SBU.
3. Continuous system audit and initiation of corrective actions.

b. To implement change management by:

1. Operating power stations as profit centers.
2. Having stations to monitor and reduce cost per unit sent out based on fixed cost and variable cost.
3. Monitoring on periodic basis (monthly) on all key parameters and report on CEO's business review.
4. Establishing the business development unit.
5. Inculcating business skills.

c. To improve the quality of work by:

1. Implementing Total Quality Management.
2. Implementing information such as EIS, FMIS and MMIS.
3. Having better community relations.
4. Setting up of employees occupational safety and health unit.
5. Setting up of plant performance and testing unit.
6. Establishing R & D coordinate committee.

d. To improve human resource management by:

1. Establishing retraining program for all grades of personnel.
2. Formulating multi-skilling initiatives.
3. Implementing a more conducive work environments.

However it is vital for an organization such as TNB Generation which has underwent some improvement process to measure its success. A healthy organization should has a balanced measurement system. The lack of good measurements is one of the obstacle to improvement. If we cannot measure it, we cannot control the organization. There are many types of measurements used in TNB Generation to judge the organization's success. The measurements used are availability, efficiency and performance targets. Another measurement tool that is seen to be very effective in other organizations in USA is the employee opinion survey. All organizations should conduct regular employee opinion surveys to identify problems in the organizations. It is important in such survey that confidentiality and anonymity are maintained if survey results are to be meaningful. This research study is an informal attempt to identify

managerial problems of TNB Generation SBU as perceived by the power station executives.

1.4 The Objectives Of This Study

The objectives of this study are: 1. To identify the ten most important managerial problems in TNB Generation as in the view of its executives in the power stations. 2. To rank these problems in the order of importance and 3. To carry out an analysis on these problems and propose some solutions. Hence in this study, the power station executives will be required to evaluate the current situation in TNB Generation and identify key managerial problems that need immediate attention of the top management. These problems are roadblocks and obstacles that hinder TNB Generation SBU improvement process. Proper problem identification and formulation is essential if our top level managers are to receive the information they need to make corrective actions. This study is done in the hope that it can provide relevant information to the top management so that some actions will be taken in the future to ensure our long term success. This survey will also provides the management with the opportunities to discuss employee concerns and it also provides a proper way to develop corrective actions.