Technology, Globalization and Liberalization:
The Effectiveness Of Pos Malaysia Berhad To Meet Challenges

Naziruddin bin Abd. Rahman

Bachelor of Economic (Hons.),
University Of Malaya
Kuala Lumpur
1980

Diploma in Public Management,
National Institute of Public Administration
Kuala Lumpur
1981

Submitted to the Faculty of Business and Accountancy,
University of Malaya, in partial fulfillment
of the requirements for the Degree of
Master of Business Administration

February 2001
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cover Page</td>
<td>I</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>I</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>I</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>I - VI</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

- REASON FOR EXISTANCE 1
- WEAKNESS SYMPTOM 2
  - Small Return and Profitability 2
  - Eroding Competitive Strengths 3
  - Substitution 3
  - Competition 5
  - Sunset Sector 6
- CONTRIBUTING FACTOR 7
- STUDY OBJECTIVE 7
- TERM OF REFERENCE 7
- METHODOLOGY 8
- SCOPE 9
- DATA COLLECTION 9
- SIGNIFICANCE OF THE STUDY 9
- LIMITATIONS 10
- ORGANIZATION OF THE REPORT 11

## CHAPTER TWO: ORGANIZATIONAL EFFECTIVENESS

- GENERAL VIEW 12
- CONCEPTS AND THEORETICAL APPROACH 12
  - Market and non-Market Organization 14
  - Assessing Effectiveness 14
CHAPTER THREE: OVERVIEW OF POST MALAYSIA BHD. (PMB) 19

SENSE OF DIRECTION 19
Vision 19
Mission 19
Objective and Strategy 19

CORPORATE STRUCTURE 20

STAKEHOLDERS 22

CORE BUSINESS ACTIVITIES 23

SUCCESS FACTORS 25
Modernization 25
Mails 26

Domestic Mail 26
International Mail 27

BUSINESS ENVIRONMENT 28

CHAPTER FIVE: PERFORMANCE ANALYSIS 31

BUSINESS PERFORMANCE 31
Profitability 31

Overall Revenue 33
Operating Revenue 34
Mails Revenue 37
Expenditure 38

Profit 40
Market Share 42
Customer 44

Mail Service Quality 44
Price 46
List Of Tables

Table 4.1: PMB Domestic Mail Service Standard. 45

Table 4.2: Pos Malaysia Bhd. Service Networks, December 2000. 48

Table 5.1: Some Comparison Of Multinational Companies 60

List Of Figures

Figure 1.1: Conceptual Model Of The Impact Of Technology, Globalization And Liberalization On Postal Service Industry. 4

Figure 2.1: Approach To Assess PMB Effectiveness. 18

Figure 3.1: PMB Corporate Structure 2000. 21

Figure 3.2: PMB Business Activities 2000. 24

Figure 3.3: PMB Domestic Mail Business Operations Critical Success Factors. 26

Figure 3.4: Delivery Time and Tariff Structure Success Factors 27

Figure 3.5: PMB Competitive Landscapes. 29

Figure 3.6: Environmental Factors That Influence PMB Effectiveness. 30

Figure 4.1: The Summary of PMB Performance Analysis 32

Figure 4.2: PMB Revenue (Operating and Non-Operating) 1995-1999 (RM Million). 33

Figure 4.3: Trends In PMB Operating And Non-Operating Revenue (1995-1999). 34

Figure 4.4: The Breakdown (%) of PMB Operating Revenue According to Business Activities 1999. 35
Figure 4.5: Trends In PMB Operating Revenue According to Breakdown of Business Activities (1995-1999).

Figure 4.6: Trends In PMB Mails Volume (1996 – 1999)

Figure 4.7: PMB Revenue And Expenditure 1995-1999

Figure 4.8: PMB Expenditure Breakdown (1995-1999)

Figure 4.9: PMB Profit (1995-1999)

Figure 4.10: Malaysian Courier Service Operator Market Share

Figure 4.11: PMB Domestic Networks According To The Type Of Services September 2000

Figure 5.1: World Communication Markets 1995 and 2005

Figure 5.2: International Postal Products Market Growth 1997

Figure 5.3: Malaysian Mails Market 1995 and 1999

Figure 5.4: Summary of Postal Service Competition Intensity

Figure 5.5: Comparative Position Of Post Office Productivity To Some South East Asian, Japan and European Countries In 1998.

Figure 5.6: PMB On Time Delivery Standard Compare With Some Advance Postal Services.

Figure 5.7: PMB Domestic and International Tariffs Compare To Some South East Asia, Japan and European Countries.

Figure 5.8: PMB Resources, Capabilities and Core Competences Analysis

Figure 5.9: PMB SWOT

Figure 6.1: PMB Institutional and Legal Environment

Figure 8.1: Conceptual Model Of The Effect Of Privatization On PMB Effectiveness.

Figure 8.2: Integration, Intensive and Diversification Strategies.
Acknowledgement

I wish to express my sincere thank and appreciation to Ass. Professor Dr. Abdul Latiff my supervisor for his constructive advise, guidance and patient to successful completion of this report.

My gratitude to Encik Isbah the Director General of Postal Department and staffs for their assistance in providing the critical data and information with respect to postal services industry, particularly postal services company, institutional and legal structure and government views on the future of postal services industry in Malaysia.

The study would not have been possible without the kind cooperation Post Malaysia Bhd.. My special thank to Encik Nazir Jaafar, Deputy General Manager of Strategic Planning and Consultancy, for his commitments, enthusiasms and granting the access to all the necessary data and information for the study.

I am indebted to Jabatan Perkhidmatan Awam and Government Of Malaysia for granting me the scholarship and study leave to pursue the MBA programme.

My highest gratitude and deepest appreciation to my wife, Raja Maimon, son Arrifin, daughters Fathin and Faezah for their undivided love, support, patient and understanding that lead to the successful completion of this report and my MBA programme.

I dedicate this report to my father Haji Abd. Rahman and mother Hajjah Ramlah.
Executive Summary

Technology, globalization and liberalization are new forces that challenge Pos Malaysia Berhad (PMB) core business activity and organizational effectiveness. Being a government control business entity, the institutional and legal set-up to a certain extends limit PMB effective response to the environmental changes. It made more difficult when the entity has to fulfill two divergence objectives; to support some overarching social ideal and to excel in business performance. The interactions of these factors have developed some observable symptoms to PMB organizational weakness. This phenomenon triggered the need to analyze PMB organizational effectiveness to address the challenges.

The analyses based on model derived from existing theoretical approaches which can be explained in the form of equation; PMB Effectiveness = Performance + Competitiveness. Performance indicators are profitability; customers service quality; market share and social objective attainment. Comparative position, competitive advantages and SWOT are the competitiveness variables. Data and information for the study obtained from secondary sources. The study shows under the given objectives, institutional set up and environments PMB experienced a sound performance (1995-1999). PMB still monopoly the ordinary mails service market. On time delivery has improved from 64% to 98%. It fulfill social obligation even though it might run on financial loss. PMB has competitive advantage to compete in the domestic market. Competitive comparison indicated PMB quite competitive in term of productivity and on-time delivery standard. It has competences in domestic mail services.

However a deeper analysis indicates that there are signs of competitive weakness and flattening and declining trends in performance. PMB experience low and inconsistence growth and profitability and increasing cost especially in mail products. Losing it ground to rivals and confronted with competitive disadvantage especially in Information and Automation Technology; short on financial resources to; weak in areas where there is the most market potential, a slipping reputation with customers in Poslaju business and counter services; not in good position to deal with emerging threats; lacking skills and capabilities in key areas. The existing corporate structure and control does not permit business professionalism to excel. Legal binding on the USO, tariff structure and terminal dues put PMB on the competitive disadvantage. To meet the future challenges the study suggests PMB to be fully privatized, revamp the existing law, rule and regulation, business objective should override social objectives, focus on business activities where PMB has core competency and develop IT capability. PMB should take immediate action to review the tariff structure and terminal dues and establish mechanism to accurately measure profitability and return on investment of individual product.