

CHAPTER THREE

OVERVIEW OF POST MALAYSIA BHD. (PMB)

SENSE OF DIRECTION

Prior to 1999 PMB only defined its corporate objective. However the postal operator has crafted its corporate vision and mission, which appear in the 1999 Annual Report.

Vision

The vision statement is "To be among the best postal service in the world. Remain committed to meet customer expectations through efficient and professional service."

Mission

To realize the vision PMB corporate objective has been transformed into its mission statement. The mission is to make PMB "A leading, prestigious, popular and highly professional postal service, both domestic and international, operating commercially, fully committed towards meeting customers' expectations; workers, shareholders and national aspirations in the best Malaysian postal tradition."

Objective and Strategy

Currently PMB has no official and clear business level objective and strategy. However, in the paper titled "Modernizing The Post" in the 12th Conference of Commonwealth Postal Administration (CCPA), PMB Executive Chairman has outlined the business strategies as follows:

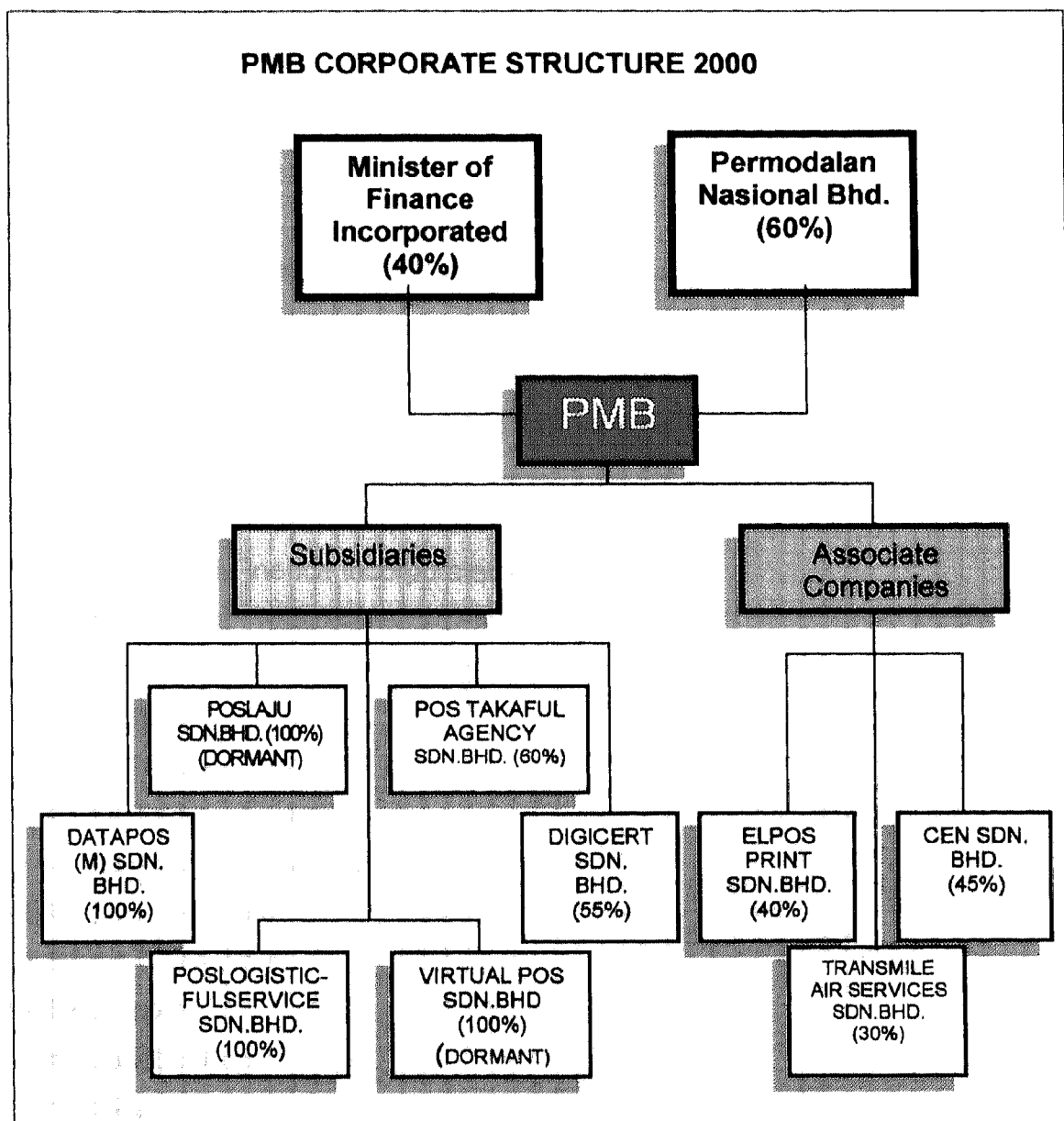
- (a) Operational efficiency to continuously upgrade efficiency of postal services;
- (b) Expansion of existing business;
- (c) Raise entry barrier against competition;
- (d) Turn around non-profit business;
- (e) Total postal solution;
- (f) Commercialization of postal properties; and
- (g) New business and strategic alliances.

PMB has established a very challenging vision and mission. Hence to turn it into a reality the government control postal company must possess a world-class standard organization and business set up that is efficient and effective. The strategies implied that PMB must characterize a pure business organization, which is flexible, sensitive to environments and made business decisions based on business merit.

CORPORATE STRUCTURE

Permodalan Nasional Bhd.(PNB) is the majority shareholder for PMB with equity 60% while Finance Minister Incorporation (FMI) held 40% of the shares on behalf of the Government. Paid-up capital up to the end of the financial year of 1999 was RM98,232,003.00. Figure 3.1 shows PMB corporate structure 2000. Pos Malaysia Bhd. has three active subsidiaries namely Datapos Sdn. Bhd. (100%), Pos Takaful Agency Sdn. Bhd. (60%) and Digidert Sdn. Bhd (55%). Datapos Sdn. Bhd. was created 1995 and business activities are laser printing, automatic insertion and polywrap service for brochures, book and other printed matter. Pos Takaful involved in the Islamic insurance business as an agent with the cooperation of Syarikat Takaful Nasional Bhd.. Digidert Sdn. Bhd. established in 1998, owned 55% by MIMOS Bhd. provide digital certificate of authentication. Poslaju (M) Sdn. Bhd. that supposed to be the courier service arm of PMB

is still a dormant company. The courier operation is run by the normal PMB post offices centers and networks. In the 1999 financial year, Datapos Sdn. Bhd. with a paid up capital of RM17.7 million and made a pre tax profit of RM3 million with net margin profit of 10.2%. But Pos Takaful Sdn. Bhd had not make any profit and is going to cease service operation by early 2001. Digicert Sdn. Bhd. had yet to make any profit.



Source: PMB 1999 Annual Report

Figure 3.1: PMB Corporate Structure 2000

Besides having subsidiary companies PMB involved in other business activities through investments in associate companies. These companies are Transmile Air Services (30%), Elpos Print Sdn. (40%) and CEN Sdn. Bhd. (42.5%). Transmile Air Services involved in air transportation services, with a permanent contract handled mail transportation for the Peninsular Malaysia, Sabah and Sarawak sectors. Elpos Print focus on manufacturing and printing of paper-based products, whilst CEN Sdn. is an investment holdings company.

STAKEHOLDERS

It is useful to know PMB stakeholders for it will gives some understanding on it institutional and legal setups, sense of direction or organizational purpose, corporate governance, expectations and social responsibility. The study has identifies some of the important stakeholders who have interest on PMB as given below:

(a) Owners/Shareholders

- o Ministry of Finance Incorporated (MFI)
- o Permodalan Nasional Bhd. (PNB)

(b) Government and Government Agencies

(c) Customers

- o Individual – 10%
- o Government – 40%
- o Corporate/Commercial – 50%

(d) Employees – 13 075

(e) Board of Directors

(f) Regulators

- o Jabatan Pos
- o UPU
- o Registrar of Company

(g) Suppliers

(h) Alliances

- o Mimos
- o Telecom Malaysia Bhd.
- o Tenaga Nasional Bhd.
- o Malaysia Airlines System Bhd
- o Employee Provident Funds
- o Malaysian Airport Bhd.

(i) Courier Operators

- o Multinational
- o Local

The stakeholders can be divided into four main categories; business, social, legal and political groups. They have different interests that should be accommodated by PMB when designing its business policy and corporate strategy.

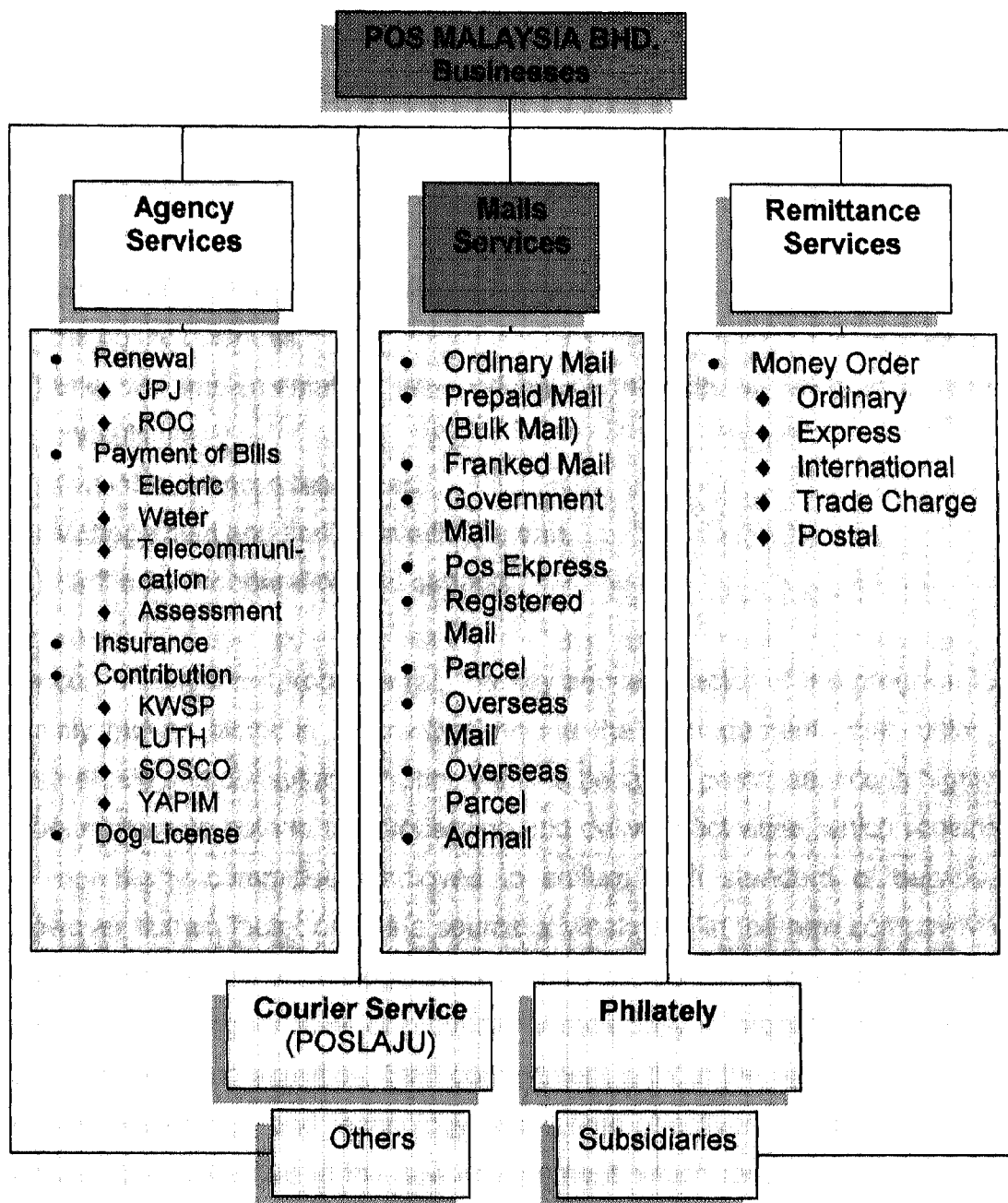
CORE BUSINESS ACTIVITIES

PMB core business activities are mail and parcel deliveries. First category is the normal mail services, with product lines of ordinary mail, prepaid mail (bulk mail), franked mail, government mail, pos ekpress, registered mail, parcel, overseas mail and parcel and Admail. Second category is the courier mail services that offer the same product lines but with service cost three times higher than ordinary mail services. The company collect, process and deliver of more than 1 billions letters and parcels annually. About 90% out of which addresses domestically. Other business activities are agency services, remittance services, philately and others. Agency service offer customers wide range of counter services from licenses renewal, bill payment, insurance and contributions. Remittance services mainly offer money order services. PMB also carry out other business

activities through its subsidiaries either fully owned or through joint venture.

Figure 3.2 shows PMB business activities.

PMB Business Activities



Source: Pos Malaysia Bhd.

Figure 3.2: PMB Business Activities 2000.

SUCCESS FACTORS

Modernization Program

Prior to 1999 PMB has launched a modernization program (1995-997) through the consultancy support from New Zealand, to improve its business performance, which according to PMB has successfully completed in two years (1995-1996). It was able to succeed in the program because of some key success factors that were internalized by management and employees as listed out below:

- (a) Sense of urgency in achieving the national vision 2020 and survival of the postal business;
- (b) Effective implementation via working partnership between local and consultants;
- (c) Available financial resources;
- (d) Management and staff commitment; and
- (e) Staff union cooperation and support.

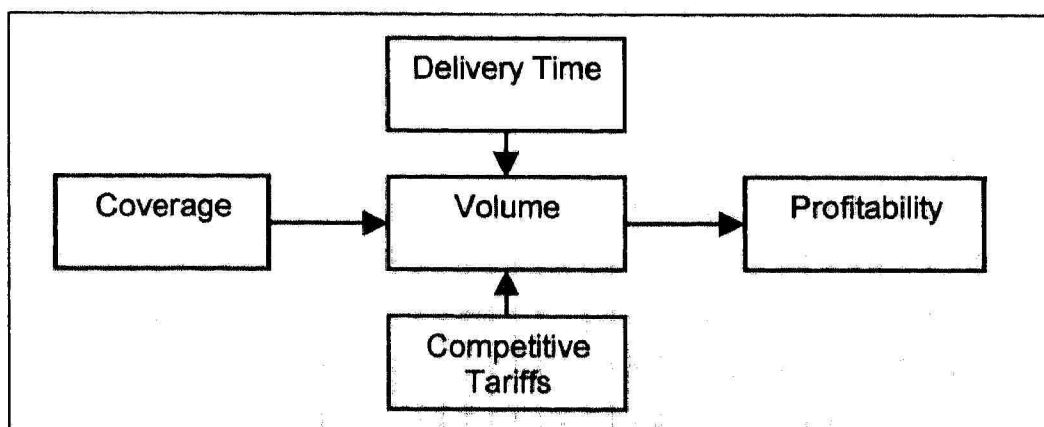
As can be observed from the list, the key success factor of the program is mainly human factor in nature that includes the management, staff, union, partnership and consultant. Probably this is because postal service is highly labour intensive both in the processing and delivery activities, which require a very highly committed employee to ensure high standard of service. However human factor can be a source of weakness in the new competitive environment where technology can minimize the use of labour with greater efficiency and higher level of productivity especially in processing, tracking and bulk handling activities. Staff commitment without the right combination of skill, knowledge and technology would limit effectiveness. They can be efficient but ineffective in the new environment, which requires different level of skills, expertise and knowledge.

Mails

Mails, which comprise mail service and courier service, are core business activities and major revenue contributor to PMB. Therefore, PMB performance depend very much on profitability of domestic and international mail business operations.

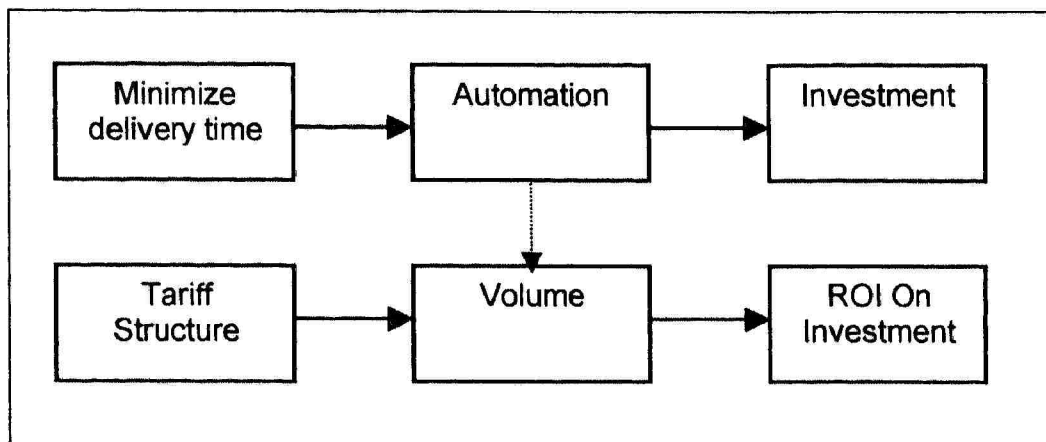
Domestic Mail

Critical success factors of mails profitability are determined by volume, delivery time, coverage and competitive tariffs. Figure 3.3 illustrate the critical success factors for PMB domestic mail business operations. The successes of the delivery time depend on the investment on automation. Since tariff is fixed, PMB profitability depends on mail volume. The success of volume handling determined by return on investment on automation, which will improve delivery times and clear floor policy. Automation will minimize staff cost and space cost. However, automation feasibility determine by mail volume and redeployment of staff. Figure 3.4 shows the relationship between these factors.



Source: PMB Workshop, *Challenges Faced by the Malaysian Postal Industry*, 4 – 5 September 2000.

Figure 3.3: PMB Domestic Mail Business Operations Critical Success Factors



Source: PMB Workshop, *Challenges Faced by the Malaysian Postal Industry*, 4 – 5 September 2000.

Figure 3.4: Delivery Time and Tariff Structure Success Factors

International Mail

International mail business operations success factors depend very much on cost of operations. For international mails posting low international tariffs, high outward terminal dues, low inward terminal dues and bulk re-mailing from high tariffs country means that margin less than cost of capital. Base on cost principle approved internationally domestic tariff will determine international tariffs, outward terminals dues and inward terminal dues rate. Comparatively lower domestic tariff will result in low international tariff with lower inward terminal dues and will encourage bulk re-mailing from higher tariff countries and add higher outward terminal dues. On the other hand for inward international mail operations low domestic tariffs, low inward terminal dues, domestic handling costs and bulk re-mailing from higher tariff countries will cause margin less than the capital costs. When domestic tariff is lower than the tariff of the origin country then the inward terminal dues received will be lower than outward terminal dues paid to the country. Bulk re-mailing caused PMB to incur unnecessary the domestic handling costs.

BUSINESS ENVIRONMENT

PMB business environments can be divided into five major layers. The first is the meta layer or can be called as techno-enabling environment with technology and technological innovation and diffusion are its major components. This environmental factor has influence on all other environmental factors at least for the time being. Second layer is the communication-knowledge environment and comprises of globalization, liberalization, value system and knowledge hunting society. Third layer is the general or socio-economy environment, which make up of social, political, institutional and legal elements. Fourth is the task environment that has direct impact on PMB operational activities. Categories of factors in this environment are the regulator, supplier, competitor, customer and alliance. The final one is PMB internal environment. Figure 3.5 shows PMB business environments.

Figure 3.6 illustrates in detail elements of general, task and internal environment that influences PMB performance and competitive strengths. The general environment has influence on the task and internal environments. Political and legal are the major elements of the general environment that have direct influence on PMB business objective and activities. The social, economic and infrastructures are indirect. Regulator, customer, supplier, alliance and competitor are task environment that shape PMB business strategy and operation. The owner, board, employee, leadership, efficiency and culture are the internal environments that determine the success of PMB business operations and objectives.

PMB Competitive Landscapes

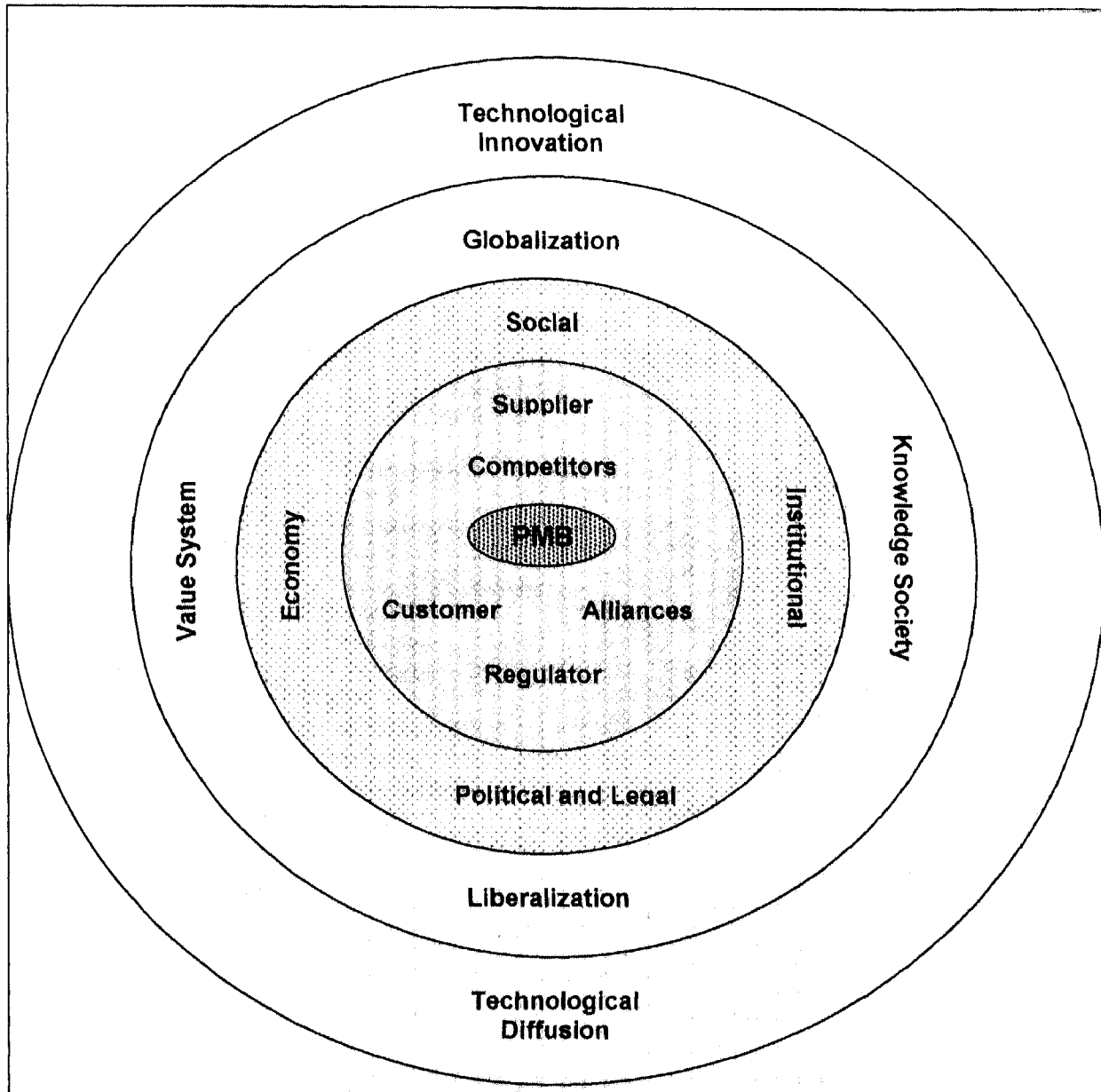


Figure 3.5: PMB Competitive Landscapes

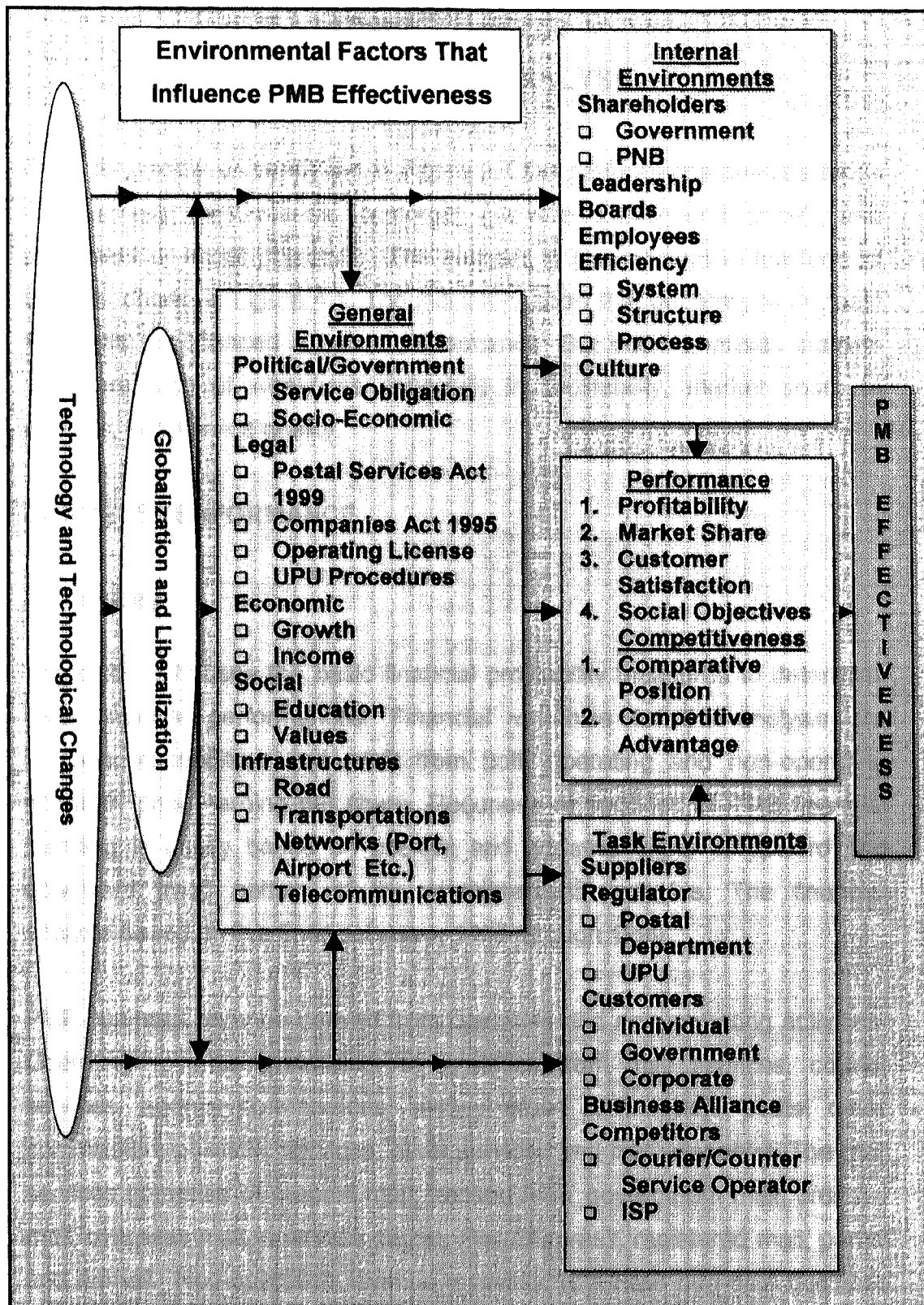


Figure 3.6: Environmental Factors That Influence PMB Effectiveness