

CHAPTER SEVEN

SUMMARY AND CONCLUSION

SUMMARY

The incorporation of PMB in 1991 was to support both social and business objectives. Since its inception PMB has shown quite a reasonable performance both in business and social obligation. It provided service access to nearly 90% of the population household giving little concern with economic viability. However after nearly ten years of operations the entity tends to show some observable symptoms of organizational weakness. Thus, question its effectiveness as postal service operators, which had been granted monopoly power by the government, to face the future challenges created by the competitive forces. Some of the pertaining ones are PMB comparatively small return and profitability as oppose to other privatized utilities companies such as Tenaga Nasional Bhd. (TNB) and Telekom Malaysia Bhd. (TMB), which make the business less attractive; eroding competitive strength in the domestic market; growing perception on postal service as sunset or declining sector of communication industry with little growth and profitability; and declining in market share.

As such with that background the study try to analyze PMB effectiveness under the existing institutional and legal setup; to assess whether the level effectiveness can meet the future challenges created by the emerging competitive forces. Various theories and concepts discuss above, indicate that there is no one standard approach to assess organizational effectiveness. It depends very much on perception, objective and motive of the evaluator. Hence the study develops a conceptual model used to assess PMB effectiveness. The model derived from the various theoretical approaches discuss earlier such as goal attainment theory, system concept and open system perspective. The model can be explained in the form of

equation $PMB\ Effectiveness = Performance + Competitiveness$ ($PMB\ E=P+C$).

The vision of PMB is to be among the best postal service in the world. Remain committed to meet customer expectations through efficient and professional service. 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. PMB core business activities are mail and parcel deliveries which can be categories into ordinary mail services and courier mail services that offer the same product lines but with service cost more than three time higher than the ordinary services

The emergence of new enabling and competing technologies create new demand for efficient global communications and trade services that require the provision of postal services to be undertaken through market-oriented approaches. The new competing technologies such as telephone, fax, Internet and multimedia technology create products or technology that can substitute mails, counter service and other postal products. Postal customers are demanding much more from their national postal service today than in the past. Customers will shift their business to competitors who are eager to expand their market share.

Liberalization turned the postal service into a highly contestable market and intensified competition. More and more government has deregulated their postal service sector. While many postal administrators are restructuring their organization and into pure business entity with commercial decision-making approach, market oriented operations, self-financing, new products line, enhanced services and establish global networking through various strategic approaches. Quite a number has merge and formed multinational integrators to reap the economies of scales and economies of scope and

extend business activity through cross border market expansion. Multinational courier operators also aggressively expand their business operation to exploit new business opportunities created by the e-technology business environments. Thus these new developments pose threats to PMB. Being a government control business entity, PMB ability to response effectively constrained by the institutional and legal set up that dictate it business operation.

The study shows that under the given objectives and institutional set up in the past PMB has shown quiet a remarkable performance. PMB experienced a sound performance (1995-1999) and still the sole domestic service provider of mail because of the monopoly power entrusted to it. Mail delivery service quality has improved and fulfill it social obligation well by establishing services network through the country disregard the viability aspects it. 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.

However a deeper analysis indicates that there are sign of competitive weakness and unsatisfactory 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 compete the Multinational Integrators; 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.

CONCLUSION

In conclusion given the recent performances (1995-1999), competitive strengths, institutional and legal setup PMB would not make an effective organization when it aspired to be one of the best postal service in the world and to face the challenges brought by the competitive forces. The potential threats include reducing growth of mails market as the result of increasing usage of substitute products created the technology advancement. Liberalization and globalization eliminate entry barrier and that with very marginal market growth in the domestic markets encouraged some governments and advance postal operators to deregulate their postal services and forming more viable and synergistic business entity or known as international integrators, to operate in the international contestable market. The technology also brings business prospects for postal industry. The technology can also be integrated into new product such as hybrid mail that combined electronic message transmission with hard-copy delivery. While the Internet generates more business-to-business and business-to-consumer through e-commerce and home shopping and offer new growth opportunities in the parcel or courier services market with higher profit margin, which are now being control by multinational operators even for the domestic market.