THE JOURNEY CONTINUES…

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Introduction

Situated in the northern part of Malaysia and well known for its tin and mines industry, PHS Cement Sdn Bhd (PHS) was established to process extracted granite stones as cement product. Formed in 1986, it was a Joint Venture Company between the Local State Development Agency and a Korea Company (KHIC). PHS first cement plant was fully operational in 1990 with a total of 300 staff & workers at all level. The plant, which was located in Padang Rengas Perak, had a production capacity of 1.2 million tones metric of cement annually. Most of its product was intended for local market.

However, in 1994, GB Berhad (GB) as part of its expansion plan had bought 60% stake in PHS and became the majority shareholder of PHS. Its first move was to appoint Mr. Khalim as Managing Director of the new PHS. Mr. Khalim has been with GB for the last 10 years and had vast experience in the manufacturing industry. He managed the company from GB Main office in the capital city of Kuala Lumpur. As part of management restructuring exercise, he appointed a Deputy Managing Director, and four General Managers to handle Finance, Administration and Human Resource, Production and Marketing respectively. Their job was to assist him in daily plant operation.

Plant Performance

The management approach was more on achieving the maximum production capacity. In 1996, 1997 and 1998, PHS had achieved the desired target. Due to higher production, the financial result of the company showed an increasing number in sales and returns. Despite of a gloomy local economic outlook, PHS paid bonuses and rewarded significantly high increments to the staff and workers. Morale of the staff and workers was high, and job turnover rate was low. There was no major conflict between managers, engineers, supervisors and lower level workers. Staff and workers were satisfied with their benefit such as sports and recreational facilities, medical insurance and annual leaves. Nonetheless, the workers were lack of discipline.

After a promising performance in previous years, the leniency of the Managing Director had turned for the worst. The plant operation performance was getting poor. The appointed General Managers only meet once a month for monthly performance meeting. There was no regular briefing, meeting or any dialogue being held between management and workers. The General Managers often played golf with clients and attended company social events regularly with government officers that could influence plant operation.

Plant Expansion

Without thoroughly addressing the internal issues raised, Mr. Khalim recommended to PHS's Board of Directors for plant expansion. Thus, in 1997, PHS entered a construction agreement with KHIC to build another plant and increased production capacity to 2.4 million tones metric of cement per year. Since the construction of the plant was during the 1997/1998 Asian economic crises, the construction cost of the second plant had increased tremendously due to the high cost of imported material used. The new plant started commissioning in 2002 while boosted by improving market demand.

Once commissioned, PHS recruited an additional 300 new employees of all rank to support and operate the new plant. This had resulted in the increase of the overhead cost and PHS suffered losses in their financial result. Even with increased capacity, production output was not meeting the desired target. This is due to high downtime, unattended issues and missing dateline. After suffering losses in 2002 and onwards, the stake of GB in PHS had to be disposed.

New Management

In the years of local economic recovery, YTL Group bought 60% of GB stake in PHS and became the major stakeholder in 2005. The Management of YTL had a clear vision and mission of the cement manufacturing industry. It wanted to revived the profitable business of PHS and be a market leader. Initially after becoming the major shareholder in PHS, it started with major restructuring of the management team. YTL had appointed Mr. Supian to replace Mr. Khalim and abolished the previous four GM's post. The board of directors also appointed Mr. Sharul as Senior General Manager (SGM) and maintained other departmental head to assists him.

As SGM, Mr. Sharul had full control of the plant and reports directly to Mr. Supian as MD. Mr. Sharul also did a major organizational restructuring process and reorganized the job scope. He also introduced the daily 'morning meeting' with all sectional managers, executives and workers to evaluate previous day job performance. As part of his efforts to overcome daily issues, he had instructed sectional managers to come out with an action plan and prevent reoccurring issues. Mr. Sharul reduced the manpower by 50% at all levels. By promoting new ideas, he and his managers held weekly 'video conference' with the MD and group CEO to highlight the performance and issues of the plant operation. Mr. Sharul also held weekly 'preventive maintenance meeting', aimed to reduce downtime and made the engineers focus more on preventive action rather than to troubleshoot the problem when it occurred. In this meeting, every Department Head presented their progress report for his evaluation. To increase work productivity and discipline, he conducted a midyear and annual performance review session for executives and managers. Department Heads and Sectional Managers had to submit their monthly Key Performance Index (KPI) report and encourage them to conduct briefing, discussion and dialogue with their staff and subordinates.

On addressing disciplinary issues, Mr. Sharul personally imposed disciplinary action on those who had disciplinary issue without counseling. Disciplinary action, such as temporary suspension from work without pay, will be taken depending on the seriousness of the offence. He offered to pay thirteen months salary with high bonuses, while rewarding high increment and introduced 'fast-track' promotion for high achievers. On the other hand, he sets high target for everyone to achieve and enforced negatives reinforcement to those who failed to meet the desired target.

Even though during his tenure the morale of the staff and workers was down and job turnover was getting higher due to his aggressive approach, PHS production had increased, downtime and cost of production was reduced tremendously. Over the years, YTL has maintained Mr. Sharul's management and leadership approach to its plant operation. Due to his achievement of bringing PHS to profitable level, YTL Group had promoted Mr. Sharul to handle its international plant in China as Chief Operation Officer. In recent years, PHS has been placed directly under YTL Group, as future plans have been put forward for its expansion and company re-branding.

Discussion Questions:

1. What is the leadership style shown by Mr. Khalim and Mr. Sharul as leaders? Give specific examples of each leadership style.
2. Based on the two leaders, describe the 'followership styles' that can be reflected on their subordinates?
3. Given the Leadership Grid (appendix A), on which grid can you position Mr. Khalim and Mr. Sharul leadership style?
4. Base on the case study, identify (if any), whether rewards (intrinsic or extrinsic) contributed to company performance?
5. In your opinion, why do you think Mr. Supian as Managing Director (of YTL) was not directly involved in PHS daily operation?

(Appendix A)