



UNIVERSITI PUTRA MALAYSIA

**KOPERASI WAJA AND ITS
SUBSIDIARY MAJU JAYA SDN BHD**

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GSM 1997 2

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5 AUG. 1997



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PENGESAHAN

**Kertas projek yang bertajuk KOPERASI WAJA AND ITS SUBSIDIARY
MAJU JAYA SDN BHD yang disediakan oleh:**

BASRUN BIN HUSAIN

**Telah disemak dan diterima sebagai memenuhi sebahagian daripada syarat
yang ditetapkan oleh Fakulti Ekonomi dan Pengurusan bagi dikurniakan
Ijazah Sarjana Pengurusan Perniagaan.**

Laporan ini diterima untuk diperiksa.

Disahkan Oleh:

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ACKNOWLEDGMENTS

The author sincerely would like to express his deepest gratitude to Profesor Madya Dr Zainal Abidin bin Mohamed for his supervision and constructive idea in preparing this case study. The same goes to all the lecturers of MBA (UPM - YPM) programme for sharing their experiences and knowledge.

The author also indebted to all his seniors, peers and subordinates especially to Major Krishnan, for their encouragement and help while pursuing this course, and to all his staffs especially to Puan Zaiton for helping him in typing the case study.

In addition the author is grateful to his wife Che Tah Hanafi, his children Tina, Adi, Amir and Aiman for their support, understanding and encouragement in accomplishing this project.

SYNOPSIS

Koperasi Waja which was formally a credit and investment cooperative society, diversified its activities to venture into other economic activities that would benefit its members. Maju Jaya Sdn Bhd, a trading company was established in January 1980 as a subsidiary to Koperasi Waja.

In it's earlier years, Maju Jaya generated good profit through it's trading activities, however in 1994, the company was no longer a profitable company. It experienced losses for the last 3 years.

The management was in the process of reviewing the company as well as Koperasi Waja's present position and performance. The management would like to develop the organization as one of the competitive and dynamic Koperasi in this country.

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KOPERASI WAJA AND
ITS SUBSIDIARY MAJU JAYA SDN BHD

On Friday morning, March 7, 1997, Encik Sharip General Manager of Koperasi Waja (Koperasi) was congratulating himself on having an early start, as Kuala Lumpur especially Jalan Ampang traffic seemed even worse than normal. That day, he was early to allow himself some extra time to prepare for the Board of Directors meeting on strategic planning which was to be held on the 10 March 1997.

Maju Jaya Sdn Bhd was a subsidiary of Koperasi Waja. It's account has been showing losses since 1994. The matter was raised during the Koperasi's Annual General Meeting (AGM). Koperasi received a proposal from the management at the Ministry's complex, to set up consumer store at the new married quarters. The acceptance of the proposal must reach them by the 15 March 1997.

The upcoming strategic planning meeting was vital for the Maju Jaya as well as Koperasi, as this was where critical long-term plans were made for the company. Maju Jaya a distributor of consumer and electrical goods was to venture into consumer store business.

After arriving at his office, he parked his car at the usual place and walked briskly to his office. After greeting his staffs and his personal assistance (PA), he told his PA that he was not to be disturbed for the whole morning. He wanted to spend the whole morning reviewing Maju Jaya's present position and the performance of Koperasi so that he would be well prepared for the strategic planning meeting.

BACKGROUND

Koperasi was established in 1960 as a Cooperative Credit and Investment Society. The main objective was to further the social and economic development of its members. Since its establishment, Koperasi's members had been predominantly uniformed personnel in the security organization. However, in mid 1970 it's membership was opened to other staffs in the Ministry and also ex-member of the organization.

By 1979, Koperasi had a total of 50,000 members with total paid up capital of RM 30 million (M). Due to capital constraints, Koperasi was unable to expand its business activities or venture into any new area. However in 1980, a campaign to increase its members was launched. With the increased membership, Koperasi was able to participate more in its business activities.

Koperasi's turnaround was a result of a strategy implemented in 1980 by the new management team. This involved the raising of sufficient capital to aid Koperasi's daily activities through working capital injection and capital expenditure. Among the exercises implemented included the sale of 40% interest in ceramic Industry in Johore and a membership recruitment drive for Koperasi which raised some RM 50 m.

During its Annual General Meeting (AGM) on 17 Jun 1995, a new By-law of the Koperasi was passed. Koperasi which was formally a credit and investment society, diversified its activities to venture into other economic activities that would benefit its members.

MAJU JAYA SDN BHD - COMPANY HISTORY

This company was established in January 1980 as a subsidiary of Koperasi Waja. It's main activity was general trading, focused its business as a distributor for electrical appliances. The company was managed by 2 officers, Mr Ah Soo and En Talib. The company also employed 2 clerks as administrative staffs.

The company conducted its operation by establishing relationship with electrical shops and suppliers. The company then organised exhibitions and goods displayed as 'open sales' concept at specific locations. Maju Jaya sent it's staffs during the sales and Koperasi members as their main target customers.

The idea to form up the company was mooted by the Chairman of Koperasi then, Tuan Haji Kadir Mat. He had been the Chairman for 2 terms. The proposal was discussed and approved by Board of Directors in November 1979. The concept for this company was that to establish contact with dealers and sell to the members of Koperasi. Koperasi's members then could apply for their loans, known as consumer loans. Koperasi would pay cash to dealers and would charge it's customers at mark-up price on credit. Members had to pay their loans to Koperasi through salary deductions.

MANAGEMENT

The administration of Koperasi was governed by the Akta Koperasi 1993. According to Section 42 (a) of the Act, the management of Koperasi was managed by a Board of Directors. Koperasi Waja had its own By-law to govern its day to day operation.

Sub Section 31 (a) of its By-law stated that during the Annual General Meeting (AGM), the Board of Directors will be elected. The Board of Directors comprised 14 members. The duration of Board of Directors were as follows:

- a. Four of the appointed members of the Board will be represented by each representative of the uniformed body and Civilian Staff. These persons will vacate their appointment during the next AGM.**
- b. One third of the 10 Board members, from the elected members will vacate their appointment every year during the AGM.**
- c. The procedure mentioned above in paragraph (b) must be repeated for the other 2/3 of the members yearly, so that at the beginning of the fourth year or earlier, all the members would have vacated their appointments at least once in every three years.**

In General, the Board of Directors were responsible to ensure that the administration and management of Koperasi is managed in a proper manner. The Board of Directors had the following authorities and responsibilities:

- a. To elect a Chairman, Vice-Chairman, Secretary and Treasurer.**
- b. Admission of new members of Koperasi.**
- c. Proper maintenance of the account of Koperasi's income and expenditure.**
- d. Proper maintenance of all the assets and liabilities of Koperasi.**
- e. To authorise all the expenditures and to ensure all the accounts were properly maintained.**
- f. To declare during the AGM, the Trading account, Profit and Loss Account, Fund Flows and Balance Sheet of the Koperasi as well as its subsidiaries.**
- g. Declaration of dividend and bonuses during the AGM.**
- h. To call for the AGM.**
- i. To make agreement for the loan after being approved by the AGM.**
- j. Responsible for Human Resources Development.**
- k. Investment decision after being approved by the AGM in accordance with the Act and regulations.**
- l. Planning and analysing of projects that are beneficial to its members.**
- m. To set up any committee if required in order to run the activities of Koperasi.**
- n. To come up with the procedures to ensure the smooth running of the Koperasi.**
- o. To set up Branch Offices if required.**
- p. To delegate the authorities and responsibilities to appropriate staff officers to execute the tasks and responsibilities.**

Beside the Board of Directors, the AGM will also elect 6 members to be the Internal Auditors Committee of Koperasi. All the Internal Auditors had to vacate their appointments every year during the AGM.

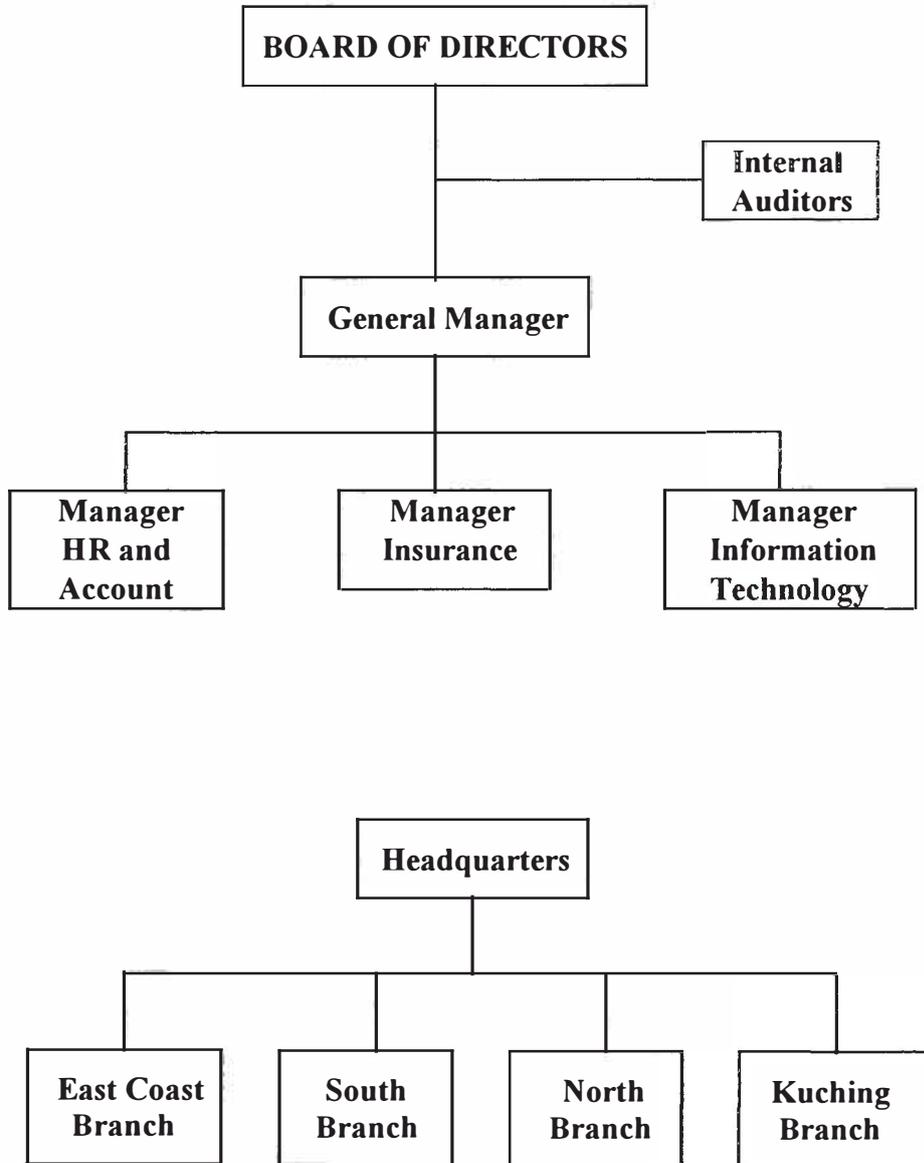
Internal Auditors committee was responsible to inspect all the accounts and other records of the Koperasi as well as its subsidiaries. Their responsibilities were:

- a. To ensure that there is authority for every expenditure.**
- b. To inspect the accounts of Koperasi.**
- c. To make reports to the Board if there were irregularities in the management of Koperasi.**
- d. To make a report of the management of Koperasi during the AGM.**
- e. To have accessibility at any time to any books, accounts and documents of Koperasi.**

Internal Audit Committee must hold their meeting and forward their suggestions to the Board not less than twice in a year and their report must be submitted to The Head of Registrar.

Koperasi's objective was to improve the economic status of its members by providing saving schemes and loans. Besides that, Koperasi would also be involved in trading, insurance, real property, investment and joint ventures.

ORGANIZATION CHART



MAJU JAYA'S PERFORMANCE

Throughout the 1980s, Maju Jaya sold their products worth RM 10 million yearly. There were more than 10 dealers who had established association with the company. In 1985, when there was a pay rise, that was the time when it's sales crossed the RM 15 million figure. Average profit was more the RM 150,000.00 yearly.

Mr Soo, the officer in charge of the company had planned this marketing strategy in such a way that exhibitions he organised were conducted when most of Koperasi members were available in the camps. The working relationship he had with his assistant En Talib, resulted the exhibition to generate good sales. The exhibitions usually were conducted during weekends. There were about 5 to 8 dealers participating at each exhibition. Mr Soo, first of all will informed the dealers about his monthly plans, dealers would then contacted their agents at various locations to supply the goods at exhibition sites, for example if the exhibition is going to be held in Kuantan, then National Panasonic (M) Sdn Bhd would inform their agents in Kuantan to deliver their products at the exhibition site, usually at the camp area. Maju Jaya provided the shelter for the exhibitions.

The success of Maju Jaya during that period was the symbol of Koperasi's good performance. It's contribution to the income of Koperasi had been mentioned

during the Koperasi AGM. Members preferred the convenience of getting what they wanted through the services of Maju Jaya. As the company made its progress, it employed more people to become its sales agents. By the end of 1980 there were about 20 people who had been employed as sales agents. In 1989, Mr Soo was promoted to the post of Manager and En Talib as his Assistant Manager.

The beginning of 1990, saw Maju Jaya with a number of competitors. Maju Jaya no longer achieved its target with the present strategy. In the large camp area, there were consumer stores operated by Wira-Wati distributors, the existence of those stores resulted in less number of customers using the facilities offered by Maju Jaya. Wira-Wati introduced more or less the same scheme which they called it “Kutu System”, where customer can purchase on credit and monthly payment can be done at the store. Wira Wati sold the same products as compared to Maju Jaya.

At the end of 1994, Maju Jaya experienced another happening. Mr Soo tendered his resignation on March 1994 and in November 1994 his assistance En Talib left Maju Jaya to open his own business. Koperasi left with the burden of managing Maju Jaya. There were only 15 staff left in the company by the end of 1994; 4 from the administrative staffs and 11 sales agents.

MARKETING

Maju Jaya Sdn Bhd started its business by organising four exhibitions in a month. It introduced the term 'Open Sales' concept and for every sales they had special name such as 'Pulun Sakan', 'Big Monthly Sales', 'Mai Mai' and 'Jumbo Sales'.

The advertisements for the sales at specific locations would be made known to the people around that area at least 2 weeks in advance. The locations for the sales usually took place in an open area such as football field, which would ensure that parking space, area for shelters and storage were taken care off.

Dealers participated during the exhibition by promoting their own products. They displayed their products at the allotted shelter given to them. They provided their own sales assistance during the sales. Transportation costs from their shops to the exhibition site were to be borne by the dealers. The exhibition shelters were designed in such a way that, it had one entry and exit. All purchasing transactions would be done at the counter before the exit points.

During the sales exhibition, dealers were allowed to promote the same product but every dealer promoted only a certain brand. For example, if the dealer, Wong Lee Seng promoted TOSHIBA TV other dealers would promote SONY or any other brand.

Purchasing Procedure

Customers were required to pay cash for the purchases they made if they were not members of Koperasi. If they were Koperasi's members, they were required to fill up consumer loan forms. Together with those forms they were required to attach their latest pay slips and copies of their identity card. They were allowed to take maximum of RM 7,000.00 for that loan or equivalent of 6 months of their basic salary which ever was lower.

Maju Jaya encountered a lot of problems when the scheme was first introduced. Members who were not qualified for the loan were allowed to purchase. However, they improved the procedure by maintaining 'black lists members'. These procedure were further improved by the introduction of on line systems to their membership records.

Pricing

All products on those sales promotions enjoyed competitive prices as compared to the market prices. Additionally if the buyers were Koperasi's members they were allowed a further 10% discount for items which cost more than RM 1,000.00. They were given a further 5% discount if they paid cash.

Credit payment for members does not require any guarantors. Repayment for the loans together with the interest and other charges followed the schedule stated by Koperasi.

Technical Support and Service

Customers who purchased through these system will receive technical support and after sales service provided for by dealers. Delivery of the goods to the customer's house would be done by the dealer's salesman or their support staff, only for those items that require these services.

List of Dealers

Ansuran Elektrik Sdn Bhd
Fujiya Letrik Sdn Bhd
Golden Store Electronic
Great Wall TV And Electrical
Hup Fong Electrical Trading Co
Leeco Trading Sdn Bhd
National Panasonic (M) Sdn Bhd
OEC Electronic Sdn Bhd
Sansui (M) Sdn Bhd
Senheng Electric
Setron Sales and Service (M) Sdn Bhd
Wong Lee Seng

Types of Electrical Appliances

TV
Video
Radio/Cassette Recorder
Referegirator
Oven
Iron
Rice Cooker
Kettle

En Jamil had submitted initial report to En Sarip regarding the Maju Jaya Sdn Bhd. According to En Jamil, ‘Customers of Maju Jaya were happy with the services provided by the company, they preferred the goods offered by Maju Jaya because of the choices they had, there were not less than six leading brands at every exhibition. Besides that the feedback received by Maju Jaya that the price offered during the exhibition were slightly cheaper from market price, for example a television set of Toshiba brand of 21”, selling at RM 1,200 after discount, where as it was selling at RM 1,250 if purchased from the shop outside. Prevogetively Koperasi members had the advantage of small monthly payment to Koperasi. The payments were deducted through their salary which saved them from other administrative actions.

In order to attract the customers to the exhibition, the company strategy was to offer the products for household usage items and also for ‘single’ customers. The informations were distributed to the areas few weeks in advance. Customers had contacted the company representatives before the exhibition to request for the item they required.

COMPETITION

Maju Jaya's business was facing a number of competitors and had been subjected to rapid changes. During the 1980's these type of sales could generate profit for the company. However, as time goes by, more business organizations ventured into this concept of business. Maju Jaya was not only faced with similar marketing styles but also had to face other methods of marketing for the same product, such as direct selling and catalogue sales.

Wira-Wati Sdn Bhd a retail outlet formed up by the security organization had obtained the right to set up consumer stores at most of the camps throughout the country. They had established 'Chain-Store' with sales consumer products, clothings, sport-wears and electrical appliances. Their existence gave tough competition to Maju Jaya. Currently, the same consumers had a permanent store around their area in order to purchase those items. In 1993, Wira-Wati introduced easy-payment system, whereby it's consumers could purchase the items on credit without any down payment and guarantor which they called it "System Kutu".

With the development of Super Store and Hyper Store around every big town in the country, more products were made available to consumers at a very competitive prices. Maju Jaya had to face these challenges and to ensure that it maintained its customers loyalty.

CUSTOMERS

Total number of members from the security organization were about 120,000 people, of that, about 90,000 were Koperasi members. This constraint of limited customers required Maju Jaya to be aggressive in their marketing strategies.

When En Sarip looked through the files he found the following:

Volume of Sales. On the average Maju Jaya managed to sell items amounting to RM 150,000 per exhibition. However, the commissions Maju Jaya received were not consistent from one company to another, because of high cost of sales.

Relationship with suppliers. There were not written agreement made between Maju Jaya and companies; most of the agreements were based through network and trust.

Exhibition Cost. Maju Jaya had to pay around RM 5,000 for each exhibition in term of administrative expenses, besides that extra expense for water, electricity and security which also increased the cost of exhibition.

From branch offices there were reports stating that besides the permanent store in the camps, other salesmen had approached potential customers on direct selling, where the goods will be delivered to the house.

According to the report from En Jamil after his visit to a number of location stating that most of the towns nearby had set up supermarkets or superstores.

HUMAN RESOURCES

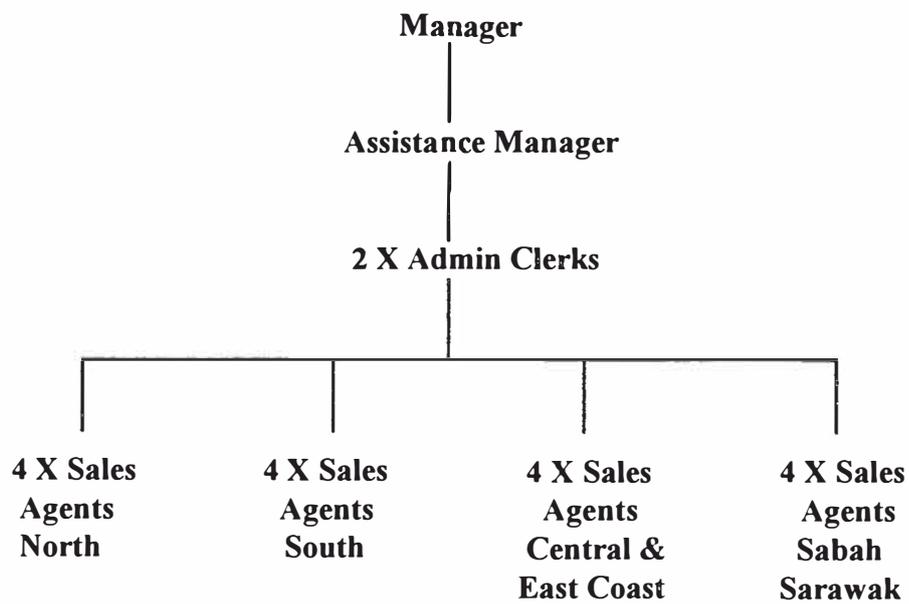
The establishment of Maju Jaya started off with 2 officers and 2 clerks. As the company progressed in its performance, its organization expanded in order to accomodate the requirement of the company.

Mr Soo, formed up the company in early 1980, with his experience in marketing of consumer products, he was able to increase the sales of Maju Jaya up to RM 15 millions yearly in few years. He was then promoted to the post of Manager in 1989 and left the company in March 1994.

Beside Mr Soo, Maju Jaya employed one Assistance Manager and 25 other staff; 5 were employed at Administrative Office and 20 personnel were employed as Sales Agents. These sales agents were divided into 4 groups, namely incharge of North Zone , East Coast Zone , South Zone and Sabah and Sarawak Zone.

Beside the basic salary, these sales agents were paid commissions based on their sales performance.

By 1994 nearly half of its sales agents left the company. Maju Jaya was without proper leader for the whole of 1994. In January 1995 En Jamil was hired as a Manager of Maju Jaya. En Jamil was given the responsibilities to reorganise the Human Resources need of Maju Jaya. The Organization of the company was as follows:



FINANCE

Throughout 1980, till early 1990s the total sales for this company was more than RM 8,000,000.00. Operating income for the company was calculated based on the net invoice price of goods sold less discount and returns. Company fixed asset were furniture and fixtures and computers and its accessories.

Operating and administrative expenses for Maju Jaya consisted of all the expenses related to the office administration as well trading expenses.

As for the Koperasi, the budgets were tabled at AGM for investment purposes. The scope for investment approved for Koperasi were:

	<u>(RM (Million))</u>
1. Real Estate Development	40.0
2. Privatization	10.0
3. Factory and Joint Venture	10.0
4. Shares allotted by government	20.0
5. Shares from companies in the group	50.0
6. Share market at KLSE	10.0
7. Other investment	10.00
TOTAL	RM 150.00