



UNIVERSITI PUTRA MALAYSIA

**IMPLEMENTATION OF TQM AND THE IMPACT ON
PERFORMANCE OF AN ORGANIZATION A CASE STUDY AT
KAYABA (M) SDN BHD**

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GSM 1997 23

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THIS PAPER IS PREPARED
AS PARTIAL FULFILLMENT
FOR
MASTERS IN BUSINESS ADMINISTRATION

FAKULTI EKONOMI DAN PENGURUSAN
UNIVERSITI PUTRA MALAYSIA
SERDANG, SELANGOR

1997



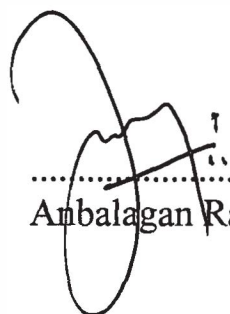
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ABSTRACT

The purpose of this study is to identify and determine the principles and the steps of implementation of TQM program at Kayaba (M) Sdn. Bhd. It is also to determine and evaluate the impact of TQM practices on the performance of the company and analyze the effectiveness of empowerment given by Kayaba (M) Sdn. Bhd. Management to their employees. The findings of the study showed that TQM program improved the overall company's performance such as improved operating procedure, better employee relations , greater customer satisfaction and improvement of the company's financial performance . The study also prove of that Kayaba (M) Sdn. Bhd. is committed to delegating empowerment to their employees to a greater extend inline with TQM concept. The findings of this study has shown that overall commitment and continuous effort in promoting TQM concept enables employee to be a leading manufacturer and supplier of shock absorber and power steering pump in Malaysia.

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CASE STUDY

A CASE STUDY AT KAYABAQ0 SDN. BHD.

1.0 INTRODUCTION

Kayaba (M) Sdn Bhd., Incorporated in 1983, has earned the distinctive status as the No. 1 original equipment manufacturer (OEM) in Malaysia. With the years of technological know how, technology resources from Japan and the local expertise, Kayaba has enhanced its efficiency and competitiveness in the industry to increase higher earnings and market share. Stringent quality control and technical experience has earned Kayaba an International Standards Organization (ISO) certification in the ISO 9002 category and the endorsement from the Standards and Industrial Research Institute of Malaysia (SIRIM). Kayaba continues to exercise its prudent and farsighted strategies in management and operation in response to the nation aspirations to achieving Vision 2020. Kayaba shock absorber has encompassed a comprehensive market range of vehicles like passenger saloon and high-powered motor rally vehicle to strive for greater heights.

With the pursuit of achieving high quality and achieving superior performance and productivity, Kayaba is venturing into high level of precision automated assembly process quality control standards. The shock absorbers produced are subjected to the most stringent requirements of the Japanese Standards Organizations (JASO) and the Malaysian quality standards. Kayaba has earned the respect and confidence of reputed automobile manufacturer and

currently in the good company of great names like PROTON, TOYOTA, VOLVO, MAZDA, FORD, DAIHATSU, MITSUBISHI, SUZUKI, HINO, YAMAHA, KAWASAKI, PERODUA and MODENAS.

2.0 KAYABA'S LONG TERM PLAN

2.1 MISSION

Kayaba's mission is to ensure equitable returns for shareholders, provide job security and welfare for employees and their families, contribute positively to community and country, lead local vendors to higher levels of quality, competitiveness and prosperity.

2.2 VISION

Kayaba's vision is to become a cost competitive manufacturer in the region, become replacement market leader for both two wheelers and four wheelers such that the company sales profile becomes 30: 70 for replacement versus original equipment sales.

2.3 GOALS

Kayaba's goal is to achieve original equipment market leadership of above 40% in all sectors, increase two wheelers replacement market to 50,000pcs per month oil cushion unit sales for 1997, increase total sales in replacement market for four wheelers to 400,000pcs in 1997, achieve class A manufacturing excellence status.

3.0 ENVIRONMENTAL SCANNING

3.1 ECONOMIC

The country's growth in real GDP has been averaging 8% for the past eight years since 1988. The 1997 figure is projected at 8%, which by any standard is still very favorable.

The Government is continuing to fight inflation through fiscal means and has reportedly been successful in maintaining it at below 4%. The trade deficit situation has further deteriorated although the main reason is the import of equipment and machinery. The latest statistics for August 1996 has however reported a turnaround with a RM600 million trade surplus.

The revival of the economy in the USA, Japan and other western countries should increase the demand for manufactured goods - the main export earner for Malaysia now. Demand for electronic components has however slackened but is expected to rebound by 1997 & 1998.

The rising economy in Philippines, have boosted Kayaba Malaysia's export in 1997 of struts via Toyota's Brand to Brand complementation

scheme, but the Honda City is very competitively priced. The forecasted GDP growth rate for Philippines is 5%.

On the whole, Malaysia's economic condition is expected to remain fundamentally sound. Consequently, the labour market is expected to become tighter with the country at a full employment situation. Recruiting and maintaining employees will be major task and will require even more creative management styles than ever exercised before.

The 1997 budget announced by the Finance Minister, although not so exciting for many, has been favorably received by almost all quarters and is expected to further boost the economy while trying to contain inflation. The fiscal policies introduced last year to dampen demand - the limits for car and house loans - appear to have achieved its purpose.

3.2 INDUSTRY AND MARKET

For the four wheeler original equipment market, the 1997 volume is expected to increase from 1996's forecasted volume of 299,000 units to 374,150 units. The sale of commercial vehicles should be more in 1997 with 83,100 vehicles (1996: 65,000 units), while a slightly lower increase is anticipated for passenger cars with 291,000 units (1996: 234,500).

Proton forecasted a high 1997/98 volume of 230,000 cars. So has Perodua with 60,000 cars. For the purposes of business planning at Kayaba Malaysia, a more realistic approach has been adopted and figures trimmed to 190,000 and 48,000 cars respectively.

Proton is expected to continue to press prices down from its vendors in its efforts reduce costs and be more competitive internationally. Perodua is expected to follow a similar track.

Perodua has confirmed sourcing of its shock absorbers for the national van upgrade (1600cc) from Kayaba Malaysia. Total 1997 volume to be supplied is forecasted at 14,400 sets. As mentioned earlier, the very competitive Honda City is expected to take up substantial market share away from both Proton and non-Proton makers. TCMA, the assemblers of Nissan

vehicles has confirmed to source shock absorbers from Kayaba Malaysia, for a small volume commercial vehicle.

Export of strut for Mazda, under the brand to brand complementation (BBC scheme under the ASEAN arrangement by Ministry of International Trade) will stop by end of 1997. More European makes and model are making a return to the local market in small volumes. If this trend continues, the non-Proton segment will be further fragmented making localization even more difficult. Hong Leong has secured the franchise for Saab and Porche brands.

A local company, Inokom, incorporated to manufacture a national commercial vehicle based on Hyundai's one toner vehicle has now tied up with Renault to produce van/pick up models. The first unit is expected to rollout by end of 1997, based on the Traffic base model. Development of the Hyundai model has been pushed to the second phase.

Another DRB-Hicom subsidiary, MTB will also start to assemble Isuzu trucks from 1997. Kayaba Malaysia is also bidding for this contract in competition with APM.

The Government announced the deregulation of licenses for trucks up to 5 tones. This means that anyone can buy a truck up to 5 tones to carry his

own cargo without having to apply for a license. This deregulation of license has caused some confusion, as there is hardly any 5-ton truck in the market now.

In the two-wheeler segment, the original equipment market is expected to continue its increasing trend with anticipated sales of 351,000 motorcycles in 1997 to a new all-time peak. 1997 volume is about 8% higher than 1996's forecast of 324,000 units.

The big three Yamaha, Honda and Suzuki are expected to more or less evenly share the market, together with a new player Modenas, another national vehicle project. Although Modenas has projected a high volume of 100,000 units, this may be optimistic. Kayaba Malaysia's market share for the supply of shock absorbers is expected to increase to 67%, mainly due to Modenas's presence, which is expected to cut into Honda's market.

A local company, Mah Sing Plastics, secured the franchise for the Italian Vespa for Malaysia, a couple of years ago. Suzuki introduced a scooter model in 1992 but only has a nominal sales volume of 500 - 600 units monthly. Mah Sing was highly optimistic of the popularity the new Vespa models are expected to enjoy, but lately the project has been shelved and Mah Sing has found a new partner in the form of Aprilia.

Some future business opportunity may arise out of Hong Leong Yamaha's venture into Vietnam, although progress is extremely slow. Initial business has started in the form of CBU (completely built up unit) vehicles to be followed by local assembly operations at a later date.

For the four wheeler replacement market, the sales forecast is 400,000pcs to UMW-APSB in 1997. This quantity represents a 2% increase over 1996's 391,000pcs. More emphasis will be placed in 1997 to create consumer demand and to build up the brand image with the introduction of a premium brand range of absorbers.

The modest increase arises from APSB's anxiety over the presence of imports made cheap by the lower Yen rate. Specifically, Tokico has been active in the market and a new brand Peruat from Unisia Jecs, Japan, has recently been introduced.

APSB is also anxious about the plans EON has to increase its market share for shock absorbers. EON being part of the HICOM-DRB Group has much clout with dealers and vendors.

The entry of our products into the two wheeler replacement market was very successful in May 1994. The potential for this market is felt to be vast.

However, some hiccups were experienced in 1996, due partly to the sole agent's management control and also partly to our own vendor's capabilities. The targeted sales volume for 1997 is 50,000pcs.

In the Genuine Replacement Market, the sales target for 1997 is 120,000psc, a 26% increase over that of 1996. With increased and concerted sales activities, this target should be achievable.

Export sales through the Toyota BBC scheme is expected to reduce, in 1997 with Toyota Manufacturing Philippines facing considerable competition from Honda City. The sale is forecasted at 28,800pcs in 1997.

The second channel of exports, i.e.: the export of component parts to our sister companies has been declining. In 1997, this activity is expected to be further reduced as a result of PT Kayaba starting up more localization processes. The localization of the strut outer shell and piston rod by SIAM Kayaba will also put a damper to such export activities in 1997. Siam Kayaba only orders on an ad-hoc basis now, as and when their line needs support.

Following are some tables and graphs of the projection.

1. Market Projections : six year projection for the four wheelers and two wheelers from 1996 to the year 2001 as in the Table 1.(pg 13)
2. Sales of motor vehicles in Malaysia for the year 1990 to 2001 as in the Graph 1.(pg 14)
3. Summary of Kayaba Malaysia sales for the OEM market from 1996 to the year 2001 in pcs as in the Table 2.(pg 15)
4. Summary of Kayaba Malaysia sales for the replacement market from 1996 to the year 2001 in pcs as in the Table 3.(pg 16)
5. 1997 OEM market share projection for the passenger car as in the Chart 1.(pg 17)
6. 1997 OEM market share projection for the commercial vehicle as in the Chart 2.(pg 18)
7. 1997 OEM market share projection for the two wheeler as in the Chart 3.(pg 19)
8. Kayaba Malaysia forecast for the year 1997 by market as in the Chart 4.(pg 20)

MARKET PROJECTIONS

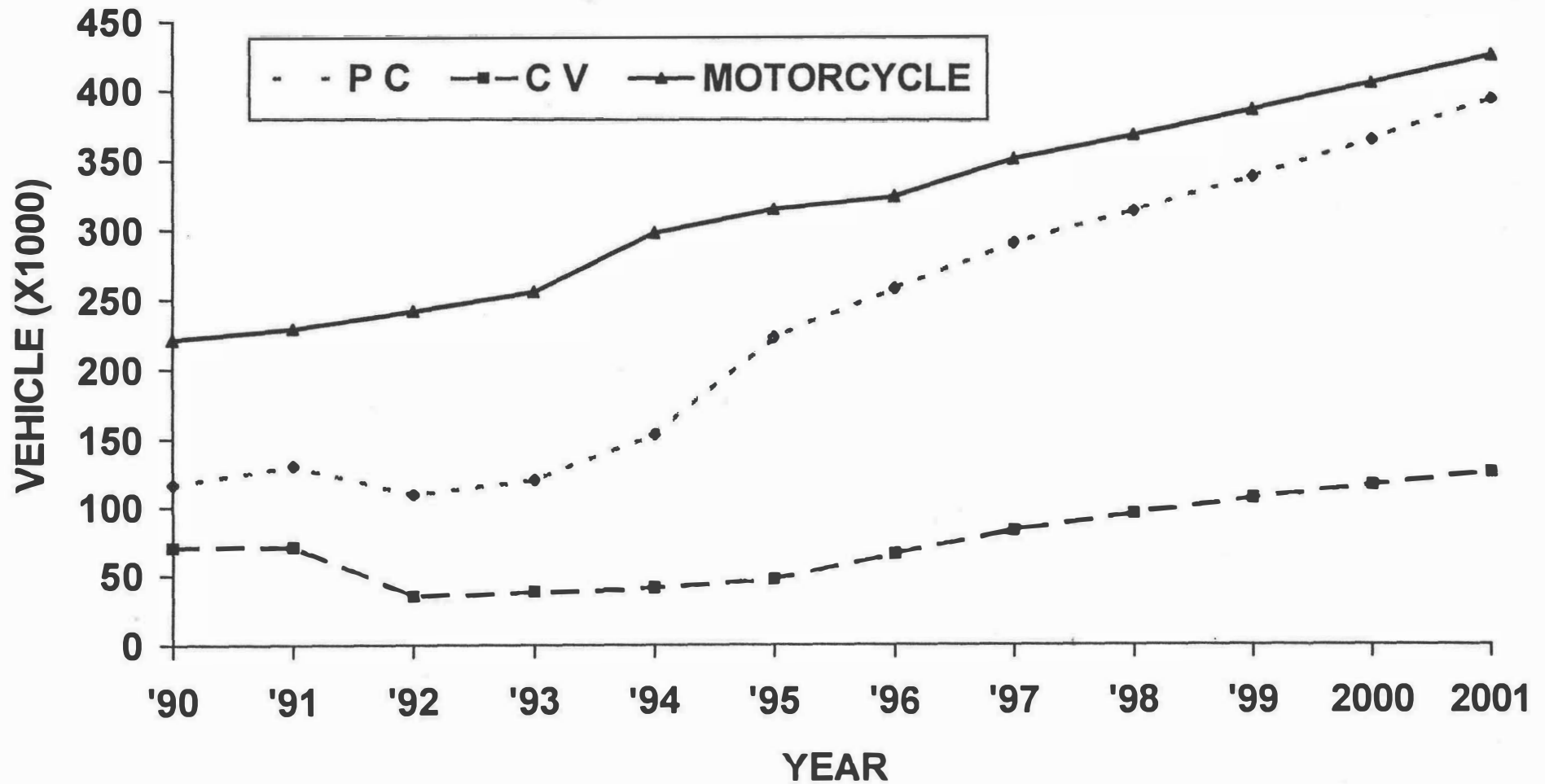
SIX YEARS - 1996 TO 2001

	MARKET SECTOR	1996	1997	1998	1999	2000	2001
A	FOUR WHEELERS						
	- Passenger Car	258,000 16%	291,000 13%	314,000 8%	339,000 8%	366,000 8%	395,000 8%
	- Commercial Vehicle	65,000 37%	83,000 28%	95,000 15%	107,000 12%	116,000 9%	125,000 8%
B	TWO WHEELERS	324,000 3%	351,000 8%	369,000 5%	387,000 5%	407,000 5%	427,000 5%

TABLE 1



SALES OF MOTOR-VEHICLES IN MALAYSIA for year 1990 - 2001



GRAPH 1

SUMMARY OF KMSB SALES (OEM)

SIX YEARS - 1996 TO 2001 (IN PCS)

	MARKET SECTOR	1996	1997	1998	1999	2000	2001
A	FOUR WHEELERS						
	- Passenger Car	475,000	519,000 9%	560,000 8%	605,000 8%	653,000 8%	706,000 8%
	- Commercial Vehicle	174,000	218,000 25%	251,000 15%	281,000 12%	306,000 9%	330,000 8%
	TOTAL	649,000	737,000	811,000	886,000	959,000	1,036,000
B.	TWO WHEELERS	625,000	657,000 5%	709,000 5%	745,000 5%	782,000 5%	821,000 5%

TABLE 2



SUMMARY OF KMSB SALES (REPLACEMENT)

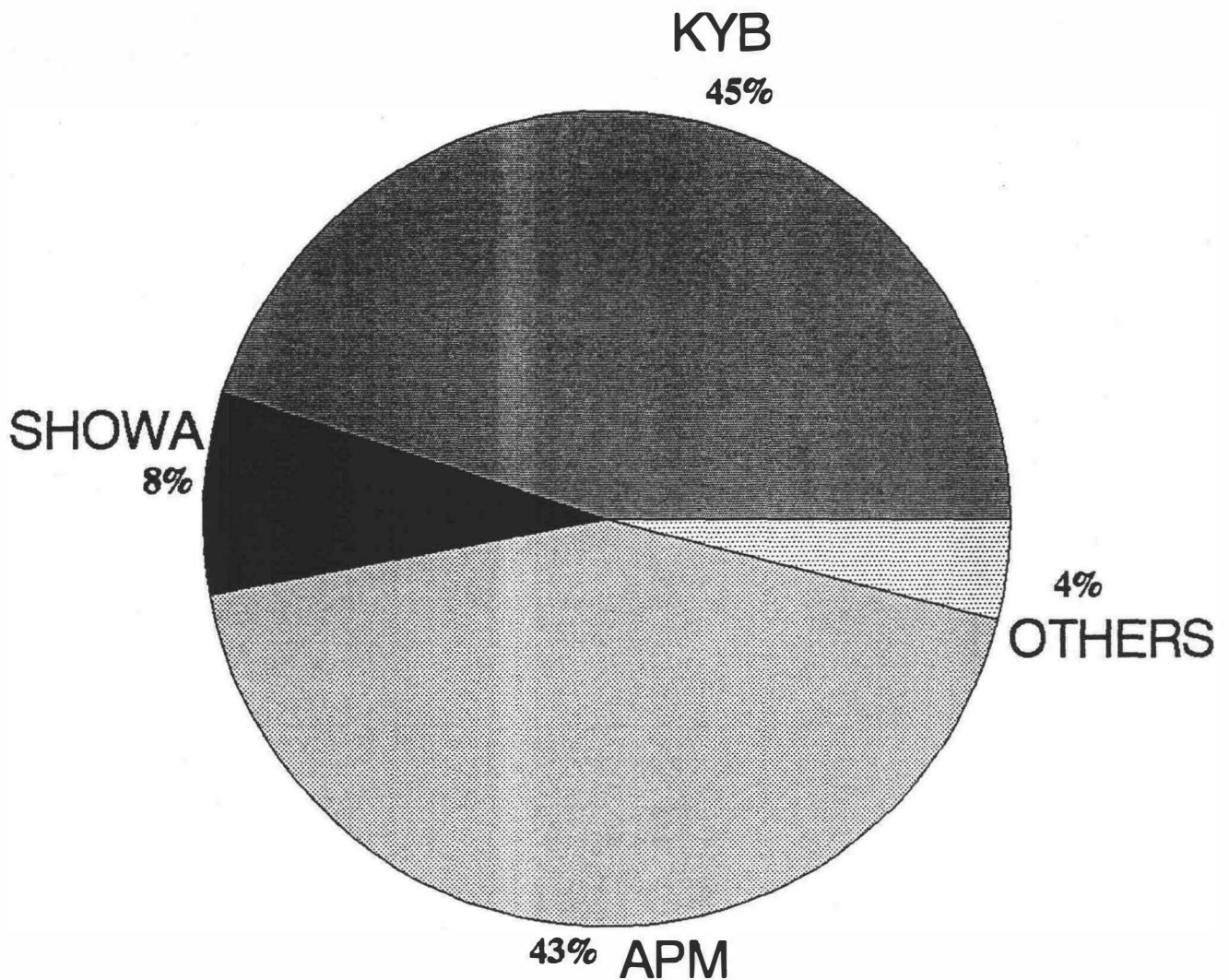
SIX YEARS - 1996 TO 2001 (IN PCS)

	MARKET SECTOR		1996	1997	1998	1999	2000	2001
A	REM		487,000	520,000	640,000	720,000	805,000	900,000
				7 %	23 %	12.5 %	11.8 %	11.8 %
B.	REMOCU		31,500	60,000	95,000	120,000	155,000	190,000
				90.5 %	58.3%	26.3 %	29.2 %	22.6 %
C.	EXPORT	CBU	49,500	38,400	15,000	25,000	35,000	40,000
				- 22.4 %	- 60.9 %	66.7 %	40.0 %	14.3 %
		PARTS	178,000	20,000	0	0	0	0
				- 88.8 %				

TABLE 3



PROJECTED OE MARKET SHARE 1997 For PASSENGER CAR



By % based on Pcs of S/A
TOTAL MARKET = 1.164 MILLION

CHART 1