



UNIVERSITI PUTRA MALAYSIA

**THE NEW MANAGEMENT ENVIRONMENT IN GLOBE
SILK STORE**

Sivadas Govindan Nair

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**A Case Study in Fulfillment of the Requirements for
the Master Of Business Administration of
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Finally, I would like to thank the special lady in life-my wife- who has been my inspiration and the motivation for my MBA course. Without her 'push' I would not have completed my MBA and without her, my life would have lost something, like a rose without its fragrance.

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ABSTRACT

Globe Silk Store is renowned locally owned departmental store, which is owned by the Tirathrai family. They have a total of four outlets spread across the Klang valley, Kuantan and Malacca. Globe Silk Store has been in retail since 1930 and that makes them one of the pioneers in retailing. It was founded by Mr. Tirathdas Jethanand and since then it has gone through three generations with Vijay Kishu taking over from his father, Tan Sri Kishu, in 1993. Globe Silk Store has grown from its humble beginning, in Segamat, to one of a truly Malaysian shopping centre.

With the change in leadership in 1993, came a series of changes in its operations, which was introduced by Vijay himself. This case study examines these changes and identifies the implications of these changes and the solution to be implemented in Globe Silk Store.

The case study is divided into two parts, where part A covers the case write up, while part B covers the case analysis. The elements covered in part A are company history, leadership styles and achievements, the restructuring, customer, retail stores, cash flows, the management team, and the next step.

While part B covers the analysis, where the issue and problems are identified. The case has a total of three problems, with the main issue of how staff could not cope up with the rapid changes. To solve the problems, a total of seven alternative solutions are recommended, which covers from short-term implementation to long-term implementation. One of the implementation solutions was the use of a change model. Finally, the part B ends with possible implementation strategies, which covers for both short-term and long-term.

ABSTRAK

Globe Silk Store adalah gedung yang terkenal yang dimiliki oleh keluarga Tirathrai, yang berwarnanegara Malaysia. Mereka mempunyai empat cawangan yang tersebar di Lembah Kelang, Kuantan, dan Malacca. Globe Silk Store telah bergiat di dalam bidang peruncitan sejak 1930 lagi, dan ini membuat Globe Silk Store sebagai salah satu peruncit yang pertama di Malaysia. Globe Silk Store diasaskan oleh Encik Tirathdas Jethanand and sejak itu ia telah melalui tiga generasi and kini Vijay Kishu telah mengambil alih daripada ayahnya, Tan Sri Kishu, pada tahun 1993. Globe Silk Store telah membangun daripada secara kecilan, di Segamat, kepada salah satu pusat membeli-belah yang terkemuka di Malaysia.

Perubahan cara beroperasi di Globe Silk Store telah berubah apabila pengalihan kepimpinan beralih kepada Vijay. Kajian kes ini meneliti akan perubahan yang telah berlaku dan mengenalpasti implikasi perubahan dan seterusnya memberi cadangan untuk mengatasi masalah yang dihadapi oleh Globe Silk Store. Juga kertas kerja ini memberi cadangan cara-cara untuk memimplimentasi cadangan tersebut.

Kertas kes ini dibahagikan kepada dua bahagian, dimana bahagian A meliputi penulisan kes, manakala bahagian B merangkumi analisa kes.

Element-elemen pada bahagian A kertas kerja termasuk sejarah syarikat, citarasa kepimpinan dan pencapaian, penguabasaian strukur, pengguna, kedai runcit, 'cash flows', pasukan pengurusan, dan langkah seterusnya.

Manakala bahagian B merangkumi alalisa, dimana masalah-masalah dan issue kes di kenalpasti. Di dalam kajian kes ini terdapat tiga masalah, dan issue yang terkemuka adalah bagaimana pekerja-pekerja tidak dapat menghadapi petukaran pada persekitaran yang pesat berlaku. Untuk mengatasi masalah-masalah tersebut, tujuh penyelesaian dicadangkan, yang merangkumi implimentasi jangka pendek ke jangka panjang. Salah satu implimentasi untuk mentatasi masalah adalah dengan menggunakan modul perubahan atau 'change model. Akhir sekali, bahagian B memberi caraa-cara implimentasi cara jangka pendek and panjang dilaksanakan.

THE CASE

1.0 INTRODUCTION

“You mean we did not meet the sales target this month as well!” laminated Billy Salt the IT manager, who was appointed a year or so ago. “Yes” replied Chan Feng Chow, who was also new to the organisation and joined the organisation couple of months after Billy. Chan was appointed as the operations manager two months ago, as a result of the restructuring exercise that was conducted by Vijay Kishu, who was the Executive Director. Prior to this he was the distribution and logistic manager who was based at the Distribution Centre at Batu caves. Therefore, Chan was in fact new to operations and did not have any experience in retailing prior to this.

“What seems to be the problem” asked Heera Singh, who was the Human Resources manager and was also new to the organisation. Heera joined the organisation two years ago and had heard about the drop in sales ever since he joined and it baffled him as to why such predicament was not looked into by the organisation. He was of the opinion that the sales should be the top priority of the organisation and getting it back on track should be the up most priority in everyone’s mind. However, since he was fairly new, compounded by the fact that he did not know the actual financial situation of the company, had prompted him not to ask further. Heera had on several occasions asked on the financial situation of the company and no satisfactory answer was

given. In fact, the same line of thought seems to have developed in all of the managers.

In the midst of Heera's taunt, Lucy Siew Keen commented stating that the sales were on the decline since 1993. Lucy who had been with the company for the last twenty-five years knew the company well. She was one of the few managers left, who had the experience working with both the Managing Director, Tan Sri Kishu and now with his son Vijay. Lucy was the head of the Communication department, which controlled the advertising and promotion aspect of Globe Silk Store (GSS). Lucy on many occasions had highlighted the difference in working styles of Tan Sri and Vijay to her colleagues.

The direction of questioning and comments had made Ravi Chandar rather nervous. Ravi was the newly appointed buying manager. He was moved to the said position two months ago due to the restructuring exercise. Ravi was the Retail manager previously whose job was to ensure continuous growth for all of the four stores. During his supervision he had always attacked the Merchandising department for not supplying the stores with the goods that they required. He found himself in a rather tight situation when Chan addresses the same issue at the Heads of Department's meeting. Ravi knew his ten years of experience working for GSS was not going to help him to answer such lines of questioning and statement by his peers. Ravi had many occasions, during the two months, asked himself what can he do to change the situation. Furthermore, he had on many occasions informed Vijay that he was not ready to accept the responsibility of heading the buying department.

Vijay did not give him much of a choice and realising that, Ravi was left with no other alternative but to accept the portfolio. Besides Lucy, Ravi was another person that was around during Tan Sri's time and he too knew that the difference in management styles of both of them.

Ravi pondered on the question, realising very well that it was going to be an on going dilemma every month; he wondered what Tan Sri would have done in such a situation. Ravi had an enormous amount of respect for Tan Sri and the way he handled the company. In fact, Ravi prefers his way of handling the company as compared to Vijay's. As he assesses his situation of being in the buying department and the management style that had been adopted by Vijay, he wondered whether the company could survive due the current economic and internal predicament situation that are faced by the company. Furthermore, he had to deal with his suppliers who had stopped sending goods because GSS had not paid their old outstanding bills. As a result, the stock level at GSS had declined and the customers have begun to notice this.

Globe Silk Store had been in retail business for the last sixty-nine years and their growth had been continuous throughout the years, especially when they were operating with only one store. Every since they expanded in the number of stores, the sales have been declining, especially since 1993. The decline in sales had generated difficulties for the company especially since the main branch at Jalan Tuanku Abdul Rahman registered decline in sales. The year 1993 was the year that Tan Sri passed the management of GSS to Vijay.

Many of the opinion, that was the turning point in GSS, especially the older generation staff who had seen the company grown and to where it had been. The company was also restricted in its borrowing from banks due to its poor financial returns. Ravi, therefore, was not the only one who had pondered whether the company could compete as the next millennium approaches.

1.1 COMPANY HISTORY

In 1930, Mr. Tirathdas Jethanand founded Globe Silk Store (GSS) in Segamat, Johor. A man of vision, Mr. Tirathdas believed that the most vital element in business was for people to have trusted in his store and for suppliers to have confidence in him. It is this philosophy that had propelled GSS from its modest beginning into one of the most locally renowned department stores in Malaysia.

In 1947, recognising the vast potential that Kuala Lumpur offered, Mr. Tirathdas started GSS in the capital city. Business prospered and in 1964 GSS further expanded to a six storey modern department store, in its original site.

Expansion of the business continued. In 1953, Mr. Tirathdas opened another Globe office in Singapore. However, after three years, and losses, he closed the store in Singapore to concentrate in Kuala Lumpur. While in the home front, in 1955, he shot Segamat into nation-wide prominence when he

organised a 100-stall trade fair in conjunction with GSS's Jubilee celebrations.

GSS began to garner a loyal clientele, further inspiring Mr. Tirathdas to create an in-house brand. Thus, "DON" was born in 1951. In 1953, he strode ahead and broke new ground with the celebration of the \$1 department. This unique innovation not only put an end to price bargaining it enhanced public confidence in GSS.

Mr. Tirathdas passed away in 1972. His son Kishu, now Tan Sri Kishu, took over the reins of running GSS. He reinforced his father's philosophy and in 1976 turned an ailing European apparel factory into Mona Industries Malaysia (MIM), the first company in the Free Trade Zone in Malacca that was owned by a Malaysian.

The 1970s' beckoned the need for more floor space and modern management techniques as business grew at a blistering pace. As a result, in 1977, Tan Sri embarked on an expansion programme, which included the construction of a ten-storey GSS building. Its opening planned to coincide with GSS's Golden Jubilee celebration in 1980.

In 1985, Tan Sri was awarded the Malaysian Entrepreneur Award. In 1994, he was bestowed the Academy of Fellow Award by Malaysian Institute of Directors and welcomed into the council of Fellows, Malaysian Institute of Management.

In the meantime, MIM grew to become one of Malaysian leading apparel manufacturers and exporters. MIM's aggressive global approach with focused marketing and participation in trade and fashion fairs worldwide has placed the Malaysian textile industry at the forefront of international fashion. MIM's high quality apparel is well accepted all over the world. Its clientele includes famous fashion houses and departmental stores in Europe and North America. At present, there are four manufacturing plants sited in Malacca and Pahang.

In 1988, the group diversified into the jewellery business with the opening of "The Jewel Mine" at the Weld. Tan Sri eldest daughter Gita Kishu, a business graduate and qualified gemmologist heads the Jewel Mine.

Apart from diversification of business; GSS has consolidated its economic strength in retailing, manufacturing, real estate and financial investments. The rapidly expanding landbank is managed by Tirathrai Properties under the auspices of the Tirathrai Group of Companies. However, it is suspected that the landbank had eroded due to the present financial constraint that had overwhelmed GSS.

In 1990, GSS celebrated its Diamond Jubilee. To crown its celebration, the prestigious World Executive Digest unanimously chose GSS for its "Operations Management" Award for Malaysia. This accolade had served to further resolve the GSS commitment to strive harder, to scale new heights in quality and excellent at all levels of systems management. In 1994, GSS

opened an outlet in Kuantan and another in Puchong, Selangor in June 1996. In 1997 another outlet was opened in Kotamas, Malacca. In addition, in the pipeline are other outlets in Kajang and Penang. However, many within the organisation had concluded that these would only be in the pipeline and never to be launched until GSS's stabilised it self. On the other hand, the company never announced its standing in regards to the two branches. This had lead to many believing, within the organisation, that Vijay did not practise transparency.

Today the third generation of Tirathrai family namely Vijay, Vinod and Bhusan had joined Globe's corporate portfolio to usher in the challenges of the 21st century. Along with it came the forth generation of people management to continue, sustain and maintain the company's philosophy of providing value for money in terms of quality products and services. With the insertion of new generation, comes alone new ideas and new manner of operating, which is against the traditional convention.

The third generation, especially Vijay, was actively involved in GSS from 1992 onwards. His first project was to set up the Human Resources department, which at that time was only attuned towards Personnel department. His heavy involvement in this area brought about the second component of HR, which was the training department. He formulated the training programme, which was called Service Assistant Training Programme (SATPRO). Many believed that SATPRO did not managed to meet its objectives that were stated, although Vijay viewed otherwise. The initial

stages of SATPRO, primarily the first batch in 1992, were highly motivated and had the drive to achieve what was required. However, many believed that throughout the years the drive and motivation levels of the staff deteriorated and training was viewed as just another project that the organisation was interested at. In spite of the training objectives and rewards, many believed that the organisation was preparing the staff to equip themselves better for better prospects outside.

1.2 LEADERSHIP STYLES AND ACHIEVEMENTS

The staff in GSS always mentioned that the leadership style of both Tan Sri Kishu and Vijay Kishu is different. Many of the 'old' staff preferred Tan Sri's ways of managing as compared to Vijay. One of the main reason was the fact that Tan Sri groomed most of them when he was running the GSS operations. Therefore, the staff had enormous amount of respect for him and they do not mind doing anything for him. However, the same cannot be said of Vijay Kishu.

1.2.1 Tan Sri Kishu

Those who have been long enough in the organisation and served under both Tan Sri and Vijay always compares their leadership styles. When the sales was continuously declining from 1993 on wards, the management

styles of both were evidently different. This, on many occasions had confused the staff. Instruction from Tan Sri could differ from Vijay and as a result the top management often confused on whose instruction should they execute.

Tan Sri, who was managing the operations of GSS till 1993, had a simple management philosophy of “Hands on management”. He believed that was the main factor attributed to the success of GSS. He emphasised that all level of staff in all departments should be attuned to meeting the operations department’s requirement. He emphasised the concept of internal customer. His philosophy was based on inter-department team working to achieve a common goal.

His philosophy of serving the customer was based on one of the three philosophies of GSS, which was Value for money, Excellent service and Quality above all. As a result, he had a programme whereby all the office staff was to spend one Saturday of their working day at the retail store to know the customer and identify the customer’s needs. He believed that by doing so, everyone would be service conscious and it would help them better in understanding the customer. Furthermore, this way one of his method of teaching the staff on the concept that “Customer pays your salary”. He had taught the organisation to self-support itself by concentrating on customers.

Tan Sri did not believe in delaying decision and any problem that was brought to his attention was immediately solved. He emphasised on quality

decision and this had helped its managers to considerably because they could carry on with their daily operational matters. "His decision making is so simple. You just have to send him a memo with the relevant information and he would reply immediately", said Lucy. Many believed, this was due to the enormous amount of experience that he carried in retailing.

"Products were Tan Sri's speciality" according to Ravi. His ability to make quick decision on pricing, quality and promotion were main factors to the success of GSS all these years. Many believed that he was gifted with such a talent and some believed it was also due to his experience on learning products when he was young. His philosophy of "Hands on management" was from his own experience when he went into business to help his father. Value for money was his motto and each product should sell by itself based on this motto. Many of these values were incorporated into GSS's philosophy, which stays till today.

Many had said that his management style was of an autocratic by nature. He did not allow his managers to make decision; rather all decisions must come from him. However, there are many who argued that he is a man of compassion and willing to hear rational argument and if it made sense he was willing to accept them. In a way, many managers are happy with such a mode of leadership because a sense of trust was built in into the system. However, they are those who left who felt that they could not accept such mode of operations. It shows that Tan Sri trusted the managers if proper steps were taken to rectify certain problems. However, during his tenure,

Price Waterhouse did a study on IT requirement for GSS and one of the conclusions they made was on how decision-making was conducted. They concluded that the whole organisation was dependent on him.

“Management by walking about” was another of his management style. He was often seen walking to the retail floors to seek feedback from his line supervisors and managers. His concentration on customer satisfaction through products and services were always emphasised to the supervisors. The supervisors were often reminded that they have to be at the frontline to observe and serve the customer all the time. As a result, he trained many supervisors informally through such interactions. Furthermore, he does not want his supervisors to get involved in paper work and change the system into a bureaucratic system. This was another reason for GSS's success. The supervisor is said to be always on their toes because of the close supervision by Tan Sri.

Many agreed that during his tenure, GSS was progressing in the direction that it chartered and furthermore the main reason was his emphasis on products. Therefore, he was managing the direction of the merchandising department, and was constantly guiding the merchandisers in product planning. He expanded the merchandising department and brought in staff from the retail floor to ensure there would be second level of staff to take over the department when the first level of managers, who were at that time on yearly contract, decided not to renew their contracts. His vision was many a times questioned in relation to products only to see that he was right. The

classic example came from the DON shirts, which was retailed at around RM 9.90 to 16.90. He challenged the merchandisers to improve the quality and packaging and retail it at RM 29.90 to RM 49.90. It was a success with our customers and they loved the shirts and were willing to pay for the quality, till today. This brought about product development and he thereafter introduced it ensuring that all products were to go through the cycle of product development.

Tan Sri's tenure was of high progress in all areas, especially in relation to sales. He had ensured that the company progressed in the direction that was chartered by the organisation. Exhibit 1 showed the in sales from 1991 to 1998.

Exhibit 1 :

Sales (in Rm'000) for Main Store and Total Store

	Main Store	Total Store	Remarks
1991	90,574	90,574	
1992	97,885	97,885	
1993	94,266	94,266	
1994	95,037	96,148	Opening of Kuantan branch
1995	91,780	98,947	
1996	91,008	99,516	Opening of Puchong branch
1997	84,607	104,304	Opening of Malacca branch
1998	74,431	100,027	

The exhibit showed the sales increase from RM 90 Million in 1991 to RM 97.8 Million in 1992, after which Tan Sri passed over the management of GSS to