



UNIVERSITI PUTRA MALAYSIA

**A CASE STUDY ON
RN KONSULT SDN. BHD.**

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ON
RN KONSULT SDN. BHD.

BY
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PENGESAHAN KEASLIAN LAPORAN

Dengan ini saya, **ABD. RAZAK BIN HJ AHMAD**, No Matrik: **45112** pelajar tahun akhir program **MASTER OF BUSINESS ADMINISTRATION** mengaku bahawa kajian kes ini adalah hasil asal saya sendiri.



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EXECUTIVE SUMMARY

RN Konsult Sdn Bhd was set up in 1995 by its founders; Abdullah and Dennis from UK. The company was set up to provide engineering consulting services for the construction and other related industries. The company's founders had hoped to establish RNK as a centre of excellence for Bumiputra professionals to service the domestic as well as the regional markets.

The SWOT analysis had revealed encouraging opportunities for the company on most of its external environmental factors. And most of the internal factors analysed were also found to have contributed to the strength of the company.

The SPACE analysis had positioned the company in a competitive posture where it was operating in an unstable and competitive environmental conditions.

It was recommended that the company adopt a pause strategy or proceed with caution in a short term and in a long term adopt a growth strategy through concentration via horizontal integration.

It was also recommended for the company to team up with DSP, UK and venture into specialised high-tech projects such as the IT industry and the MSC related sectors.

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PART 1: CASE DESCRIPTION



1.0 INTRODUCTION

Abdullah had a worried look on his face. He had just received a resignation letter from the Managing Director. This had come just a few days after the resignation of two engineers and an executive. The company had not been able to pay the staff's salary for the month, and no new jobs were received for the last few months.

He remembered when he first started the company a few years ago – it was also a difficult moment for him. However, the rapid pace of economic growth had helped the company to make progress and it expanded quickly. Now the company had started showing signs of being directly affected by the economic downturn brought about by the regional currency crisis. The crisis had played havoc to the economy especially to the construction industry. A lot of projects had been either shelved or deferred.

Looking back on what had happened since its incorporation, Abdullah noted that RN KONSULT was facing several problems which needed to be addressed quickly. Firstly, it lacked a strategic financial management and control system. Secondly, the firm had not been able to charge its fees fully based on the recommended scale of fees for the services rendered and thirdly, the firm had been facing cash flow problems and delayed payment of fees which was further compounded by a lack of credit facilities.

1.1 INCORPORATION OF RN KONSULT

The firm RN KONSULT SDN BHD (RNK) was incorporated on 21 March 1995. It started its business operation in June of the same year. RNK was established as an engineering consulting firm providing a fully integrated engineering services in the field of mechanical and electrical engineering, project management and related support services to the construction and commercial business sectors.

1.2 COMPANY BACKGROUND

RNK had its beginning in September 1994 with a chance meeting between Abdullah and a consulting engineer from UK named Dennis in Kuala Lumpur. Dennis was on a business trip to Malaysia and being a businessman, he saw a lot of opportunities in Malaysia at that time since the country had been experiencing an unprecedented economic growth of between 8 to 9 percent every year for the last five to six years. (Source : Bank Negara Economic Report 1996/97)

Dennis had expressed his desire to find a local partner to set up an engineering consulting firm. Since he did not know much about this region, he had sought Abdullah's assistance by promising to provide the initial capital for the venture.

Dennis was planning for the firm to be his regional representative firm to secure jobs locally as well as made it easier to service his Asian clients. He was at that time already servicing a number of clients in India, Thailand, Singapore and Brunei.

He had envisioned the local firm to incorporate the highest standard of engineering practices mirroring his firm in the United Kingdom, known as The DS PARTNERSHIP (DSP).

Abdullah at that time was working as a project manager. Although he had had intention to set up his own business, he had not thought that the opportunity would come that soon and in an unexpected way! Although trained as a mechanical engineer, Abdullah could not set up his own engineering practice as he has yet to take up his professional license. However, being a project manager, he had a lot of experiences working with consulting engineers and architects in the construction industry.

A few months had lapsed since that faithful meeting and all the while Abdullah had been communicating with Dennis in UK. Dennis had all along tried to convince Abdullah to take up the challenge since he was confident that the venture would work. He used to encourage Abdullah by saying “if you want to start a business, don’t wait, start it yesterday!”.

It was not until another chance meeting in January 1995 between Abdullah and Naharuddin, that the idea of forming RNK really took off. As an engineering supervisor, Naharuddin had been in the consulting line for the past 20 years. He introduced Abdullah to Razmi, a professional electrical engineer graduated from ITM. Razmi was then working with a consulting firm in Kuala Lumpur.

In order to complete the team, Abdullah had approached his former university mate, Razif, a professional mechanical engineer, to join the venture. Although initially skeptical about the whole proposal, Razif decided to join as a partner in February 1995 but on a part time basis as a director.

When RNK was formed, Abdullah did not join the firm on a full time basis, he however continued to be involved with the firm as an advisor and chairman of the Board of Directors. Also, since its formation, RNK had only been involved with local projects and had not represented DSP as planned.

1.3 SCOPE OF BUSINESS

RNK's scope of business involved providing fully integrated engineering services, project management and related support services to the construction and commercial business sectors. It specialized in mechanical and electrical engineering design and drafting services in building construction.

In order to do its business, RNK had to be registered with the Board of Engineers Malaysia (BEM) and as such its operations was bound by the professional ethics practices as stipulated by the regulatory body.

1.4 COMPANY GOALS

RNK's management had included in its strategies the company's goals in order to provide a clear direction and cope with future changes.

1.4.1 VISION

RNK had adopted its vision in the pursuit of excellence as:

“ To provide excellent professional consulting services and establish long lasting relationship with all clients.”

1.4.2 MISSION STATEMENT

RNK wanted to be known as a centre of excellence in professional consulting services with state-of-the-art design capability and able to provide its clients with quality professional services through an efficient project execution, on time delivery, within budget.

The company's mission statement was:

“To be the centre of excellence in the fields of mechanical and electrical engineering services through state-of-the-art design capability and providing its clients with quality professional services through an efficient project execution, on time delivery, within budget.”

1.4.3 CORPORATE OBJECTIVES

The company mission was supported by four corporate objectives, which were as follows:

- i. To seek good earnings, growth and profitability over time.
- ii. To manage the business prudently so as to maintain the financial strength necessary to meet the obligations to the shareholders, customers and employees.
- iii. To be customer-focused, striving for maximum customer satisfaction through total quality service.
- iv. To foster an organisational culture stressing on equity to all, be it the employees, suppliers, clients or shareholders.
- v. To subscribe fully to the code of ethics for professional engineers as stipulated by the Board of Engineers, Malaysia.

1.5 SHARE CAPITAL

The authorized share capital of RNK was RM 100,000.00 comprising 100,000 ordinary shares of RM 1.00 each. The issued and paid up capital was RM 25,000.00 comprising 25,000 shares of RM 1.00 each.

In terms of shareholding, initially the equity of RNK was held by Abdullah and Dennis only. Their joint holding was diluted to 70% when the three key personnel, Naharuddin, Razmi and Razif were made partners and given 10% equity each.

It was later decided that each of the five partners to equally hold 20% equity.

2 ORGANISATION STRUCTURE

2.1 ORGANISATION

The organisation structure of RNK was based on a simple functional type of structure as shown in **Appendix A**.

In this set-up, the levels of management had been significantly reduced thus enabling subordinates to report directly to the managers. In this respect, the vertical communication between the levels was very efficient. As far as the departmental function was concerned, the authority was clearly directed to the immediate manager for the respective department.

2.2 THE MANAGEMENT

2.2.1 BOARD OF DIRECTORS

The members of the board of directors were:

- | | | |
|------------------------------|---|--------------------|
| a. En. Abdullah Ahmad | - | Chairman |
| b. Ir. Ahmad Razmi A Ghaffar | - | Managing Director |
| c. Ir. M. Razif Ibrahim | - | Technical Director |

d. En. M. Naharuddin A. Majid - Operation Director

2.2.2 MANAGING DIRECTOR

Ir. Ahmad Razmi, a professional electrical engineer graduated from ITM with 15 years of working experience, had been RNK's Managing Director since its establishment in 1995. When he was approached to join RNK, he had been thinking of starting his own engineering practice. However, due to the lack of capital he had to postpone his intention and continued working as a consulting engineer with a local firm. He agreed to join RNK after being offered to lead the company.

When he joined RNK, he brought with him some of the clients he had been servicing and this had initially helped to get RNK's operations off the ground.

Razmi had his own perspective to venture in the business. When asked why he decided to join RNK, he replied:

" It has to do with what I wanted to do all these while i.e to be on my own. Prior work experiences in the industry had shown that a more ethical professional practice is required in order to safeguard the clients and the public at large. I am not saying that the present practices are not up to standard but the actual scenario has been quite disappointing. On my part, I would like to see how I could contribute through RNK in order to bring up the standard of professionalism in the industry. I would also like to see more Bumiputra professionals in the field and not only be satisfied with the ' makan gaji ' mentality."

In the realisation of its vision, the company had taken steps to take the challenges by focusing on its most valuable resources; i.e. the company personnel. Regarding this matter, Razmi added:

“ Initially it is important to motivate the personnel by telling them the ‘big picture’ and where the company is heading. The idea is to produce Bumiputra professionals who are willing and able to capitalize on the state-of-the-art design technology in order to contribute to the development of our nation. Should they succeed in this than I consider myself successful.”

2.2.3 TECHNICAL DIRECTOR

Ir. Mohd. Razif Ibrahim had graduated from the University of Queensland, Australia with a B.E.(Hons.) in Mechanical Engineering and had more than 15 years of experience in the industry. Although he did not join RNK on a full time basis, he spent most of his time looking after the technical and financial aspects of the company.

He shared the same vision as the Managing Director and has added his own reasoning for joining RNK in which he categorically stated as:

“ I was initially very skeptical about joining RNK, I have no reason to agree to join RNK except the desire to see that RNK is run and managed in accordance with the Islamic way. In order to do this, I have to strictly adhere to certain standards. Being non-compromising in matters of our religion is one of them. Another aspect is perseverance. I don’t give up easily, even if I have to make certain sacrifices that would have a great impact on the company.

Another aspect I would be emphasizing on, is the standard of professionalism in our Bumiputra companies, I believe by strictly practicing the tenets of our religion, we could motivate the Bumiputra companies to be more professional and ethical in their dealings.”

RNK believed in executing its jobs efficiently, on time and within the approved budget and in the process to deliver a superb product and service with excellent quality. In order to achieve this, the standard of professionalism need to be upgraded through adoption of proper procedures and skills. The Technical Director added:

“Creativity, dedication and excellence in everything RNK does is the vital ingredients needed to maintain a long lasting customer satisfaction, in turn, they will ensure that RNK stays ahead of the competition.”

2.3 OPERATIONS DEPARTMENT

Operations Department was responsible for technical support services such as drafting services as well as financing, general administration and human resources management of the company. RNK being a small outfit, had delegated the responsibility of the department to En. Mohd Naharuddin Abd Majid. He was assisted by an Administration / Human Resource Executive’ Siti Nurbayah and a Computer Aided Design (CAD) Supervisor, Shamsul.

The executive made some minor decisions on administrative matters. Major decisions and any other decisions related to finance and human resource development were made by a committee consisting of all Managers.

According to the record, at present RNK had 10 personnel. This far the company had not experienced any major problems with the personnel. When asked about the personnel, En. Naharuddin said:

“Our personnel are mostly recruited based on very reliable references or from those whom I know personally. They are our greatest assets. We have managed to instill in our personnel a strong sense of commitment and dedication towards their work. The management had instituted a well-defined HR policy incorporating career development and benefit schemes, which has been well received by the personnel.

However, we noticed that our management is a bit lacking in good interpersonal and human relations skills which had on several occasions caused some misunderstanding among the personnel.”

3 PRESENT MARKETING

3.1 MARKET DESCRIPTION

In the period of 1994 and 1995, the construction sector was growing at between 12 to 14 percent per annum. (Source: Bank Negara Report 1996). Due to this, the property and construction sectors in Malaysia were experiencing a boom. Property developments were mushrooming and the demand for engineering consulting services was also on the rise. RNK was established in the midst of this development with the majority of RNK's clients came from the construction and property sectors.

Since it began operations, RNK had managed to secure around 80 projects with a total estimated value of RM500 million. Most of these jobs involved small to medium sized projects costing between RM0.5 millions to RM50 millions. Majority of these projects were from the same clients such as private developers, banks and hotel owners. Refer to **Appendix B** for summary of selected projects undertaken by RNK.