



UNIVERSITI PUTRA MALAYSIA

**PNB INFORMATION TECHNOLOGIES SDN. BHD.
A STRATEGIC AUDIT AND RECOMMENDATIONS FOR
THE FUTURE**

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PNB INFORMATION TECHNOLOGIES SDN. BHD.

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Aims of the Project

PNB Information Technologies Sdn. Berhad A Strategic Audit and Recommendations for the Future

My aim of choosing a study based on the needs of a real company has two major lines of interests.

The first interest is to specialize in the area of strategic management which is of particular interest to my profession. My current profession as a business consultant in IT related projects undertaken by IT companies is confined to a specific area of the organization only which in most cases is in finance. This project which is a study of the whole company would provide me valuable knowledge in how other functional areas such as marketing, human resource and corporate planning strategically build a company.

This knowledge would further enhance my career as a consultant.

The second interest is to be able to work with and apply some of the theory and knowledge that I have acquired in the MBA, particularly strategic management course of study.

Acknowledgments

This project is actually a team project. While my name is mentioned as the person who prepared this project, literally many people have helped me with guidance and information.

My thanks to Chris M. Alcantara Ph.D. for his committed supervision, guidance and review in the completion of this project. Committed to the extent that he even allowed me to consult him at his home. A special thanks is also extended to the management and staff of PNBIT in providing me with all the required information for this project without hesitation. Finally, I want to thank my wife who prepared coffee to keep me alert while working on this project in the late nights.

G.Subramaniam a/l Govindasamy



CHAPTER 1

Introduction

1.1 Background Information

Two major projects undertaken by the EDP Division of Permodalan Nasional Berhad (PNB), led to the establishment of Permodalan Nasional Berhad Information Technologies Sdn Bhd (PNBIT). They were the Pos Malaysia and the Road Transport Department (RTD) projects.

It was found out that Amanah Saham Nasional (ASN) unit trust scheme transactions, were performed at the post offices. In line with the government's plan of corporatising the Postal Department to become Pos Malaysia Berhad, PNB embarked on a computerization and modernization project to enable on-line ASN unit trust transactions to be performed at the post offices and assist the Postal Department in modernizing its business operations.

To meet January 1, 1991, target date for the floatation of the ASN, a total of 280 post offices nationwide were to be involved in the first phase implementation of the project, delivering the computerized One-Stop Payment (OSP), Amanah Saham Bumiputera (ASB) and ASN computerized transaction systems. The pilot systems comprising of ASB and ASN computerized transaction systems commenced in October 1989, and OSP

system was implemented from November that year beginning with post offices in the Klang Valley.

The implementation of the systems at all the post offices in the country continued throughout the year 1990, and the ASN and ASB systems were gradually put into full operation. The final leg of systems implementation covered post offices in Sarawak and Sabah, where all three systems were implemented simultaneously.

The real time on-line system to service unit holders of ASN and ASB were fully implemented in 1991. As at December 31, 1991, 724 agents were linked on-line to the system. During the year, the financial services team also installed the SAP financial software at PNB and at a major private sector client. As part of PNB's on-going effort to assist the computerization of Pos Malaysia Berhad, the Post Master Cash Accounts, On-line Money Order and General Accounting System were implemented.

With the Postal Department being transformed as a financial centre and their post offices as outlets, PNB had succeeded in providing opportunities to lower-income Bumiputra, especially in rural areas, to participate in the investment industry. The urban society no longer monopolised the industry. It was found that these innovations had helped to improve the economic standing of the rural Bumiputras.

The implementation of the Postal Project posed a logistic nightmare to the project team, as the post offices are geographically diversified. It was a challenge to move man and

equipment to locations that are only accessible by river transportation and at times having more than ten post offices being implemented simultaneously. PNB had proven to be able to perform this gargantuan task by having the team working closely together and having the support of the management at all times.

Banks and financial institutions were also involved in the schemes where they act as agents for ASN and ASB. The on-line agents included Maybank Berhad, Mayban Finance Berhad, Bank Bumiputra Malaysia Berhad, BBMB Kewangan Berhad, Kwong Yik Bank Berhad and Malaysia Credit Finance Berhad. With effect from February 1, 1992, PNB terminated the services of non-on-line agents.

The computerization of Pos Malaysia has enabled it to become more efficient. Customers are attended faster. The ASN and ASB transactions are conducted at any on-line agents.

As a result of the successful computerization of Pos Malaysia Berhad, the Malaysian Government requested PNB to assist the Road Transport Department (RTD) in computerizing its branch offices nationwide. The Government had accepted the concept of Public Services Network (PSN) which extend selected on-line Government services to the public through PNB telecommunications network transacted at the post offices. The project computerizing the RTD branch offices nationwide moved into the implementation phase in November 1992.

The application systems developed basically covers the whole aspect of RTD's counter operations, including driving licence, registration, KEJARA enforcement, driving test, driving school and cash accounting systems. More than 60 RTD branches whose services were upgraded due to implemented systems.

At the same time, PNB had implemented the Storage and Retrieval system (STAR), that introduced image storage in optical media. Documents from vehicle files were sent to RTD's Record Management Centre for the imaging process.

PNB and RTD embarked on the mobile enforcement system and mass data verification projects. The mobile enforcement system will enable RTD to effectively carry out its enforcement functions. The data verification project was to verify and update the latest information in their existing database.

With modernization in mind, an office automation system was introduced, which streamlined the types of application systems used in its RTD offices and these, included the introduction of e-mail facilities which enable inter-branch communications and communication with the headquarters. This project saw marked improvements in RTD's services and enables RTD to centralized database and thus, allowing the public to be serviced at any RTD branches. RTD is able to provide better services to their customers and enforcement of road transport regulations. Thus, making the roads safer and directly contributing to improvements in revenue collection. Vehicle registration transaction which previously took more than a week, are now completed within a day. Driving

license and road tax renewals are now able to be transacted at any RTD offices and at the post offices through the Public Services Network (PSN), thus allowing easier access of RTD services to customers.

The PNB network which services Pos Malaysia and RTD was significantly upgraded during 1992. System capacity was increased and facilities were added to support additional communication protocols and to improve PNB's ability to monitor the operations of the network.

CHAPTER 2

The Evolution of PNB Information Technologies Sdn.Bhd

Investment in information technology (IT) is now considered a necessary expense as Malaysia embarks on laying the foundations for a knowledge-based society to move the economy forward.

In this regard, IT has been regarded a priority sector that will help contribute towards a sustainable and strong economy in the next century.

Prime Minister Datuk Seri Dr Mahathir Mohamad, has been in the forefront to spearhead efforts in pushing for wider applications of IT, and said that Malaysia has no choice but to venture actively into IT to prevent the country from being left behind in the IT age. Although the IT industry's contribution to gross domestic product (GDP) has been relatively low, it is poised to grow at a tremendous pace in the immediate future.

2.1 From EDP Division to Subsidiary of PNB

A five year computerization plan for PNB started in 1988. It was to computerize systems in PNB's investment operations, especially in treasury management, and to provide

efficient transactions of unit trusts managed by ASNB through on-line operations at the agents of ASNB.

The year 1989 saw an increased usage of IT and computer applications. This was in preparation for the new variable pricing of the ASN scheme and introduction of the new scheme, Amanah Saham Bumiputra (ASB). There are more than 1200 agents throughout the country who are to be involved in this new scheme. This supplements the Malaysian government modernization plan to achieve Vision 2020.

PNB saw the business potential in corporatising the EDP division with the success of its two major computerization projects, that is Pos Malaysia Berhad. and RTD, and its own in-house computerization plan.

PNB Information Technologies Sdn Berhad (PNBIT) was incorporated on December 15, 1994. PNBIT was established to enable PNB to fully embark in the information technology business. Thus, providing potential information technology users a company that can cater for a wide range of services and returning value for money.

2.2 The Management Buy-Out (MBO) of PNBIT

The Government had always made clear its objective of establishing PNB as an investment company of Yayasan Pelaburan Bumiputra (YPB). It is part of the efforts in restructuring of society to increase the participation of Bumiputra in the corporate sector,

by 1990, at least 30 percent of the share capital of companies would be owned by the Bumiputra community, 40 percent by other Malaysian communities and 30 percent by other Malaysian foreign investors.

2.2.1 Establishment of PNB

The chronology of events that led to the establishment of PNB are as follows:

13 January 1977

The government appoints a Working Committee to study the creation of a Bumiputra investment fund. The committee then recommends the establishment of Yayasan Pelaburan Bumiputra (YPB).

9 January 1978

YPB is established as a company limited by guarantee under the Companies Act, 1965.

17 March 1978

A wholly-owned subsidiary, Permodalan Nasional Berhad (PNB), is established by YPB under the Companies Act, 1965.

2.2.2 Information Technology

PNB's involvement in IT projects through PNBIT was considered as a deviation from its main objective which is to increase the participation of Bumiputra in the corporate sector.

The Prime Minister of Malaysia as chairman of YPB advised the management of PNB to divest PNBIT and to focus on investments only.

2.2.3 Dato' Mohd Hilmey Mohd Taib

The Group Chief Executive Officer of PNB , Dato'Mohd Hilmey Mohd Taib (appointed on January 1,1995) early involvement in the computerization project for Pos Malaysia as General Manager of EDP operations provided him the interest and adequate knowledge on IT related activities. He had also played a key role in the establishment of PNBIT. His enthusiasm to venture into the IT business give way to acquire PNBIT, as directed by the government. On January 1,1998, Dato'Mohd. Hilmey bin Mohd. Taib together with several management staff of PNBIT, acquired 65% of the equity capital of PNBIT and become the major shareholder of PNBIT. He relinquishes his post as the group CEO of PNB. PNB still remains the minority shareholder of PNBIT with 35% of the equity share capital.

The chronology of events on PNB business activities and growth is highlighted in **Appendix A**

CHAPTER 3

PNB Information Technologies Sdn. Berhad

3.1 How PNBIT is Organized

Board of Directors

The Board of Directors consists six (6) members. Out of which, two (2) are from PNBIT.

Members of the Board of Directors are as follows:

Dato' Mohd. Hilmey bin Mohd. Taib

Executive Chairman

PNB Information Technologies Sdn. Bhd

Tuan Syed Agel bin Syed Salim

General Manager

Amanah Saham Nasional Bhd

Tuan Haji Safiee bin Haji Mohammad

President

PNB Information Technologies Sdn. Bhd

Shaharom bin Md.Shariff

Chief Executive Officer

Pernec Corporation Sdn. Bhd

Zamani bin Zakariah

Chief Executive Officer

Mobikom Sdn. Bhd.

Meriam bt Haji Yaacob

Group Company Secretary

Permodalan Nasional Berhad

The organization structure of PNBIT is depicted in **Appendix B**

Management Team

Based on the organization structure, (Exhibit 2) PNBIT's primary feature is the separation of operating responsibilities into corporate office headed by the executive chairman Dato' Mohd. Hilmey bin Mohd. Taib and operation management headed by Tuan Haji Safiee bin Haji Mohammad.

Finance division and corporate services division reported to Dato' Mohd. Hilmey bin Mohd Taib. The departments were organized functionally into Network Services, Data Centre, Record Management Services, and Public Sector Account all reported to a Senior Vice President, Wan Zaidi Wan Jaafar who in turn reports to Tuan Haji Safiee bin Haji Mohammad. The other departments, Commercial Sector Account, Corporate Information

Service, Marketing and New Business, Quality Assurance and Standards, and Product Technology Services all reported directly to Tuan Haji Safiee bin Haji Mohammad.

3.2 PNBIT Product Range

The principal activities of the Company is to provide business solutions, in the form of information system consultancy, system development and network related services.

PNBIT is focusing into two sectors, the Public and Commercial Sectors, in meeting its business objectives. The business activities offered by PNBIT are the following services:

- System Integration (SI) Services

System Integration Services is a package for total IT solution. The package consists of: System Application Development, Data Centre Facilities, Network Services, Record Management Service. Among the projects completed under SI Services are the Pos Malaysia Berhad and the Road Transport Department. The on-going projects are the Immigration Department, Housing and Local Government Department, National Registration Department, Pension Division of Public Services Department and the Housing Loan division of the Finance Ministry. The SI services are provided by the Public Sector Accounts (PSA) and Commercial Sector Accounts (CSA).

- Application Outsourcing Services

PNBIT provides both partial and total application outsourcing services to its customers. Partial outsourcing offers expertise in project management and application development. Total outsourcing offers complete services where the company provides project management as well as the maintenance of the system. There is no necessity for the particular organization to have an EDP department.

- Value-Added Information Services

Provides Public Services Network (PSN) which enables the services of various government agencies to be transacted at the post office counters. Consolidate and distribute information to customers (as information warehouse). Integrate information content of various agencies, especially government. Value-add information to make products more useful. Convenient for public and customers to access on-line information.

- Data Centre Services

In Data Centre Services, PNBIT provides its customers with several services such as: Data Centre facility management services, Disaster Recovery facility, Data Centre consultancy services and Data Centre outsourcing.

- Record Management Services

In Record Management Services, PNBIT provides: storage and management of images services and record management consultancy services.

3.3 PNBIT to Offer RMS Facility

PNBIT is introducing a new facility called record management services (RMS) to propagate the paperless office environment, in tandem with the electronic government (e-govt) concept.

The facility, which was officially launched in Kuala Lumpur on June 19, 1998, will offer organizations a new way of converting records previously kept in the physical form into the digital form in a very systematic manner.

According to PNBIT's executive chairman Dato' Mohd Hilmey Mohd Taib, the RMS service, which has been available since 1995, has been and is being implemented in a number of Government agencies that deal with huge volumes of paper-based information. RMS provides services which covers the whole range of information storage and retrieval by utilizing a simple and cost-effective technology. In short he said RMS provides a comprehensive solution which comprises consultancy services, mass document conversion services, a service bureau, image library services, physical

document management services which covers work flow and imaging, and disaster recovery services.

“We also have all the infrastructure needed to conduct a service bureau exercise in order to provide to the public the right information, at the right time, in the right place and also in the correct format.” stated Dato’ Mohd Hilmey.

Mohd Hilmey said PNBIT initiated RMS when the company undertook the computerization project of the Road Transport Department (RTD) in late 1995. “Today, there are no more physical files at RTD branch offices as all the critical information and documents have gone through an imaging process and have been digitized and kept at the RTD record management centre in Seremban,” Mohd Hilmey also said PNBIT is in the midst of implementing the service at the National Registration Department (NRD) as part of their computerization project.

“We are in the process of to facilitate the activities,”

Mohd Hilmey revealed that another RMS client is Amanah Saham Nasional (ASNB) in a project which involves capturing and digitizing all the information contained in the ASN. Amanah Saham Bumiputra (ASB) and Amanah Saham Wawasan (ASW) transaction forms at all ASNB agents’ counters. These information will than be kept at a record management centre using a jukebox system. “All these projects involving RTD, NRD and ASNB are due to be completed next year,”