

17 AUG 1996

YAHAYA AHMAD SPEAKS ON PREPARING PROTON FOR GREATER CHALLENGES

By: S. Durga Varma

KUALA LUMPUR, Aug 17 (Bernama) -- Since Tan Sri Yahaya Ahmad came into the driving seat of Proton, many people have been watching what he has in store for the home grown car manufacturer.

In an exclusive interview with Bernama recently, Yahaya shared his thoughts on how he would steer Proton to greater heights. The following are excerpts of the interview:

Q. TAN SRI, WHAT IS PROTON'S VIEW OF MARKET LIBERALISATION MOVES UNDER THE WORLD TRADE ORGANISATION (WTO)?

A. Malaysia is a signatory to the WTO and the country has set out its own programmes. Having said that, Proton is moving at a maximum pace to try to be competitive in the world market. But you have to bear in mind that this would mean huge investments on the part of Proton.

Proton has to be a world player and therefore needs a critical mass. Proton is building its factories, expanding its capacities, restructuring its component manufacturing and vendor scheme programmes. Most of our vendors have been only concentrating on supplying to Proton.

They have not been getting themselves to export. They have not reinvested in capacity and into research & development. We are now pushing them to expand capacity and go into R & D and not be dependent on imported technology.

Q. WHAT KIND OF FRESH CAPITAL INJECTION ARE YOU TALKING ABOUT FOR PROTON?

Proton is looking at an investment of about RM1.5 billion from now until the year 2000 and this does not include our vendors. With such a large sum of money, we need time to put things together. So, while we are doing that, we also have to defend our market position at home which is being done now.

We want to improve our existing markets, rather than explore new markets. The United Kingdom is a very good market for Proton and we want to improve further on this market, in terms of numbers and profitability. We are doing fairly well in Singapore, Australia, Germany and Belgium too. We can divide our markets into very high potential and currently not so profitable and others with low potential with losses.

We want to re-look at some of our existing markets, especially those with less potential or where profitability is low or negative in order to determine if they (the markets) are worthwhile to be retained. I believe we must be intelligent and smart about it. Eventually, when our volume is high and cost is brought down then we can spread our wings and cover as many markets as possible.

Q. WHAT IS PROTON'S CURRENT EMPHASIS?

A. It is of paramount importance that we maintain quality. We do not have much time. We are working very hard to ensure quality is kept at a high level. That is the emphasis at the moment. We also have to work on price positioning and build up on market image. That's very important. Once we have established our quality and image, then there will be a premium to

the product (Proton cars). As such, we do not have much time and the time is now.

Q. COULD YOU REVEAL WHICH ARE THE MORE SUCCESSFUL PROTON MODELS?

A. All our models are doing well. Iswara has been doing well but it is now having a short span in some of our overseas markets because of some safety regulations that have been introduced. These safety regulations, like side impact, could involve high investments into models like Iswara and this may not be feasible as the Iswara is an old product.

Therefore, we are building up our volume on the Wira and the Satria. The Satria segment is the biggest segment in markets like Europe as they are a hit among first time car buyers, especially the young. Satria fits that bill very nicely.

Q. HOW IS PROTON FARING IN THE UNITED KINGDOM?

A. Proton has captured less than one percent of the United Kingdom market and it is a very big market for Proton. I am aiming to increase the car's market share in the United Kingdom eventually to about three percent but this would entail a lot of work. It would not be easy as Proton would have to come up with several models and variants to achieve that and we have to be present in more than one segment of the market.

However, to garner a bigger share in the United Kingdom, this is what we have to do. Proton today is basically a one segment manufacturer and we have to get into more segments, including four wheel drives and multi-purpose vehicles. But before we proceed, we have to study the market. We have the small end, the lower end of the medium end, the upper end of the medium range and the top-end of the medium range.

Q. WHAT IS PROTON'S CURRENT PRIORITIES?

A. Proton aspires to be a true car manufacturer, therefore, we need to have a range of models and variants. Our main priority now is to improve on quality, build up image, customer satisfaction and enhance profitability. Secondly, we have to bring down production costs.

We are not totally competitive in the export market because we are constrained by volume while import content was still high at 30 percent. My aspiration is to bring the import content down to 10 percent or less. Thirdly, we have to remove the inefficiencies in terms of work volume and enhancing research and development.

Q. THERE HAS BEEN TALK THAT YOU MAY COLLABORATE WITH ROVER. WHAT IS THE PROGRESS SO FAR ON THIS POSSIBLE TIE-UP?

A. We have had discussions with Rover, for a technical possible tie-up for the manufacture of engines, but this is still at the discussion stage. We are opening our doors at every possibility available to make ourselves more of an efficient systems integrator. That means we should be able to source technology from the best location.

Q. HOW DO YOU DESCRIBE PROTON'S SUCCESS SINCE 1985 DESPITE FIERCE COMPETITION?

A. It's a classic case of "Malaysia boleh". When we started, our Japanese partners had no faith that we could do it. We proved them wrong. We have proven, beyond doubt that we have a better judgement of our market

than them.

(In reference to Proton Satria), he said, " They (the Japanese) said there is no demand for two-door cars among Malaysians. My question was: Why should the taste of young Malaysians be any different from those in other developing economies. A bachelor who wants to buy a car would not have the same requirements as a family man. So we found ourselves a niche market and suprisingly that niche is growing.

Q. CAN YOU DESCRIBE SOME OF THE MAJOR CHANGES THAT YOU HAVE INSTITUTED IN PROTON, HICOM AND EON AFTER YOU TOOK OVER AT THE HELM?

A. Delayering - that was one of the first few tasks that I undertook. I like to push decision making to the lowest possible level, and this means empowering management to make decisions quickly because they are the frontliners. We have put the mission statement very clearly and made sure it was understood by all. The staff have been receptive and are willing to shoulder more responsibility.

We cannot carry "passengers". We cannot carry people who are not prepared to make decisions because with that comes responsibility. I have been insisting that they make quick decisions and be committed to them.

Downsizing of staff was also instituted where necessary. Previously, there had been layers after layers after layers and people who monitor people who monitor people. We have removed all that!

In Hicom, from 11 levels, I have reduced them to only five. In EON, a voluntary retrenchment exercise was done to weed out the deadwoods as EON wants to move on to its next phase of rapid development with a new breed of people.

Those in the comfort zone cannot contribute much as they have become complacent. We want those who are with us now, a choice that they have made, to be prepared to run at the pace expected of them. With the vacuum existing now, as a result of those who opted to leave the company, those sitting in the wings all these years, waiting for a chance to do something have got their big break. A year ago, they would have thought they would never have a chance.

This is the message, this is the objective and this is the way to go for EON. Now that they have chosen to stay, there is no other way but to move forward. We must get the staff into the right frame of mind as I am preparing EON for the eventuality that there would be no protection one day. I am also preparing them for the day when they have to go out and learn how to sell cars and not just take orders. They have to learn how to sell cars as selling cars and taking orders are two different things.

As for Proton, the same delayerising exercise was carried out and its activities were broadly categorised into three areas. This has made the company very transparent.

We have also made purchasing, a minor operation at one time, a very important function. Purchasing has become a very critical and high profile function which dictates a lot of authority and responsibility. Imagine if we can save RM10 on the production of each Proton and if you multiply that with the 250,000 units that we produce, the company would be saving millions of ringgit.

Proton's Shah Alam plant rolls out about 185,000 units a year while 24,000 units are produced at its Pekan plant. This is expected to be increased to 250,000 units by the end of this year at the Shah Alam plant and up to 40,000 units in Pekan.

Q. WHAT ARE YOUR ASPIRATIONS FOR PROTON?

A. We are very clear cut about what we want to do for Proton. We want to become a major industrial group which is global and highly diversified. Manufacturing, financial services and construction would continue to remain our core business.

For the financial services sector, we need to build up and expand our focus while for construction, we have to be professional and manage it properly.

We have a construction and property development division and in this country, an organisation like ours cannot be a serious conglomerate without being involved in the property sector given its tremendous potential as a money spinner.

With a right team for each division, three areas would remain our core business and the rest would remain as peripherals. We would not go into fire sales. We are not in a rush and whatever we do, it would not be at the expense of our core business.

Q. WHAT ARE YOUR THOUGHTS FOR THE FUTURE?

A. I think we can harness the energy that we have within the group and move everyone at the pace we must move. We can no longer just look at what needs to be done tomorrow. Profits that can come in into the group and company this year or next is important, but it is not a thing that would ensure our sustainability over the longer term.

We have to look at what is going to happen in five years and 10 years down the line. Management has to think ahead. We are fortunate that we have a leader in Prime Minister Datuk Seri Dr Mahathir Mohamad, who is very far-sighted. Companies that do not prepare to be competitive in the next five years and beyond will not be around for long. -- BERNAMA

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