



Restructuring for What?

When companies downsize, employees suffer. But how sure are these companies that they have identified the right problems – and thus the right solutions?

I SOMETIMES wonder when companies restructure. The victims in most cases are the employees. True, they are paid a certain amount under the voluntary separation or mutual separation scheme they signed for, but how long can the money last? A few months, maybe?

In some cases, they invest in a business in which they don't have any idea about, and in no time the money is gone. The lucky ones will get a job but the majority will be unemployed. Some will end up losing their houses, bought with a housing loan taken while with the company they have now left. After a year or so of non-payment, the company auctions the houses.

This is exactly what is happening with the ex-employees of Bursa Malaysia who left. Over 70 of them will lose their houses, the place where they stay. Some of them are still struggling with the business they started one or two years ago. Appeals for consideration have fallen on deaf ears.

I would like to see what happens to MAS after the laying off of 6,500 employees under its restructuring scheme. Will it show profit from then on? What will happen to those who left?

I thought we take the trouble of inviting multinationals to set up shop in our country to give employment to our people. We offer tax incentives to attract them. They send back profits to their home countries. The only benefit we really get is employment for our people.

Here, we have people who are already employed but we ask them to go. If that is the right solution to the problem it is fine. But if it is not, the employees will suffer. And we often hear that people are the greatest assets of a company.

I remember many years ago I followed a training programme called Kepner-Tregoe, that focused on problem-solving methods. According to it, before looking for solutions one has to define the problem first. The strength of the Kepner-Tregoe method is how to ask the right questions. There is always a tendency to jump at

prescribing solutions, and in most cases the wrong solutions.

As part of training, we had to utilise actual case studies. I remember one particular case in which a wrong solution was identified. This was the Polaroid case.

After being supplied with a new batch of films, Polaroid dealers complained of blurring images in photos taken. The company, thinking it had something to do with the weather, did an extensive study on weather patterns and behaviour, charting days of rainy, sunny, cloudy and clear skies. It turned out it was the tracing paper in between

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each film that was causing the problem. The films were from a new supplier.

My point is simple. One can easily jump onto the wrong conclusions when trying to solve a problem. Some even suggest solutions even before knowing the problem.

What exactly is the problem definition for MAS? Failure to make profit year in year out, failure of management, lack of proper leadership, inability to operate in the true commercial sense, profit eaten up by social obligations? The exercise of identifying the proper problem is an important stage in problem-solving. Could MAS be identifying the wrong solutions? We shall see.

Then there is the story of those lining up to get an investment banking licence. It seems the buzzword today

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is investment banking, the complete offering of financial services. How many investment banks can we afford to have? We have seen that of the 12 merchant banks, only a few made it. Others fell on the wayside.

Investment banks supposedly recommend companies for mergers and acquisitions (M&A) and also restructure others for god knows whatever 'value-added' reasons. A study in the United States of 500 companies recommended by investment banks for restructuring or M&A over a few years in the 1990s found that the exercise did not help in adding shareholder value or enhancing earnings for these outfits.

We are already running out of candidates for listing on the main board of the stock exchange, let alone have enough candidates to go around for investment banks to recommend restructuring.

Again, what is the problem we are trying to solve in the capital market or financial market? Some problems are very obvious and yet we do not come up with solutions. Guarding one's turf seems to be more important than the good of the nation.

Then we have the problem that nobody wants to talk about – corruption. Some people are more daring in committing corruption nowadays. There were days when 'hints' and 'signals' were used but today there's no need for hints and signals. It is straight and clear. It is getting to be regarded as normal in the course of doing business; a culture. A culture which will destroy the country.

We should reward and protect whistleblowers. It is the only way to fight corruption. Cases of persons in positions of power asking the authorities to 'close one eye' are only the tip of the iceberg. What about the hectares and hectares of land that were cleared right under the nose of the state administration? What about the threatening note from the Environmental Department to those who exposed the illegal factory that had been disposing of oxidic waste for the past 10 years?

These and many other questions will continue to be asked. Some do not hope to get the right answers. **mb**