

Can Mahathir steer Proton to better times?

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By G Vinod

PETALING JAYA: It will be an uphill task for the new Proton Holdings Berhad chairman, Dr Mahathir Mohamad to turn the national carmaker's fortunes around.

Speaking to FMT, Malaysia University of Science and Technology Dean of Business School, Yeah Kim Leng said that times have changed since the 80s and the automotive industry have become very competitive.

"It will be difficult for anybody to help Proton. The global trend is moving towards the concentration of the automotive industry to a few global players," he said.

Yesterday, Mahathir, 88, confirmed that he would be appointed as the new chairman for Proton, which was seen as DRB-Hicom Bhd's boldest move in its effort to transform Proton's sliding fortunes since taking the company private in 2012.

Mahathir would also be appointed as chairman for Proton's wholly owned subsidiary Lotus Plc.

Proton, which was Mahathir brainchild in the 80s, held 85% share of the local automotive market in its heydays but had dropped to 22% due to stiff competition and market liberalisation.

Yeah said that among the challenges Mahathir would face is to ensure Proton is able to adapt to the dynamics of the global automotive industry, given the fact that trade barriers are almost non-existent.

He said that among the ways Proton could survive was to find its own niche market and forge strategic alliance with an international car maker for long term survival.

"We can also look into helping the global car maker to make components and parts. This will enlarge the economy of scale which Proton really needs," said Yeah.

He added that Mahathir should also look into intensifying innovation and upgrading of new Proton models as manufacturers change their models frequently to meet customer demands.

However, Yeah conceded that such plans would require a strong research and development team, which could not be pursued without having deep pockets.

"And that is why the strategic partnership is needed to help bring us the economy of scale Proton needs," he said.

Proton must compete globally

Taylor's University economist Subramaniam Pillai was also sceptical on whether Mahathir could moot any changes in Proton, saying that the chairmanship does not mean that he could effect changes in the company.

“Usually the chairman and the board of directors do not interfere in a company’s daily operations. They only attend meetings and decide on major changes,” he said.

However, Subramaniam suspected that with the new role, Mahathir would exert pressure on the government to continue protecting Proton from competition.

“And that will not be good for Proton. It will only discourage foreign investments to the Malaysian automotive industry,” he said.

On what Mahathir could possibly do to revive Proton, Subramaniam said that the national car maker has no choice but to expand its economy of scale to generate better profits.

“Producing cars for Malaysia and Thailand alone will not be sufficient unless we have a large population like India or China.

“The only way forward for Mahathir and the Proton leadership is to compete in the global market without any protection,” said Subramaniam.

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