MARA INSTITUTE OF TECHNOLOGY

CORPORATE TURNAROUND :

A COMPARATIVE STUDY OF PERWIRA HABIB BANK (M) BERHAD AND BANK BURUH (M) BERHAD

PREPARED BY :

MARDHIYYAH BT. HJ. ABD WAHAB
ADVANCED DIPLOMA IN ACCOUNTANCY 5C
90003628

5 AUGUST 1992

ACKHQWLBDGEMEHT

In making this project paper possible, I am grateful and indebted to many parties. The research would never have been possible if it had not been for the many of my friends who gave so much advice and couragement to complete this study.

My first and utmost gratitude goes to my advisor, hr Andrew Leong Fook Chee, for invaluable guidance in arranging my materials.

My heartiest thanks goes to my best of friends, Shikin, Jim and Rina for assisting me with necessary information needed. I would also like to thank En. Shahrin from Kuala Lumpur Stock Exchange, En. Nasir from Bank Negara Malaysia and Cik Umi from the Federation of Malaysian Manufacturers for guiding me in finding some references from their libraries.

My special thanks are due to my loving family, who never failed with their encouragements and supports. Last, but by no means of least, my deep gratitude goes to my beloved friend, Abdul Rahim, for his special attention and love in encouraging me to complete this assignment.

To those who have helped me one way or another and for your contribution, I extend my deepest thanks.

MARDHIYYAH BT HAJI ABDUL WAHAB

INTRODUCTION

A turnaround situation is an abnormal period in any company's history. It requires unique and distinctly different management approaches than does stable or growth management.In turnaround situations, many of the old and proven management principles applicable to more stable situations lose their validity. Basic principles still hold, but their implementations can take on entirely new **and** sometimes contradictory appearance.

To turn around a company is to bring out an ailing company from the red sector to the profitable black sector. Very rarely are companies full-proofed from getting into trouble of incurring losses once established. Internally generated factors usually cause corporate decline more often than external ones. In order to manage a turnaround, there is a need for a distinctly different management approach. Unlike managing growth, the mission here is to save the company through quick, visible, aggressive and committed efforts.

A corporate turnaround, as quoted by Dr. Bibeault in a seminar titled * Corporate Turnaround ' at the Putra World Trade Centre in 1987, is meant as a substantial **and** sustained positive change in the performance of a business. In most cases, a turnaround follows several years of declining profitability. In its most severe form, this decline usually culminates in substantial losses that threaten the financial viability of the enterprise.

Remedial measures in a turnaround is basically applying sound business management and managing resources to the best . In order to survive, the management needs to meticulously handle the operational cost cutting phase. Undertaking strategic plan represents planning for the future and a preventive measure for transformation of the organization to cope with the needs of change.

Not all turnaround efforts . has succeeded. However, successful companies which have turned around have gained valuable effect for their companies. The implications of it in most companies vary from the increase in profit after tax, outstanding rise in sales volume and obtaining higher credits from bankers and creditors. Turnarounds are also said to be very good experiences for companies in facing any decline in the future.

OBJECTIVES OF STUDY

The objective of this project paper is to do a comparative study of how Perwira Habib Bank Malaysia Berhad and B ank Buruh (M) Berhad turned around, with special emphasis on the strategies and financial implications of turnaround.