



اوتنورسيتي تكنولوجي مارا  
UNIVERSITI TEKNOLOGI MARA  
CAWANGAN KELANTAN

**DIPLOMA IN BUSINESS  
STUDIES (BM111)**

ORGANIZATIONAL BEHAVIOR

(MGT 321)

**CHANGE PROCESS**

**MALAYSIA AIRLINES SYSTEM (MAS)**

PREPARED BY :

NADHILAH BT MAHMOOD 2006286632

HANEESAH BT ROSTAM 2006286664

FHATHIN SYAZWANIE BT IZHAR 2006287262

( BMD5BA )

PREPARED FOR :

MADAM NIK NOR HASIMAH BT NIK ISMAIL

# CONTENT

OVERVIEW OF MAS	1
DEFINITION OF CHANGING PROCESS	3
FACTOR CHANGING PROCESS	4
CRITIQUE : PRESSURES OF CHANGE	5
CONCLUSION	7
REFERENCES	8

# OVERVIEW OF MAS

## AT THE YEAR OF 1994 BY TAJUDIN RAMLI AS THE CEO OF MAS

In 1994 Malaysian entrepreneur Tajudin Ramli bought a 32 percent controlling interest for M\$2 billion (\$745 million) worth of stock. The government retained an 11 percent interest. Tajudin, who had earlier put together a mini-aviation empire in preparation of competing with MAS, was saddled with an overlarge fleet and diminishing profits. Although sales rose to \$M4.1 billion (\$1.6 billion) in the fiscal year ending March 3, 1994, profits fell from M\$145.4 million (\$56.4 million) to M\$7.7 million (\$2.9 million). The carrier was still receiving large shipments of new aircraft, including Boeing 747s, and sales of its used aircraft were slow. (Some of MAS's new A330 aircraft were delivered late, resulting in penalty payments from Airbus.)

Tajudin immediately set out to trim the fat. He introduced a more businesslike attitude and required better reporting from the company's managers. Aircraft utilization was increased. The carrier signed code-share agreements on transpacific routes and promoted its Kuala-Lumpur-Los Angeles route to attract more business passengers.

Virgin Atlantic Airways teamed with MAS in 1995 to operate joint London-Kuala Lumpur flights. The service proved convenient for Virgin's Australia-bound passengers. Planes stayed just as full after the number of flights was increased from eight to 14 a week, although the two carriers faced very formidable competition from the British Airways/Qantas alliance, which operated the only single-plane service between London and Australia.

MAS recorded its highest ever pretax profit in 1996--97 of M\$349.4 million (\$120 million). The company continued to buy new planes and relocated to Kuala Lumpur's new Sepang International Airport, a move expected to further enhance its reputation. However, the new airport's opening was plagued with lost baggage, computer malfunctions, and other annoyances.

Depreciating Malaysian currency brought MAS debt up to M\$12 billion by 1998. Debt servicing helped MAS lose M\$260 million (\$62 million) in 1997--98. In response, the carrier deferred new aircraft purchases, sold old planes, and slashed underperforming routes. A new restructuring plan put forth by Tajudin, whose hands were tied by the government when it came to cutting jobs, was rejected on the grounds it would rescue Tajudin at the expense of minority shareholders. Foreign airlines with an eye towards global expansion (such as Thai Airways and British Airways) seemed interested in investing in the troubled carrier, however.

### **AT THE END YEAR 2005 BY IDRIS JALA AS THE CEO**

Malaysia Airlines is listed on the stock exchange of Bursa Malaysia under the name Malaysian Airline System Berhad (MYX: 3786). The airline suffered high losses over the years due to poor management and fuel price increases. As a result of financial restructuring (Widespread Asset Unbundling) in 2002, led by BinaFikir, Penerbangan Malaysia Berhad became its parent company, incorporated in 2002, in exchange for assuming the airline's long-term liabilities. On the operational side, the Government of Malaysia appointed Idris Jala as the new CEO on 1 December 2005, to execute changes in operations and corporate culture. Under his leadership, Malaysia Airlines unveiled its Business Turnaround Plan (BTP) in February, 2006, which highlighted low yield, an inefficient network and low productivity (overstaffing). The airline headquarters building in downtown Kuala Lumpur was sold. The new corporate headquarters is now at Sultan Abdul Aziz Shah Airport in Subang, Petaling.

Following the Widespread Asset Unbundling (WAU) restructuring of Malaysia Airlines, Malaysian Government investment arm and holding company, Khazanah Nasional's subsidiary, Penerbangan Malaysia Berhad is the majority shareholder with a 52.0% stake. After Penerbangan Malaysia Berhad, the second-largest shareholder is Khazanah Nasional, which holds 17.33% of the shares. Minority shareholders include Employees Provident Fund Board (10.72%), Amanah Raya Nominees (Tempatan) Sdn Bhd (5.69%), State Financial Secretary Sarawak (2.71%), foreign shareholders (5.13%) and Warisan Harta Sabah (2.4%). It has 19,546 employees (as of March, 2007). Malaysia Government has been reporting that the government's holding company, Khazanah Nasional is keen on selling shares of Malaysia Airlines to remain globally competitive in an industry which is fast-consolidating.

# DEFINITION OF CHANGING PROCESS

Culture change is difficult and time consuming because "culture" is rooted in the collective history of an organization, and because so much of it is below the surface of awareness. In general, the process of culture change must include the following steps:

- Uncover core values and beliefs. These may include stated values and goals, but they are also embedded in organizational metaphors, myths, and stories, and in the behaviours of members.
- Acknowledge, respect, and discuss differences between core values and beliefs of different subcultures within the organization.
- Look for incongruence between conscious and unconscious beliefs and values and resolve by choosing those to which the organization wishes to commit. Establish new behavioural norms (and even new metaphor language) that clearly demonstrate desired values.
- Repeat these steps over a long period of time. As new members enter the organization, assure that they are surrounded with clear messages about the culture they are entering. Reinforce desirable behaviours.

It's clear that culture change is an ongoing process, so it's very hard to identify organizations that have "completed" a successful culture change. We can, however, find examples of change-in-progress, in organizations that range from Harley-Davidson to the Pittsburgh Symphony. As we look at several examples, in this instalment and the next, we will see some version of the process described above in each—even in organizations that did not originally set out to change their cultures.