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APPLIED BUSSINESS PROJECT (MBA 795)

Turnaround Strategies on Low Cost Housing: Sarawak Housing Development Corporation (HDC)

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ABSTRACT

For this Applied Business Project paper, we decided to determine the problem faces by Sarawak Housing Development Corporation (HDC) and suggest strategies alternative and recommendation for adaptation. HDC is a Government owned statutory bodies established under the Housing and Development Ordinance, 1971. The Housing and Development Ordinance, 1971 was repealed and replaced by virtue of Section 38 of the Housing Development Corporation Ordinance 2002, which come into force on 1st January 2003. The principal activities of HDC are to develop low cost residential houses and at the same time provide financing on the purchase of these houses. Besides that HDC also involved in developing a commercial and medium low cost development.

This study is carry out to highlight the critical issues faced by HDC and the impact on its business, analyze the management and operation of the corporation and further proposed strategic alternative solutions for future adoption. It will provide a blue print for the top management to lead HDC towards a fit and sustainable organization.

Based on the finding of the study it was noted that the there is a greater demand for low cost houses in Sarawak. Our study shows that 77% of the respondents responded that they need houses. Landed property is very popular among the house buyers and not the strata title, work-up flats. Since inception, the performance of HDC is very fantastic. The Corporation managed to sell off the houses 100% for every project it's launched. However, from the 7th Malaysia Plan onward (1996 – 2000), the sales decreasing and it further decreasing in the 8th Malaysia Plan. This could be due to lack of acceptance on the two bed-room which is consider too small and buyers preferred landed property as compared flats. Findings from the personal interview conducted with the top management revealed that houses are built not based on demand, poor quality and lack or

CHAPTER 1

1.0 INTRODUCTION

Sarawak Housing Development Corporation (HDC) formerly known as Sarawak Housing and Development Commission (SHDC) was established in 1972 under and virtue of the Housing and Development Ordinance, 1971.

Effective from 1st January 2003, SHDC was changed to HDC, which operates as a corporate body under the purview of the Ministry of Housing, Sarawak.

This chapter provides an introduction to the applied business project. It will also specify the problem statement that leads to the purpose and objectives of the applied research. The problem identified are that, the HDC was planning and implementing its projects in line with the 7th Malaysia Plan [7MP], with no sensitivity to the market. Thus, the move contributes to the slow turnover of sales as the inventory of stock of houses overhanging.

1.1 PROBLEM STATEMENT

The supply of low- cost housing in the State of Sarawak for the past years has been the major responsibility of HDC. The performance of HDC has not been up to the expectations and satisfaction of its major stakeholder, the State Government. HDC is planning and implementing its project with no sensitivity to the market. There are also numerous complaints from the customer with regards to the substandard qualities of houses.

- (i) The Corporation has registered a debt ratio of around 63%, and utilized the short-term banking facilities such as overdraft and revolving credit to

CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION.

This chapter provides a review on the background and the shared-valued being instilled in the vision, mission and objectives of the organization under study. It also seeks to uncover the challenges and the constant changes in environment faced by the corporation. This chapter further discussed on the other aspects of the corporation's operation environment, which includes the changes in leadership, products, markets and its consumer preferences. An analysis of HDC and its operating environment is provided to understand the contact of the change process.

2.1 Historical Background: Housing Development Corporation

2.1.1 Organisation.

The idea of setting up an agency to build low cost homes was first aired during the officiating of the Kenyalang Park Housing Scheme on 17 September 1971. The State Government mooted the idea after realizing the need to supply proper and affordable homes for the lower income earners. Before the idea to establish Sarawak Housing Development Commission (SHDC), was mooted, the State Government had frequently called on private sector to look into the housing needs of the lower income group. However, because the private housing developers were more commercially inclined in their endeavours, the noble aspirations to house the poorer group of population had remained sidelined.

On 25 September 1971 the Sarawak Housing and Development Commission Bill was tabled by the then Deputy Chief Minister, YB Encik Stephen Yong during Sarawak State Legislative Assembly and it received