

**THE NEW CORPORATE STRATEGIC DIRECTION IN
THE INFORMATION AGE: A STUDY ON TELEKOM
MALAYSIA**

MOHD SOFFI PUTEH

**A dissertation submitted in partial fulfilment of the MARA
University of Technology, Shah Alam, for the Master of
Accountancy**

NOVEMBER 2002

TABLE OF CONTENT

CONTENT	PAGE
Acknowledgement	i
Abstract	ii
List of Tables and Figures	iii
List of Appendices	iv
Chapter 1: INTRODUCTION	
1.0 Introduction	1
1.1 Objectives of the Study	3
1.2 Scope and Limitation	3
1.3 Organization of the Study	4
Chapter 2: LITERATURE REVIEW	
2.0 Introduction	5
2.1 General Definition of Divestiture	5
2.2 Divestiture as a New Trend	5
2.3 The Reasons Towards Divestiture	6
2.4 Forms of Divestiture	9
2.5 Regulatory Requirements Pertaining to Each Form of Divestiture	13
2.6 A Recent Example of Corporate Divestiture	15
2.7 Conclusion	16
2.8 Theoretical Framework	17
Chapter 3: RESEARCH METHODOLOGY	
3.0 Introduction	19
3.1 Research Question	19
3.2 Analysis of Data	19
Chapter 4: ANALYSIS OF FINDINGS	
4.0 Introduction	23
4.1 Background Information	23
4.2 The Divestiture Plan	36
4.3 The Need for Divestiture Plan	42

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to the following people who have helped me in completing this dissertation.

A special thanks goes to my supervisor, Associate Professor Dr. Nafsiah Mohamed of UiTM for her constructive advice, guidance and invaluable time.

I am indebted to those staffs in TM for their help and assistance especially to Pn. Nor Akmar Md. Yunus, the general manager of TM Change Management Office, En. Mohd Saiful Salleh, the accountant of TM Securities and also to E. Taufik Sallehudin of the TM Group Finance Department.

Also I would like to thank to the Training Division of the Registrar Office of the UiTM for giving me the opportunity to further my studies.

The last but not least, my appreciation goes to my beloved wife for being patient and supportive and to others who have actually contributed to the completion of this study.

ABSTRACT

Today, the world has seen a change in the trend of corporate restructuring. The theory of diversification reduces risk seems to be put aside. More and more companies are now interested in focusing on their core competencies rather than being diversified, leaving the merger and acquisition trend away. Financial aspect is the most common reason for these companies to go for divestiture. This has brought into attention the announcement made by Telekom Malaysia of its major restructuring at the time where it is making RM millions of profits every year. Thus, this paper attempts to look into the real situation of Telekom Malaysia as well as to find out why is it necessary to go for such a restructuring. The method adopted was a case study and data were collected by ways of interviews and review of annual reports and documents. The findings shows that although it is not having a serious financial difficulty or bad performance, but there are certain aspects need to be reorganized and changed for a better future of the company. It is seen as a continuous improvement of its performance for this new world economy. Finally, it has came out with the plan to divest its operating divisions so as to operate independently from their holding company, Telekom Malaysia.

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Corporate restructuring can be thought of in terms of two broad categories of activities; combining or merging independent firms into a single entity and breaking up or de-merging firms into multiple independent components.

History shows us that in the early 1970's, the period saw the building of corporate giants that later became the target for bust-up mergers of the 1980's (Scott, Martin, Petty and Keown, 1999). This merger wave has been characterized as one driven by strategic acquisitions whereby the buyer hopes that by merging with the seller, the value of the whole firm will be greater than the sum of the values of the parts.

However, in the 1990's, the corporate scenario in the developed countries such as United States nowadays has brought into attention to the latter category of restructuring; breaking up or de-merging of firms into independent components (Scott et. al., 1999). This is what they call as divestitures, according to the definition by John and Tina (1999).

The announcement made by Telekom Malaysia (hereafter known as TM) on 19 January 2001 of its major restructuring plan to break up its business segments has brought into attention. According to the announcement made, five new independent and focused operating units will be established. With the existing subsidiary; Telekom Cellular Sdn Bhd, other new subsidiaries are TM Multimedia, TM International Ventures and TM Service Co. Another unit; Telco will remain as a strategic business unit operating independently within TM itself.