

UNIVERSITI TEKNOLOGI MARA

**CORPORATE TURNAROUND
STRATEGIES AND MANAGEMENT
ACCOUNTING REORIENTATION
OF MALAYSIAN COMPANIES**

HANAFIAH BINTI HASIN

Thesis submitted in fulfillment
of the requirements for the degree of
Doctor of Philosophy

Faculty of Accountancy

November 2013

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my work, unless otherwise indicated or acknowledged as reference work. This thesis has not been submitted to any other institution or non academic institution for any other degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

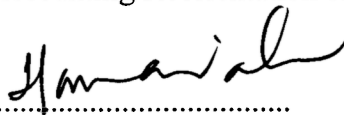
Name of Student : Hanafiah Binti Hasin

Student I.D. No. : 2006672422

Programme : Doctor of Philosophy (AC 990)

Faculty : Faculty of Accountancy

Title : Corporate Turnaround Strategies and Management
Accounting Reorientation of Malaysian Companies

Signature of Student : 
.....

Date : November 2013

ABSTRACT

Market erosion and maladaptive management decisions have been the causes for declining financial performance of firms at some point of the organizational life cycle, which resulted to a situation of organizational decline. In this context, this research was undertaken to examine the causes of corporate decline and the strategies that could be employed to turnaround the organizations. Exploring the role and utility of management accounting practices as effective organizational strategies to face the challenges of decline is the central focus of the study. A research design of a review of the relevant literature, followed by a quantitative survey among Malaysian companies, which have experienced organizational decline and the case study of the management accounting practices of Lighting Company in Malaysia was adopted to achieve the objectives of the study. Based on the review of the literature the study concludes that internal organizational factors as compared external environmental factors are more responsible for causing organizational decline. The findings from the survey reveal that internal organizational factors like poor management and high cost structure are the main causes of decline. Inadequate control, macroeconomic factor like inflation, product competition and high overhead costs were the other causes found by the study, which may lead organizations to the decline stage. The study concludes that improvements in planning, change in the top management, strengthening financial control and cost cutting and improved marketing strategies are some of the management, cutback and growth and restructuring strategies for turning around a company from the decline stage. Based on the case study of the chosen organization, the study suggests the utility of management accounting practices such as financial planning, standard costing, inventory modeling and capital investment analysis as corporate turnaround strategies.

ACKNOWLEDGEMENT

Thank you Allah, for the task, for the opportunity to accomplish it, and for mercies and miracles along the way.

First I would like to thank Professor Dr Hajah Normah Omar for believing in me and for giving me a chance to work on this project and Associate Professor Dr Nagarethnam Thirumanickam for her willingness to serve as a co-supervisor for my dissertation. As my supervisor, Professor Dr Normah and Associate Professor Dr Thirumanickam provided detailed guidance and encouragement throughout the course of preparing for and conducting the research. They both made significant contributions to the present project in particular and to my intellectual development more generally. Each of them demonstrated unfathomable patience and understanding as they waited for this research to come to fruition.

Much gratitude goes to Encik Saberi Mawi, from PPAT. Your advice and help are deeply appreciated. Thank you to everyone at UiTM who supported me throughout my journey. There are many friends and colleagues I would like to thank as well. For me to individually identify everyone to whom I have become indebted over the past years is virtually impossible. So let me give a broad “thank you” to all the friends and colleagues, wherever you may now be, who encouraged and supported me throughout the years.

Lastly, I am most grateful to the love, understanding, and encouragement of my family members for being there in many ways and at many times over the years. Most importantly, endless thanks goes to my husband Suhaime Abu Talib, my father Haji Hasin and mother Saleha Abdul Jabar, my two daughters, Nur Ashikin and Nur Atiqah and to my only son Muhammad Arif Hakimy. Your spiritual support, smile and laughter light me up. I could never have done it without you all.

TABLE OF CONTENTS

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	xi
LIST OF FIGURES	xii

CHAPTER ONE: INTRODUCTION

1.1	Background of the Study	1
1.1.1	Causes of Business Decline	3
1.1.2	Corporate Turnaround Strategies	6
1.1.3	Management Accounting Practices by Turnaround Firms	7
1.2	Problem Statement	9
1.3	Objectives of the Study	11
1.4	Significance of the Study	11
1.5	Contribution to the Body of Knowledge	12
1.6	Organization of the Thesis	13

CHAPTER TWO: LITERATURE REVIEW

2.1	Introduction	15
2.2	Causes of Firm Decline	16
2.3	Corporate Turnaround Theories	18
2.4	Turnaround Strategies	19
2.4.1	Financial Strategies	21
2.4.2	Change Management	22
2.4.3	Asset Reduction	23
2.4.4	Employee Layoffs	23
2.5	Management Accounting Evolution	24