



UNIVERSITI TEKNOLOGI MARA

EVALUATING INVESTMENT CENTRE PERFORMANCE:
AN OVERVIEW ON SARAWAK BASED PRIVATE
LIMITED COMPANIES PRACTICES

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ABSTRACT

This paper examines the extent of the use of divisionalisation concept in practice by Sarawak based private limited companies as a result of their expansion and diversification programmes. In addition, the study also investigates the methods of evaluation used by the companies to measure the performance of their investment centres and to ensure individual's goals of the centres are congruent with those of organisation.

The results of a number of past studies reveal that most large and diversified companies tend to resort to divisionalisation as a mean to improve decision-making process and efficiency. A majority of the companies prefer to use ROI as a method of evaluating the performance of the investment centres. The preference of ROI over other methods of evaluation can be related to its superiority and advantages associated with it.

The empirical evidence discussed in this paper is based on Sarawak based private limited companies in the selected majors sectors of the economy.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

There are many ways that a company may consider how to restructure itself as it grows and expands. One of the popular approaches adopted by most of the companies to suit the complexity of their operations is to re-engineer their organisational structure into a flatter and leaner divisionalised structure. Divisionalised organisational structure can be in the form of profit or investment centres. The essence of this structure is delegated profit responsibility to the line managers. By delegating the responsibility to the line managers, the top management has little control over the operational matters of the divisions. To ensure the individual's goals of all the divisions are congruent with the organisational goals, it is critical for the top management to develop a systematic evaluation programme. Relevant theories which are related to the study is discussed in Chapter Two.

The analysis of the study is confined to the practices adopted by 26 Sarawak based private limited companies in the selected major sectors of the economy, selected at random.

Chapter 3 analyses the extent of use of centres by the Sarawak based private limited companies and the evaluation methods used to measure the performance of their investment centres. Chapter 4 uses this analysis by relating them with relevant

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

As the challenging pace of today's business world continues to accelerate, most of the chief executives are hard-pressed merely to keep up with competition.

With a view to be competitive in the free market, it is necessary for top management to regularly review and analyse the company's internal and external capabilities and capacities. Thorough internal and external environmental analysis will help the management to ensure the company is heading towards the right direction, complemented by its pro-growth strategies implementation.

In any business entity, the main task delegated by the shareholders to the top management of the company is to continuously ensure the well-being of the company, especially in term of its financial standings and business profitability. The expectations of the shareholders can only be met if their investments in the company provide reasonable rate of return.

The survival or growth of the company used to be related to the margin of profitability made by the company. This can easily be measured by relating the percentage of return on the amount invested in the company.

One of the popular approaches adopted by some companies to suit the complexity of the operations as the business grows is to re-engineer the organisational