

## **Dynamism of Al-Hikmah Company**

Asmanee Yamareemong  
yamareemong@gmail.com

Korn Klakkasem  
kornetto\_23\_@hotmail.com

M Uanprae Nararak  
punk\_rod@hotmail.com

Natee Waiyasil  
natee09.zee@gmail.com

Nurfittree Maha  
fitty2531@gmail.com

Wanhassun Suden  
sun.palas@gmail.com  
Graduate School of Management, International Islamic University Malaysia

Rohaziah Yahya  
rohaziah\_yahya@hotmail.com  
SRI Khaldun Sdn Bhd

Suhaimi Mhd Sarif  
International Islamic University Malaysia

### **Abstract**

This case study was about printing industry in Malaysia. The researchers are interested in printing industry because printing industry in Malaysia grew rapidly in last decade. When the computer software and hardware technology go through a big revolution and big improvement, the printing sector is growing as the same path. The objective of the case study are Identify strategic management activities of the company, perform internal and external environment assessment and generate strategic alternatives for short term and long term plan for company. In this case included Background and history of the company, Internal and External issues, Financial and Marketing, Products, Supplier, Industry and competitors. Moreover,our group come out with the Situation Analysis in order to make the profit and sustain competitive advantages for the company. The case conducts preliminary research on the issue/company by asking contact for information and visit the company to conduct interviews with company's key decision makers. Al-Hikmah is a company that is in the field of printing and long experience in the printing industry in Malaysia. The company has a wide variety of printing services with offset printing process. The company use offset printing to produce large volumes of high-quality documents. Al-Hikmah is a small printing company and it is the family business. Rusni @ Nural Aini Abdul Rashid and Zaidi Abdul Jalil are

established and driven the company since 1991. They both work at a head of any position and assign the job to their workers directly. Al-Hikmah has variety products which are Cards, Posters, Brochures, Catalogues, Books, Calendars, Name cards, Letter Heads and Paper Bags. The best sellers are Books and wedding cards. Al-Hikmah's marketing strategy was to target both organizations and individuals. It sold directly to organizations by making the proposal to them about its products and services. For the individuals, Al-Hikmah was using the word of mouth through its regular customers. Al-Hikmah's marketing campaigns were based on seasonal, special occasion and event. Major competitors in this company included Chinese company printing and Malay company printing.

**Keywords:** *Strategic planning, competitive strategies, competitive advantage*

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## **BACKGROUND**

Printing industry in Malaysia was growing rapidly since 10 years ago. When the computer software and hardware technology went through a big revolution and big improvement, the printing sector was growing as the same path. Al-Hikmah was a company that was in the field of printing and long experience in the printing industry in Malaysia. The company had a wide variety of printing services with offset printing process. Offset printing is a printing technique whereby ink is spread on a metal plate with etched images, then transferred to an intermediary surface such as a rubber blanket, and finally applied to paper by pressing the paper against the intermediary surface. The company used offset printing to produce large volumes of high-quality documents. Although the equipment and set-up costs were relatively high, the actual printing process was relatively inexpensive. The company has modern printing machines and computer systems used in printing. This is to support the growth of local businesses which tend to grow rapidly to use more and more printing products.

Moreover, Al-Hikmah opened for business on the Internet. They developed websites to support the growth of online businesses due to the network has expanded on the Internet a lot.

## **HISTORY**

For corporate needs such as printing and designing of books, wedding cards, business cards, brochures, posters, labels, invitations, corporate identity and collateral materials, catering the increasing demands of corporate clients, Al-Hikmah Sdn.Bhd. was established in June 15, 1991 with knowledge and experience. From the beginning, to meet the needs of the growing printing industry, Zaidi Abdul Jalil and his partners found that printing business was growing by leaps and bounds. Al-Hikmah started as a small-scale printer to become one of the town's well-established printing companies in the offset commercial printing industry today. The company earned its stead from the trust and confidence of satisfied customers for decades of well-founded experience.

Zaidi Abdul Jalil graduated in Bachelor's degree of Arts with Honours (BA (Hons.) at Malaya University. Zaidi had work at Karangraf as proof reader for several years. Kumpulan Media Karangraf (Karangraf) is the biggest and most successful indigenous owned publisher in Malaysia. Then he had an opportunity to start his own business. "Al-Hikmah" was named for his first business by Ustaz. Hikmah is an Arabic word meaning wisdom. Al-Hikmah started printing business in a shop lot on second floor of building to produce the products at Taman Tun Dr.Ismail. His wife, Nurul Aini Abdul Rashid, resigned from her job and helped her husband operate the business. There were only

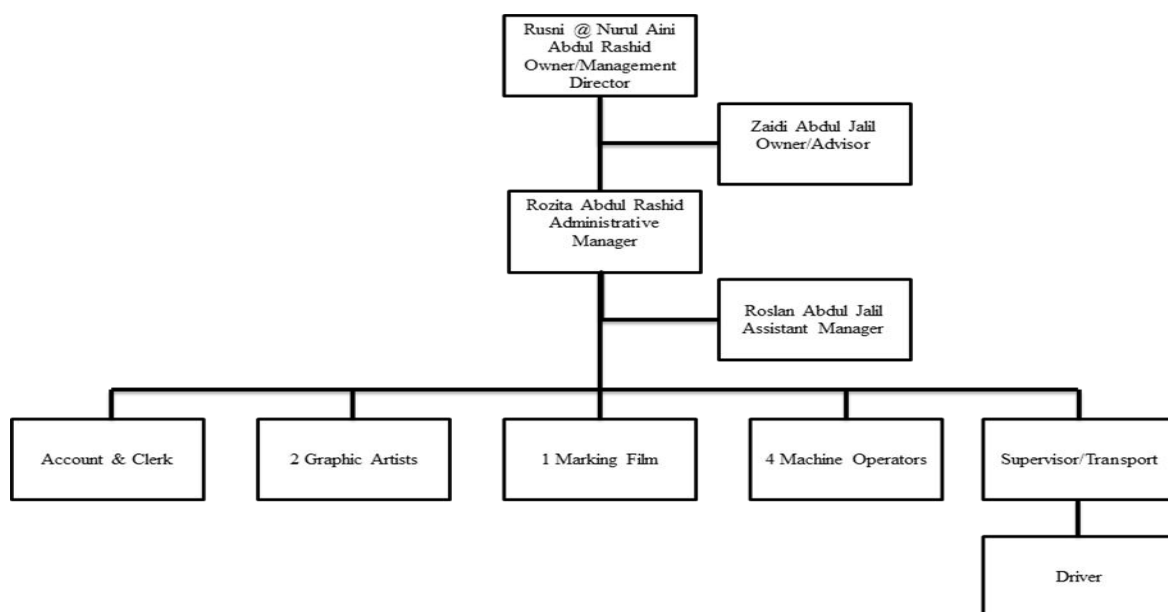
few small printing presses and less products suit for their capacity such as wedding cards, name card, and simple printed works. Growth and expansion within the realm of printing products, Zaidi decided to relocate the company to Manjalara, Kepong in order to meet the growing demand of publications for higher quality, more pages and faster turnaround, the company purchased a web offset press. During this period, the company invested in equipment to meet widely customers' needs as well and also added office supplies and furniture as a service to its customers. Few years later, the company moved again to a new place at Sungai Buloh, Selangor. Considerable new equipment was installed, including folding machine, cutting machine masking machine and increasing of the number of employees.

## INTERNAL ISSUES

### Management

Rusni @ Nural Aini Abdul Rashid and Zaidi Abdul Jalil established and driven the company since 1991. They both worked at a head of any position and assigned the job to their workers by themselves. The company had 2 graphic artists, a marking film, 4 machine operators and a driver as the back bone of its daily operation and during higher of customer ordering it had 8 more part time workers to support the operation of company. By this, the company could fulfill the demand of its existing customers.

Al-Hikmah was the family business. Thus, owner-manager was the only one who was driving the company. Basically, the company had an administrative manager that was Rozita Abdul Rashid but she did not work for the company. She had her own company that was one of the company partners. The company had three major partners which were Atana Print (M) Sdn. Bhd., Menara Design Sdn. Bhd., and Camer Samudra Enterprisev that Rozita Abdul Rashid was the enterprise owner.



**EXHIBIT 1 Organizational Chart of Al-Hikmah**

## Human Resource

Al-Hikmah was a small printing company. It had 3 types operating machine which were paper cutting machine, folding machine, and offset machine and they needed personal skill to operate the machines. Moreover, paper cutting machine and folding machine had only one operator for each machine to operate. It was the problem that the company was suffering and also the company did not have any training and recruitment plan.

## Finance

Al-Hikmah's financial statements for year 2009-2012 were showed in exhibit 2-5. In exhibit 3, the income statement showed that the firm revenue had decreased dramatically from RM 2,173,954 in 2009 to RM 1,731,250 in 2010. This approximately 20% decrease in revenue was due to the customers was buying on credit and did not pay the money when they purchased the products and services. Furthermore, the net profit also decreased from RM 164,976 to net loss RM 114,370 and Al-Hikmah continued to have the net loss for four years. However, the net loss was reducing each year from RM 114,370 in 2010, RM 45,155 in 2011, and RM 18,875 in 2012. The reason for this improvement was the increasing of revenue from a huge decline in 2010.

In exhibit 2, the balance sheet indicated that Al-Hikmah had current liabilities more than its current asset. The net current asset of Al-Hikmah has decreased from RM 159,601 in 2009 to net current liabilities RM 239,765, RM 253,817 and RM 256,057 respectively. The firm was at risk for did not have the ability to repay its short term obligations to its creditors. The root cause for this was the slow collection of the firm from its customer. The firm could not use the money that customers still owed to the firm to pay off the short term debt. In addition, slow collection may signal an underlying problem in the company's operations.

### EXHIBIT 2 Al-Hikmah's BALANCE SHEET- 2012

	2012	2011	2010	2009
	RM	RM	RM	RM
<b>PROPERTY, PLANT AND EQUIPMENT</b>	106,138	135,317	149,277	152,429
<b>CURRENT ASSETS</b>				
Trade receivables	510,160	388,601	362,454	475,652
Other receivables, deposits and prepayments	33,320	32,421	31,388	31,167
Fixed deposit, cash at banks an in hand	157,261	157,880	157,864	160,655
	<u>700,741</u>	<u>578,902</u>	<u>551,706</u>	<u>667,474</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	162,300	154,836	133,705	235,219

Others payables and accruals	301,916	216,799	165,518	146,376
Amount due to Director	290,153	250,203	284,611	260,881
Bank overdraft	143,227	142,735	136,267	115,395
Hire purchase payables	15,861	20,146	23,370	21,204
Provision for taxation	43,341	48,000	48,000	48,000
	<u>956,798</u>	<u>832,719</u>	<u>791,471</u>	<u>827,075</u>
<b>NET CURRENT LIABILITIES</b>	(256,057)	<u>(253,817)</u>	<u>(239,765)</u>	<u>159,601</u>
	<u>(149,919)</u>	<u>118,500</u>	<u>(90,488)</u>	<u>(7,172)</u>
<i>Financed by:</i>				
<b>SHARE CAPITAL</b>	250,000	250,000	250,000	250,000
<b>ACCUMULATED LOSSES</b>	452,338	<u>(433,463)</u>	<u>(388,308)</u>	<u>(273,938)</u>
	202,338	(183,463)	(138,308)	(23,938)
<b>LONG TERM LIABILITIES</b>				
Hire purchase payables	52,419	64,963	47,820	16,766
	<u>(149,919)</u>	<u>(118,500)</u>	<u>(90,488)</u>	<u>(7,172)</u>

### EXHIBIT 3 Al-Hikmah's Income Statement -2012

	2012	2011	2010	2009
	RM	RM	RM	RM
<b>INCOME</b>	1,966,699	1,777,118	1,731,250	2,173,954
<b>COST OF SALES</b>	(1,482,667)	(1,326,387)	(1,367,883)	(1,442,759)
<b>GROSS PROFIT</b>	482,032	450,731	363,367	731,195
<b>OTHER INCOME</b>	-	-	-	-
<b>ADMINISTRATIVE EXPENSE</b>	(340,083)	(335,251)	(319,546)	(346,607)
<b>STAFF COST</b>	(154,888)	(146,913)	(147,606)	(146,647)
<b>LOSS FROM OPERATIONS</b>	(10,939)	(31,433)	(103,785)	237,941
<b>FINANCE COST</b>	(12,595)	(13,722)	(10,585)	(12,180)
<b>LOSS BEFORE TAXATION</b>	(23,534)	(45,155)	(114,370)	225,761
<b>TAXATION</b>	4,659	-	-	(60,785)
<b>LOSS AFTER TAXATION</b>	(18,875)	(45,155)	(114,370)	164,976

## EXHIBIT 4 Al-Hikmah's Cash Flow Statement – 2012

	2012	2011	2010	2009
	RM	RM	RM	RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
(Loss)/profit for the year before taxation	(23,534)	(45,155)	(114,370)	225,761
Adjustment:				
Depreciation of property, plant and equipment	31,473	65,912	65,897	85,698
Operating (loss)/profit before working capital changes	7,939	20,757	(48,473)	311,459
Decrease/(increase) in receivable	(122,458)	(27,180)	112,977	(300,754)
(Decrease)/increase in payable	92,581	72,412	(82,372)	133,917
Cash (used in)/generated from operating activities	-	-	(17,868)	144,622
Taxation paid	-	-	-	(12,785)
<b>NET CASH (USED IN)/GENERATE FROM OPERATING ACTIVITIES</b>	<b>(21,938)</b>	<b>65,989</b>	<b>(17,868)</b>	<b>131,837</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of property, plants and equipment	(2,294)	(51,952)	(62,745)	(56,943)
<b>NET CASH FLOW USED IN INVESTMENT ACTIVITIES</b>	<b>(2,294)</b>	<b>(51,952)</b>	<b>(62,745)</b>	<b>(56,943)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Director's account	39,950	(34,408)	23,730	(49,470)
Proceeds from hire purchase payable	-	34,800	53,000	-
Repayment to hire purchase payable	(16,829)	(20,881)	(19,780)	(17,887)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>23,121</b>	<b>(20,489)</b>	<b>56,950</b>	<b>(67,357)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,111)</b>	<b>(6,452)</b>	<b>(23,663)</b>	<b>7,537</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>15,145</b>	<b>21,597</b>	<b>45,260</b>	<b>37,723</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YAER</b>	<b>14,034</b>	<b>15,145</b>	<b>21,597</b>	<b>45,260</b>

**CASH AND CASH EQUIVALENTS COMPRISE OF:**

Cash and cash equivalents	157,261	157,880	157,864	160,655
Bank overdraft	(143,227)	(142,735)	(136,267)	(115,395)
	14,034	15,145	21,597	45,260

## EXHIBIT 5 Al-Hikmah's Statement of Changes in Equity-2012

	Share Capital	Accumulated Losses	Total
	RM	RM	RM
Balance as at 01.07.2010	250,000	(388,308)	(138,308)
Loss for the year after taxation	-	(45,155)	(45,155)
Balance as at 30.06.2011	250,000	(433,463)	(183,463)
Loss for the year after taxation	-	(18,875)	(18,875)
Balance as at 30.06.2012	250,000	(452,338)	(202,338)

### Product

Al-Hikmah had as a primary goal-the delivery of the best quality of product printing with impressive price. This company could offering the policy of the giving the best quality with as possible as lower price due to the company had offset printing process which can print the big amount of product that made the company had low cost of leadership. Moreover, the company also had policy of keeping raw materials in stock, so the company could order big amount of raw materials from supplier with lower price as well as made it easy to customers for choosing of variety of raw materials.

The major order of Al-Hikmah was normal customers which come directly to the company. Moreover, the company also had policy of go directly to customers; go directly to organizations and universities. Moreover, the major order season was during festivals such as Hari Raya festival, Chinese New year festival, Happy New year festival and so on. In addition, the best order of the company were books and wedding cards due to the best quality of products, and the company also offered a good quality consulting to introduce customers about the product, design and raw material that used to produce. Moreover, if customer unsatisfied with raw materials that owned by the company, customers could order special raw material to company, and then the company would find special the raw material to fulfill customer needs.

Generally, customers could order badge from Al-Hikmah, but due to the selling badge was quite not so good, and the company also had to hire outsource from other company, so the company already dropped this product. According to the product, Al-Hikmah had variety product as a following:

## 1. Cards

Cards printing from Al-Hikmah were prepared to be used on several occasions which were including card for introduce products and various festivals cards (Chinese New year card, Hary Raya card, Happy New year card, wedding card and greeting card). The card printings were made with high quality printing at impressive price. In addition, the company also offered consulting and design print cards for customers.

## 2. Posters

Even though, poster was just plate that used to advertising or public relations in various place, but good quality of posters were very attractive to those who seen and could make it successful in the advertising or public relations. Whether, the orders of customers were plenty or few. Al-Hikmah was ready to care for and prepare poster printings with beautiful and good quality with affordable. This printer also offered consulting and design posters for the customers.

## 3. Brochures

Brochure printing from Al-Hikmah were producing with meticulous, great quality of brochures images could help companies to build credibility for the products or services of their companies, and printing brochures of product or service of Al-Hikmah had distinguished due to the company had understanding and expertise in brochure printing with price was friendly. Physical design and content of printed brochures that would make the product or service was outstanding and more interesting which made the purpose of printing brochures is successful. The printing offered design and consulting to all kinds of brochures.

## 4. Catalogues

Printed catalog which were including lists of the products or services, the good quality of the catalogues helped companies promote their sale. Al-Hikmah had meticulous to print catalog, to get a job so close to the original product or service that is unique and colorful life, and printing services have been designed to create original photographic products in the catalog in a friendly price.

## 5. Books

Al-Hikmah offered the best quality of book printing with design were interest and attractive to reader. Especially, Doa and Zikir book for children, the books were very attract children due to good design, quality and multicolored of the book. Moreover, the company also offered various designs to customer.

## 6. Calendars

Calendars were prepared for general distribution, with some space in each page as part of the advertising or public relations. Calendar of quality and good leadership were widely utilized as a medium for advertising or publicity value. Al-Hikmah could print the calendar according to customer needs with quality at the forefront of the high price. The company had services designed to make photography into artwork at a friendly price.

## 7. Name Cards



Name card printings of Al-Hikmah were included of business card printing which created a physical connection and bond between owners or business owner and their customers. Therefore the name cards were significantly important for owner image. AL-Hikmah had expertise for design to show images and product, which helps in to promotion as well. Although the print would increase more cost but it is worth. It created a good image of the company.

#### 8. Letter Heads

Al-Hikmah services printing letterhead or envelopes, letterhead or envelopes generally were in line with the style and color of the business card. There were currently printing envelopes or letterhead printed color insert for a letterhead, which helped create and images in advertising or public relations firm as well. Of printing, there were ready to help publish print letterhead or envelopes, whether it is a single color or multicolored with the quality and price of customer's stay.

#### 9. Paper Bags

The paper bags were used as material packaging and also used as a media or public relations. The beautiful color of paper bags of the company was motivating the user. When customers took to go anywhere, it was like advertising or public relation move. Al-Hikmah produce printed paper bag according to client needs with quality and affordable. In addition, the company also offered consulting and design printed paper bags for customers.

### **Suppliers**

According to suppliers, Al- Hikmah purchased raw materials from Chinese companies and Malay companies inside country, Malaysia. The raw material that purchasing were purchased on credit, the company paid to supplier after the company already received money on customers. Moreover, the company had a good relationship with supplier so the company never has problem with raw materials and also never change its supplier.

### **Industry**

The paper, printing and publishing industry covered the manufacturing of pulp, paper products as well as printing and publishing activities. The paper segment covered the production of all types of paper while the paper products segment consisted of packaging products such as corrugated cartons, inner packaging, cushioning materials, labels and stickers. The printing and publishing segment included all printing of packaging materials, cards, books and other miscellaneous printing activities.

#### Philosophy of Company Quality Policy

- Print most affordable and quality products.
- Provide good and reliable services to each and every customer.
- Promote safety and quality standards in the course of production.

#### Philosophy of Company Quality Commitment

Al-Hikmah Sdn. Bhd. was committed to the value customer by producing products that meet customers' requirements through continual improvement with the end in mind of enhancing

customer satisfaction. The company specialized in printing of: Books, wedding card, certificate, calendar, poster, diary, and catalog.

## **Marketing**

Al-Hikmah's marketing strategy was to target both organizations and individuals. It sold directly to organizations by making the proposal to them about its products and services. For the individuals, Al-Hikmah was using the word of mouth through its regular customers. Al-Hikmah's marketing campaigns were based on seasonal, special occasion and event.

Every special occasion such as Chinese new year and Hari Raya, the company had special promotion for its exclusive money packet & greeting card. This promotion was provided customers with the best price and free delivery of their order to desired location. However, Al-Hikmah put the minimum order at very large quantity to reduce its operation cost. This strategy might not be very attractive to new customer but for Al-Hikmah that relied on its regular and loyal customers this strategy seemed to work fine with them for the time being.

Al-Hikmah also focused its marketing effort on to its best seller product which was the wedding card. Al-Hikmah allowed customer to do the full customization of the card which were provide the firm with the design or change the design of the one that the firm had. Furthermore, Al-Hikmah also offered suggestion for customers who did not have any ideas of what they want. This was done by the firm will ask the customer about the information and color that customer wanted on the card and the firm would choose several designs for customer or even create new for them if the currently did not meet customer satisfaction. Al-Hikmah also provided the delivery service of the wedding card to all customer guests in a form of post. This service was come together with the wedding card package as it will help the firm to maximize its profit by creating buying on impulse from customers.

Al-Hikmah heavy reliance on its regular and loyal customers has brought its attention about the customer relation management. The company was trying to come up with way to maintain a good relationship with its customers. Al-Hikmah's approach was to provide customers with the new update of its products and services every three months. Al-Hikmah also sent the present to its customers during the special occasions such Christmas, Hari Raya, Chinese New Year and etc. This was to stay in touch with the customers and as the same time promoted its new products which were the gift or present that was sent to customer. Al-Hikmah expected that by sending its new products as present to customers it will make the customers who interested with new products will likely make an order or spreading the good word of mouth to their friends.

Al-Hikmah also concerned its image toward society. Al-Hikmah had many Corporate Social Responsibility (CSR) programs. Its regular CSR programs were in cooperation with its existing customer which was the university. Al-Hikmah provided university student with free gift during Sport day event and Orientation of new student. In addition, Al-Hikmah also gave zakat money to orphanages. In addition, Al-Hikmah really focused on CSR as its spending on charity and gift has increased from RM 9,325 in 2009 to 18,213 in 2012. Al-Hikmah saw this as opportunity in promoting its business as the same time making good relationship with society.

## **Technology**

Printing industry had successfully adopted the latest technology available quite remarkably. But thus far Al-Hikmah had adopted these technologies short of going the full length, meaning the company was still held back by the need to have a printing master or plate and high print volume, to turn machines profitably. Today a lot of information was in digital form and the digital printing machines currently available in the market could produce such high quality, matching offset if not better. Whether one uses toner or ink to print the job, it does not really matter, to the customer as long as it can convey the information.

## **Competitors**

Competitive position was effectively attained with the quality of the product, based on factors such as price, selection and availability. Major competitors in the manufacturing segment include Chinese company printing and Malay company printing.

Al-Hikmah Sdn.Bhd. was the small company that had many competitors because of the other competitors had high quality in terms of technology and various products especially Chinese printing company. Nowadays, printing was the efficient and mature advertising media. Internet advertising media was going to compete with the printing industry and brought a new revolution which was started now by our largest and biggest social website, Facebook and search engine, Google. Yet, there was still a lot of space for the printing industry to grow in Malaysia. Chinese company printing was provide the new technology and offered in a low price that could attract customers. Moreover, others printing had many customers than Al-Hikmah because the equipments was not enough and the product was famous.

## **FUTURE**

Malaysia government was encouraging all printing entrepreneurs in Malaysia to advance and actively cater for the export markets. As a matter of fact, government had been very supportive as far as this industry was concerned so much so that the Malaysian printing and publishing industry is a significant contributor to the country's economy being the top five largest industries in the manufacturing sector.

The future of printing industry would has a change with the technology to greatly influence such as Inkjet helps in some part of screen printing, or operating digital printing with Offset Printing Company. Technology helps to improve and standardize quality of printing works. Changing in technology makes the printing business must stand on one point, which are being big or small form. For the big business, the company should cover all printing products or collaborate with other partners. Being a small business based on its expertise to one side or the niche markets.

In 2010, it was considered the years of addiction to digital devices entirely. In particular, the advent of the iPad from Apple made an increasing of tablet sales 14.8 million units, and also sales of smartphone rose more than 293 million units worldwide which is increased 67% from 2009. Both devices could access the Internet, digital content anywhere at any time. This caused user's behavior radically changed. Therefore, growing along with multimedia technology, communication and IT benefited for printing business nowadays. It might be two suggest ways. First is being multimedia centre as print book, business presentation, CD-ROM, Internet TV and so on. In addition, the second way was offering online services such as E-paper, E-ink which entered the market instead of advertising through billboards or posters.

In many printing press businesses also focused on responding operators, publishers and the global environment such as faster process, quality, less smell, less noise, less electric and more environment friendly.

Thus, the future will be about the multimedia with IT and technology involved. The printing company must have products and services that satisfy customers along with business of printing on paper to survive in the printing industrial in the future.

\*\*\*END OF THE CASE \*\*\*

### **DISCUSSION QUESTIONS**

1. Identify external and internal environment for Al-Hikmah, then recommend one strategy for the company to become profitability?
2. Explain two ways to address key issue to improve the performance of Al-Hikmah?
3. Suggest three directions for company to grow in the future?