



GRADUATE SCHOOL OF MANAGEMENT

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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
وَبَنِي بَنِي إِسْرَافِيلَ أَبْنَاءَ بَنِي إِدْرِيسَ عَلَيْهِ السَّلَامُ

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Teaching Notes of the Case Studies, published in this issue, are available ONLY to lecturers and trainers. Please send your request to the Chief Editor (arifh@iium.edu.my/arif.hassan@gmail.com) giving details of your job position and institutional affiliation using your institutional email address.

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Aim and Scope of the Journal

The *IIUM Journal of Case Studies in Management* is an internationally refereed journal published twice yearly by the Graduate School of Management, International Islamic University Malaysia. The journal is dedicated to the development and promotion of case studies in the field of management and related disciplines for the purpose of enhancing our knowledge and understanding in the areas. Cases selected for publication are expected to deal with important issues related to the discipline, which may be used, among others, by instructors of Master of Business Administration and Master of Management programmes. Special consideration will be given to cases that deal with management issues in the Asia-Pacific region. Cases based on both research and secondary sources, will be considered. Also, papers on case writing, case teaching and case analysis will be accepted for publication. Occasionally the journal will publish empirical papers on current issues in management.

Editorial Note

We are happy to present this issue. It consists of four case studies. Two originate from Malaysia while one is from South Korea and the other from Iran. I hope these case studies will be helpful in bringing local issues and discuss management concepts in the Asian context.

The first case study is about a South Korean Telecom company dealing with the diversification process. It illustrates the challenges and motivation behind this process. The case study provides a good understanding of how this company implemented their diversification strategy in an increasingly convergent market.

The second case study provides a detailed understanding of a Malaysian company known as Lembaga Urusan Tabung Haji (Tabung Haji). The organisation is internationally recognised for successfully providing professional services to Muslims to manage their Hajj pilgrimage. Established in 1963 the institution has been recognised as a model for other countries to emulate managing Hajj affairs. The organisation adopts contemporary management and marketing principles such as participation in management decisions, and uses state of the art technology. It also endeavours to apply *Shariah* principles in its deposits, investments and Hajj services.

The third case study presents the story of an Iranian auto company in the process of privatisation. It illustrates how the top management of this company abused the process for personal benefits during the issue of IPO. Abusing their Direct Benefits of Control (DBC) along with existing information asymmetry in the market, the directors of this company recaptured a massive block of shares through an investment company. This IPO and the way in which the investment companies were financed provides a good case for discussion on business ethics.

The fourth case study gives a valid example of the challenges faced by a transgender in the workplace, particularly relating to prejudice, discrimination and sexual harassment. The setting is an international financial institution in Malaysia that has an inclusive workplace environment where the values and culture of social diversity are embraced by the organization. Although the workplace environment was an inclusive one, the available policy and procedures to handle harassment cases was inadequate to ensure that any harassment complaint is handled in a just and fair manner. There is a dearth of case studies on sexual harassment specially dealing with transgenders in the workforce. Hopefully this case study will be useful for discussion on this sensitive issue.

I take this opportunity to thank all the contributors as well as reviewers for their interest and support to this journal. The teaching notes of the case studies are available and can be provided to the faculty members on request to the editor.

Thank you.

Arif Hassan

Chief Editor



Case Study 1

Diversification in a Convergent Market: The Case of SK Telecom

Kim, Jong-Seok¹

Freelance Consultant

Abstract: SKT was a leader in the mobile telephony business (MTB) in South Korea when it made a decision to diversify into the internet business (IB) in a convergent market. This case offers instructors and students a clear picture of SKT's diversification process, accomplished through internal development to facilitate the shift from MTB to IB. First, the case provides an opportunity to assess SKT's diversification performance in terms of financial and operational economies of scale. However, there has been an inadequate amount of direct examination of the motives underlying the diversification decisions. This case allows instructors and students to examine SKT's diversification motives. Additionally, less attention has been devoted to strategy implementation, which actually accounts for the link between motives and performance. Following the assessment of SKT's position in the MTB, this case will require instructors and students to think about how SKT implemented their diversification strategy for the shift from MTB to IB.

INTRODUCTION

Digital convergence has dynamically reshaped various industries such as the telecommunications, content providers, the internet, and broadcasting industries. SK Telecom (hereafter SKT) recently faced a new phenomenon where firms that were once in separate industries such as mobile telephony operators, internet-service providers, and cable TV firms, suddenly found themselves in the same business. SKT noticed that digital convergence had a tremendous impact on new service developments, businesses, and industries. This impact was largely a result of the rapid evolution of networks and inter-connectedness between different networks such as mobile networks and the internet. The emergence of mobile internet generated new competition with internet-based service providers. One of the SKT managers expressed this development as follows:

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Kim, Jong-Seok

We consider internet portal companies such as Naver² or Daum³ etc. as our competitor....We have also maintained a close watch over our traditional competitors, KTF and LGT.

In addition, this digital convergence required SKT to develop new mobile internet services. Along with the emergence of the mobile internet, the introduction of convergent products drove SKT to develop new services. Convergent products, which had new functionalities, were launched continuously. Examples include MP3 player mobile handsets, digital camera-equipped mobile handsets, DMB player mobile handsets, etc. Currently, most mobile phones can use the internet. Shinbae Kim, the CEO of SKT, noted the following:

As the cellular service market has already entered a mature stage, our core business area is not expected to grow as rapidly as it has in the past. However, we will keep developing and promoting new wireless internet products that fit the convergence and ubiquitous market environment. This will ensure the steady growth of our core businesses. Our high penetration of the market for cellular handsets with sophisticated functions will help us strengthen our advanced wireless internet services.

(Source: SKT press conference held on October 12, 2004 available on SKT's website)

DYNAMICS IN THE MOBILE TELECOMMUNICATIONS SERVICE INDUSTRY

Mobile Telecommunications Service Market and Competition

In 1894 when under its parent company, Korea Telecom (KT), Korea Mobile Telecommunications Services Co. launched a 'car phone' service. Since then, South Korea's mobile telecommunications service industry has experienced rapid market growth. Mobile operators experienced dynamic technological network changes beginning in July 1988 when analog-based service first emerged in the market. The number of subscribers was recorded to be approximately 1 million in the year 1987. From the year 1987 to 1995, approximately 10 million people subscribed, although all consumers did not receive sufficiently high quality mobile telephony service. These figures indicate the potential growth possibilities of the mobile service market. In 1996, Shinsegi Telecom joined the mobile telecommunications industry. A year later, three personal communications service (PCS) firms entered the mobile service market. The new entrants brought much turbulence to the market by accelerating market

² Naver was incorporated in June 1999, launching the first South Korean search portal to use an internally developed search engine. NHN Corporation operated 'search portal,' 'online game portal,' micro blog service, etc.

³ Daum offered many internet services such as e-mail, cafe, blog, and search services, that provided a range of information, an online forum on Media Daum, and services for next generation platforms including IPTV and mobile.

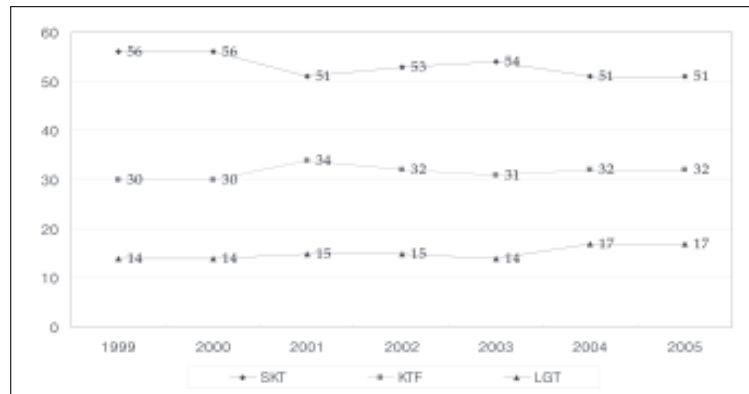


Figure 1. South Korean mobile operator's market shares from 1999 to 2005 (Unit:%)

Source: Author modification of data from Rhee (2004) and SKT (2005)

competition with aggressive marketing and promotion strategies to attract new consumers. This market competition contributed to the rapid diffusion of mobile services. However, to survive in the mobile telecommunications service market, those operators needed to attain sufficient economies of scale to operate their services. Eventually, two mobile operators merged with other operators. Two M & As created a new market in which the three mobile operators (SKT, KTF, and LGT) competed with one another with market shares among the three operators settling at similar percentages: SKT at approximately 54% market share, KTF at approximately 31% and LGT at approximately 14% (see Figure 1).

Regulatory policies such as a licensing policy for mobile telecommunications service influenced the local-context competition. To control the power that these dominant operators wielded over the market of the mobile telecommunications service industry, many national governments introduced regulatory mechanisms in relation to tariffs, access fees, etc. South Korea's Ministry of Information and Communication applied an asymmetric regulatory framework to an oligopolistic market to continuously induce market competition. In 2005, the three mobile operators saw further regulatory changes that led to new competition such as mobile telephone number portability.

The rapid diffusion of mobile telecommunications services in South Korea led to a saturated market (see Figure 2). Between 1997 and 2000, the three mobile operators experienced rapid growth in the mobile service market. The size of the market tripled, increasing from 6,910 million to 23,442 million subscribers in just three years. This rapid market expansion began slowing down after the year 2000 with growth rate for the number of subscribers after 2001 being less than 10%. However, as of 2004, approximately 3.6 million subscribers were using mobile telecommunications services. A total of 75% of the South Korean population subscribed to at least one mobile service (Rhee, 2004). The mobile phone and associated service had already become

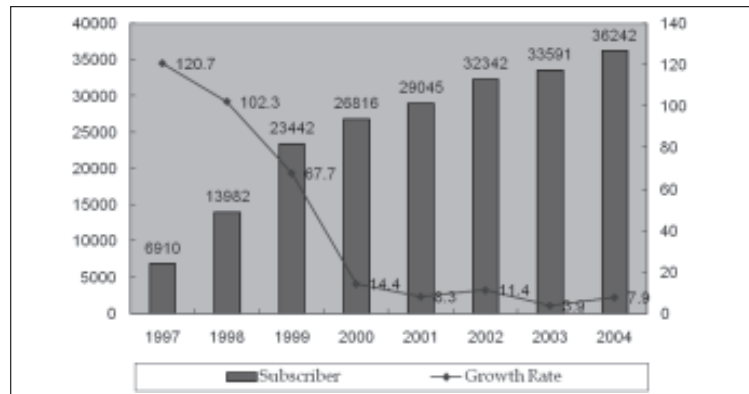


Figure 2. South Korea subscribers and growth rate from 1997 to 2004
(Unit: 1,000 subscribers, %)
Source: Rhee (2004)

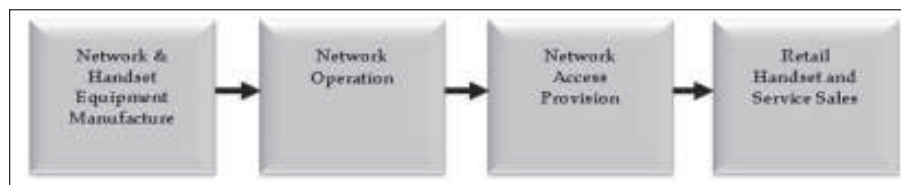


Figure 3. Typical value chain of mobile telecommunication service
Source: Maitland *et al.* (2002)

necessities in South Korea. Notably, 80% of mobile handsets were capable of accessing the internet, as well as downloading and playing digital content. The market competition had become very fierce. The three mobile operators desperately introduced new services after launching the new mobile network between 2000 and 2005. SKT introduced 3G services in February 2000, followed by LGT in May 2001 and KTF in June 2003.

Major Players and Value Chain in Mobile Telecommunications Service Industry

There have been several generations of networks. The evolution of networks has driven mobile operators to introduce new services with resultant changes in the value chain activities. Between the first and second generations, the mobile network evolved from analog to digital technology.

The traditional value chain of the mobile telecommunications industry can be illustrated using the following economic activities: Network & Handset Equipment Manufacture, Network Operation, Network Access Provision, and Retail Handset and Service Sales (see Figure 3). Network and equipment components included network cables, switches, connectors, transmission systems, etc., whereas network operation

was based on a circuit-network that connected senders and recipients of information; consequently, services were located in the third position of the value chain (Li & Whally, 2002).

There were approximately 140 vendors of mobile telecommunications network and equipment in South Korea (KIPA, 2006: p. 252) with the strong advantage of the mobile telecommunications industry being mobile handset manufacturing. The dominant firms were Samsung Electronics, LG Electronics, and Pantech. For example, in the US market, Samsung Electronics and LG Electronics were ranked as the second and third largest manufacturers of mobile handsets, respectively. Mobile handset vendors can be defined as firms that produce end-user mobile handset devices used for telephony services, mobile internet, and other digital services that mobile operators or other online service providers offer.

The function of network operators was to integrate all technical systems such as Public Switched Telephone Network (PSTN) which are common voice telephony networks. All customers with telephony devices and access privileges are able to use PSTN, which uses continuous streams to transmit signals (Sabat, 2002). One of the duties of mobile operators is to manage network operations, as well as retail service packages to customers. The three mobile operators organized retail outlets through their own distribution channels, which undertook the duties of attracting new consumers, retailing new services or mobile devices, promoting new services, providing relevant information on new services, and addressing any enquiries from consumers. New mobile handsets, along with new services, were primarily distributed through these retail outlets throughout the country. Local district retailing branches managed the shops in their local district areas. When new mobile handsets were developed, the manufacturers, such as Samsung Electronics and LG Electronics, supplied mobile handsets and other items to the mobile operators' logistic centers. The mobile operators then customized these new digital devices for their own services. The new handsets were distributed to the district retailing branches, which assumed the task of selling the mobile handsets and services that the mobile operators offered. Sometimes, district retail branches contracted directly with mobile handset manufacturers, meaning that the mobile devices were supplied directly to these district retailing branches. The three mobile operators operated approximately 1,400 district retail branches across South Korea. When the number of retailing shops belonging to the district retail branches were counted, SKT stores were found to number approximately 2,700. Financially, the district retail branches of SKT and KTF were more profitable than those of LGT. Thus, SKT and KTF preferred using wholesale distributors (or stores), which had many retailing stores in local or regional areas. In contrast, LGT had developed a retail-based distribution strategy which accounted for 60-70% of their distribution through small retail outlets in local areas.

When the internet was first introduced, the traditional value chain of the mobile telecom industry evolved in five stages: Internet Backbone Access, Portal Development and Provision, Traffic and Access Request Management, Local Loop Access, and Retail Internet Access Sales and Service (see Figure 4). Along with the introduction



Figure 4. Added value chain of internet access in the mobile telecommunication service
Source: Maitland et al. (2002)

of internet technologies, traditional operators in the mobile telecommunications industry were engaged in the dynamic processes of diversification. Such a evolution required the development of new technical capabilities and new production processes for internet service for which mobile operators had to integrate new technological components with technological vendors and suppliers. By combining internet access services with mobile telephony services, the traditional value chain of mobile telecom services became more complex and evolved. Unlike PSTN, internet access was controlled on a traffic and access request management system. Mobile operators needed to integrate new physical systems such as server systems, hubs, and other technical operating systems. Through those technical evolutions, emerging internet protocol (IP)-based networks were able to allow customers to transmit data (or content) in the form of a data packet, a unit of data transmission. To develop new services, SKT needed to collaborate with solution or platform technology providers. These providers played an important role in the development of new mobile internet services with mobile operators. They worked with mobile operator clients to launch service development projects. Solution/platform technology (hereafter SPT) providers can be defined as firms that develop mobile service applications and service-related technologies alongside mobile operators. These firms were once called solution/platform vendors, solution providers, or application developers and application platform vendors. Many SPT providers specialized in development applications in the mobile telecommunication service industry. The size of the market for SPT providers has increased from 354.6 to 433.3 billion Korean Won (KIPA, 2006). These SPT providers offered mobile operators their expertise in the development of multimedia services, mobile messaging services, mobile commerce services, location-based services, etc.

DIVERSIFICATION OF SKT

Overview of SKT

SKT maintained a leading position in the mobile telecommunications service market after SK Group diversified into a mobile telecommunications business.

Origin and Development of SKT

The Ministry of Information and Communications and KT decided to establish a subsidized company for the mobile telecommunication market. Korea Mobile

Telecommunications Services Co. was created in March 1984. Ten years later, through the '2nd Mobile Market Restructuring Plan', Korea Mobile Telecommunications Services Co. was privatized. SK Group participated in the open auction of Korea Mobile Telecommunications Services Co. in January 1994. Finally, SK Group took over the governance board of Korea Mobile Telecommunications Services Co. by obtaining business licenses in June 1994. SK Group began to restructure its organizational structures along with SK group's business systems. To increase business synergy with SK groups, in March 1997, Korean Mobile Telecommunications Services Co. changed its corporate identity to SK Telecom. Since then, SKT has maintained market leadership in the mobile telecommunication service market.

Management System and Culture

The managerial boards had to manage two important tasks arising from internal and external needs. First, in cooperation with the Ministry of Information and Communications, Korea Mobile Telecommunications Services Co. conducted the national Research and Development (R&D) project on Code Division Multiple Access (CDMA) technology development and commercialization. Internally, the managerial boards needed to develop a new culture by adopting SK group's business system at Korea Mobile Telecommunications Services Co. They attempted to inspire a market mind-set in the employees in order to initiate new technical developments and compete with other companies. When the CEO who had successfully led the CDMA technology development project took over leadership, he adopted new business systems such as the SunKyung Management System (SKMS), Super Excellent (SUPEX), and the 'CAN' meeting.⁴ The SKMS was first established in 1979 with the expectation of achieving the performance level of Super Excellence. The SKMS, a unique management system, was introduced with the cooperation of all SK members. SUPEX was a management tool designed to efficiently drive the SKMS. SUPEX Quest was introduced in 1989 as a method to practice the SKMS to ensure that the Super Excellent Level would actually be attained. This was because employees and management found it difficult to put into practice the SKMS and, in terms of profit maximization, performance results were much lower than expected. These business systems contributed to the development of SKT's culture.

Formulating Strategic Vision

In 2001, SKT devised 'Vision 2010' and announced its future business agenda: Ubiquitous Partnership, Value-Creating Innovation, Customer-Oriented Operation, and Global Leadership. This announcement occurred approximately five years after the company worked on 'Move 21', an initial vision of SKT future business strategy launched on 11 February 1994 (Kim & Lee, 2005). SKT recognized that the telephony

⁴ Information obtained from SK Telecom's office website: <http://www.sktelecom.co.kr>

Table 1. SKT scope and scale of business domain

Section	Content	Platform	Network	Terminal
Wired		Personal		
Wireless		Platform Leveraging Wireless Leadership	Increase Network Value	Marketing Oriented
Media				
Enabler		Focus on Finance		

Source: Author modification of figure obtained from SK Telecom Annual Report (2001: p. 10).

service would no longer be a growth engine because of market competition. The consensus among the top executives and staff led to the formulation of a new strategic vision for SKT, essentially indicating that SKT would not be a traditional telecommunications company in the future. SKT would be transformed into a digital media company, providing digital services such as mobile internet portals, music, games, and shopping services.

.....Recognizing the enormous potential of the wireless internet as a new growth engine, SK Telecom will concentrate on developing and promoting wireless internet products based on voice-oriented cellular service.
(Source: SKT Annual Report, 2002: p. 3.)

With regard to mobile telephony business, SKT only handled network and terminals through its distribution channel. However, by diversifying into internet business, SKT expanded its scope of business. SKT redefined its business scope and scale with regard to value chain activities (see Table 1).

SK Telecom's Innovative Activities

SKT conducted a variety of innovative activities for networks, network-value added services, platform technology, and convergent services. *Network* refers to the evolution of mobile networks (infrastructure and standards, etc.) whereas *network-based services* are the services provided through mobile networks (voice telephony services, etc. and, traditionally, mobile ringtone and ringback tone services are included among value-added network services). Here, *platform technology*⁵ refers to the application technologies used by those consuming digital content and various functional services for banking, payments, m-commerce, etc. using mobile devices. Finally, *platform-*

⁵ Note that one result of convergence is that terms such as 'platform', which were given rather different meanings in different industries, must be employed carefully to avoid confusion. Platform might be used to refer to the mobile device hardware itself or even to the network infrastructure, depending on point of view.

based services (or *convergent services*) refer to various functional service such as m-commerce, banking, and digital content, etc. – music, video, and other forms of content – that originate from previously distinctive industries but are now delivered through convergent (or mobile) networks. The platform refers to a common entry point that enables consumers to conveniently access the content which content holders generate and offer.

Innovative Activities in the Mobile Telephony Business

As a leading network innovator, SKT sought to improve and develop new networks that created new values in mobile telecommunications. SKT continued to develop new networks while continuously improving the capacity and quality of networks, along with the manufacturers of networks and associated equipment. Through these innovative activities, SKT developed its network competence. SKT's mobile network evolved accordingly from the provision of first generation (1G) to that of third generation (3G) services, with concomitant increases in bandwidth and speed.

The first generation (1G) mobile network was based on analog technology. The 1G mobile network providers offered primarily voice service to subscribers. The network was launched by SKT in May 1984. Additionally, in July 1988, SKT launched an analog cellular service for the first time in Korea. SKT had 1 million cellular subscribers in January 1995.

However, analog cellular service faced difficulties in meeting the sharply rising demand for cellular service because of the limited frequency capacity. In an effort to improve the limited frequency capacity in analog service and to accommodate increasing demand for cellular service, SKT adopted CDMA-based digital cellular technology, whose capacity was 10 times larger than that of analog service. SKT developed the world's first commercial CDMA service, CDMA IS-95A, launched in January 1996. This service made voice and 14.4 kbps data transmission possible which enabled SKT to provide text-based news, mail, and fax services. However, the service was still limited. In August 1999, SKT renewed the 2G mobile network with CDMA IS-95B – a 2.5 generation network with an increase in data transmission capacity to 64 Kbps (while being compatible with CDMA IS-95A). SKT was then able to provide various but limited data services such as WAP browsing, the downloading of such content as graphics, picture messaging, e-mail (without attachments), and location-based services.

However, in October 2000, SKT launched the world's first commercial CDMA2000 1x cellular service. SKT began to deploy the world's first CDMA2000 1x network, which had a maximum data transmission speed of 153.6Kbps. In 2001, SKT expanded the network infrastructure to 81 major cities, covering 88% of South Korea's population. Through these activities, SKT was able to improve its service quality. In early 2002, SKT began to further upgrade its services with the launch of the CDMA EV-DO (Evolution-Data Optimized) network, which was capable of transmitting data at a maximum rate of 2.4 Mbps. This high-speed network, which can support sophisticated multimedia services, became a launch pad for expansion into the 3G wireless internet services on a 3G-network platform. SKT was expected to take advantage of strong

growth in the demand for wireless internet services. However, despite the successful launch of CDMA EV-DO, a grey area still existed in that advanced CDMA EV-DO systems were not yet built while SKT attempted to develop CDMA EV-DO to extend network coverage. Consequently, this grey area could have decreased SKT service quality. Therefore, SKT installed an automatic transference function allowing CDMA EV-DO to be compatible with the CDMA 2000 1x network. Furthermore, SKT obtained the license to develop, construct, and operate a 3G W-CDMA (Wideband Code Division Multiple Access) cellular network in South Korea. SKT was expected to launch a commercial service in the second half of 2003. Although the plan could change depending on market opportunities for W-CDMA service, as well as the development of network equipment and handsets, SKT eventually introduced it in December 2003 in Seoul.

These technological network evolutions led the introduction of new services in the mobile telecommunications service industry. To link services between the internet and the mobile network, SKT also installed a variety of network-based solutions. Using gateway systems, on the web, consumers can send their content to the mobile phone, and consumers were able to transmit their content from the mobile phone to the web on the internet. To create an inter-connection between networks, SKT collaborated with network-based solution providers.

SK Telecom is taking major steps to secure and construct a multi-access network for internet and broadcasting services

(Source: SK Telecom Annual Report 2001: p. 11)

Otherwise, based on know-how or network operation experience, along with continuous innovative network activities, SKT continued to develop new services in the mobile telephony business. Essentially, voice telephony service was a core product for SKT. Through innovative network activities, SKT was able to introduce new voice telephony services to consumers.

Moreover, we will attempt to maximize the utilization of our existing network. The revenue generated by these services will be a basis for the continued innovation of the network, and the further development of next generation mobile communication services

(Source: SKT Annual Report 2001: p. 12).

SKT developed new value-added services that contributed to sales revenue growth. SKT launched Caller ID service in 2001. Additionally, ringtone and ringtone service, called COLORing, allowed for the conversion of a typical ringtone to the subscriber's preferred tone. These services were launched in the summer of 2000 and November 2002, respectively. SKT was able to provide those services through convergent networks. In addition to those services, SKT continuously conducted innovative activities to develop new value-added services such as Call Keeper service, Lettering service, and Call Availability Notification Service.

Innovative Activities in Internet Business

Through innovative activities in mobile telephony business, SKT identified possibilities for internet business. A manager in SKT expressed the following:

Clearly, we had competence in the third generation network. At SKT, network is like a commodity, which we just use. Most firms just follow network's evolutions. In the meantime, on increasing technical capacity, we would think of developing new internet services, based on technical requirements of network systems.

SKT initiated development projects for various operating system platforms, browsers, etc. SKT was Korea's first service provider to adopt a Wireless Access Protocol(WAP)-based system, allowing consumers to use their cellular phones to access the internet and other internet services. SKT launched Wireless Application Protocol ((WAP) and Wireless Internet Terminal Open Platform(WI-TOP) as SKT mobile internet browsers such as Microsoft's Internet Explorer on the internet. INFRAWARE took charge of supplying WAP to SKT. In terms of mobile operating systems such as Microsoft's Windows system, SKT worked with SINJI SOFT on General Virtual Machine (GVM), collaborated with XCE on SK-VM (SKT Virtual Machine), and also worked with INNOSOFT on Wireless Internet Platform for Interoperability (WIPI) – a JAVA-based, hardware-independent platform for downloading content of various types from the internet to cellular phones). Otherwise, to offer a variety of content services on the SKT standardized form, as well as quickly collaborate with content providers, SKT also initiated new projects with content solution providers. SKT installed these platforms into SKT mobile devices or systems for mobile internet services and convergent services. Table 2 provides examples of platform technologies with regard to some mobile portals of various services.

Table 2. Platform technologies of mobile portal of new convergent service

Platform Technology Category	Content
Security	Protecting service and content (Wire/wireless PKI, security solutions and system of content and networks, encryption and decryption, wireless authentication, etc.)
Portal Infra Platform	Linkage between portal and wireless portal
Billing Platform	Controlling and managing billing of service and data usage
Business ASP Platform	Designing a platform for multimedia, mobile messaging, m-commerce, LBS, mobile offices, games, music applications
Access & Delivery Platform	Access management platform, download service platform, delivery management platform, etc.
Content Management System & CRS	Content registration, fees on consumption of content, statistical information on content, data mining system for customer' usage of content, etc.

(Source: Author's elaboration on websites and documents on platform technologies)

By combining various technologies, SKT was able to introduce new services such as wireless data service. SKT launched n-TOP at the end of 1999 and, within the first year of operation, over 4 million people (more than one-third of SKT cellular service subscribers) had used n-TOP. SKT established a master plan for the wireless data business in July 2000. By early 2001, preparations were completed for the expansion of n-TOP service. In 2001, SKT launched Korea's first integrated wired and wireless platform, Nate, as an upgrade of SKT's existing wireless internet platform, n-TOP. Nate allowed consumers to use a wide variety of multimedia services such as games, internet, M-commerce, location-based service, and Video-on-Demand (VOD). These services were available through not only PCs and handsets but also various other terminals such as PDAs, TVs, and Vehicle Mounted Terminals (VMTs). For Nate, SKT initiated a new project, Nate Air, and launched it in February, 2002. To build on these multi-function and multi-interface platforms, SKT strengthened its business cooperation with the companies related to wired and wireless communication, broadcasting and terminal manufacturing, etc. Based on the CDMA EV-DO network, in November 2002, SKT launched a multimedia service called June, which created the 3rd generation multimedia service market. The June service upgraded traditional wireless internet service by providing high-speed multimedia service. This innovative service allowed consumers to access VOD, video telephony, the internet, and TV broadcasting via their cellular phones. In 2004, SKT enhanced wired and wireless portal services such as Mobile Cyworld and platform-based three-dimensional games. Furthermore, SKT expanded the business horizon with the ubiquitous music portal service MelOn.

In March of 2004, SKT launched a mobile community portal service called Mobile Cyworld. The aim was to build a wired and wireless community portal site. To facilitate consumer access to Mobile Cyworld, SKT introduced the WAP version of Mobile Cyworld in July 2004. Doing so allowed subscribers to enjoy Mobile Cyworld service as conveniently as they enjoyed wire-line Cyworld service through their cellular phone. In November of 2004, SKT introduced a music portal service called MelOn, which was centered on the ubiquitous new music service concept of a combined wireless and wired network. This service led consumers to use digital music with cellular phones on a wireless network while paying airtime charges and monthly flat rates. This service also allowed for real-time streaming from wire-line web sites and digital music listening using MP3 phones and MP3 players after downloading from PCs. GXG was a portal of an SKT mobile game and offered consumers convergent service between the internet and mobile network. SKT continuously launched other content services. An SKT manager noted the following:

If we could identify good services or technology outside, we would attempt to quickly integrate those things into SKT services. We are using our financial resources from mobile telephony business to develop our internet business. It is SKT's advantage, compared to other companies competing in this market.

SKT conducted continuous innovative internet business activities (see Figure 6). Through innovative activities, these services played a pivotal role in an increase in revenue and popularity of SKT's wireless internet service.

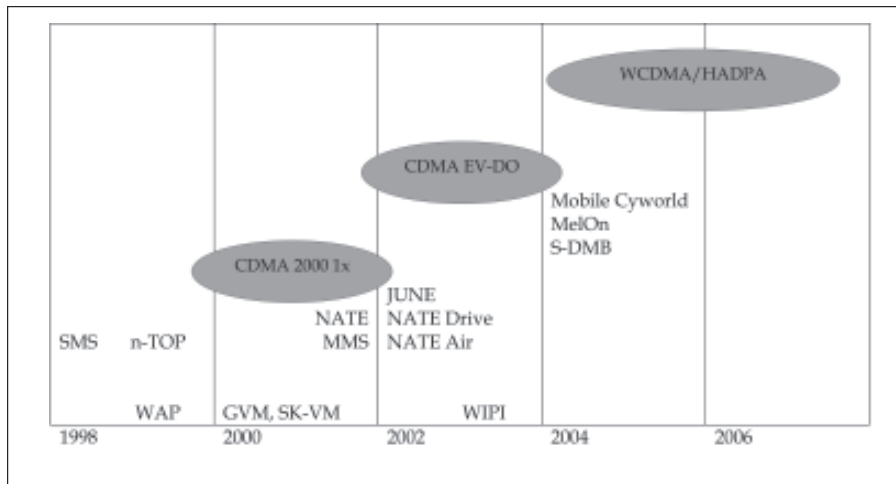


Figure 6. Network evolution and new convergent services

(Source: Author's elaboration of websites and documents from SKT and KIPA, 2006)

SKT's Organizational Structure

Prior to launching 2G service, SKT recorded receiving no less than 99.8% of its revenue from voice services – in other words, it was a traditional voice telephony firm. Accordingly, the organizational structure was relatively simple, containing two divisions: the network business division and the marketing division.

The introduction of 2G service brought about a change in the organizational structure because SKT began to launch new internet services, although these services were limited because of network capacity and associated technology. With the introduction of 2G service, the Internet Business Division (IBD) was formed. SKT launched CDMA 2000 1x in October 2000. Because of the increased capacity of the CDMA 2000 1x network, the IBD was revitalized. In 2001, the overall company structure changed, shifting from a configuration of four divisional groups to 7 divisional groups. The Corporate Center was divided into three separate Divisional Groups: Strategic Planning, Corporate Relations, and Strategic Support. SKT wanted to strengthen the role of the Corporate Center to manage the rapid expansion into internet business. Within the Corporate Center, SKT organized three Divisional Groups: the Network Business Divisional Group, the Marketing Business Divisional Group, and the Internet Business Divisional Group.

It will enhance and support our focus on key growth business in wireless internet, while strengthening and supplementing our existing operations and management in the Network and Marketing Businesses.

(Source: SKT Annual Report, 2001)

Innovative activities at SKT are still conducted in each Divisional Group. Within the Network Business Divisional Group, innovative mobile telephony business activities were managed. The Network R&D Center has to develop core technologies to ensure the continual advancement of next generation network, which in time would become one of the core competencies of mobile network operators. The Network R&D Center has also accelerated R&D into a vast array of network services and technologies for interoperability in response to the pressure of convergence, as well as to improve the quality of the SKT cellular network. The Network R&D center works with other departments in the Network Divisional Group such as the Network Engineering Division, the Network Provision and Construction Division, and the Network Operation and Maintenance Division. This center also collaborates with other divisional groups. In the meantime, the Internet Business Group conducts innovative internet business activities. The Platform R&D Center was designed to develop and operate internet-related services, as well as to develop the Financial Enabling business, which has made banking and financial transaction possible on mobile phones. In addition, the Center aims to discover new sources of growth engines by creating new services based on existing technological platforms. The Center conducts R&D activities on WAP-based Platforms, M-Commerce, LBS, Multimedia services and terminal platforms to ensure that SKT's services are successfully launched into the market. These services included the converging services Nate, June, MeOn, etc. The Internet Business Group also works closely with other divisional groups.

In the year 2003, along with continuous innovative business activities, SKT recreated the organizational structures. Because SKT needed to enhance the roles at the corporate level, the company created four divisional groups: the Strategic Planning Group, the Technology Strategy Group, the New Business Strategy Group, and the Management Supporting Group. SKT established the Technology Strategy Group and the New Business Strategy Group. The Technology Strategy Group assumed the tasks of creating and supporting innovative activities for networks, platforms, and other services for SKT businesses. SKT placed R&D centers in the Technology Strategy Group at the corporate level. In the meantime, the New Business Strategy Group handled international business. At the corporate level, SKT established the Network Group, the Business Group, the Customer Relation Group, and the Corporate Relations Group. The Customer Relation Group was previously the Marketing Business Group.

During the initial stage of wireless network development, the Network Department in SK Telecom relatively had the initiative of business, compared to other departments. However, now, the 'Business Division' has become more influential in SK Telecom's decision-making because executives and staff in SK Telecom expect that our profits will come from there rather than voice services.

In the Business Group, SKT attempted to search for new business (or services) to expand the SKT internet business and exploit the value of networks and platforms

Table 3. Sales for mobile internet and total service (Unit: KRW bn)

Section	2000	2001	2002	2003	2004	2005
Wireless Internet Sales	131	258	731	1,320	1,823	2,459
% of Cellular Service	2.9	5	9.7	15.5	20.6	26.6
Total Cellular Service	4,501	5,056	7,543	8,493	8,845	9,250
Operating Revenue	5,761	6,227	8,634	9,520	9,704	10,161

(Source: SKT annual reports and SKT official website)

Note:

- Total cellular service: Sign-up fees + Monthly fees + Call charges + VAS & Other + Wireless Internet Sales
- Operating Revenue: Total cellular service + Interconnection Revenue

that SKT developed. In the year 2004, SKT placed more emphasis on R&D in technology. Within the Technology Strategy Group at the Corporate Center, SKT created the Terminal R&D center. The Terminal R&D center handled a variety of terminals used for SKT services. Through the Terminal R&D center, SKT attempted to respond to diverse needs for terminals. The Business Center was responsible for the Business Strategy Division, the Business Division, and the Customer Division. At the same time, with the continuous introduction of new convergent services, the number of transactions with content providers escalated. Hence, the Content Business Unit was also formed to handle the many issues relating to content. At the end of year 2000, there were 231 content providers – by 2004, this number increased to 4,174.

CONCLUSION

Through a variety of innovative activities, SKT continuously developed its competencies in mobile telephony business and internet business. SKT maintained a leading position in the mobile telephony business and developed a new internet business into which SKT diversified (see Table 3). SKT successfully penetrated mobile internet services, occupying approximately 51% of the market share in mobile internet service (KIPA, 2006). Mobile internet sales demonstrated steady growth. These sales totaled approximately 131 billion Korean won in 2000. However, in 2004, mobile internet sales recorded 1,823 billion Korean won, in comparison with 8,845 billion Korean won in total service sales. Mobile internet sales accounted for approximately 21% of total sales. In 2005, SKT obtained approximately 27% of sales from internet business.

Acknowledgement

This case study originated from the author's pilot-study conducted during the Ph.D program at the Manchester Business School, U.K. First, I would like to thank the managers and engineers at SKT for their interviews and for kindly allowing me to publish this case. My thanks also go to managers and researchers at the Ministry of Information and Communication and the public-funded research institutes for their

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Case Study 2 Case of Pilgrimage Funds Management Board (*Lembaga Urusan Tabung Haji*)

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Abstract: *Lembaga Urusan Tabung Haji (LUTH) (Tabung Haji in Bahasa Malaysia)* is a successful model of pilgrimage management for the Muslim world. It began operations in Malaysia in September 1963 with a vision of providing rapid and professional services to the pilgrims, achieved through managing deposits and investments efficiently. *Tabung Haji* also handles all Hajj operations and ensures pilgrims' needs are well served. The organization has evolved efficiently by adopting participative internal management, contemporary marketing techniques and state-of-the-art technology. It applies *Shariah* principles in managing the deposits and investments and in offering Hajj services.

INTRODUCTION

Islam has five pillars and one of them is the Hajj, the pilgrimage to Mecca. Every Muslim who is capable physically, mentally and financially is required to perform the Hajj. There are Muslims who sell off their assets in their eagerness to perform the obligation. Other Muslims would take a long time to save money to perform the Hajj. On the other extreme are the poor Muslims who are forced to save or borrow to perform the pilgrimage. These situations have negative consequences on the already poor Muslims as indebtedness is further created and poverty is aggravated. There is therefore a need for a vibrant and efficient institution to address the needs of the Muslims intending to perform the Hajj.

The Malaysian Pilgrimage Management Board (Tabung Haji) is considered one of the best of its kind in the Muslim world. This case study discusses the management

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of Tabung Haji which takes care of the pilgrimage fund management of Malaysian Muslims.

ESTABLISHMENT AND HISTORY

The Malaysian government responded effectively to the needs of its Muslim citizens by providing them an avenue to save money over a period of time and use the accumulated amount for performing the Hajj. A working paper by the Royal Professor Ungku Aziz entitled 'Plan to Improve the Economy of Prospective Pilgrims' in 1959 laid the groundwork. A Pilgrim Fund Corporation was established in November 1962 and began operations in September 1963. The corporation underwent a merger with Penang-based Pilgrimage Affairs Management Office in 1969 resulting in the Pilgrimage Management and Fund Board better known as Tabung Haji.

The Pilgrimage Management and Fund Board Act, 1969 spelt out the objectives of Tabung Haji as follows:

- To enable Muslims to save gradually to support their expenditure during the pilgrimage and for other beneficial purposes
- To enable Muslims to participate actively and effectively in investment activities permissible in Islam through their savings
- To protect, safeguard interests and ensure the welfare of pilgrims during the pilgrimage by providing various facilities and services

A new Act called Pilgrimage Boards Act, 1995 was implemented in June 1995. The Act allowed for a name change to Pilgrimage Board, better known as 'Lembaga Tabung Haji' or simply 'Tabung Haji'.

Tabung Haji has an eminent Board of Directors and an Investment Panel to guide its top management to carry out the activities entrusted to it.

Vision and Mission

The vision and mission of Tabung Haji are stated below.

Tabung Haji is a corporate Islamic entity that has emerged as an efficient manager of pilgrimage matters and is internationally recognized as a highly efficient body with unquestionable integrity in capitalizing on resources to strengthen economic equity of Muslims. Tabung Haji is highly committed to fulfil its pledge:

- To provide efficient and excellent services
- To live the spirit of *esprit de corps* where the emphasises is on strong team work, trustworthiness, professionalism, productivity and good manners
- To strive in giving maximum and highly competitive returns to depositors
- To apply advanced technologies and systems to strengthen and consolidate the quality of management and services.

Tabung Haji's professionally looking logo (*TH*) is meant to reflect its "innovativeness and flexibility in fulfilling its vision and mission." This is operationalized through "various measures introduced from time to time in its pilgrimage management system,

diversification of its investments portfolio and economic activities, and application of state-of-the-art technology in its daily operations to enhance the quality of services.”

Clients’ Charter

Tabung Haji has adopted a Client’s Charter that binds its relationship with over four million clients. This Charter states that, God willing, Tabung Haji would strive to:

- help the client perform the Hajj that is accepted by Allah SWT with moderate cost;
- coordinate flights that are punctual, safe and reliable;
- provide accommodation that is clean and comfortable at the Holy Land;
- manage clients’ accounts professionally and treat it with stringent confidentiality;
- invest in activities that are permissible in Islam while practicing prudence to ensure competitive returns besides maintaining an encouraging and impressive growth;
- provide services that are friendly, fast and efficient; and
- provide information that is accurate, clear and current.

Scope of Tabung Haji’s Activities

The activities of Tabung Haji may be divided into the following three groups:

- Depository, providing saving services to Muslims
- Investment of accumulated funds and monitoring of investment functions
- Pilgrimage, involving Hajj services in Malaysia and in Mecca

ORGANIZATIONAL STRUCTURE

In order to carry out its activities, Tabung Haji has organized itself into six departments with several divisions within each department. A brief description of these departments and their functions follow.

Depository Department

The Depository Department is involved in handling deposits and withdrawals by depositors at any of the Tabung Haji’s offices nationwide. Money is collected through agents appointed by Tabung Haji such as Bank Islam, Bank Simpanan Nasional and post offices.

This department has individual divisions dealing with specific activities. The divisions and their functions are given below:

Saving and Withdrawal Division

The Saving and Withdrawal Division manages accounts control and record of depositors, provides services to depositors to use Tabung Haji as their investment channel and has established a savings and withdrawal system applicable in Malaysia and Saudi Arabia.

Branch Offices Operation Division

The Branch Office Operations Division is responsible for administrative matters at all branch offices – district, state and mini outlets. Tabung Haji has a wide network of branch offices spread over the nine States in Malaysia. It is also accountable for ensuring money received from depositors is channelled into Tabung Haji's account with selected banks quickly in order to maximise the capitalisation of the fund.

Marketing Division

The Marketing Division is entrusted with planning and coordinating strategies and marketing activities in line with the management's current objectives at branch offices. It also handles enquiries and feedback from depositors on their products and services.

Hajj Department

The Hajj Department, that is central to the activities of Tabung Haji, defines its vision as 'A Pilgrimage Management Model for All'. Its mission is stated as follows: "to provide and coordinate all services required by Malaysian pilgrims to enable them to perform their pilgrimage in a safe manner, at a competitive price in obtaining Allah's acceptance of their pilgrimage."

The divisions of the Hajj Department are as follows:

Hajj Handling Division

The Hajj Handling Division is responsible for all matters pertaining to the handling of pilgrims including registration of prospective pilgrims, allocation of passports and flights and coordinating the visa for their pilgrimage.

Welfare Division

The Welfare Division is responsible for providing infrastructure for the management and operation of the pilgrimage. In dealing with Malaysian pilgrims in the Holy Land, the division attempts to (i) ensure pilgrims under its care comply and respect the rules and regulations set by the Saudi Arabian Government, (ii) monitor and control their activities, and (iii) ensure they behave appropriately to suit their status as guests of Allah SWT.

Guidance Division

This division is responsible for guiding prospective pilgrims to perform their pilgrimage, use the avenues provided to perform various religious rituals while at the Holy Land, appreciate the chances given to boost their worthiness in Allah's eyes and help them adapt to life in Mecca and Medina where the culture, climate and activities differ from Malaysia. The division formulates an integrated guidance module to expose prospective pilgrims to the various aspects of performing the pilgrimage, from simple religious

rituals to answering frequently asked questions; it also publishes reading material for easy reference and guidance prior and during the pilgrimage. To ensure effectiveness of its series of practical and theoretical courses on the pilgrimage, the division trains course facilitators and religious teachers on teaching techniques and strategies besides providing information for dissemination.

Private Package Division

The division supervises tour agencies that have been given the license to operate as pilgrim managers as stipulated under Section 27 to 36 of the Tabung Haji Act 1995 and is empowered to take appropriate action against offenders of the act. It aims at fostering professional management in creating a smart partnership between Tabung Haji and private operators for organizing and managing the pilgrimage for Malaysians.

Healthcare Division

This division is responsible for looking after the health conditions of Malaysian pilgrims before and during the pilgrimage. It is expected that in view of the difference in weather conditions in Saudi Arabia, long walking distances, rigorous activities and a taxing daily schedule, the pilgrims need to be physically and mentally fit to perform their pilgrimage. The division provides training to the pilgrims to take care of their health and arranges for their treatment should they fall sick.

Hajj Consulate Office

The Hajj Consulate office is responsible for managing supplies and logistic matters and accommodation for Malaysian pilgrims. This office also coordinates with the authorities of Saudi Arabia to assist Malaysian groups that are performing their umrah under tour agencies recognised by Tabung Haji's management.

Human Resource Department

The vision of the Human Resource Department is "becoming a smart and strategic partner to other departments in developing total organisational capabilities to support Tabung Haji's requirements and objectives." To achieve its vision, the mission of the department include developing a competent workforce which (i) is highly spirited, committed and dedicated; (ii) has a high level of confidence and self-esteem; (iii) is multi-talented and highly skilled in boosting productivity and projecting the presence of the company among local and international communities; and (iv) promotes a work culture that focuses on enhancing competitiveness. In playing its role as a supporting agent to the company in developing and enhancing a productive workforce, the department shoulders the task of formulating guidelines, developing expertise, applying techniques and drawing up policies to ensure an effective and efficient human resource management approach.

To implement the vision and mission, the department has established four divisions.

Human Resource Planning Division

This division is responsible for efficient and effective planning and recruitment of workforce to ensure the organisation employs positive-minded personnel who are competitive and competent and possess the required expertise and are capable of completing their tasks within the stipulated time.

Human Resource Development and Quality Division.

It is responsible for nurturing a positive work attitude and developing training programs for enhancing personnel motivation, expertise and current working capabilities. This division is also seen as the change agent for the company's Total Quality Management program.

Remuneration and Facilities Division.

This division is responsible for providing facilities for company employees and safeguarding their interests and welfare. Its other tasks include the administration of the Performance Management System designed to ensure that meritorious employees are sufficiently rewarded.

Employees and Industrial Relations Division

The responsibility of this division is to ensure a harmonious management-employee and employee-employee relationship to create a conducive working environment that will enhance organizational productivity. While serving employee interests, the division sees to it that all personnel comply with the rules and regulations imposed by the organization. At other times, it plays the role of an arbitrator whenever a conflict situation emerges between the management and employees.

Administration Department

The mission of the administration department is to professionally enhance and strengthen Tabung Haji's investment in properties and real estate nationwide. The department continually reinforces its procurement administration and management system, focusing on quality products and services at reasonable prices. It also extends support services and safeguards company activities to ensure the organisation's objectives and goals are achieved.

The three divisions that play vital role in implementing its mission are as follows:

Administration and Procurement Division

This division is responsible for providing support services in terms of communication and information dissemination from the management to all departments at headquarters and branch offices. Procurement matters are centralised in this division.

Properties and Real Estate Management Division

This division is responsible for securing investments in properties and real estate that are permissible under Islamic law and which enjoy competitive advantage. It also coordinates maintenance and leasing services of office and building space using advanced technology to capitalise on all rental space to maximise investment returns.

Group Insurance Division

This division's major task is to manage comprehensive insurance services for the employees of Tabung Haji and its subsidiaries so that they enjoy a competitive premium with their claims being processed rapidly.

Finance Department

This department plans and formulates the budget for the company based on the individual department's requirements in achieving the organisation's objectives. It also plays a vital role in securing maximum returns from short-term investments and rental of office and building spaces. The department is also responsible for managing the financial affairs of Tabung Haji based on prudent financial principles and accounting standards.

Investment Department

This Department is responsible for all matters pertaining to investment and to ensure that all company investments are in accordance with Islamic principles so as to balance maximization of returns while seeking Allah's blessings. Emphasis is given to diversification and enhancement of investments both in the local and international markets, accumulation of Muslim funds and active participation in manufacturing of products and provision of services for the benefit of the general public.

Internal Management Audit Division

This autonomous, independent division which organizes assessment activities for the organization, offers consultancy if need be, and counsels the different departments in order to control, enhance, and add value to the operations and functions of Tabung Haji. This department is also responsible for assisting the organization in implementing risk management programs.

SUBSIDIARIES OF TABUNG HAJI

As a part of its investment strategy, Tabung Haji participates directly in potential, viable sectors of the Malaysian economy by setting up and managing subsidiaries.

Tabung Haji has four subsidiaries registered as private companies.

1. TH Plantations Sdn. Bhd. operating in the plantation sector.

2. TH Properties Sdn. Bhd. operating in the real estate development sector.
3. TH Technologies Sdn. Bhd. operating in the construction sector.
4. TH Travel and Services Sdn. Bhd. operating in the service sector.

MARKETING MANAGEMENT AT TABUNG HAJI

Assessment of market potential is necessary to target marketing schemes that generate a larger number of depositors. In the past, Tabung Haji relied on statistics related to: the total Muslim population in a designated area, the past number of pilgrims from that area, the number of Muslim workers in various sectors such as government offices, police, armed forces, private schools and factories, and the number of Muslim students in colleges and universities. On the basis of these statistics, the potential market is assessed and targets generated are then allocated to the different departments to achieve.

The objective of Tabung Haji's marketing strategies has been to increase and to ensure a steady growth in the number of new depositors and deposits. Several types of promotional efforts are launched from time to time to achieve these objectives. Among these efforts are house-to-house and general campaign undertaken by the Information and Public Relations Division. It involves distribution of pamphlets and brochures, mobile collection units, and general campaigning in government offices, schools, private sector, factories and other institutions.

Tabung Haji sponsors a salary deduction scheme that provides a convenient method of deposits through salary deductions of wage earners. Tabung Haji aids in preparing the documents needed for the employers to deduct the contribution from their employees towards payment to Tabung Haji. Over the years, this method has become a popular means of attracting deposits into the Fund.

Under a 'catch-them young' policy, Tabung Haji has had a saving scheme for children in cooperation with the schools where children are encouraged to have small savings deposited into their accounts.⁴

The numerous marketing measures that Tabung Haji has instituted are found in its customer-friendly website at: <http://www.tabunghaji.gov.my/th/bi/bi-kauntermesra.asp?lthmenu=1>

These measures are listed below:

- Friendly counters: Tabung Haji's over-the-counter services are customer friendly. Several mini-outlets have been opened at selected areas, serving clients through a digital calling service that enables customers to sit and relax while waiting for

⁴ Information about early efforts at marketing Tabung Haji sourced from Haji Abdul Latif bin Haji Mohammed Hasan "Mobilisation of Funds – Tabung Haji as an Islamic Savings Institution" in *Proceedings of the Workshop on the Organization and Management of the Pilgrims Management and Fund Board of Malaysia*, Islamic Research and Training Institute, Islamic Development Bank, Jeddah, Saudi Arabia, 1407H 1987, pp. 51-54.

their turn thereby negating the need for queuing. Personnel serving at these counters have been given training to ensure they are well-equipped to deal with the clients.

- Linked to the Employees Provident Fund: Tabung Haji has been appointed as one of the fund management institutions by the Employees Provident Fund, enabling subscribers to contribute directly to investments in Tabung Haji products.
- Salary deduction scheme: Tabung Haji has arrangements with several employers enabling deduction of contribution at source, making it easier for the prospective client.
- Schools connection: There is an encouragement reward scheme where students, teachers and staff are encouraged to save and deposit in Tabung Haji schemes. Schools that are able to do well are rewarded in terms of cash or kind.
- Senior Citizen Fund: Tabung Haji plays a constructive role in assisting senior Malaysian citizens over 60 years of age by subsidizing their Hajj expenses when they wish to perform the pilgrimage.
- Souvenir items: Tabung Haji has a wide range of souvenir items embossed with its logo for publicity purposes.

OPERATIONS MANAGEMENT AT TABUNG HAJI

Tabung Haji is a unique organization whose core responsibility is the management of hajj operations. As part of its hajj management activities, the company performs several operational activities:

- Passport arrangements for the pilgrimage
- Management of pilgrimage affairs
- Health services
- Courses on performing the pilgrimage
- Transportation to and from the Holy Land
- Protection, supervision, welfare and security of pilgrims at the Holy Land

The operations flow chart of Tabung Haji is presented in Figure 1.

The prospective pilgrims with sufficient financial means are required to register at the Tabung Haji's offices situated throughout Malaysia. An open registration scheme was started in 1993 where the prospective pilgrim could register six years prior to performing the Hajj.

Tabung Haji has built special departure facilities near to the Kuala Lumpur International Airport where there are two hajj complexes. These complexes are situated at Kelana Jaya in the district of Selangor and Bayan Lepas in the district of Penang to handle check-in and other related formalities for the departing pilgrims. These complexes are self-contained units with several facilities such as hostels, mosques, canteens and lecture halls. Accommodation is provided free for pilgrims coming from distant areas.

Two official delegations accompany the pilgrims groups. These are the Welfare Delegation and the Medical Delegation. The responsibilities of the Welfare Delegation include the following:



Figure 1. Operations flow chart at Tabung Haji

Source: Adapted from Company website at <http://www.tabunghaji.gov.my/th/bibicartaktivitiHaji.asp?lthmenu=2> [Accessed 9 April 2005]

- Handling of pilgrims at King Abdul Aziz International Airport, Jeddah upon arrival from Malaysia and prior to departure to the homeland;
- Providing welfare facilities and services through zone offices in Medina and Maktab offices in Mecca;
- Coordinating hajj affairs with United Representatives of Saudi Arabia that oversee several matters in Jeddah, Muassasah Adillak in Medina and Southeast Asia, Muassasah in Mecca, Arafah and Mina;
- Visiting hospitalized Malaysian pilgrims;
- Providing savings withdrawal service at the Holy Land;
- Implementing penalty (Dam) and sacrifice;
- Registering births and deaths;

- Providing experts in hajj and other religious rituals for easy reference and to handle enquiries from pilgrims; and
- Providing counseling service.

The Medical Delegation is responsible for providing healthcare services and treatment. Hospital and clinic services are available at Jeddah, Maktab in Mecca, zone offices in Medina and clinics in Arafah, Mina Jamrah and Mina Muasim.

The organizational arrangement for carrying out operations activities is presented in Figure 2.

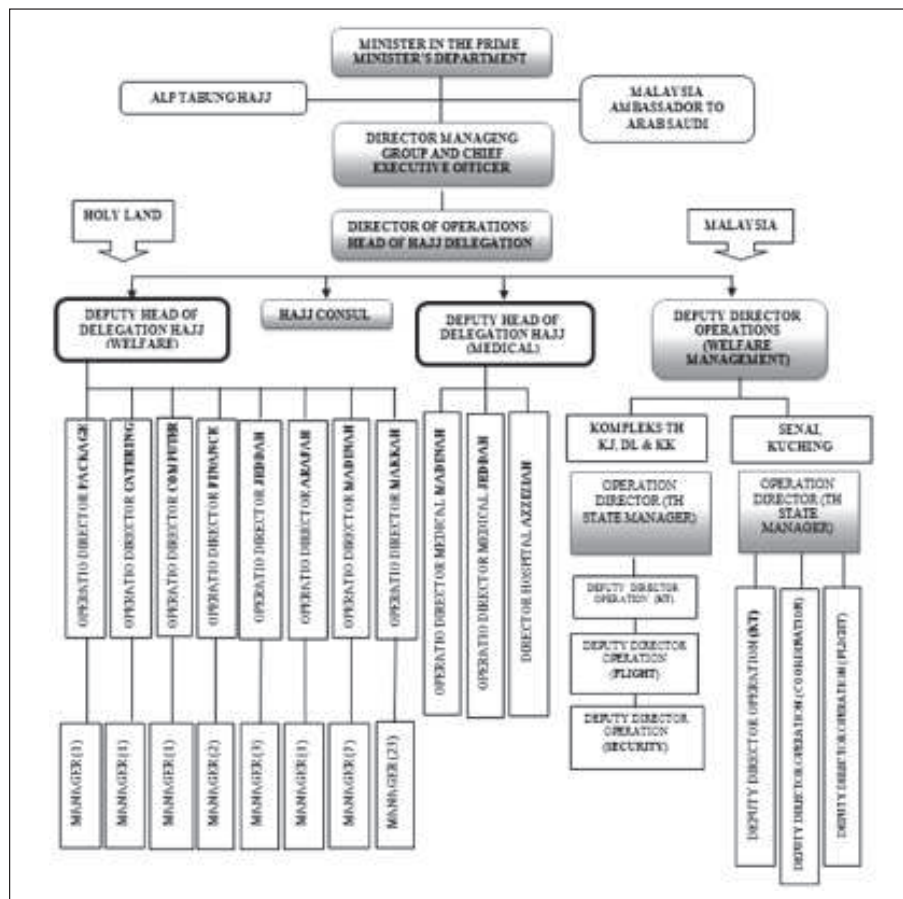


Figure 2. Organizational chart for Haji operations

Source: Adapted from Company website at <http://www.tabunghaji.gov.my/th/bicartaktivitiHaji.asp?lthmenu=2> downloaded on 9 April 2005

INVESTMENT MANAGEMENT AT TABUNG HAJI

Tabung Haji participates actively in a wide variety of economic and investment activities through its subsidiaries. The priority sectors for its participation are industrial, services, plantation, property and real estate. Policies are in place for professional prudent management of its investment to ensure its reputation is not tarnished. Investments are evaluated stringently to ensure adequate returns can be earned for the investor clients. Various Islamic instruments such as corporate notes, government investment certificates, *mudharabah* bank account, and bill of acceptance are utilized.

However, despite its sterling performance, a case of a poor investments of RM 50 million is ongoing in the Malaysian courts. As such, the details will not be discussed here.⁵

PUTTING INFORMATION TECHNOLOGY AT WORK

Since its inception, widespread acceptance of its services by Malaysian Muslims has led to several challenges for Tabung Haji. The growth in numbers has led to exacting demands on the services infrastructure within Tabung Haji. The efficiency of operations is critically dependent on the speed of service that it can provide to its constituents.

In its early years, Tabung Haji used a manual system to post details about its members into a ledger card. Accounting machines were introduced but it simply could not cope with the amount of work related to the volume of receipts and various transactions. It was critical to show the latest balance of the intending pilgrim from an array of receipts and instructions from various dates, places, and individuals. In 1974, Tabung Haji established a computer bureau, introducing computerization in the membership system, general ledger system and pilgrims' management system. A joint venture was established with Pernas Trading Bhd, a government company. A medium-sized computer UNIVAC 9030 was installed. Gradually, over the years, computerization spread to the areas of monthly salary deduction, semi-annual statement system, and withdrawal system. The early computer systems enabled only batch mode processing and it was not possible to have on-line or interactive processing. Only in 1986, it became possible to replace the computer system by HP3000/68 that enabled faster processing of data, security, and ease of use, audit trail, and wider scope of accessibility.⁶

Recently the company deployed the Juniper's ISG 2000 firewall and virtual private network (VPN) systems to protect its infrastructure against security threats. Deployed

⁵ http://www.bernama.com/bernama/v3/news_lite.php?id=180925 Retrieved on March 4, 2006

⁶ Information about early efforts of computerization at Tabung Haji, sourced from Dato Haji Hanafiah Ahmad: "The Organization and Management of the Pilgrims Management and Fund Board of Malaysia" in *Proceedings of the Workshop on the Organization and Management of the Pilgrims Management and Fund Board of Malaysia*, Islamic Research and Training Institute, Islamic Development Bank, Jeddah, Saudi Arabia, 1407H 1987, pp. 56-57.

at the data centers, the systems also secured access services for the organization's staff and members.⁷

IMPLEMENTING ISLAMIC MANAGEMENT PRINCIPLES

As mentioned earlier, there are broadly three activity areas at Tabung Haji namely:

- Depository saving services to Muslims
- Investment of accumulated funds and monitoring of investment functions
- Pilgrimage involving Hajj services in homeland and at the Holy Land

Tabung Haji endeavors to apply *Shari'ah* principles to the various operations in the three activity areas.

The depository, providing savings services, is open only to Malaysian Muslim members who enter into a contract by filling in the Depositors Personal and Nomination Form and which includes the statement of *aqad izin*. The *aqad izin* statement means that the depositors agree to save in Tabung Haji and give consent for it to manage their savings for investment purposes. In order to utilize the savings of the depositors, Tabung Haji uses the *wadiah al wakalah* principle.

For its investments, Tabung Haji relies on several *Shari'ah* principles given below.⁸

- *Al-Musharakah*: Shareholders finance a project and the profits are divided accordingly as agreed by the parties. For example, corporate note financing requirements can be secured through the issuance of *shahdah al dayn* (promissory notes or debt certificates) creating the path for trading of Islamic debt securities.
- *Al-Bai Bithaman Ajil*: This involves financing with deferred repayments over a specific period of time (deferred sale) as in the case of housing or motor vehicle loans. Tabung Haji determines the requirements of the members in relation to the period and manner of repayment and purchase of the asset concerned. Subsequently the assets are sold to the member at an agreed price that comprises the actual cost and the margin of profits.
- *Al-Mudarabah*: An agreement is made in which one party provides the capital and the other party provides the management expertise. Any losses incurred in the venture are borne by the provider of capital. This instrument is basically a time deposit in which the bank invests deposited funds collectively over a specified period and returns are divided accordingly.
- *Al-Murabahah*: This type of financing consists of a repayment agreed upon by both parties that includes the profit markup. An example of such an arrangement is Islamic Accepted Bills. Islamic Banks such as Bank Islam Malaysia Bhd. issue such instruments under the name of Islamic Accepted Bills based on Export and Import Guidelines issued by Bank Negara (Federal Bank).

⁷ "Juniper helps secure Tabung Haji systems" *The Star* February 21, 2006.

⁸ *Tabung Haji as an Islamic Finance Institution: The Mobilization of Investment Resources in an Islamic Way and the Management of Hajj*, Islamic Research and Training Institute, Islamic Development Bank, Jeddah, Saudi Arabia, pp. 38-39, 1995

- *Al-Qardhul Hasan*: This is a benevolent loan in which the provider of capital is guaranteed at least the principal portion. This instrument is issued by the Malaysian Government to enable Islamic financial institutions to meet their short-term liquidity requirements.
- *Al-Ijarah*: This type of financing consists of a repayment to acquire the right to use the services of a given asset. Tabung Haji normally uses this facility provided by Islamic banks such as Bank Islam for the purchase of equipment such as computers.

At the operational level, Tabung Haji makes pragmatic investment choices based on the following criteria:⁹

- Emphasizing growth sectors that benefit from changes and improvement in the industrial structure and the economy
- Equity participation into those companies with good track record
- Ensuring risk minimization and steady investment return by maintaining credibility.

The Investment Advisory Panel, whose members are appointed by the Prime Minister of Malaysia and approved by the Tabung Haji's Board of Directors, makes the investment decisions for Tabung Haji.

CONCLUDING NOTES: THE TABUNG HAJI EXPERIENCE

Tabung Haji is a unique organization. It is a virtual monopoly in the country where it operates – Malaysia – and backed but not managed directly by the Malaysian government. Being a statutory organization, it is not bogged down by bureaucratic hurdles and red-tape. Its inception was based on a deep, abiding sense of commitment and vision to cater for the unique need of Muslims to perform their religious obligation. It has evolved efficient and participatory models for internal management, using contemporary marketing techniques and applying state-of-the-art technology. It performs its role of financial intermediary with great finesse. Surprisingly, the business model has not been replicated elsewhere in the Muslim Ummah despite its apparent success. Lately, East Timor has expressed interest in setting up a Tabung Haji type agency in the fledgling country.¹⁰

⁹ Mohammad Abdul Mannan, *Hajj Management of Malaysia*, Research Paper No. 40, Islamic Research and Training Institute, Islamic Development Bank, Jeddah, Saudi Arabia, pp. 26-27, 1996

¹⁰ <http://www.etan.org/et2004/february/08-14/11tlestest.htm> Retrieved March 4, 2006

DISCUSSION QUESTIONS

1. As in other Muslim countries, the Pilgrimage Management Fund (Tabung Haji) was established as a traditional hajj management board to facilitate the tenet of performing the haj once in a Muslim's life time. But today Tabung Haji has diversified into an Islamic financial institution as well. Why did it make such a shift?
2. By evaluating the past and assessing the future direction of Tabung Haji, suggest the course of action for Hajj management in Malaysia.
3. Discuss the appropriateness of Tabung Haji adopting a technological component in achieving its strategic intent as a financial organization vis-a vis other commercial Islamic banks operating in a *Shari'ah* compliant environment.



Case Study 3 Challenges of the Privatization Process: The Case of TIBA Motors Corporation

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Abstract: This case study illustrates the issues regarding the initial public offer (IPO) of TIBA, an auto manufacturing company. Iran had recently initiated a privatization program. TIBA, the second leading company in the Iranian auto industry, was privatized in a vague and non-competitive manner. The directors of TIBA abused the Direct Benefits of Control (DBC) and exploited the existing information asymmetry in the market to take for themselves a massive block of TIBA shares through an investment company jointly set up by TIBA and a private sector company governed by TIBA directors. This IPO and the manner in which the investment companies were financed remain controversial. This study attempts to analyze this process and highlights its pitfalls.

INTRODUCTION

The 1979 Islamic Revolution led to mass confiscation of public companies covering all industries in Iran. This large nationalization program placed a heavy load on the inefficient state administration running the public companies. Recently, in a move towards a free economy, the government instituted many reforms to sell its shares in public companies to the private sector through Initial Public Offering (IPO) on the Tehran Stock Exchange (TSE). However, most of the shareholdings still continue to be in the hands of State organizations, public companies, investment funds or charity foundations. If one looks more closely, the ownership only shifted from directly owned to indirectly owned by the government (Zandi, Fauziah & Daing, 2010). The problem could stem from potential agency problems that may result in a conflict of rights between majority and minority shareholders. While the block holders enjoy the perquisites and direct benefits of being in control (DBC), the minority group is stripped off their wealth. The misuse of power could be in the form of forcing companies to engage in disadvantageous business ventures with related parties, taking on excessive risky projects to increase majority shareholders' share of the success while causing minority shareholders to bear the cost of failure. The primary agency problem in an

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environment where large block holders hold power is not the failure of managers to fulfill the objectives of shareholders, but rather the expropriation of minority shareholders' rights by large block shareholders (Schleifer & Vishny 1997; La Porta *et al.*, 2000).

TIBA CORPORATION

TIBA was set up in 1965 in Iran but only began production in 1968. In the beginning, the production process was totally designed to be manual. However, from year 1974 the machinery was modernized by French automobile companies and mass automated production was initiated. Soon after, TIBA entered the automobile market as a significant rival to all auto manufacturers in the region. After the Islamic revolution in 1979 the ownership of TIBA was transferred to the government along with other nationalized public companies. Since 1981, the administration of TIBA has been assigned to the Industrial Development and Renovation Organization (IDRO) and in 1986, IDRO took over total ownership of TIBA.

In subsequent years, IDRO gained more shares of the auto industry and capitalized on its massive blocks of share in the automobile industry to improve the efficiency of its administration as well as the quality of products. All IDRO companies listed in the automobile industry merged to form two main groups of corporations. One group called TIBA was formed for manufacturing heavy vehicles while the other group, the Iran-Khodro, (the biggest auto manufacturer in Iran) was initially set to produce vehicles.

In 1999 when the Third Reform Plan was undertaken by the State, TIBA underwent privatization and some blocks of TIBA were sold to the private sector through an IPO on the TSE. However, the most challenging aspect was the sale of 18% of TIBA shares to an investment company which drew the attention of academicians as well as political parties in Iran.

PRIVATIZATION PROGRAM

When Ayatollah Rafsanjani was elected as the president in 1989, ratification of specific laws allowing for the transfer of shares held by state agencies to the private sector through the TSE was among his proposals to Parliament. The first privatization program began in the second half of 1989 by auctioning a limited number of small firms and medium-sized enterprises through tenders.

After both the Reform Plans for privatization failed, the government established an organization named Privatization Organization (PO) to rearrange privatization objectives and processes (Saffarzadeh, 2002). In addition, the authorities instituted several amendments in taxation and investment rules and regulations for efficient implementation of the privatization program. An efficient privatization program requires appropriate supervision by the state agencies to protect investors. This was the main task expected of the PO and this state organization was to be held accountable for the success of the privatization program (Sadrizadeh, 2010). To ensure that the supervisory

task was performed in accordance with the third article of the Third Reform Plan, the PO was required to monitor the whole process of privatization of public corporations as well as report to the president and the parliament (<http://basij.azaruniv.edu/Uploads/23/cms/user/File/30/.pdf>)

In practice, however, the third article of the Third Reform Plan has yet to be followed strictly. The controversial and complex case of TIBA revealed the lackadaisical monitoring undertaken by the PO. However, some politicians consider it as an indication that the PO is interacting very closely with its counterpart, the IDRO.

The privatization of TIBA is one of the most complex incidents in the history of privatization in Iran in which government-owned shares were transferred to a fabricated private sector company. Nevertheless, this incident led to serious discussion in Parliament but members of Parliament decided that they would not revoke the transfer of the shares.

PRIVATIZATION OF TIBA

Among public company IPOs, the TIBA incident highlights the malfeasant effects of Direct Benefit of Control (DBC) by block shareholders. Some directors of the board of TIBA resorted to insider trading along with their counterparts, the directors of IDRO, who wished to regain control of TIBA shares. By exploiting information asymmetry, the buyers who were insiders had been informed about the venture prior to announcing the IPO, and were thus able to make the necessary arrangements for purchase of the shares.

To buy back the TIBA's shares, the directors first established an investment company, the TIBA Investment Company (TIC) which is currently a public company listed on the TSE. Only a few TIC shares were sold on the TSE while more than 98 % were held by TIBA. Later TIC set up a few subsidiary companies including the TIBA Employees Investment Company (TEIC), RENA, Setareh Taban (ST), Tejarat Electronic Taban (TET) and Eimen Joush (EJ).

During the initial public offering on the TSE, the TIC acquired TIBA shares indirectly through its subsidiaries while TIBA owned 98% of TIC's shares (see Figure 1). As a result of the privatization, the ownership of TIBA was transferred from the IDRO which is a State organization to TIBA itself. This was made possible because the privatization was undertaken by the block shareholders and in a weakly monitored environment.

The required funds for the acquisition of the TIBA was sourced out by the TIBA itself and was reported on the cash flows statements of TIBA as well as TIC. The TIC's cash flow statement, however, represented a significant deficit on the financing section. In other words, by using TIBA's resources, the TIC acquired TIBA.

A number of Iranian parliament members challenged this seemingly legitimate process by which some of the controlling insiders regained the shares of public companies without any investment input from the private sector.

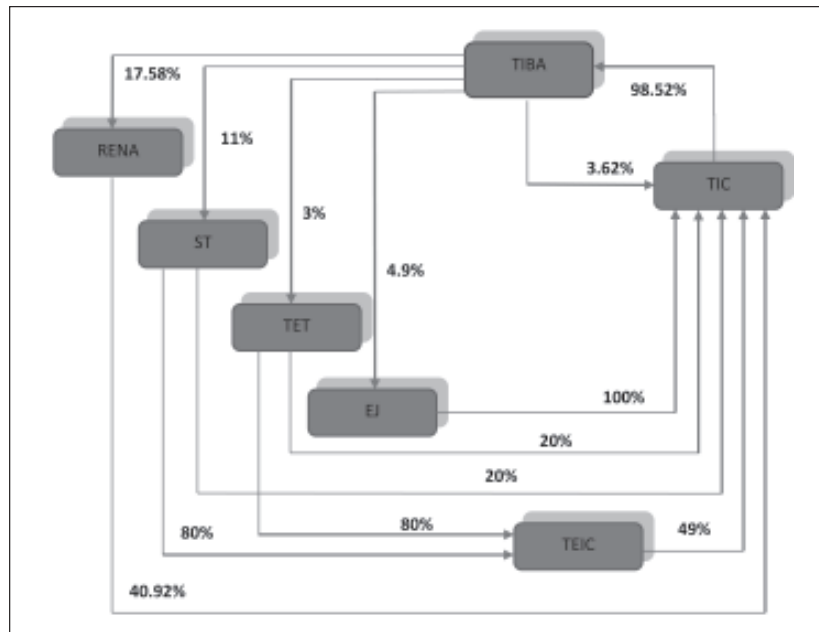


Figure 1. Relationship between the firms in the TIBA' group

The next issue with regard to TIBA's privatization is related to the value of shares sold by the IDRO. The price of shares sold to TIC and its subsidiaries was very much higher than the market price in order to prevent other potential buyers and competitors in the IPO to outbid them. More interestingly, such a large amount of funds was never paid to the IDRO by TIC and its subsidiaries even after the wheeling and dealing was discussed in Parliament.

After the transaction was accomplished, the concerns raised about the incident caused parliament to set up a committee to investigate the whole process of TIBA's initial public offering. The committee was required to carefully investigate the process especially because of suspicion in the financial ability of TIC to undertake such a huge transaction (Fouladgar, 2011).

The investigations conducted by the committee revealed that the TIBA's IPO was fictitious and should be revoked immediately (Ghazipour, 2011). However, the government disregarded the report and the IDRO's President said that the transaction was genuine and had been completed.

CONCLUSION

Ownership concentration provides an opportunity for large investors to abuse their power to the extent of even challenging the rules and regulations. Block shareholders

in countries where investors have less protection, enjoy much more disproportionate benefits of control causing more expropriations, resulting in greater corruption (Dyck & Zingales, 2004). As a result, the state remained as the major shareholder even after 10 years of attempting to distribute ownership to the private sector. The only aspect that saw a change was the form of ownership - from direct to indirect ownership through investments made in the subsidiary companies. Although the privatization program still continues, it appears that the legal bodies and other governing institutions could not keep pace with the shift to a free economy. As a result, much of the legal and judicial framework required for this change is still underdeveloped. This led to the government becoming simultaneously the vendor and buyer of its blocks in the public corporations. Such incidents would affect private sector confidence and ultimately lead to reluctance on their part to invest in the stock market.

DISCUSSION QUESTIONS

1. How would the DBC affect the IPO of public companies?
2. What factors should the government consider when privatizing public companies? Why?
3. Was the objective of the Iranian Reform Plan fulfilled in the case of TIBA's privatization? Why?
4. If you were the managing director of IPO, what measures would you undertake to implement the privatization of public companies successfully?

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Case Study 4 Workplace Discrimination: Sexual Harassment

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Abstract: The case provides a valid example of the challenges faced by a transgender in the workplace, particularly in relation to prejudice, discrimination and sexual harassment. The setting is in an international financial institution in Malaysia that has an inclusive workplace environment where the values and culture of social diversity are embraced by the organization. The case presents the struggle of a Malay male transgender who worked as a sales personnel for the subsidiary company of the organization. A fellow colleague at the workplace harassed him and he was left to defend himself. Although the workplace environment was an inclusive one, the available policy and procedures to handle harassment cases were inadequate to ensure that any harassment complaint is handled in a just and fair manner.

INTRODUCTION

It was slightly past midnight and Azalea Ahmad was deep in slumber when her mobile phone rang. It was Sue, one of her closest friends, who worked in the same organization with her. Though disturbed by the hour that her friend was calling, Azalea did not hesitate to pick up the call. Sue was sobbing away and Azalea could not figure out what he was saying. "Calm down dear. Take a deep breath. Now, tell me what happened" said Azalea trying not to panic herself.

Sue was a single, transgender Muslim male in his late-20s who dressed in decent manly attire for work but had a personality as gentle as a lady. He would speak very politely, put on make-up (mainly a dab of powder and blusher and a hint of lipstick) everyday and maintained neat shoulder length hair. His gait was even more graceful than some of his female colleagues. He was not embarrassed to portray his true character and was nicknamed Sue by his close friends. He had a vast working

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experience in sales and marketing as he had worked in this field for almost 7 years and had known Azalea since undergraduate days. Azalea who was the Risk and Compliance Manager at Islamic Chartered Bank recommended that Sue work for the same Bank given its benefits and perks. Sue joined the Bank 4 months ago and was still under probation. He showed his potential by achieving every target that was given to him, sometimes even surpassing the target. He was in the run for top sales performer for the coming quarter.

When Azalea approached Sue to apply for the job as a Personal Financial Consultant, he was aware that it was an Islamic bank. Understanding and respecting the values of Islam, Sue was not certain if he would be offered the job due to his transgender status. However, during the interview, the recruitment manager explained that the Islamic bank embraces the same culture and values of its parent company.

Being an international bank in Malaysia, the bank has a workplace culture where all employees can be appreciated for who they are and for what they bring to the organization, regardless of their race, religion, gender, sexual orientation and gender identity. Both the international bank and its Islamic branch are committed to creating an inclusive workplace. The recruitment manager also assured Sue of a safe environment with an absence of prejudice or bias among the team members.

A NIGHT TO REMEMBER

Azalea attentively listened to Sue as he painfully told what had happened earlier that night. The incident occurred at about eight late evening at the branch where Sue worked. Everyone, except for the relief branch manager, Mani and Sue, had left. Sue was perfecting his client's financing application to be submitted first thing in the morning of the next day and Mani was clearing the branch's end-of-day balancing.

Sue did not really know Mani personally. He knew Mani was attached at the bank's headquarters as the relief branch manager and was only required to be at any branch when it was shorthanded. Sue's line manager, who was the branch manager, was away on emergency leave at that time so Mani had to come in for three days. It was Mani's first day there.

Mani was a single Indian male in his late 30s. He was rather short for a man. He had started working for the Bank as a teller, right after he had finished high school in 1997. Mani did not have any other paper qualifications and worked his way up to his present position as the relief Branch Operations Manager. As a relief, Mani was required to travel to any branch that was shorthanded, particularly when the branch manager and the branch operations manager were away. This was part of the bank's initiative in managing the headcount and turnover issues of the managers at branches.

Sue was making copies of his client's documents when suddenly he felt the presence of Mani standing right behind. Sue turned and smiled. Mani returned his smile in a very disturbing manner. As Sue was about to return to his desk, Mani blocked his way. "Why are you still here? Not going back?" asked Sue, in a friendly manner. Mani said he was waiting for Sue to leave so as to lock the office. Then Mani

asked if Sue was doing anything after and invited him out for drinks, while rubbing Sue's shoulders. Sue politely declined. Changing his mind from staying at the office, Sue started packing his belongings and decided to make a stop at the gents. He didn't realise that Mani had followed him to the gents. When Sue was standing by the sink, Mani pinched his buttocks. Sue turned, confused at what Mani had just done. Mani invited him again for some social outing after work. Sensing that Mani was moving closer towards him, Sue stomped on his foot and quickly ran to grab his bag from his desk. He told the security guard at the entrance to accompany him to his car where he sat for a while trying to make sense of what just happened. He decided that he would call Azalea later that night.

GETTING HELP

At the other end of the receiver, Azalea was shocked. She had worked with Mani before for a brief stint and had found Mani to be a pleasant colleague. Mani had always been helpful towards other colleagues and was committed to his work. She was rather surprised that he was capable of this demeaning act. Azalea advised Sue to file a grievance report to the Human Resource department. She suggested that Sue speak to his line manager, Yasser Ali, first before anyone else. It was a few days before Sue finally told Yasser what had happened. Yasser had just return from his emergency leave that day. He could not believe what Sue told him at first and quickly retrieved the CCTV footage. Luckily, the recording was still available except for the incident that happened in the gents's room. However, Yasser questioned if the way Sue flirtatiously moves his body when he walks may appear as an attempt to 'seduce' Mani. Sue quickly defended himself, saying that there was nothing he could do with the way he walked. It was easy for people to misunderstand his gestures. Yet he started questioning himself whether he encouraged Mani into behaving the way he did.

Since Sue did not gain much support from his line manager, Azalea made sure that he raised the matter with the Human Resource Manager, Ravi Symon. Ravi was the most relevant person after his line manager to hear such a case. Ravi had been with the Bank for 10 years as the Human Resource Manager, but this was the first time a report on sexual harassment had ever emerged. Although the Bank had established a policy and procedures on handling grievances particularly relating to sexual harassment, Ravi was unclear of what was needed to be done. Besides, the policy and procedures stressed on harassment against women but did not specify the other gender. He knew that such a delicate issue must be handled with care and confidentiality maintained. He knew that he needed to act in a fair manner so that the victim's rights were taken care of and the suspect was not falsely accused. He formed an Internal Complaints Committee to mediate and investigate the matter. The Committee consisted of the Islamic bank's General Manager and the Head of Risk & Compliance and Mani's line manager. Both Mani and Sue did not belong to any Union that could represent them.

JUDGEMENT DAY

The Committee viewed the CCTV footage and called Mani to verify the allegations and explain his behaviour as depicted in the footage. Although Mani admitted to inviting Sue out after office hours, he denied the allegations of what transpired in the men's room. Mani swore that he did not come close to touching Sue in a sexual manner. He thought Sue might have misunderstood his friendly gesture. "It is common among men to slap one another at the buttocks or shoulders; it represents their close bond and brotherhood. It is harmless", he said.

After much deliberation, the Committee agreed to drop the case against Mani on the grounds that there was no evidence to suggest that Mani was acting above acceptable behavior between colleagues or friends. The decision to drop the case was also due to Mani's schedule to be at another branch the following day and there was no other manager that could cover on his behalf. His presence was crucial for the branch to operate. Furthermore, most of the Committee members knew Mani and there had not been any such allegation against him before. It did not make sense to them as to why Mani would behave in that manner.

The Committee subsequently called Sue to share the outcome of their investigation. While they noted the concern on what had happened, they stated that Sue was a man, hence they felt that Mani's act could not be justified as harassment. In a normal social convention between colleagues, asking each other out for drinks after office hours was common and the decision to accept or decline the invitation was entirely Sue's, regardless of how persistent Mani was. It does not constitute harassment.

After the case against Mani was dropped, he wrote an email to Sue apologizing for his behavior. He could not afford to lose his job because he needed to support his ill mother. It might be hard for him to look for other jobs elsewhere as he did not have any qualifications. He explained to Sue that he didn't mean any harm and no one could know what happened in the men's room as his credibility was at stake. Sue did not bother replying to Mani's email. Although he did not pursue the matter further, he was not ready to forgive and forget what Mani had done. Sue did not win the best sales staff the next quarter. His performance declined tremendously. He was absent from work at least once a week and his probation was extended for another 3 months.

DISCUSSION QUESTIONS

1. Do you think Sue's complaint of sexual harassment was justified? Why or why not?
2. Was there any violation of procedural justice in this case? Defend your position.
3. If you were to handle such cases of sexual harassment, what would you have done differently?