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## **1.0 INTRODUCTION TO PROTON**

Perusahaan Otomobil Nasional Berhad which is known for the brand name of 'Proton' was incorporated on May 7, 1983 to manufacture, assemble and sell motor vehicle related products, including accessories, spare parts and other components. Proton is committed to manufacture quality cars, and knock down spare parts that satisfy customer requirements and meet the required safety and environmental standards of the market. To achieve this commitment, Proton set a objectives to ensures quality as the number one work ethics, establish effective and efficient system, provide adequate skills and knowledge to all levels of personnel through systematic and structured training program and provide a conducive, safe and wealthy working environment.

Continuing with the strategy of providing the market with a range of quality products in line with its needs, Proton is set to unveil its first MPV by March 2009. Once completed, it allow Proton to showcase its ability to produce a vehicle that not only has high quality and safety standards, but is also able to cater to modern lifestyle demands. Besides that, Proton's single minded approach to renew it product line-up to meet the evolving needs and requirements of the buying public resulted in the roll-out of the Pesona and subsequently the iconic Saga during the year under review. During the period under review, Proton began to make further inroad within the highly competitive ASEAN automotive market by launching the Proton cars in Thailand and Indonesia that expected will generate long term positive result. Furthermore, Proton took the conscious step to strengthen its managerial resources, particularly those that are core to the Group's operations.

The Group foresees that this strengthening will be an on-going process, with emphasis on enhancing the talent pool of critical function both from local and international sources. The continuous success of Proton lay on each and every individual's hand of those who are either related directly or indirectly with Proton and its business.

## **2.0 Problem Identification**

In recent years, Proton's sales performance and profits has been identified in reducing manner. Although the firm is making good sales throughout the year, yet they do not see a good profit at the end of the year. The product and services are two major factor that contributing to the firm's profit. Thus, Proton is now concern over their corporate in the view of customers and shareholders. Image is an overall view which represents a firm's ethical practices. These ethical practices must be applied on their products and also services in order sustain their reputation and corporate image.

### **2.1 Products**

Recently, the government's statistic on accidents shows high number of accidents occurs throughout the year especially during the festival season and occasions. Most of the accidents involves Proton cars which caused by the defective element of the car parts. The number of Proton cars in Malaysia is higher than any other brand and no wonder Proton cars are high in the accident statistic. This affects the company's image as these accidents are being published in local and even foreign media such as newspapers, televisions news, radios news, and online articles. At the same time, investigators also provide proofs that the accident happen due to failure of the car parts such as break failures, engine failure, control failure and likeage of petrol tank. These failures caused by poor controlling and monitoring in production activities. Besides that, the use of unskilled labours in the production and manufacturing of cars leads to ineffective output in the view of design, quality and usage.

These unskilled labours lack in term of experience and knowledge resulting improper assembly of the car elements which leads to failure after the production. This failure impacts the customer's perception on the Proton cars and overall kills the reputation of the firm as well as the corporate image. Furthermore this ineffective production affects the customers in term of physical, mental and finance. This situation not only applies to Malaysian but also Asian countries as well. This due to Proton's exporting activity to Asian countries.

## 2.2 Services

Proton Berhad is basically a large manufacturing company which has a high capacity of service departments. Moreover, only 80% of service center is belongs to Proton Berhad, whereas another 20% is outsourced to other dealers such as Proton EDAR, and EON. Overall, proton has 583 authorized dealers just within Malaysia. There are many problems occurs in proton services. Firstly lets us look into the problems occur after purchasing the proton cars, that faced by the customers in their servicing departments. There are duplicated or faulty parts are fixed for the cars which cause the problems, which are being supplied to and imported to customers in and out of Malaysia. Due to this, many customers had frequent breakdowns while driving heir cars.

Moreover many of these suppliers do not have full backing o the original equipment manufactures or OEM of Proton Berhad. Besides that non- genuine parts are cheaper but not manufactured through OEM specifications. The inevitable results that the customer receive from buying this faulty parts will bring them to higher maintenance costs of their car and have to replace the parts regularly. Thus, this is time and money consuming either. In some cases, the required parts frequently not available in some dealers place as the marketing of imitation are higher.

For example, under the Proton Holdings, there are many cars manufactured like Gen-2, Perdana, proton Savvy and Saga. It has been reported that after buying those cars, the cars have been undergone a very bad service due to the facility car after sales service. Many accidents did occur on roads by poor service structure. After purchasing the car, the customer find they are not satisfy bout the service of the car.

For example, as for Gen-2, door handles are stiff and can't be easily opened, oil leak on light wires and panel switches or hazards not working. As for proton savvy, it's having trouble in automatic transmission. Overall there was also a hair-line crack in the engine block which had allowed water to enter the cylinder head, meaning that proton cars need an expensive new engine to be replaced. Besides that, the radiator thermostat had struck shut so no coolant had reached the engine and the faulty thermostat had caused the engine

to overheat and the engine block to crack. Even proton had no responsible under the warranty and the mostly unauthorized mechanic works on this servicing part. There are also unskilled workers who did not undergo any training by these dealers and these results in the poor service of proton cars.

### **3.0 Analyze Problem**

The primary issue that Proton is facing in both product line as well as after-sale services is ethical practices which involves marketing ethics, productions ethics, human resource ethics, accounting ethics and intellectual property ethics.

#### **3.1 Production Ethics**

Proton is ethical liable to produce good quality products as they have the ethical responsibility over the security of the customers. Therefore maintaining the quality should be superior in Proton's responsibility. The problem identified that several failure occur from the car parts itself which is fundamental in resulting to accident and placing the customers into the risk and unsecured situation. Those car parts found to be failure as they often defective even in the production stage itself. Production of the cars should be as easy as assembling the purchased parts from their suppliers. But they should be more concern on ensuring the product is fully functioning in the proper order before executing the assembly of it.

Failure of the car parts aren't fault of Proton as they are not manufacturing these parts. They merely assembling those car parts and manufacturing the final product in form of cars. Proton basically doing the right thing but being right is insufficient when it comes to ethics. The ethics if production emphasizes and questioned the responsibility of Proton to ensure the safety of the product to its customers regardless on either it manufacture the car parts or not. Therefore when the car parts failed, the blame lays on Proton rather than the car part manufacturer. This blames lead to poor reputation and corporate image affected as well.

This makes clear sense whereas in recent production of Proton's New Saga, the car part which is a 'sensor' element was found to be defective after the production. The Proton agreed to failure and replaced the sensor. The fault here is the 'sensor' car part which was manufactured and supplied by third-party. Proton isn't responsible for the sensor production. But yet Proton is being blames for the failure and yet impacts on their image pretty well.

### **3.2 Human Resources Ethics**

As mentioned above, there is a lot of problem and effect faced by Proton in their product and services. The caused of this problems arising from ineffective management of human resource. This is because most of the employee and staff employed by the management are lack of skill and knowledge about the product and businesses. Besides that, the management fail to give an adequate training to the employee especially on the field that involving of manufacturing cars such as fixing the cars spare parts, testing the cars performance and others.

As mentioned above it's important to give an adequate training because as we all know not all employees hired by the management is full of knowledge of the industry they step in. Furthermore, most the staff and labor employed by Proton management based on recommendation or they are related to the top management people. When the employee is employed based on recommendation, their academic and experience qualification is not given a priority by the top management.

Other than that, most of the employees in Proton are not happy when performing their job. This is because the management is not fully appreciating the contribution given by the employee to Proton by paying them a lower salary and allowances. When the management never takes care of their employees well, the employee feel unhappy and gives a poor performance to the company which lead to defective product and services. From here, we can see that human resources management of Proton are not ethical enough in hiring, managing, and supervising the staff into a right direction which at the end lead to a failure of product and services.

### **3.3 Marketing Ethics**

Marketing the products to the market is one of the important areas that need to undertake with effective in order to capture the market. The problem and effect faced by Proton are also because of they fail to use and follow an appropriate marketing ethics. This is where the customer is given a wrong information and explanation about the cars when the customer came for inquiring.

This because the marketing staff lack of knowledge of the cars they are promoting and the management fail to give a proper training to the staff. When the customer buying the product based on wrong statement given by the management, the user faced with lot of problem in the cars which affect them in different ways. Furthermore, the management failed to do feasibility analysis to the cars before the car being launched in the market in order to ensure the product they are producing are safety to the user or not.

### **3.4 Ethics of intellectual property**

Most of the proton customers claim that the service parts damaged faster than ever because the service center is selling duplicate parts for profit. Besides that, proton is original dealer's sales also drop because they do not purchase original parts when servicing customers cars.

Thus protons image is affected as the car problems. Due to this, even our state government believes that proton cars service are of lower quantity and require a high maintenance fee. For instance, previously the perak executive councilors said that they brought the 2.0 liter model of Toyota Camry instead of the 2.0 liter model of proton cars because the latter is under powered. Even Terengganu state government switched to Mercedes Benz due to poor quality of service and high maintenance fees charged by proton holdings.

### **3.5 Ethics of accounting information**

Proton only has 80% of service centers where else 20% is outsourced to other dealers of proton such as proton EDAR and EON. Over ally, proton has 583 authorized dealers just within Malaysia. First of all, the fundamental issue of proton's service department is authorized license given through bribery to some dealers of proton and these dealers are mainly more to profit than customer service.

Besides that license are given to friends and family which is very unethical and unfair. Thus, they sell the service bribery which turns out in poor service of cars. In addition, dealers of proton are not evaluated before licensing it out and these very unethical as proton does not know the capacity and skills of their dealers. For an example an audit has revealed there may be traces of bribery between Proton and the media when it comes to reviewing Proton cars.

Apparently Proton had been very generous with the time spans it allows a journalist to keep the review car, and had handed out more than 70 cars so far - with 30 allocated to the media. There has been a case where NSTP motoring journalists have been assigned Gen.2 and Savvy cars and were told to keep it for an unlimited period. They were told to report back on any problems over long-term use. This sounds like a plausible reason. In the other hand, most of the proton advertisement is a mere invitation to treat and their service is not good as advertised.

Proton gives a poor service of consultation as well as for instance if a customer comes into their service center for a solution for their problem, the staffs are delaying to solve the issues that the customer brings in. The technical is not professional enough and the customer comes back frequently in order to solve the same problems of their cars. Moreover, higher maintenance fee is being charged when customers comes into service their cars. Finally all of these will result to lack of service and lack of attitude of staffs.

## **4.0 Solution Recommendation**

Based on the studies over several issues, we can group them into three critical groups which are; staffs issues, company policies, and management practices.

### **4.1 Staffs Issues**

#### ***4.1.1 Appreciation and Appraisal***

Staffs are the core engine of any organization. It is important for these staffs to be manipulated or motivated in a term for them continuously provide their best effort in achieving company's objectives and goals. In order to implement manipulate and motivate these staffs, the Proton should appreciate their involvements and inputs by conducting annual or monthly employee appraisal program. By implementing this program, employees would be motivated in providing their service to the organization in full effort. On the other, this program would also help the employer to identify staffs that are excel in their job and enables the firm to promote the appropriate staffs.

#### ***4.1.2 Training***

The staffs often have the capability of performing well, but they might be lack of knowledge and experience. This is a disadvantage and to overcome this, Proton must conduct training sessions to all their employees' especially unskilled and semi-skilled employees. For example, the manufacturing staffs can be classified into skilled, semi-skilled and unskilled staffs, and the major workers consist of semi-skilled and unskilled staffs. These staffs need to be trained continuously in order to keep their knowledge of the production up to the standard. This is to ensure the labors are aware and updated with the latest development in the manufacturing industry which impacts the technologies as well as their skills. On the other, providing continuous training helps the employer to benchmark the latest manufacturing skills in the industry and stay ahead of competitions.

### ***4.1.3 Organization structure***

Organization structure is basically used by every organization in showing the relationship between the top management and its subordinates. It also shows the various divisions in the organization and the line authority. Besides this, organization structure also defines on how task and duties are delegated in the management. The communication flow depends on this structure in terms of upward and downward communication. Thus, the decision making power and the commanding power lies on this structure as well. Proton should reconstruct their organization structure in order to enhance their communication flow and decision making. Besides that, Proton should relocate their non-performing employees to different departments which they can perform better else than firing them immediately.

## **4.2 Policies**

### ***4.2.1 Strict in choosing suppliers***

In producing the cars, the components are obtained from the various suppliers. In choosing supplier, Proton has to implement strict policies. For example choosing supplier with good reputation in the field, able to supply high quality of components, and able to give full warranty or guarantee on the components supplied. This is because Proton function has manufacturer who assembles the cars components and produce a final product in form of cars and other vehicles. The car components are the individual parts that play a primary role in achieving the final quality which represent the Proton image in term quality itself. Thus, if the component failed, the image will fail as well and the image of the firm is back laying on the fundamental element which is the car component.

### ***4.2.2 Feasibility Analysis***

Feasibility is an analysis done to a product to ensure whether the product will be having a good demand in the market conducting market research, survey and customer feedback. Proton should conduct more effective market survey about the cars before its being launched in the market. At the same time, the customer feedback must be taken into count seriously. This is in order for us to make improvement over the product and increase the feasibility rate. For example, the new product of Proton which is called

Exora MPV is about to be launched at end of 2009 must undergo serious survey and market studies to ensure there is feasibility in this product.

### **4.3 Practices**

#### ***4.3.1 Discrimination in human resource***

Discrimination is acting partially based on certain criteria such as religion, races, gender, physical appearance and others. For example, Proton is hiring new staff based on contact rather than advertising job opportunity. Due to this improper or unqualified staff hiring resulting to poor performance of the department. In order to avoid discrimination, the hiring procedures must include a panel of members who will interview and hire the right candidate instead of one person being in charge for the hiring. Besides that, a panel should be set up mainly for evaluating employee performance instead of evaluated by the superior of the employee itself.

#### ***4.3.2 Valid information in marketing***

Proton should provide customer with the sufficient and appropriate information about the car in order to enable customer to make wise decision. Besides that, the marketing staff should disclose the information required by the customer. The marketing staff must avoid giving ambiguous information which might lead to misrepresentation.

#### ***4.3.3 Professional services***

Proton must be able to provide professional services to the cars as well as to its customers. Personnel attending to the customers should be able to portray not only decent but professional characteristics. Employees of Proton, whereby they represent the company, should practice various ethical values such as ethics of care and ethics of virtue. Ethics of care which needs them to show care towards the people around them, as an example they should put themselves in the shoes of the customers and understand what are their needs and wants, in order to give satisfactions to the customers. On the other hand, ethics of virtue refers to the moral characteristics in a person or the organization. The employees can practice various moral values such as thoughtful,

helpful and others. By doing so, customers may have a better perception towards the company.

## **5.0 Conclusion**

Proton is a name that is familiar to everyone in Malaysia. However, the fame is mainly related to the negative thought of Proton's products and services. Based on the analysis done, there are quite a number of problems in the ethical wise. Although there are solutions, but the matter is whether the words and the thoughts will or will not be put into actions.

Proton should put a deep consideration on making improvements on various facets. This should and must be done in order to protect the stakeholders' interests. The stakeholders that can be identified from this analysis are mainly the customers, employees, suppliers, shareholders and potential investors. If the problems with Proton go on and on, the reputation of the company will be affected and there might be chances of losing all these stakeholders. For instance, customers may switch to buying cars from other manufacturers, employees may switch to other companies, suppliers may discontinue supplying, shareholders may sell of their shares and potential investors will opt to invest in another more profitable company.

Even though there are many problems with Proton, to a certain extent it benefits our people too. As it is the main local car manufacturer in Malaysia, its progress plays a crucial role in our country's economy. The growth of Proton significantly relates to the growth of our nation and our country. After all, with the high expectations on improvements from everyone, the cooperation from all parties is needed. It takes time to implement the changes in the company as it is a huge organization, as the saying goes, Rome was not build in one day.

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