

PENGAKUAN TANGGUNG JAWAB (DISCLAIMER)

Kami, dengan ini mengaku bertanggungjawab di atas ketepatan semua pandangan, komen teknikal, laporan fakta, data, gambardarjah, ilustrasi, dan semua gambar foto yang telah diutarakan di dalam laporan ini. Kami bertanggungjawab sepenuhnya bahawa bahan yang diserahkan ini telah disemak dari aspek hakcipta dan hak keempunyaan. Universiti Utara Malaysia tidak bertanggung terhadap ketepatan mana-mana komen, laporan, dan maklumat teknikal dan fakta lain, dan terhadap tuntutan hakcipta dan juga hak keempunyaan.

We are responsible for the accuracy of all opinion, technical comment, factual report, data, figures, illustrations and photographs in the article. We bear full responsibility for the checking whether material submitted is subject to copyright or ownership rights. UUM does not accept any liability for the accuracy of such comment, report and other technical and factual information and the copyright or ownership rights claims.

Ketua Penyelidik:

Tandatangan
Nama: **Prof. Madya Dr. Hartini Ahmad**

Ahli-ahli

Tandatangan
Nama: **Prof. Madya Dr. Shahimi Mokhtar**

Tandatangan

Nama: **En. Azhar Ahmad**

Tandatangan

Nama: **En. Azhar Anis Mohammad**

ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to all those who provided me the possibility to complete this case study report. A special gratitude I give to all of team members of this project, Assoc. Prof. Dr. Shahimi Mochtar, Mr. Azhar Ahmad and Mr. Azhar Anis Mohammad, whose contribution in stimulating their thoughts, suggestions and encouragement, helped me to coordinate this project especially in writing this case study report.

Furthermore, I would also like to acknowledge with much appreciation the crucial role of the staff of Sabah Tea Sdn Bhd and Yee Lee Corporation Bhd, who gave the permission to use all required equipments and the necessary materials to complete the tasks in writing the report of "Transformation for Business Sustainability". A special thanks goes to Institute for Management and Business Research (IMBRe), Universiti Utara Malaysia, whose fulfilled this project to be implemented. Last but not the least, many thanks go to Mr. Eric Chuang as the manager of Sabah Tea Sdn Bhd who has invested his full effort in guiding our team in finishing this case study through the arrangement of the interviews and providing a lot of information regarding the issues within Sabah Tea Sdn Bhd.

2014

TABLE OF CONTENTS

	Page
DISCLAIMER	i
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
1.0 INTRODUCTION	1
2.0 COMPANY'S HISTORY	3
2.1 Sabah Tea Sdn. Bhd	4
2.2 Corporate Vision and Mission	7
2.3 Consumers and Core Products	8
3.0 GROWTH RATE OF MARKET	9
4.0 DISTRIBUTION	10
5.0 LEADERSHIP, CULTURE AND COMMUNICATION	11
6.0 IMPLEMENTATION PLAN	16
6.1 Tools of Change	
7.0 WHAT MAKES A SUCCESSFUL TRANSFORMATION	24
References	25

1.0 INTRODUCTION

On 11 March, 2010, the manager of Sabah Tea, Mr. Ng Kae Long reviewed the feedback from his team on their sales. One of the marketing staff, Ms Oon stated that small efforts were made to integrate the acquired business to be more sustainable. Sabah Tea Sdn Bhd a subsidiary of Yee Lee Corporation Bhd. (YLC) should have by now built a sustainable competitive advantage for Sabah Tea, at which it had given the resources and capabilities that it possesses. However, the financial performance of the company does not do justice to its growth potential. Further analysis as to why Sabah Tea could not leverage in its potential reveal some issues that it requires some actions to transform the business of Sabah Tea into a sustainable one. The main issues identified are business sustainability transformation, leadership, culture and communication.

Mr. Ng said, “what I am looking for is the stable business. At the moment I see YLC management is not really doing the rational analysis on Sabah Tea.”

The reluctance of YLC to embrace a sustainable business transformation approach as regards to the acquisition of Sabah Tea to the group was glaringly evident. The acquisition of Sabah Tea should have provided YLC the platform to embrace business sustainability approach that has given the resources and competences of Sabah Tea. Sabah Tea has the potential to strategically extend its influence on sustainable business strategy to YLC but this opportunity was not give the impacts as long as there is no implementation. As a result, the business sustainability transformation was not institute in

the group which has also adversely has affected Sabah Tea's sustainable competitive advantage.

There was no evidence of leadership initiative to acknowledge the acquisition of Sabah Tea and effectively synergize the two organizations. The top management of the two entities do not understand the strategic plan of each other. Further investigations also reveal the lack of leadership initiative to be applied on each others' competencies. The management of YLC is more concerned about its existing cash cow business units such as manufacturing, sales and distribution of a wide array of products both locally and internationally rather than leveraging on Sabah Tea's competencies. On the other hand, the operations of Sabah Tea continue with the hope than YLC would initiates measures to provide some leadership in this challenging time. There are some indications of a need for strategic change but no one really takes this initiative seriously because as far as YLC is concerned, the financial position of YLC remains consistent and the firm has no intention to 'rock the boat' or to do anything to disturb an existing situation.

From the communication perspective, the internal and external communication issues were identified. Externally, Sabah Tea is not communicating effectively with its external stakeholders particularly with its targeted consumers. Consumers are unable to associate themselves with the brand name which leads to a lack of trust in Sabah Tea. Established tea brands are perceived to be more trustworthy. The lack of consistent marketing communication efforts with consumers remains a problem at Sabah Tea. Sabah Tea lags behind when it comes to external communication particularly when compared to its main competitors Boh and Lipton.

Therefore, the dilemma is that how to sustain Sabah Tea from the strategic perspectives? What transformation needs to be done to make Sabah Tea better? In what way the integration can be achieved between different functions?

2.0 COMPANY HISTORY

Sabah Tea Plantation, located among the green tropical mountains of Malaysia's first ever World Heritage Site, Mount Kinabalu, sits on a 6,200 acre land at 2,272 feet above sea level. Surrounded by the world's oldest rainforest of about 130 million years lay Sabah Tea Plantation being the largest commercial tea plantation in Borneo with an approximated area size of 1,000 acres. The land is gifted with an interesting plant *Camellia Sinensis* that became Sabah Tea's most valuable agriculture resource. It is also one of the very few tea plantations in the world that is certified to produce organic tea. In 1976, the state government of Sabah had gazetted a total of 6,200 acres of land in Kampung Nalapak to Koperasi Desa (KPD) for tea plantation as a socio-economic project whereby plantation related jobs were created for the Kampung Nalapak community. Subsequently, Sabah Tea Sdn Bhd was incorporated on April 26, 1978 as a subsidiary of KPD to operate and manage the tea plantation. Sabah Tea Plantation was officially opened on February 19, 1984 by the Honorable Prime Minister, Tun Mahathir Mohamad.

A joint venture was formed in the year 1987 with Tate & Lyle and Commonwealth Development Corporation as a platform to gain intellectual property of Tate & Lyle's tea

expertise. However, Sabah Tea Sdn Bhd was privatised in 1995 in order to provide a growth platform for Sabah Tea.

2.1 Sabah Tea Sdn. Bhd

Sabah Tea Sdn. Bhd. is a big tea manufacturer in Sabah which produces the products of Sabah Tea. Sabah Tea is one of subsidiary in YLC whose businesses range from Ipoh headquarterd company ventured in the tea business in 1997 by buying a tea plantation in Ranau, Sabah. YLC also manufactures and distributes a wide range of products both locally and internationally. One of the YLC's operations is running oil palm plantations to trading products like the Red Eagle cooking oil and Spritzer bottled water.

Sabah Tea is grown at the rolling foothills of Mount Kinabalu, Sabah. The Sabah Tea plantation was officiated on February 19, 1984 by Tun Dr. Mahathir Mohamad. It is located in village Nalapak in Ranau district, about 120 kilometers from Kota Kinabalu, Sabah. The tea plantation location is on the highway between Telupid, after crossing into Ranau Poring Hot Spring. These tea plantations at an altitude of 2,272 feet above sea level with an area of 6,200 acres of farm size. The tea plantations are surrounded by lush forest that has been around since 130 million years ago. Pristine 130 million years old rainforest makes up the rest of the plantation which plays a huge role in maintaining the equilibrium of the fauna. The tea plantation is also against the backdrop of the mountain and a single organic tea plantation in Malaysia as well as the choice in the world. Sabah Tea consists only of the finest tea leaves that were picked from its plantation. Thus, the

quality and consistency of the tea are controlled and it is the only way to ensure that the tea is free from unknown substances or chemicals. These factors make Sabah Tea 100% pesticide free. Sabah Tea is the only tea in Malaysia that is 100% pesticide free. All of the Sabah Tea leaves are from the same blends, thus ensuring its original taste which is of the highest quality. Camellia Sinensis tea has become the drink of choice for many health conscious consumers. It believes can heal heart disease and cancer. Only the tender leaves of the pure Camelia Sinesis tea trees are selected carefully and processed for a black tea , thus it produces a distinctive taste with a full-body aroma, yet subtle in character. The scale of Sabah Tea's plantation enables consistent quality through selective and exclusive tea cultivation. The tea is naturally rich in flavour without any added colouring. The plantation of Sabah Tea is using many innovative natural processes for pest and disease control. Unlike most tea brands, Sabah Tea consists of tea leaves that are picked from own plantation. It is the only way to protect its quality of origin and to ensure that the leaves are free from unknown substances or chemicals.

In the 1980s and 1990s, the Sabah Tea brand was unknown in Peninsular Malaysia. In fact, it was only in 2007 that YLC expanded the product range to the peninsular. But today, more than half of its sales come from the peninsula and Sabah Tea is proud to be a truly healthy Malaysian beverage for a healthy lifestyle. Good quality tea is quite important to human healthcare.

Sabah Tea is one of Malaysia's most precious black tea blends. To ensure cater to all consumers' tea drinking preferences, Sabah Tea has produced a wide range of tea products so that everyone can enjoy the golden sip, just the way they like it. With highly

experienced personnel in both the manufacturing and marketing sectors in managing the product, Sabah Tea has now achieved its milestone in the International market with the support and platform that provided by MATRADE to promote the brand in various events such as ‘Taste of London 2010’ in England, the ‘Malaysia Kitchen’ at Selfridges London, Birmingham, Manchester Trafford and Manchester Exchange, as well as ‘Taste of Auckland 2010’ in New Zealand.

Sabah Tea bags are made for those who want to savour their tea within minutes. The flavor of black tea is intense and absolutely full-bodied and strong. Sabah Tea has since evolved with the new creative Sabah Exotic Tea package by blending the 100 % pesticide free tea leaves with naturally grown flowers, spices and plants. This variation of tea is unique because the mixture of each quality ingredient, making each packages of Sabah Tea a delicious delight with a special feature. The leaves also are pure and free from any substances of chemicals.

For the innovation progress for tea-related products, Sabah Tea promotes its unique tea biscuits called Sabah Tea Bites at its outlet in Sabah as well as tourist gift shops throughout Malaysia. As well as Sabah Tea working on several new flavored tea. Sabah Tea already have unique flavours such as pandan, cinnamon, ginger, tongkat ali and geranium.

For social responsibility, Sabah Tea had participated at Media Prima’s Jom Heboh on-ground events, and sponsors the E-Jamuan Teh fund-raising event co-organised with the

National Cancer Society of Malaysia and the Breast Cancer Welfare Association of Malaysia. It also plans to sponsor an event to take disable children up Mont Kinabalu.

Under plantation division which comprises of tea plantation (Sabah Tea), however the sales of tea was notably slow in 2012. The tea plantation continued to receive good response with number of visitors grew by 11.2%. this has created the opportunity for the tea plantation to promote and create brand awareness among visitors of the tea quality. New products such as 3 in 1 Milk Tea and varieties of flavoured tea were launched during the year to offer consumers with wider choice of different taste. This will enable the tea plantation to capture new market segments and enhance on its revenue.

2.2 Corporate Vision and Mission

YLC's vision is to be the leading provider of household products bringing Malaysian families a better quality of life.

In order to achieve the mission, the mission as follows:

- Committing to develop Malaysian products, using Malaysian resources making them affordable at superior quality and value.
- Striving for excellence in total quality and customer satisfaction through continual improvement in productivity, innovations and fulfilling social and environmental responsibilities.

- Serving our valued customers through our well-established distribution networks of 15 branches throughout Malaysia.
- Forming strategic alliances with agencies carrying quality products.

2.3 Consumers and Core Products

Its core product is 'Sabah Tea' brand. The brand is exclusively developed, produced and owned by Sabah Tea Sdn Bhd. Due to the plantation's unique resource which is its location that is very much suitable for tea growing, it does not come as a surprise that other companies have approached Sabah Tea to produce and package for their private tea brands. The company has added the Borneo Rainforest Organic Tea to its tea offerings, the organic range of Sabah Tea.

Consumers with very hectic lifestyles have become the main target consumer base of the product. These products offer convenience as they can be easily carried and consumed on-the-go, either at home or in the office. Consumers will seek out antioxidant-rich teas for their health benefits, and this can be further enhanced through expansion of organic and functional tea. It shows healthy tea products are increasingly gaining attention from health-conscious consumers, especially as the prevalence of diabetes is increasing in Malaysia. The target market segment of Sabah Tea are broad. Therefore, Sabah Tea come out with several variable of tea in order to capture the market such as Agarwood, Cinnamon, Geranium, Ginger, Lemongrass, Misai Kucing, Pandan and Tongkat Ali.

All the people can enjoy the tea because it is healthy drinks. It can say that tea can drinks by all without limitation of age. Plus, tea product do not segment to ethnicity because all

human being can take it since it is produce of plant and halal. Sabah Tea comes out in some variaties to the gender market such as tea with Geranium for female and tea with Tongkat Ali for male.

Sabah Tea also need to communicate effectively with its external stakeholders particularly with its targeted consumers. Consumers are unable to associate themselves with the brand name which leads to a lack of trust in Sabah Tea. Established tea brands are perceived to be more trustworthy. The lack of consistent marketing communication efforts with consumers remains a problem at Sabah Tea. Sabah Tea lags behind when it comes to external communication particularly when compared to its main competitors Boh and Lipton.

3.0 GROWTH RATE OF MARKET

Sabah Tea Sdn Bhd's export has contributed about 10% to the company's income. Sabah Tea Garden has expanded to become a popular holiday destination for both the locals and the foreign tourists around the world while remaining to produce tea. Sabah Tea Garden is the destination which is located in one of the oldest rainforests in the world, Mount Kinabalu. The Sabah Tea Garden has an area of 6,200 acre (2,509 hectares) and a total area of 485.6 hectares (1,200 acres) are been use for cultivation of tea and tourism activities while the rest remains a tropical forest rich with flora and fauna. According to Yamamoto (1997), tea has become increasingly popular nowadays due to its potential pharmacological properties such as antioxidative, antitumor and anticarcinogenic

activities. Sabah Tea Plantation (STP) strategy in produce the premium tea, where the temperature of STP in ranges from 25 to 31 °C, annual rainfall is approximately 2,000 mm year, the soil used in tea plantation mainly consists of sandy loam texture with pH range from 4.0 – 4.5.

Retail volume sales growth of tea is expected to lag slightly behind retail value growth through 2015. Premiumisation of tea will therefore be a key strategy for manufacturers to increase profitability especially in highly saturated markets. Thus, Sabah Tea can capture this market in producing the premium tea. It will make the growth of Sabah Tea to another level.

Introducing new, higher quality tea types such as green, white, and rooibos has already helped expand tea's appeal in many developed markets. These new tea types could also help manufacturers expand distribution and the visibility of the category among consumers, especially as their antioxidant health benefits are generally accepted even more than those black teas.

4.0 DISTRIBUTION

YLC is a fully integrated manufacturer and distributor. Yet, YLC has an established marketing and distribution network servicing both local as well as International customers. YLC has subsidiarized involved in the following manufacturing sector such as Manufacturing and distribution of tea. The distribution of Sabah Tea to the global such as

export to other country is doing by YLC. Sabah Tea focus on production and marketing. The distribution of tea handle by YLC that have the experience in this distribution sector.

Although Sabah Tea not involve directly in exporting, but Sabah Tea having its own shop in order to sell and promote Sabah Tea. Therefore, Sabah Tea Garden's souvenir shop in operation and most of the product in gift packs and exclusive. Besides, youbeli.com is one of the ways to distribute Sabah Tea. It was different with the transitional methods of distribution because it was using internet for the selling process. The logistic of Sabah Tea via youbeli.com is outsource methods which it depends on the logistics by youbeli.com itself.

5.0 LEADERSHIP, CULTURE AND COMMUNICATION

Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Hence, the top management of Sabah Tea which is the Group Chief Executive Officer, Executive Director, R. Ee Young Lim as an individual that must have influence to their employees which is as a group of individuals to achieve their organization or business goals of Sabah Tea. Thus, it means by leadership it makes leaders (person who in charge or engage in leadership) and the followers (a group of individual that are under direction of whom have a leadership) are giving their energy towards something which have a mutual purpose together.

In order to bring the change through business transformation, leaders in Sabah Tea need to apply the transformational leadership style. Transformation is the restoring and

fascinating change that could happen in every organization in order to grow and to improve forward. Transformational leadership is believed as the theory that focuses on the development for aiming the change. Implementing the business transformation needs a whole team involvement to initiate the change and actions. Therefore, Sabah Tea needs a charismatic leader who can create other leaders among employees in order to inspire them to be like their leaders.

Leadership can improve employee morale and make workers more loyal to the company. Loyal employees trust their managers and may be willing to work harder and stay with the company when times are tough. Recruiting and training new workers can be expensive, so fostering high morale through good leadership can have an impact on the bottom line.

Executive Director in Sabah Tea Company is important for the leadership in employee morale. This management has managing committed and staff as well as developing business plan in collaboration with the board. Leadership also needs to motivate and give a morale support for the employee to give a good participation and their committed in doing the job.

Therefore, leadership in organization is the biggest factor to generate the productivity of work. It is the engine in the organization to make sure the employee and operation in the organization are manageable. In Sabah Tea, the leadership also is the main character in this organization to manage the employee, operation and production of this organization. It also give some morale support and motivation to the employees to work hard and have an advantage to the organization.

In the age of globalization, organizations need to be competitive to ensure the productivity is high technology. In the meantime, the management is responsible for ensuring that the production is best compared to other organizations. In addition to employees, directors are also required to undergo training and development programs to ensure good organization governed and organized.

For Sabah Tea , training and development of employees is very important for workers to continuously learn and gain knowledge about the latest technologies as well as the potential in the market. Individuals learn through experience to become more proficient. The motive is to use the skills and knowledge that have been given in - training not only current performance but also future performance. It involves the concept of psychological development, level of maturity and self-confidence.

Training has two methods used by the Sabah Tea which is job training (On-job training) and training time working (Off -Job Training) . Job training (On- Job Training) covers several methods of training with Coach (Coaching) where the trainer will give direct exposure to workers and the question and answer occur to ensure the level of understanding of their duties the employee will be doing. Through this process, instructors can test the ability of employees to do the exercises at the same time. Among other things, employees are also able to experience directly and see the real work through this exercise.

The second method is outdoor exercise time work (Off -Job Training) which covers four kinds of methods of lecture (Lecture) , the method of case study (Case Study) , role playing (Action Learning) and game management (Business Games). For board

members Sabah Tea , Secretary of the Company has arranged a training program in which it provides to members of the board of directors to carry out their role in an effective manner . They also attend additional courses according to individual needs .

Since the corporate vision and philosophy of YLC reflects sustainable approaches that is committed to the development of the economy, society, well-being and environment, it is imperative that these are imparted into Sabah Tea to facilitate an effective and consistent sustainability transformation program which involve trainings.

The leader should be charismatic, motivating, provide intellectual stimulation and possesses great appeal to the employees via logic, common sense and great passion and emotion. The chosen leader in Sabah Tea should then set directions for its employees. The leader should understand the changing trends; have good communication skills and most importantly someone who brave enough to put sustainable strategic plans into practice. He or she should use the power of indicators, systems, innovation, and strategy to accelerate integrated planning for climate progress (Atkisson, 2010) as shown Figure 1 below:

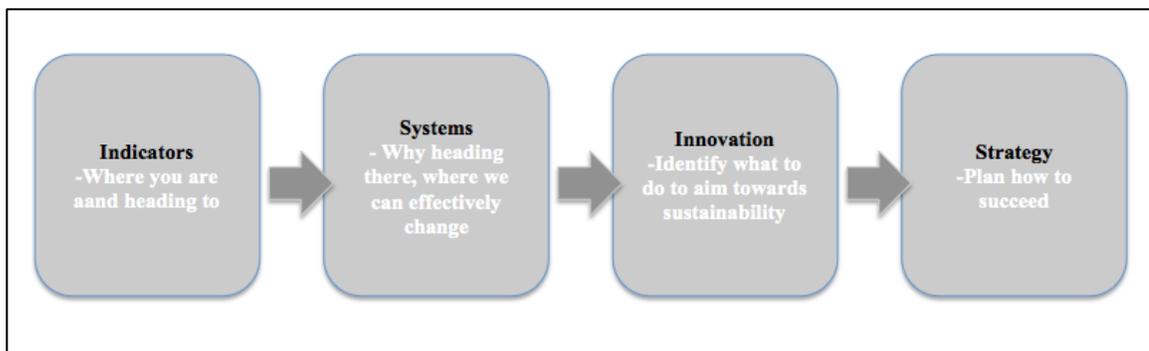


Figure 1: ISIS Method

Indicators and information are signals to phenomenon or change. Sabah Tea should be able to identify and interpret indicators to reflect their first leap in understanding the issues of sustainability. Systems analysis is the process of evaluating the cause and effect of the indicators that were identified.

In order to progress, the leader should also transform the current "Control/Hierarchy" culture to a "Compete (Market)" culture. This type of culture encourages employees to be competitive and goal-oriented. Leaders on the other hand are demanding and productive. The long-term goal of the organization is to stay competitive and to achieve measurable targets. This will be in line with the sustainable transformation program where it will drive people to meet their ultimate goals.

The next stage is to have a good coalition to make the changes happen. The change agents must be creative, able to simplify, able to facilitate, have patience and do not seek power to be successful. Change agents need to be carefully selected as it sets the tune for the transformation to take place. The coalition should consist of representatives from top management of YLC as well as Sabah Tea. This could improve the assimilation of these two companies. The change agents have a role in sense making, problem solving and decision making. Most importantly, the change agents must be able to institute sustainable technologies and trends into the company.

The chosen leader also needs to ensure that a clear vision and strategy is set so that it can be easily communicated to all its employees. A set of core values should also be shared amongst employees in order for them to stay focus and meet the vision set. Top management in Sabah Tea should also practice open communication so that they can

understand the employees better and vice versa. With that, full commitment should be expected from the employees.

6.0 IMPLEMENTATION PLAN

YLC executes various strategies at various levels to achieve its vision and mission. One of the products which YLC focus is Sabah Tea. Currently the strategic objective of Sabah Tea is to make Sabah Tea among the top three biggest take home tea brands by 2015.

YLC began its core business as an edible oil repacker in Malaysia in 1968. Since then it has grown into a fully integrated manufacturer and distributor. YLC involved in various sectors such as manufacturing, marketing and distribution of fast moving consumer products, plantation and eco-tourism.

YLC has executed unrelated diversification strategy in its corporate level. Unrelated diversification strategy favors capitalizing on a portfolio of business that are capable of delivering excellent financial performance in their respective industries, rather than striving to capitalize on value chain strategic fits among the business. Firms that employ unrelated diversification strategy continually search across different industries for companies that can be acquired for a deal and yet have potential to provide a high return on investment.

In manufacturing sector, YLC has subsidiaries involved in the following manufacturing sectors including manufacturing of high quality cooking oil, margarine and doughfat by Yee Lee edible Oils Sdn Bhd, Manufacturing of corrugated fiberboard cartons and boxes

by South East Asia Paper Product Sdn Bhd, milling of crude palm oil and palm kernel by Yee Lee Palm Oil Industries Sdn Bhd, printing and manufacturing of general line tin cans by Canpac Sdn.Bhd and manufacturing and distribution of tea by Desa Tea Sdn Bhd and Sabah Tea Sdn Bhd. YLC also involved in eco-tourism sector through Sabah Tea Sdn Bhd in 1997 when government decided to privatise the company. Sabah Tea Garden is situated alongside the single largest tea plantation in Borneo in the highlands of Mount Kinabalu. It offers a unique tourist destination for those interested in Borneo's well known rainforest and cultural diversity.

In addition to that, YLC involved in marketing and distribution sector through its forward intergration strategy. Forward integration involves gaining ownership or increased control over distributors or retailiers. Increasing number of manufacturers today are pursuing a forward integration strategy by establishing websites to directly sell products to customers. YLC gains ownership on Yee Lee Trading Co. Sdn Bhd which principal activity is to marketing and distribution of fast- moving , high quality consumer products and Yee Lee Marketing Sdn Bhd which distribute Procter and Gamble products in Northern Malaysia states.

YLC looking forward to have their International market penetration strategy developed. They had started their International engagement through an International Expo conducted in China with the help from Malaysia External Trade Development Corporation (Matrade), namedly China-ASEAN Expo (Caexpo) in 2012. This platform has given chances to Sabah Tea to further expand their market and become International products after they had gone through from being regional products to a national product. This is

advancement in their achievement that had contributed largely to YLC's earnings and reputation.

Sabah Tea is the business unit of YLC and is main focus on our study. Hence, Sabah Tea needs to implement its business strategy well in order to success in competitive market. Sabah Tea had been in the market since 1997 but mainly distributed in the west of Malaysia. The earning from this product is not really encouraging since they were in a hard market where their competitors had a larger market share and customers loyalty. The management of the company had chosen the most brilliant decision to expand their market to the peninsular Malaysia in 2007 because the revenue earned since then is rocketed by the year 2011. Half of the sales revenue now comes from the sales in peninsular.

Sabah Tea is applying the differentiation strategy in their business plan. Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. According to main online seller of Sabah Tea, www.youbeli.com shows that average Sabah Tea have set higher price of its product compare to its main competitors like Lipton and Boh. For example, 50's Sabah Tea Bags cost RM8.50 to consumers while 50's Boh Cameron Highlands Tea sell only at price of RM6.80 and 50 bags of Lipton Yellow Label Tea cost RM7.70 to consumers. It shows that Sabah Tea position itself as premium tea compare to its competitors.

One of Sabah Tea's main selling points is that it is pesticide-free. Only about 30% of the plantation land has been used up, and insects are drawn more towards the surrounding rainforest. And to ensure that the packaged product is 100% pesticide-free and pure, Sabah Tea's leaves all come from a single source which mean it is not blended with leaves from other plantations. This results in Sabah Tea being pure and untouched.

Besides that, Sabah Tea Gardens' location is in the cool foothills of Mount Kinabalu which allows every harvest at the Sabah Tea plantations to turn out such that it is a Spring-like harvest, which is regarded as the best harvest quality. Furthermore, the scale of Sabah Tea's plantation enables consistent quality through selective and exclusive tea cultivation. The tea is naturally rich in flavour without any added colouring. Hence, Sabah Tea had position itself as healthier quality tea in local tea market.

Sabah Tea is very careful and particular about our harvest process. Only the tender leaves of the pure *Camelia Sinesis* tea trees are selected carefully and processed for black tea in order to produces a distinctive taste with a full-body aroma, yet subtle in character. Unlike most tea brands, Sabah Tea consists of tea leaves that are picked from their very own plantation in order to protect its quality of origin and to ensure that the leaves are free from unknown substances or chemicals. The distinction in quality make Sabah Tea able to compete with its competitor with its differentiation strategy.

Besides the original of Sabah Tea favour, Sabah Tea also evolved with the new creative Sabah Exotic Tea package by blending the 100% pesticide free tea leaves with naturally grown flowers, spices and plants. This variation of tea is unique because of the “marriage” of each quality ingredient, making each package of Sabah Tea a delicious

delight with a special feature. There are 7 variations of the tea package and each variation serves different purposes depending on the ingredient added to it. This is the differentiation focus strategy done by Sabah Tea. Differentiation focused strategy is defined as is a strategy where a business attempts to differentiate within a small number target market segments. Through these segments, the product opportunities that are different from the competitor are provided. Each type of product have distinct focus group and function compare to others. For example, Sabah Tea with Tantalising Tongkat Ali which having high level of superoxide dismutase in tongkat ali is a kind of anti-oxidant enzyme which helps rid free radicals from human body. Apart from that, it is known to reduce hyper-tension and acts as an anti-malarial substance. The well-known conception of this plant is to increase the male libido, a “Malaysian Viagra”, while Sabah Tea with Pacifying Pandan which are quite beneficial in the treatment of stomach related problems such as stomach cramps and stomach spasm. Regular intake of pandan is detoxifying since it promotes urination.

In addition to that, Sabah Tea comes out with a unique line exotic tea which have a rare ingredient of cinnamon, pandan and tongkat ali. This type of tea has proven through research done by Sabah Tea team and also other researchers that they can cure and prevent malicious disease such as cancer, teeth cavity, arthritis and stroke. The increasing health conscious of Malaysian has given Sabah Tea an advantage in marketing this type of product since the other competitors have yet to produce this line of product.

The competitive advantages gained by Sabah Tea had been recognized by their successful product and the rapid growth of the product life cycle. Sabah Tea they are now aiming and expecting to have an annually increment in revenue by 20 percent. This shows that

Sabah Tea had stabilized their position in the market and has competitive advantages that allow this product to compete steadily among other strong competitors in the market.

In terms of human resources strategy, we can see that Sabah Tea provides a sufficient number of labors (harvester) during the harvesting process of tea leaves. Each harvester is trained. The tea leaves and buds are selectively harvested by using shears or mechanized cutters while it still need lots of trained labor to harvest the tea leaves. They are extremely careful and particular about the harvesting process to ensure the tea plants are able to grow healthily, without any harm and this will then produce a good quality type of tea. The rest of the processes mostly involve machines which means the labors are trained before they actually operate the machines. Sabah Tea also provides the tourism service via the packages they offer via online. Each of the packages, there is a trained tour guide to lead tourists throughout the trips and visits. With this service, the tourists are more preferable and confident to choose the Sabah Tea tourism service.

Meanwhile, when it comes to operations strategies, except of tea products selling, Sabah Tea also provides tourism service in Sabah Tea Garden. A good quality of Sabah Tea is produced through the 9 processes which start from the process of harvesting, withering, rolling, fermentation, drying, sorting, packaging until despatching. In each of the processes, the tea leaves are managed systematically in order to ensure the quality is there. Besides that, Sabah Tea also provides tourism services like accommodations in Sabah Tea Garden. For example, the longhouses, cottages, guesthouse, camp grounds encourage the tourists to stay there as a trip. The facilities include restaurant and gift shop. There is also a list of fun activities to keep the tourists occupied and to make a trip here. The activities encompass games and batik painting fish massage, karaoke, tea

factory tour, Quailey's Hill tour, team building games, riverside camping, cycling, night walks, jungle trekking, river trekking, obstacle courses, survival skill training and archery. All of these activities attract the tourists come to Sabah Tea Garden to pay for a visit which then will increase the income of the company. Sabah Tea has 2 strategy operations; one is selling tea products and another one is providing the tourism service which is outstanding and not implemented compared to other tea manufacturers.

Sabah Tea produces many different flavours of products to the consumers or it is commonly known as product differentiation. This is the strength for the company to overcome other competitors like Lipton Tea. The first product of Sabah Tea is the Sabah Tea Bags which it was made for those who want to savour their tea within minutes. The flavour of black tea is intense and absolutely full-bodied and strong. Second is the Sabah Loose Tea neatly and gorgeously packed, this version of the Sabah Tea makes a perfect gift for tea lovers or you could even include it as part of a larger hamper of goodies and as a gift to your friends. Third is Sabah Tea Potbags which are created for those who would like to share the golden taste of tea with friends and family members during gatherings or other occasions.

6.1 Tools Of Change

Sabah Tea produces high quality and pesticide free from their largest tea plantation in Borneo. Knowledge and skills gained through the joint-venture exercise with the Tate & Lyle has given Sabah Tea an advantage in their tea business. These resources and capabilities are Sabah Tea's competitive advantage. Sabah Tea could make fully use of

their resources and capabilities. Their resources and capabilities can provide basic direction for Sabah Tea's strategy as well as the primary source for their profit. However, a key factor in the relationship between resources and capabilities is the ability of Sabah Tea to utilize and maximize the resources and capabilities that they have.

The concern of the management is that, Sabah Tea needs to differentiate its products from others that are available in the market to enjoy and sustain their competitive advantage over its competitors. Differentiation is by means of branding as well as pricing to a certain extent.

Sabah Tea Sdn. Bhd. faced challenges and pressures from the internal and external environments. Thus the management see the need for a concrete transformation plan, in which prioritized to the internal factors consisted of leadership, culture and communication. The management of a company needs to accelerate positive change towards sustainability transformation in challenging times.

Mr Ng thinks a sustainable transformation program needs to be developed in Sabah Tea with the extensive collaboration and participation from YLC. As he stressed in his few meetings that. "A sustainable transformation requires new vision, set of goals, processes and invention of a new business model." It requires an enormous amount of change efforts, sustainable transformation can be started incrementally or radically. It needs to reach various stakeholders in the organization. This can be done via communication and changing the culture of the organization. With the sustainable transformation program in place, Sabah Tea has a high chance of turning around especially its financial performance.

One of the major steps that Sabah Tea and YLC should take is to appoint a leader to lead this sustainable transformation program. This leader should have a clear understanding of Sabah Tea, the tea business and also the holding company (YLC). The person should have a good comprehension of Sabah Tea and YLC as he/she can use the company's resources in the best possible way and work towards its new vision. Leader should be able to articulate to the employees the problems in the current organization and should be able to provide a compelling vision as where the organization should head to.

7.0 WHAT MAKES A SUCCESSFUL TRANSFORMATION

Since the takeover of Sabah Tea by YLC more than a decade ago, there are still concerns whether Sabah Tea can sustain itself as a vibrant concern. From the analysis above, it can be seen that without a major transformation program which involves many aspects of its core businesses, it would be difficult for Sabah Tea to survive. The sustainability of Sabah Tea as a growing concern has been questioned in the analyses above and the reasons are unclear as to why YLC has not put in enough efforts to enhance Sabah Tea's position as a leading tea grower and brand leader, at which it given its inherent potential in terms of natural resources, competencies and capabilities. The problem seems to be pointed towards the branding and marketing approaches or rather the lack of it.

In a world of fast moving technology and a demanding market, efficient and effective business processes are needed to maintain a competitive edge and a sustainable

transformation program holds the key to move Sabah Tea to a greater heights. Therefore, it is imperative that the transformation program should begin as soon as possible.

Mr. Ng asked himself:

“What does it take to implement transformation to achieve some greater good to our company?”

REFERENCES

Drever, E. (1995). *Using semi-structured interviews in small-scale research: A teacher's guide*. Edinburgh: Scottish Council for Research in Education.

Sabah Tea Annual Report (2010). Retrieved on 1 December 2014 on www.yelee.com.my/images/annual_report/annual_report_2010.pdf.

Sabah Tea Annual Report (2013). *Seamless Integration*. Retrieved on 1 December 2014 on www.yelee.com.my/images/annual_report/Annual_report_2013.pdf.