

## POLITICAL AND RACIAL CRONYISM: COMBATING STRATEGIES ON THE PRODUCTION RATE

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**ABSTRACT** – Delightful Bakeries (KL) Sdn Bhd (DBKL) faces a storm of protests after netizens call for their goods to be boycotted. The boycott started by blaming Mr. Alauddin for being a crooked crony of certain political leaders, charging that he had followed orders to stop DBKL's purchase of flour on racial grounds alone. This case study aims to discuss political and racial cronyism and the impact on the production rate at Delightful Bakeries (KL) Sdn Bhd by gathering the response and perspective of respondents is the semi-structured interview and SWOT analysis. The analysis showed the practice of cronyism does have a high effect on the production rate. On this basis, it is recommended to introduce few effective strategies to improve the production rate at Delightful Bakeries (KL) Sdn Bhd.

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## INTRODUCTION

Delightful Bakeries (KL) Sdn Bhd known as Delightful is a bakery company, owned by MAF Ltd. as the biggest bread manufacturing company in Malaysia. The production manager of Delightful, Mr. Bakar Samad had taken a moment to observe the issues that Delightful was facing recently and the solution they took to overcome the issue. They were facing a storm of protests after netizens call for their goods to be boycotted. The boycott started by blaming Mr. Alauddin for being a crooked crony of certain political leaders, charging that he had followed orders to stop DBKL's purchase of flour on racial grounds alone. In this context, cronyism is characterized as favouritism displayed by the leader to his or her subordinates based on their relationship, in return for the personal loyalty of the latter, rather than the ability or competence of the latter.

In early October 2010, Chief Marketing Officer, Siti Fauziah, confirmed that an email from a related customer requesting evidence of a specific "warning" issue was sent to her from the customer service department. Siti Fauziah wrote to Le Sze immediately, adding that DBKL was concerned that it could face consumer boycott threats. The e-mail sent was investigated by Le Sze. This is a PDF document with a letter written in Chinese asking recipients to boycott DBKL Tasty Bread because some business decisions are made arbitrarily and are inherently discriminatory. Le Sze immediately convened a meeting with Siti Fauziah and Corporate Communications Manager, Rebecca Hachett. Le Sze, who has worked for the company since 1987, knew that management needed immediate attention as the issue could spread like a field if not dealt with properly and quickly.

## THE OBJECTIVES OF THE CASE

The main objective of this case study is to explore the impact of political and racial cronyism at Delightful Bakeries (KL) Sdn Bhd on production rate and searching solutions through a semi-structured interview and SWOT analysis. Therefore, a few objectives in this case study research intended to accomplish the main objectives which are:

1. To determine political and racial cronyism effects on production rate in the Delightful Bakeries (KL) Sdn Bhd.
2. To determine the strategy that improves the production rate at Delightful Bakeries (KL) Sdn Bhd.

## ISSUES EXAMINED IN THE CASE

Netizens blame the company that discriminates against one of its suppliers on "racial grounds. They also alleged that this particular crony owns the company. Delightful Bakeries (KL) has taken out full-page ads in English dailies to make its side of the story known, refuting the allegations. The market leader also refuted charges that Sweet Melody Sdn Bhd who had a 30 percent stake in Delightful previously and 50% in year 2020 had ordered him to stop buying meals from Fantastic Flour for racist reasons. The movement against Delightful, calling for its boycott, started for a month and was conducted online and primarily in the Chinese language. In the bread supply sector, Delightful is currently the market leader but faces several problems. In the political system, there are laws, government agencies, and interest groups that regulate and restrict various organisations and individuals in a given society. In the political and legal climate, marketing

decisions will inevitably affect growth. The effects of such government intervention can result in problems (IJHSSI, 2011). Because of the increase in diabetes in the region, the Malaysian government was urged to reduce the sugar subsidy. As a result, there will be a rise in manufacturing prices for Lovely Bakeries. Moreover, there was a large decrease in demand for Delicious Bread due to the ethnic and political issues that occurred in Malaysia. One of the Malaysians created an online social media campaign through Facebook with the title Delightful Products Boycott. The campaign claims that Delightful has stopped buying any flour from Fantastic Flour Sdn Bhd (FF). This is a commercial reason that Delightful tried to describe, so Sweet Melody Sdn Bhd agreed to move from FF to Maju Flour Sdn Bhd. Delightful is trying to justify what happened, but the Chinese from Malaysia still claim that Delightful stopped buying FF flour because of racial problems that are not connected to commercial purposes. Since FF created another bread company called Dedo Sdn Bhd, the Malaysian Chinese began to change the Delightful to Dedo. Due to this issue, the price of Dedo was reduced by some traders on the pretext of encouraging consumers to buy Dedo bread instead of Delightful bread. As a consequence, demand for Delightful bread declined and Dedo rose.

## LITERATURE REVIEW

Currently, the number of bakeries in Malaysia has increased and the prices of bakery items have also been reduced. (Guinigundo, 2017). The bakery industry has expanded due to the increased demand for bakery products from the population in Malaysia, leading to increased employment opportunities both within the bakeries and also in central management. Although contemporary social exchange researchers have retained the notion of reciprocity, they continue to see social exchanges as a kind of partnership between two or more parties at the organizational level (Baer, 2014). In recent years, both scholars and practitioners have attracted growing attention to the idea of organizational culture. Organizational leaders may often transcend their cultural prejudices and believe that the electors of the community of an institution are unstable for survival and development in a growing world. Leaders should unfreeze the existing structure by emphasizing the organization's risks if no change happens while inspiring the company to believe that progress is necessary and desirable (Al-Haddad & Kotnour, 2015).

In this context, Rajan (2001) indicates that the imposition of capital controls could be appealing because it enables politicians to support the funding of individual firms. If this view is right, we would expect capital controls to be related to an increase in cronyism (i.e., the resources available to corporations through political favouritism). For a country like Malaysia, there are two testable consequences at the firm stage. Companies with stronger political relations will suffer more if a macroeconomic shock decreases the capacity of the government to provide benefits and benefit more when a higher level of subsidies is allowed by capital controls (Johnson, 2003).

Our idea of cronyism is grounded in the theory of social trade, which considers the primary unit of research to be the social relations between actors. The existence of political ties in East Asian economies does not mean that "cronyism" triggered the crisis or even that "relationship-based capitalism" was inherently a sub-optimal structure for these countries. Malaysia's evidence strongly supports the notion that companies with political ties struggling to lose subsidies in the first step of the Asian crisis. (Simon, 2006). The effects of cronyism are far-reaching, on the individual or corporate level. Cronyism benefits from the viewpoint of the ingroup leaders, as it implies higher wage rises and faster promotions. But organizational success can be in question if the company is infiltrated by cronyism (Khatri & Tsang, 2003). Cronyism varies not only in the likelihood of development but also in its manifestations across cultures. Using Fiske's model, we argue that cronyism stems from the fundamental need of people for sociability and the deep need to belong to social groups. Culture impacts cronyism behavior, as it determines when and how people are supposed to support important others (Begley, 2003).

## BACKGROUND OF THE COMPANY CASE

Delightful Bakeries (KL) Sdn Bhd (DBKL) is a subsidiary of MAF Ltd, a listed food company that also runs Delightful Singapore, Delightful Philippines, and Delightful Bakery is scheduled to rise shortly in Fujian, China. The DBKL is Sweet Melody Sdn Berhad's associate company. An Englishman named Sir David was deployed to East Malaysia in 1949 to start a bakery. Mr. David had 35 years of experience in baking with one of the top bakery chains in England and elevated in Delightful.

In 1986, Delightful Bakeries (KL) Sdn Bhd rolled the first loaf of bread off the line. In four short years, it became the bread market leader with an outstanding brand recall rate of 99 percent and an 80 percent top-of-mind recall. The product range of Delightful has grown and evolved over the years, becoming better and better with each move. Taking advantage of its popularity as a brand, Delightful now produces a variety of baked goods to suit consumer demands.

The brand Delightful is synonymous with such characteristics as good taste, freshness, trust, and longevity. These are the qualities that make Delightful stand out and stay ahead in a highly competitive market. Staff at the Company of Delightful Bakeries (KL) Sdn. Bhd consists of 2500 employees from across the country. For planning, Delightful production line specialists are sent overseas. In addition, they are allowed to go to exchange fairs to keep up with international trends. The secret to Delightful's success lies in its classic English recipe, tried for decades. Further progress has been made to the range of recipes and processing methods over time, especially in the field of automation. Each of these ensures that the smell, taste, and retention characteristics of the bread are continuously maintained.

**MISSION**

The goal of Delightful Bakeries (KL) Sdn Bhd is to serve buyers with the finest quality variety of the wonderful local bakery and associated food concurrently refreshment products with world-class manufacturing offices and an efficient conveyance organisation across the region, resulting in a distant return on speculation by shareholders.

**VISION**

The vision of Delightful Bakeries (KL) Sdn Bhd is to be a leading business, recognised and exemplified for the best quality products that delight customers in the bakery industry and the food and beverage industry.

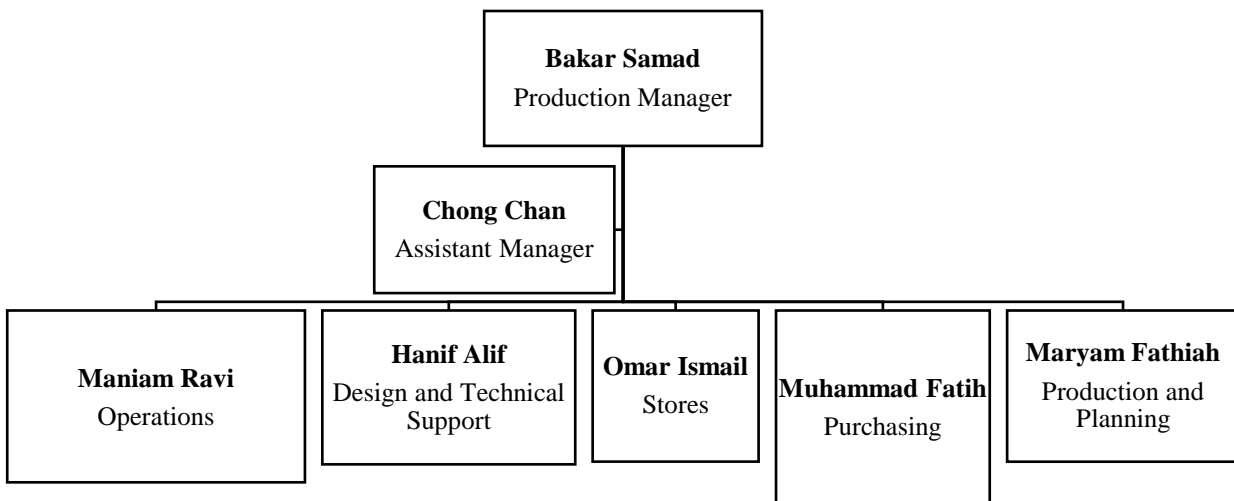
**OBJECTIVE**

The goal of Delightful Bakeries (KL) Sdn Bhd is to gain new customers and promote more regular use and find new uses for goods.

**ORGANIZATIONAL STRUCTURE**

The corporation used the structure of the product division as the system in which activities and jobs are organised according to the roles within the organisations they perform. In addition, this system is focused on particular goods or varied product lines that involve specialisations that are the responsibility of the product manager for the development and delivery of a product.

**PRODUCTION DEPARTMENT OF DELIGHTFUL BAKERIES (KL) SDN BHD**



**Figure 1: Organizational Chart**

**STRENGTHS**

They are the producer of top-bread, a very good brand name that is recognised by the customer. Delightful's continuous efforts to uphold the quality are demonstrated in its ISO 22000:2005 certification, Hazard Analysis Critical Control Point (HACCP) certification, Highly Commended Product Certification, and strong consumer recognition of the Delightful brand in the regional markets. In terms of Superbrand accolades, from 2003 to 2008, the brand won the Superbrands Awards for five consecutive years. In 2007, the Superbrands Consumers' Preference Award was conferred in Malaysia and its Superbrands status was reaffirmed in 2009. This bread company was recently awarded the Putra Brand Awards by the Certified Advertising Agents' Association. Delightful is improving its distribution network by growing its retail business. Sdn's Delightful Bakeries. Bhd is the first company to use G-lock to ensure the freshness, fragrance and taste of the product. G-lock offers all the important information that consumers may require, first come, such as the expiry date of the product. They are mainly for the bread's consistency and freshness.

## WEAKNESSES

The cost of raw materials and electricity has seen a remarkable increase this past year. Therefore, changing prices is a demanding task for Delightful Bakeries (KL) Sdn Bhd. Though growth is kept to a minimum, consumers' buying power is still poor. The organisation must show the customer that the overall cost of the Lovely Bakeries Sdn. For a large part of their production costs, Bhd products consist not only of distribution costs but also of raw materials, operating, labor, service, and other related costs. The influence of the decline in petrol prices in 2015 is incomparable to that of the increase in the price of raw materials.

## OPPORTUNITIES

By relentless creativity, Delightful pledges to retain its leadership. For this reason, the organisation encourages the production of new products, imposes strict quality assurance measures and offers efficient distribution networks for the timely delivery of its products. Sdn's Delightful Bakeries. By constantly expanding its product lines, Bhd continues to stand out from its rivals. This is made possible by continuous research and development combined with dedicated teamwork. Sdn's Delightful Bakeries. At the American Institute of Baking and other technical organisations, Bhd frequently sends main workers overseas for training. The organisation sends representatives from time to time to participate in international trade shows.

## THREATS

Unfortunately, as traditional distributors are beginning to sell more varieties of bread such as the bakery stores or other similar Bread Companies, the trends are pushing the risk of possible market oversaturation. This is the greatest threat.

## METHODOLOGY

Qualitative research design is used to understand the political and ethnic cronyism and the impact on the production rate. The research design involves the conceptualization of the research framework, including the formulation of research questions, data collection, review of data, presentation and writing-up of research (Bogdan & Taylor, 1975). To examine this problem through a more comprehensive lens, this study further adopts a case study. To capture a holistic image of the phenomenon, the case study relies on in-depth interviews and field observations of a situation. It studies the "issue discussed within a limited system through one or more instances" (Cresswell, 2007, p. 73). This qualitative analysis uses purposeful sampling by choosing the study participants and sites "because they can deliberately inform an understanding of the research problem and central phenomenon in the study" (Creswell, 2007, p. 125). As defined by Cresswell (2007), three important steps were taken in qualitative research data analysis: (i) plan and organise the data for analysis; (ii) reduce the data into themes through the coding and condensing phase of the codes; and (iii) reflect the data in statistics, tables or discussion.

## RESULT AND DISCUSSION

### Research Objective 1

Delightful Bakeries (KL) Sdn Bhd had a crush in the rate of production caused by political and racial cronyism. Cronyism is a kind of favouritism, according to Khatri & Tsang, 2003, in which the organisation needs to prepare a team of individuals that can be easily regulated and not influenced by the announcement of government legislation and impacted by political and racial cronyism.

#### 1. Effects on Production Rate

The production manager of Delightful Bakeries (KL) Sdn Bhd stated that:

*Malaysian bread maker Delightful faces a storm of protests after netizens call for their goods to be boycotted.*

The netizens say that the organization prohibits discrimination on racial and political lines against one of its providers. In November 2011, on the social media site Facebook, a call to boycott all Mandarin-written Delightful brands emerged and spread via emails and text messages targeting mainly Chinese Malaysians. The call for a boycott started by accusing Mr. Alauddin of being a false crony of some political leaders, claiming that, for racial reasons alone, he had followed their instructions to avoid DBKL's purchase of flour from FF. It also said that Mr Alauddin and DBKL behaved by obeying the political orders in a discriminatory and prejudiced manner towards FF. The boycott demand targeted Delightful and called for Dedo's full support.

## 2. Effect of Government Regulation

Government has a high power to change the rule and bring up a new rule where it might affect the companies like Delightful Bakeries (KL) Sdn Bhd. It affects in such a way that it brings a huge difference in the political and racial cronyism in DBKL. The assistant manager has mentioned on it:

*The government regulation such as the worker's quota system has made a change in the working environment.*

Political factors always have the power to change the results where it might reduce the efficiency in producing more. The worker's quota system has become a change in DBKL. Some workers were hired from various races and ethnicities which has made the unity of workers stronger. Hence, this leads to political and racial cronyism in the company.

## 3. The political issue restraining the emergence of new technologies

Political issues taken by politicians have influenced the acceptance and rate of emergence of new technologies. The effect of Delightful's production rate due to political issues not being handled properly is not being able to run smoothly which has been set by the company. Through this political instability Delightful company is also facing this unstable economic crisis. Thus, the sale of Delightful goods fell due to the problem of political cronyism and prejudice. Many retailers claim that the Chinese boycotted goods from Delightful Bakeries (KL) Sdn Bhd, causing sales of Delightful bread to decline significantly. Due to alleged cronyism, some netizens slammed Delightful. Ethnic prejudice and political problems between the Chinese and the Malay cause adverse effects on the dignity of Chinese workers Delightful company. This is because their work performance may be influenced by a sense of frustration and discrimination against ethnic Malay.

## 4. Effect of hiring Rohingya workers

Furthermore, the problem of hiring Rohingya workers which provoked the anger of the locals affected Delightful's production rate. Although they had promised in the production process, Delightful had to lay off Rohingya workers. This causes the company to lack trained staff and affects the rate of production of products alternately. However, the issue of hiring non-local workers, namely discriminating against locals, Delightful also appeared to give a real explanation in which is by the production manager:

*It is part of the Malaysian program with coordination of the United Nations High Commissioner for Refugees (UNHCR) to recruit Myanmar's Rohingya ethnic community to take refuge in the country. Regular employment preference is still given to the locals due to the constant demand for the product.*

Delightful company, it explains why the company also hires foreign workers so that netizen questions are answered to avoid affected production rates and still maintain a strong company standard that the company does not discriminate against locals at all because Delightful even interviews are still running and on the schedule twice a week because Delightful companies still adhere to employee standards following established procedures and still prioritize community welfare.

## 5. Effect on job satisfaction

It was found that job satisfaction indirectly affects employees in Delightful Bakeries (KL) Sdn Bhd turnover.

The Assistant Manager mentioned:

*The problem of prejudice and ethnic politics between the Chinese and the Malays caused detrimental effects on the dignity of the Delightful company's Chinese workers.*

These situations are assumed to occur as a result of their job results, which may be impaired by a sense of dissatisfaction and prejudice towards other employees, especially ethnic Malaysian workers (Khoo et al., 2013). The degree to which an employee feels self-motivated, satisfied & pleased with his/her work is defined as job satisfaction, according to Human Resources (HR). When an employee feels that he or she has job stability, career development and a secure work-life balance, job satisfaction exists. Cronyism decreases people's effectiveness and results, according to Khatri & Tsang, 2003, since people are not viewed with skill, intelligence, productivity, etc., but based on personal transactions. This will happen to Chinese workers as a consequence of ethnic issues, leading to a decline in product production rates at Delightful Bakeries Company (KL) Sdn Bhd.



## Research Objective 2

In 1962, according to Alfred Chandler, strategy is the concept of the simple lengthy objectives of an organization and the implementation of schemes of practice and the distribution of assets required for the achievement of those objectives. The strategy usually includes defining objectives and targets, developing targets and rallying capital to carry out activities. Research objective 2 refers to determining the strategy that improves the production rate at Delightful Bakeries (KL) Sdn Bhd. We have interviewed the executive manager about the strategies that Delightful uses to increase its production rate.

### 1. Strategies in increasing the Production Rate

The Production Manager of Delightful Bakeries (KL) Sdn Bhd mentioned:

*The strategies that are used to improve the production rate at Delightful Bakeries (KL) Sdn Bhd is Delightful updates processes and technology.*

As new technologies are increasingly increasing and evolving, it is important to be vigilant to remain competitive. The Internet of Things (IoT), artificial learning, augmented reality (AR) and many more are among the technology developments that are presently common in the field. In the end, Delightful increased efficiency by more than 50% and decreased waste by 80%. These findings demonstrate how worthwhile it can be to concentrate on workers while developing procedures and increasing the pace of production.

Moreover, the assistant manager of Delightful Bakeries (KL) Sdn Bhd also mentioned:

*Delightful acknowledges employee involvement as a way to boost the quality of processes and the pace of production.*

Process productivity declines if workers are not fully involved in their jobs or are reluctant to cooperate with others. There can also be a decline if individuals take part in faulty procedures daily due to insufficient preparation and lack of experience. Delightful implemented this approach by encouraging the Delightful Bakeries (KL) workers to take part in process improvement initiatives that stressed operator, technician and front-line manager training and coaching. Improvement plans and charters were also planned by them. In addition, at the factory, the company implemented its processes and workers attended related workshops.

Results such as productivity, success and persistence were forced by motivation (Grant et al, 2007). It is essentially intended to promote behavioral improvement. It is a force that allows a person to behave in the direction of a specific goal. To relate, when questioned about factors that can enhance the organisational conduct of employees to improve the production volume, the executive manager claimed that:

*Recognize and reward high performers, cooperate, engage and motivate, harmonise the balance between work and life, practice empathy and care, provide a healthy and conducive working climate.*

Compared to less motivated workers, motivated employees are more geared towards autonomy and independence and are more self-driven, leading to more accurate use of developmental opportunities. Similarly, if they are motivated relative to less motivated workers, employee interaction with their work and employment is more important (Guay et al., 2000; Vansteenkiste et al., 2007)

### 2. Strategies in Overcoming Racial cronyism

Cronyism benefits from the viewpoint of the ingroup leaders, as it implies higher wage rises and faster promotions. But organizational success can be in question if the company is infiltrated by cronyism (Khatri & Tsang, 2003). Racial cronyism is a pattern of bias in the race-based in granting of employment and other rewards to associates or valued peers, particularly in government and among leaders and assist organizations. The assistant manager of Delightful Bakeries (KL) Sdn Bhd started when he was questioned about the strategy in overcoming the racial cronyism in the organization:

*Being impartial towards any employee is the key.*

Delightful Bakeries (KL) came up with effective communication and also good marketing strategies to overcome the racial cronyism in their organization. Employees who reflect racist cronyism should be organized in such a way as to ensure equal and cooperative roles for people from various groups. This ensures the employees get connected and eliminates racial cronyism. Besides that, Delightful Bakeries employ a highly qualified and conscientious individuals, regardless of race or religion.

### 3. Strategies in Overcoming Political Cronyism

Political cronyism is respectively utilized to imply purchasing and trading favors, like as: participating in governmental agencies, granting favors to corporations, offering attractive embassies to distant countries, and so on. For instance, the executive manager of Delightful Bakeries (KL) Sdn Bhd informed:

*The Department of Anti-Corruption is doing their job.*

He explained that the Department of Anti-Corruption should be actively monitoring to prevent any corrupt activities from happening so as not to affect the changes in production rates Delightful Bakeries (KL) Sdn Bhd. The consequence of industry misconduct is that the company therefore will have less capital, which may be insufficient for the company to operate effectively and for the company to maintain its operating level (Nicky LaMarco, 2018).

## CONCLUSION AND IMPLICATIONS

In conclusion, the political turmoil in the company will only disrupt the smooth process of economic recovery. In general, apart from people's fears about the prospects of living standards for the near future, the main negative effect of political instability is on the trust of local and foreign investors as well as traders. However, political issues in Delightful Company (KL) Sdn Bhd have subsided until there has been an increase in production rates in the stock market again, an increase in the percentage of products to almost equal before the peak of the virus spread supported by local institutional investors and a sharp increase in retail investor participation. The economic direction of the new government that will be formed will also play a role in economic recovery - the best solution to overcome this political crisis is the dissolution of Parliament is the last step if the country's political parties do not can reach an agreement. The focus that needs to be implemented at the moment is the economic stimulus package.

If the political situation is unstable, the cost involved is far greater than the cost of holding elections. For example, losing investment opportunities worth billions. Moreover, Delightful Bakeries (KL) came up with effective communication and also good marketing strategies together with monitoring by the Department of Anti-Corruption to overcome the racial and political cronyism in their organization to the boost production rate. Moreover, decision makers in Delightful Bakeries (KL) Sdn Bhd are encouraged to study more about factors and the effect of cronyism as many of the companies are unaware of the impacts of it on productivity and image. The effect of cronyism should be taken seriously in every management decision-making to assure good quality projects. It is also important for the employees to get good training and gain enough knowledge on good strategies to increase the production rate which can be applied in the upcoming projects.

Changes in political issues will give impacts on the Gardenia company like it can lead to a major loss and add a risk factor. Where political factors always have the power to change the results. Delightful Bakeries (KL) should be ready to deal with all kinds of local and international outcomes which might be economic, legal or social. Other than that, political issues might increase taxes for some Delightful Bakeries (KL) Sdn. Bhd and lower it for others. Political issues are taken by the politicians also can influence the acceptance and the rate of emergence of new technologies.

The effectiveness of the implementation of that strategy at Delightful Bakeries (KL) is that automation is a powerful tool for increasing efficiency and reducing error. New software solutions can help with scheduling, inventory, and monitoring workflow. Improvements in equipment can improve production speed and quality. Ultimately, Delightful Bakeries (KL) improved output by more than 50 percent and reduced waste by 80 percent. Those results show how worthwhile it can be to focus on production when improving processes.

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## CONFLICT OF INTEREST

The author(s), as noted, certify that they have NO affiliations with or involvement in any organisation or agency with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, jobs, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, expertise or beliefs) in the subject matter or materials addressed in this manuscript.

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