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Thesis Report

Creating High Performance Work Systems at Pakistan Tobacco Company (PTC)

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EXECUTIVE SUMMARY

Pakistan Tobacco Company (PTC), the first multinational company to be established in Pakistan, has recently experienced a massive transformation in its fortune. Over a period of just 12 months, PTC has seen a terrific turnaround from a market share of 29.1 % in the first Quarter of 2000 and declining, to a market share of 43.5% for the first quarter of 2001 and increasing. Furthermore, after 7 years of losses, PTC earned Rs.354.7 million profit after tax in 2001 for the first time since 1994. An "amazing" turnaround.

The story started when in mid 1990s the revenues of the company suddenly dropped to an alarming level. An independent survey conducted in 1997 by the National Management Consultant (NMC), revealed several problems such as lack of trust, poor communication, false egos, demoralized management, inconsistent policies, tendency to over control and bureaucratic and hierarchical barriers etc.

It was time for a change and the PTC team realized that they were now involved in a fight for survival – the writing on the wall was clear - it was a case for now and never. The "losing" scenario called for the transformation of high sense of urgency. It called for innovative, bold and daring decisions.

The answer was found in implementing **High Performance Work Systems (HPWS)** that created a winning corporate culture, reduced the cost base, and re-engineered business processes to world-class standards. The major turnaround in the company's fortunes is the result of teamwork, dynamic leadership at all levels, open communication, empowerment, egalitarianism, knowledge development and a shared vision of success.

One of the key impacts of the High Performance Work Systems at PTC has been a 'Winning Corporate Culture', which enables ordinary people to achieve extraordinary by performing willingly to the best of their abilities and make the company / people very focused on the business strategy.

CHAPTER 1: INTRODUCTION

1.1   Background:

Pakistan Tobacco Company (PTC) was the first multinational to set up its business in Pakistan in 1947, immediately after the partition. It took over business from Imperial Tobacco Company of India, operational in the subcontinent since 1926. A pilot production plant was set up in a warehouse near Karachi Port with a monthly production of 30 million cigarettes, which is now in 2003, is over 2 billion cigarettes per month. The rapid expansion in the cigarette market over the years led to the establishment of state of the art manufacturing facilities in Jehlum and Akora Khattak.

PTC is a subsidiary of British American Tobacco (BAT) group, which employs over 85000 people with operations in around 180 countries and is a market leader in more than 50 countries selling over 300 brands. In 2002, the group sold 777 billion cigarettes representing a global market share of 14.6 per cent; make the cigarette chosen by one in seven of the world's one billion adult smokers. BAT holds 94% shares in PTC.

From humble beginning in 1947 to becoming the 6th leading company in the BAT world, the story of PTC is one of the perseverance and bold initiatives. Till the early 1990, PTC, ranked among the top tier of the blue chip companies, earning huge profits and giving robust dividends to the shareholders.

However, despite this contribution to the country, the fortune of PTC started to a depressing slide downwards during 1990s. From previously ranking among the top tier of blue chip companies in Pakistan, PTC began in 1995 a miserable period of losses that continued till 2001. Throughout the decade PTC was beaten "hands down" by its local competitor, Lakson Tobacco Company (LTC) every step of the way. By 1996 PTC had lost volume leadership and even more significantly, lost value leadership during 1999. During the second half of 1999, the volumes were down by 20% versus the first half of the year. This negative trend accelerated during early 2000 – the first quarter sales were down by 30% when compared with first quarter of 1999.

At the turn of century PTC was staggering under tremendous pressure with recurring losses, enormous debt levels, rumors of possible factory closure and even the major

shareholder, British American Tobacco, considering the possibility of pulling out of the country. PTC has become a "losing" organization. The situation was particularly bleak during the first quarter of 2000, especially when compared with 1999.

It was time for a change and the PTC team realized that they were now involved in a fight for survival – the writing on the wall was clear - it was a case for now and never.

The "losing" scenario called for the transformation of high sense of urgency. It called for innovative, bold and daring decisions.

Aptly, PTC new motto from the opening of 2000 became:

"Dare to dream – Dare to try – Dare to fail – Dare to succeed"

"Dare to be Different"

"Dare to be different" became the rallying battle cry throughout the organization. It was the time for radical change, and a fast turnaround in the fortune of the Company was a critical strategic importance.

This turnaround needed bold and imaginative measures to gain volume as well as value leadership, and to gain some muscles in the market. The answer to this was to create **High Performance Work Systems (HPWS)** at PTC.

1.2   PTC Today:

PTC is currently the value leader and is second in volume. PTC has seen a terrific turnaround from a market share of 29.1% in his first quarter of 2000 and declining, to market shares of 43.5% for the first quarter of 2001 and increasing. Furthermore, after 7 years of losses, PTC earned Rs.354.7 million profit after tax in 2001 for the first time since 1994. Company has earned the trading profit of Rs.952 million and profit after tax of Rs.420 million in 2002, both the achievements being the highest-ever in the history of Pakistan Tobacco Company. An "amazing" turnaround.

The role it has played in the economic development is commendable. From the spearheading of modern machinery and industrial practices to incorporating the global standards within the structure of the company, PTC has contributed a lot in both monetary and non-monetary terms:

1. It became the first company in Pakistan, which was awarded class A as part of the international total business excellence program MRPII audited by the international consultants.

2. Further more both the factories and the leaf areas got ISO 9001 and 14001 certification proving once again the world – class standards of the company.

3. The SA8000 is the largest feather in the hat awarded to the company for the best employee practices, which include issues of child labor, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hour's compensation and management systems.

1.3 Significance of the study:

The turnaround of an industry from facing 7 years of loss to significant profits was more than a one man's show or a one-day effort. Daring to dream and being successful in PTC's claim had a lot of stories untold hiding behind the amazing financial facts of the year 2001 and 2002. This project study has given me an opportunity to explore beyond and behind what underlies the success of this company. This non-stop journey of PTC deserves to be studied in detail as to how PTC has been Successful in creating **High Performance Work Systems**.

1.4 Objective of the Study:

This thesis has provided me the opportunity to view and review in depth the survival and growth of an industry, which is nurturing itself through the sale and marketing of an item, which has no apparent benefit to humanity, rather threats.

The objective is to see how firms experience a change and creates High Performance Work Systems to turn their fate around. This truly reflects highly professional and strategically sound management skills of the players of this industry. Every cigarette sold is itself a tribute to the industry for selling a product that categorically stipulates the caution of being injurious to health.

It was also a great learning for me to witness the zenith of the High Performance Work Systems at PTC. The Key aspects that are to be addressed involve:

1. Whether the system has been implemented as it was designed and whether the principles of High Performance Work Systems are being reinforced.

2. Does the system combine *HR practices*, *work structures* and *processes* that maximize employee knowledge, skill, commitment and flexibility?

3. Do the High Performance Work Systems at PTC have been able to ensure horizontal and vertical fit?

   a. Horizontal fit occurs when all the internal elements of the work systems complement and reinforce one another.

   b. To achieve vertical fit, High Performance Work Systems must support the organization's goals and strategies.

1.5   Methodology:

Methodology suitable to gather data is the combination of interviews and observational study. I interviewed several managers of PTC. The discussions enabled me to clarify my ideas about the tobacco business, their opinions and experience did add to my positive thinking. Along with it, the relevant up to date information from newspaper articles, case studies and related text material supported in completion and compiling of this thesis report. Personal visits to the PTC factory sites at Akora Khattak and Jehlum enabled me to conduct an in depth analysis of High Performance Work Systems applied at PTC.

1.5.1 Sources of Data:

- The primary source of information is direct interview with the managers of the concerned departments to fetch in-depth answers to the questions and feedback to analyze the details.

- The project is fully supported by PTC business supplements, advertisement, financial times, website, consumer surveys and comparative approach of other tobacco companies in Asia.

- Regular meetings and discussions with the management helped me to establish perceptions about the creation of High Performance Work Systems at PTC.

1.6 Organization of the Study:

The project is designed in the following manner:

Chapter # 1

This chapter includes the background of the PTC, followed by the significance of the study and the methodology adopted to get to the results.

Chapter # 2

This chapter contains the literature review, explaining the concepts applied in the project. References are collected from different books and the Internet.

Chapter # 3

This chapter contains 'Finding' and includes:

1. Importance of Tobacco Industry

2. PTC and its contribution.

3. Analyzing Implementation of High Performance Work Systems (HPWS) at PTC.

4. Examining Anatomy of High Performance Work Systems at PTC.

5. Compliance to the Principles of High Performance Work Systems at PTC.

Chapter # 4

This chapter carries out analysis of HPWS at PTC.

Chapter # 5

This chapter of the thesis contains the Conclusion and Recommendations.

CHAPTER 2: LITERATURE REVIEW

2.7   High Performance Work Systems (HPWS):

2.1.1 Introduction:

Over the last few years, organizations have shown an increasing interest in implementing High Performance Work Systems to achieve a "fit" between information, technology, people, and work (Hanna, 1988; Nadler & Tushman, 1988). This "fit" is considered desirable in order to respond to customer requirements and environmental dictates, thus keeping the organization competitive and financially successful (Tushman and Nadler, 1978; Brown, 1989; Nadler, 1989).

In essence, organizations have realized that the four major pieces of organizational architecture **(information, technology, people, and work)** needed to work in tandem for maximum efficiency and effectiveness. Nadler and Gerstein (1992) have characterized High Performance Work Systems (HPWSs) as a way of thinking about organizations. Thus, for example, instead of trying to fit people (the employees) into the existing technological structure within the organization, HPWSs aim to find the best fit among the four pieces. This fit leads to optimal utilization of all four resources, and, further, the emphasis shifts from internal efficiency and effectiveness to external efficiency and effectiveness, with a constant eye on customer and environmental needs and requirements.

HPWSs are getting to be known by many different names (Neal & Tromley, 1995), such as high-involvement work systems, flexible work systems, high commitment / involvement work systems etc. However, the basic premise of all these versions remains the same -- creating an internal environment that supports customer needs and expectations. This internal environment is typically comprised of two broad sub-environments: the social and the technical, and it is the optimum fit between the two that is the primary goal of HPWSs.

The literature is replete with examples of success stories (see bibliography HRPS, 1996). For example, Ramcharandas (1994) discusses the example of Xerox, which has recovered from a downward spiral in the 1980s -- where it was beginning to lose market share and seeing earnings steadily decreasing -- to a situation where it has recaptured markets from the Japanese and earnings have been on a steady upward path. This remarkable turnaround was achieved by creating a continuous learning environment, and moving from a vertical, control-oriented hierarchy to a horizontal, empowered organization. In addition, something common to nearly all HPWS success stories, is the renewed examination of work -- to establish what needs to be done (if at all), and doing it better, faster, and with lower costs.

One of the keys to successful HPWS implementation seems to be the way an organization uses its human resources. In a survey of 700 organizations (U.S. Dept of Labor, 1993), it was found that firms that used innovative human resource practices show a significantly higher level of shareholder and gross return on capital. Further, among *Fortune 1000* companies that empowered their employees by increasing responsibility, a vast majority reported increased productivity and quality.

White (1994) characterizes an HPWS work place as one "that has self-managed teams that design their own work methods, have high levels of training, and share in financial results". The emphasis here is on a horizontal organization with strong customer orientation.

It is evident that the primary emphasis of HPWSs is on modifying internal processes (i.e., work, information, people, and technical structures) that are aimed at satisfying customer needs and expectations. Further, a majority of the organizations that have implemented HPWSs have reported meeting with remarkable success in their efforts. Specifically, research (U.S. Dept. Of Labor, 1993) has established that the use of comprehensive systems of work practices is highly correlated with higher productivity and stronger financial performance.

However, only about 13% of American companies have actually implemented (White, 1994) HPWSs.

2.1.2 Definition:

- A High Performance Work System can be defined as a specific combination of HR practices, work structures, and processes that maximizes employee knowledge, skill, commitment, and flexibility. The key concept is the "system".

- High Performance Work Systems (HPWS) comprise many interrelated parts that complement one another to reach the goals of an organization. The literature review covers the underlying philosophies of high involvement, the anatomy of HPWS practices, processes for implementing HPWS, and criteria for judging their impact on performance.

- In today's competitive environment, managers typically don't just focus on staffing, or training, or compensation practices in isolation to one another. These HR practices are combined into an overall system to enhance employee involvement and performance. The purposeful combination of these HR practices is what we refer to as *High Performance Work Systems.*

2.2 Principles of High-Performance Systems:

The best organizations go beyond balancing the often-conflicting demands of business to compete. They create work environments that blend these concerns to simultaneously get the most from employees, contribute to their needs, and meet the short-term and long-term goals of the organization. Edward Lawler and associates have identified four principles of High Performance Work Systems that create such environments:

2.2.1 Shared Information:

The principal of shared information is critical for the success of empowerment and involvement initiatives in organizations. In the past, employees traditionally were not given and did not ask for information about the organization. People

were hired to perform narrowly defined jobs with clearly specified duties, and not much else was asked of them. Today much of this is changing as organizations rely on the expertise and initiative of employees to react quickly to incipient problems and opportunities. Without timely and accurate information about business, employees can do little more than simply carry out orders and perform their roles in a relatively perfunctory way. They are unlikely to understand the overall direction of the business or contribute to organizational success. On the other hand, when employees are given timely information about business performance, plans and strategies, they are more likely to make good suggestions for improving the business and to cooperate in major organizational changes. They are also likely to feel more committed to new courses of action if they have input in the decision-making. The principal of shared information typifies a shift in organizations away from the mentality of command and control toward one more focused on employee commitment.

2.2.2 Knowledge Development:

Knowledge development is the twin sister of information sharing. As organizations attempt to compete in an information-based economy on the basis of their people, they must invest in employee development. This includes both selecting the best and brightest candidates available in the labor market and providing all employees opportunities to continually hone their talents. High Performance Work Systems depend on the shift from touch labor to knowledge work. Employees today need a broad range of technical, problem-solving and interpersonal skills to work either individually or in teams on cutting-edge projects.

2.2.3 Performance-Reward Linkage:

People intentionally or unintentionally pursue outcomes beneficial to them but not necessarily to the organization as a whole. A corollary of this idea, however, is that things tend to go more smoothly when there is some way to align employee and organizational goals. When rewards are connected to performance, employees will naturally pursue out comes that are mutually beneficial to themselves and the

organization. When this happens, some amazing things can result. High Performance Work Systems build strong performance-reward linkages.

2.2.4   Egalitarianism:

Status and power differences tend to separate people and magnify whatever disparities exist between them. The "us versus them" battles have traditionally raged between managers, employees, and labor unions have to be replaced by more cooperative approaches to managing work. More egalitarian work environments eliminate status and power differences and, in the process, increase collaboration and teamwork. When this happens, productivity can improve if people who once worked in isolation from (or opposition to) one another begin to work together. Moving power down in organization, that is empowering employees, frequently requires structural changes. With decreasing power distances, employees can become more involved in their work; their quality of work life is simultaneously increased and organizational performance is improved.

2.3   Anatomy of High Performance Work Systems:

2.3.1 Work-Flow Design and Team Work:

High Performance Work Systems frequently begin with the way work is designed. Total Quality Management (TQM) and Reengineering have driven many organizations to redesign their workflow. Instead of separating jobs into discrete units, managers to focus on the key business processes that drive customer value and then create teams that are responsible for those processes.

2.3.2 Complementary Human Resource Policies and Practices:

Work redesign, in itself, does not constitute a High Performance Work Systems. Neither does Total Quality Management or Reengineering. Other supporting elements of Human Resource Management (HRM) are necessary to achieve high performance.

- **Staffing Practices (Recruitment and Selection):**

  Many High Performance Work Systems begin with highly directive recruitment and selection practices. Recruitment tends to be both board and intensive in order to get the best pool of candidates from which to choose. Then, by selecting skilled individual with the ability to learn continuously and work cooperatively, organizations are likely to make up for the time and expense they invested in selection. Talented employees "come up to speed" more quickly and take less time to develop.

- **Training And Development:**

  Like recruitment and selection, training is focused on ensuring that employees have the skill to assume greater responsibility in high-performance work environment. Emphasis on teamwork, involvement, and continuous improvement requires that employees develop a boarder understanding of work processes performed by others around them rather then rely on just knowing their own jobs. To accomplish this, organizations increasingly use **cross training**, that is, the training of employees in jobs in areas closely related to their own.

- **Compensation:**

  High Performance Work Systems experiment with different combinations of performance related compensation, such as profit sharing, gain sharing, Employee Stock Ownership Plans (ESOPs) and team-based rewards. They also make use of skill based plans to encourage continuous skill acquisition and improvement.

2.3.3 Management Process and Leadership:

Leadership issue arises at several levels with the High Performance Work Systems. At the executive level there needs to be clear support for a high performance work environment, for the changes in culture that makes company

this environment, and for the modification of business processes necessary to support the change. With fewer layers of management and a focus on team-based organization, the role of manager and supervisors is substantially different in an environment of High Performance Work Systems. Manager and supervisors are seen more as coaches, facilitators and integrators, of team efforts. Rather than autocratically imposing their demands on employees and closely watching to make certain that the worker comply, managers in high performance work system share responsibility for decision making with employees. Typically, the term "manager" is replaced by the term "team leader".

2.3.4 Supportive Information Technology:

Communication and information technologies are yet another segment that has to be added to the framework of High Performance Work Systems. Technologies of various kinds create an infrastructure for communicating and sharing information vital to business performance.

2.4 Implementing High Performance Work Systems:

As reported by the American Society for Training and Development (ASTD), the critical factors for successfully implementing High Performance Work Systems include:

2.4.1 Building a Business Case for Change:

Change can be threatening to anyone used to the status quo (or benefiting from it). To get initial commitment to High Performance Work Systems, managers have to build the case for why the changes are needed for the success of the organization.

2.4.2 Establishing a Communications Plan:

For High Performance Work Systems, top down communication is not enough. The organization must implement two-way communications that ensure adequate feedback and shared information.

2.4.3 Involving the Union:

Autocratic styles of management and confrontational approaches to labor-management relations will kill any chance for implementing High Performance Work Systems. Management must build, include, and involve the union in the new mission in an atmosphere of trust and respect.

- **Cultivate Mutual Gain:**

  Labor relations must be built on a true "win-win" scenario.

- **Establish Formal Commitment:**

  Management and labor must concretize their commitment to a High Performance Work Systems with written, signed statements of principles, expected outcomes, goals and objectives, and declarations of operating philosophy.

- **Foster Support of Other Key Constituents:**

  All key stakeholders have to be brought on board, not just union labor.

- **Adhere to Procedures:**

  Once processes, agreements, and ground rules are established, they are vital to the integrity of the relationship. Nothing builds credibility like keeping one's word and taking the observable actions that demonstrate it.

2.4.4 Navigating the Transition to High Performance Work Systems:

Building commitment to High Performance Work Systems is an ongoing activity. Perhaps in fact it is never fully completed. And like any other change activity, performance frequently falters as implementation gets underway. One of the reasons for this is that pieces of the system are changed incrementally rather than as a total program.

- **Build a Transition Structure:**

  The transition to High Performance Work Systems requires a timetable and process for mapping key business processes, redesigning work, and training employees.

- **Incorporate the HR Function as a Valuable partner:**

  One of the mistakes that organizations can make in implementing High Performance Work Systems is allocating too few resources to the effort. This means money, off course, but it also means time and expertise. Although line mangers typically own the responsibility for implementation, HR mangers can be invaluable partners in managing change.

2.4.5 Evaluating the Success of the System:

Once High Performance Work Systems are in place, they need to be monitored and evaluated overtime. There are several aspects of the review process that should be addressed:

- There should be a process audit to determine weather the system has been implemented as it was designed and weather the principles of High Performance Work Systems are being reinforced.

- Second the evaluation process should focus on the goal of High Performance Work Systems. To determine if the program is succeeding, managers should look at such issues as:

  o Are desired behaviors being exhibited on the job?

  o Are quality, productivity, flexibility, and customer service objectives being met?

  o Are quality-of-life goals being achieved for employees?

  o Is the organization more competitive than in the past?

- Finally High Performance Work Systems should be periodically evaluated in terms of new organizational priorities and initiatives. Since High Performance Work Systems are built on key business processes that deliver value to customers, as these processes and customer relationships change so too should the work system. The advantage of High Performance Work Systems is that they are flexible and, therefore, more easily adapted. When change occurs, it should be guided by a clear understanding of the business needs and exhibit a close vertical fit to strategy.

2.5 Ensuring Fit:

Needless to say, High Performance Work Systems don't just create themselves. Careful planning helps to make certain that the pieces fit together and are linked with the overall strategic goals of the organization. Key horizontal and vertical linkages include:

2.5.1 Horizontal fit:

Horizontal fit occurs when all the internal elements of the work system complement and reinforce one another. Because all pieces are interdependent (changes in one component affect all other components), horizontal fit means testing to make sure that all the HR practices, work designs, management processes, and technologies integrate and complement one another.

2.5.2 Vertical Fit:

To achieve vertical fit, High Performance Work Systems must support the organization's goals and strategies. This begins with an analysis and discussion of competitive challenges, organizational values, and concerns of employees. It ends (of course, in a process system, nothing really ends; results are inputs into the continuing cycle) in a statement of the strategies being pursued by the organization.

2.6 Practical Importance of Implementing High Performance Work Systems:

There are a wide variety of outcomes that organizations achieve from High Performance Work Systems (HPWS). The importance of HPWS is as follows:

2.6.1 Employee Outcomes and Quality of Work Life:

There are a myriad of potential benefits of HPWS. Because when:

- Employees are more involved in their work, they are likely to be more satisfied and find that their need for growth is more fully met.

- Employees are more informed and empowered, they are likely to feel that they have a fuller role to play in the organization and that their opinion and expertise are valued more.

- This of course underlies greater commitment. With higher skills and greater potential for contribution, they are likely to have more job security.

2.6.2 Competencies for Competitive Advantage:

High Performance Work Systems can help to create the sustainable competitive advantages an organization needs to survive and succeed. As the work force of successful companies continues to be better educated and committed to life long learning, High Performance Work Systems help organization to create competitive advantage through developing competencies in their employees that are:

- **Valuable:**
  High Performance Work Systems increase value by establishing ways to increase efficiency, decrease costs, improve processes, and provide something unique to customers. The work force of the

organization that masters these competencies differentiates itself from competitors.

- **Rare:**

  High Performance Work Systems help organizations to develop and harness skills, knowledge, and abilities that are not equally available to all organizations whose people cannot benefit from the growth opportunities of High Performance Work Systems.

- **Difficult to Imitate:**

  High Performance Work Systems are designed around people oriented team processes and capabilities that cannot be transported, duplicated, or copied by rival firms.

- **Organized:**

  High Performance Work Systems combine the talents of employees and rapidly deploy the new assignments with maximum flexibility.

2.6.3 Culture Created by the HPWS:

One of the key impacts of the HPWS on the culture of the organizations was felt in the focus on business strategy. HPWS made the firm/unit very focused on the business strategy. Further, the HPWS initiative led to a remarkable increase in ideas by encouraging innovation, in addition to using systems-based work designs that encouraged employees to go beyond job duties/expectations. In addition, the initiative is credited with promoting cooperation to a remarkable degree, and producing leader behaviors that are focused on business and employee needs. Overall, organizations reported that the HPWS initiative helped to significantly change the value system of the organization/unit in a much more positive direction.

2.6.4 Human Resource Practices:

Since one of the keys of a successful HPWS is the optimal and proper utilization human resources. HPWS initiative resulted in creating a system whereby internal

and external customer system is rewarded. This is an important finding, given the importance placed on customer orientation as a force behind the initiative. In addition, team-based rewards are now used in firms, to a large extent. Given the increasing importance paid to teams in the "new" organizational reality, this is a timely and useful result of the HPWS effort.

2.6.5 Overall Impact of HPWS:

The most significant finding was the significant improvement in the competitive advantage position of the organization/unit subsequent to the implementation of the HPWS. In terms of the overall impact of HPWS on the organization/unit, several key findings are reported.

- First and foremost, firms reported that HPWS had a significant impact on the financial performance of the organization. Thus, as expected, HPWSs did successfully impact the bottom-line in a positive direction.

- Next, the HPWS effort caused a positive culture change in the organization. The speed at which work is done increased, while the quality of product also significantly improved. Employees reported significantly higher levels of job satisfaction, and communication processes within the organization improved markedly.

- Finally, HPWS positively influenced the way work is designed within the organization/unit, often reflected in the move from a hierarchical structure to a flatter organization.

CHAPTER 3: FINDINGS

TOBACCO INDUSTRY AT A GLANCE

3.1   Cigarette Manufacturers:

There are about 24 cigarette-manufacturing factories of 15 tobacco companies in the country. Pakistan produces both national and international brands, which are popular in Afghanistan, Gulf Countries and Central Asian Republics. The production of cigarettes in year 2002 was 63.4 billion pieces, whereas the capacity utilization of the factories is upto 126 billion pieces. Therefore, sufficient surplus stocks of cigarettes of various brands can be produced, provided export markets are available.

Cigarette manufacturing in Pakistan is a duopoly, in that, two firms; Pakistan Tobacco Company Limited (PTC) and Lakson Tobacco Company Limited (LTC) dominate the market for cigarettes, which bear duty and other indirect taxes. Many other small manufacturers exist independently. The manufacture of Bidi and the alternative tobacco products on the other hand is organized on cottage industry basis. As such, it is an activity that is low value added and very labor intensive. In the latter sectors, production is spread between many small businesses.

The manufactured cigarettes dominate the market, an activity that is high value added and highly capital intensive. The non-cigarette tobacco products, such as Huqqa, Naswar and Bidi have very little mechanization in their production. A distinguishing feature of the production is the absence of cigar production in Pakistan; a small amount of cigars is imported.

The calculations are set out in Tables 3.1 and 3.2. The information on domestically manufactured cigarettes in Table 1 is based on the data provided by the Pakistan Tobacco Board, an official body that compiles all data concerning tobacco and cigarettes provided by various government agencies and the tobacco trade.

Table 3.1:   Domestic Consumption (Sticks and Leaf Equivalent), 2000

Domestic Consumption	Sticks (billion)	Leaf Equivalent (Tonnes)
Domestically Manufactured Cigarettes	51.08	47,512*
Tax Evaded Domestic Cigarette Production (Estimated)	4.57	42,54*
Imports (Recorded)	0.0045	4.0
Unrecorded/smuggled (Estimated)	1.09	1,019*
Huqqa and Chilum (Hubble-bubble)		21,800**
Naswar (Snuff)		11,600**
Bidi		1,900**
Residual		16,000
Total		**104,089**
*. For cigarettes the working assumption is that one billion sticks contain 930 tones of tobacco leaf		
**. Information gathered from consumer surveys		

Table 3.2:   Leaf Available for Domestic Consumption

Description	Tonnes
Domestic Leaf Production	104,089
Less Cigarette and Leaf Exports (leaf equivalent)	2,300
Plus Cigarettes and Leaf Imports (leaf equivalent)	2,800
Net Tobacco Leaf (available for domestic consumption)	**104,589**

Nearly 104,089 tonnes of leaves were produced in Pakistan in 2000. Only 49.7 % of this went into the production of cigarettes. The remainder supplies an input into the production of alternative tobacco products, which do not bear tax. In comparison to similar countries, the output of Bidi in Pakistan is low (about 1.8 % of all leaf).

In Pakistan two transnational companies British American Tobacco (BAT) and Philip Morris Industries (PMI) hold 80 % of the cigarette market. About 24 companies manufacture cigarettes in Pakistan.

BAT holds 94 % shares in the Pakistan Tobacco Company (PTC), while PMI has a 30 % share in Lakson Tobacco Company (LTC).

3.1.1 British American Tobacco Company:

British American Tobacco (BAT) is the world's most international tobacco group and the second largest stock market listed tobacco group by global market share. In 2002, it sold 777 billion cigarettes representing a global market share of 14.6 percent. BAT holds strong market position around the world and has leadership in over 50 markets.

BAT is an industry leader in supporting tobacco leaf production, providing direct agronomy support to farmers through 23 leaf growing program in 22 countries, producing approximately 550 million tons of leaf annually. BAT has 83 factories in 66 countries and its companies, including associated companies, employ over 85,000 people around the world. With over 300 brands in portfolio, it makes the cigarette chosen by almost one in seven of the world's 1 billion adult smokers.

For more than 100 years, British American Tobacco has been building an international reputation for producing high quality tobacco products to meet the diverse preferences of consumers. Leading edge manufacturing, focus on quality and excellence distribution capabilities enables BAT consistently to deliver premium products in the 180 markets where it does business.

British American Tobacco ranks among the world's leading global consumer goods companies and has been a driving force in the tobacco industry for 100 years. Most factories are equipped with state-of-the-art cigarette making and packing machinery capable of automated production at a rate of up to **15,000 cigarettes per minute and 750 packs per minute** on a single machine complex.

The strategic drivers for manufacturing are to fully meet demand by delivering the required quality at the lowest overall supply chain cost. This is achieved through setting-up world-class standards and best practices in terms of product quality, cost and availability and to continuously improve upon their attainment throughout manufacturing organization.

3.2. Importance of the Industry:

The tobacco industry of Pakistan makes a significant contribution to all sectors of the economy, from farming through manufacturing to retailing. The industry is also a major purchaser of supplies from other industries. Tobacco is the only crop grown in Pakistan whose yield is well above the world average and rank along side the US and other developed countries in terms of yield per hectare.

3.2.1 Impact on Employment:

The industry employs over 1 million people including distribution, retailing growing and manufacturing.

3.2.2 Contribution to Government Revenue:

The industry is the single largest contributor to excise duty. It contributes Rs.22 billion in Excise and Sales Tax, which translates to about 25% of total excise revenue collected in the country (Table 3.3). Taxation raised from tobacco industry's activities is nearly enough to finance the **country's federal budget** on social and community services. Manufactured cigarettes are high value added products and 60 % of retail price is accounted for by tax. By world standards, Pakistan applies a very high tax regime.

Table 3.3:   Major Contributors of Revenue

Tobacco	Cement	Cotton Yarn	Sugar	Others
24.8%	3%	0.4%	1.4%	70.4%

3.2.3 Contribution to GDP:

The Industry contribution to GDP is about Rs.28 billion which is 4.4% of the total GDP of Pakistan.

3.3 Market Shares of different companies:

PTC holds approx 38 percent of the market, while LTC has a market share of 42 percent. Local companies such as Sarhad Cigarette Industries, Khyber Tobacco Company,

Souvenir Tobacco Company Limited and Salem Cigarette hold the rest of the market, Whereas, PTC leads in value share with 48 percent followed by LTC with 37 percent (Table 3.4). About 51 percent of the total tobacco production is used for cigarettes and the remainder is used for traditional tobacco products as shown in Table 3.5.

Table3.4:   Shares by Company

COMPANY	VOLUME %	VALUE %
PTC	38 %	48 %
LTC	42 %	37 %
OTHERS	20 %	15 %

Table 3.5:   Tobacco Usage

Cigarette	Huqqa	Sunff	Bidi	Residual
51 %	21 %	11 %	2 %	15 %

3.4   Current Issues:

3.4.1   Local Vs Foreign:

The local tobacco industry is worried about its very survival, now that legally imported foreign cigarettes have entered the market. The locals claim that the high rate of taxes imposed by the government will make it difficult to sell. It is said that once the market opens for foreign brands, the whole market will soon be flooded with foreign varieties making it difficult for the local brands to survive due to what they call 'differences between the tax structure' of the two.

3.4.2   Marketing Problems:

Under-pricing and excessive sales promotion programs are said to be some of the major problems of the industry. While the domestic industry indulges in what is known as under-pricing by selling cheaper than those of their rivals in the same category, the manufacturers are said to be involved in excessive advertisement and other promotion programs. The industry is known to be the largest spender on publicity worldwide.

PAKISTAN TOBACCO COMPANY (PTC)

3.5 PTC's Contribution:

PTC is one of the largest revenue generators in the country, paying more taxes than the entire textile sector, which is the largest industrial sector in the country. In 2002 alone, PTC paid the government over **Rs. 12.97 billion** in taxes. This amounts to over **Rs. 4 crores per working day**. Over 300,000 people are directly or indirectly linked for their livelihood with the company and its business.

3.6 PTC's Vision:

PTC's Vision is to become the preferred choice for everyone and achieve recognized market leadership through sustainable world-class performance in all aspects of the business.

3.7 Brands of PTC:

PTC is manufacturing high quality cigarette brands, which are enjoyed by millions of adult smokers. PTC's portfolio of brands includes a range of brands for different consumer preferences. Over the years the company has produced brands, which have reached a classic status. PTC has been meeting consumer expectations consistently for the past 54 years with popular international brands like:

1. Benson & Hedges

2. John Players Gold Leaf

3. Wills

4. Gold Flake

5. Capstan

6. Embassy

PTC has also been a forerunner in establishing scientific methods of research to focus on the changing consumer needs. PTC was the first to introduce filter cigarettes in 1955. PTC is always mindful that it is in a business of serving its customers & consumers;

therefore the company continuously seeks to improve its products and services to deliver world-class quality standards.

3.8   Corporate Profile:

3.8.1 PTC History:

- First multi national company in Pakistan

- 1948-established Karachi factory

- 1948-commenced pioneering of Virginia cultivation

- 1952-installed the re-dying plant at Akora Khattak factory, which also became the leaf Headquarters.

- 1955-second factory at Jhelum

- 1976-a third factory alongside the GLT at Akora Khattak

- 1991-closed Karachi factory

- Head office shifted to Islamabad

3.8.2 Important Figures:

- Total Cig. Market/Annum 63.41 Billion Sticks (2002)

- PTC Capacity 27 Billion

- PTC Market Share 38 %

- PTC Value Share 48 %

3.8.3 PTC Manpower:

- Managers   207

- BSOs   344 + 51(on Contract)

- Workers   1531

- Grand Total   2133

3.8.4 Head Office:

Company Head Office is located at Evacuate Centre, Agha Khan Road Islamabad.

3.8.5 Distribution Network:

- Regions: 05
- Areas: 19
- Warehouses: 12
- Distributors: 398
- Wholesalers: 7000

3.8.6 Jhelum Factory:

The factory was established in 1955 and is located approximately 100 km from Islamabad towards south on Grand Trunk road leading to Lahore, John Player Gold Leaf, Capstan International, Wills Kings and Gold Flake are the main brands manufactured here.

3.8.7 Akora Factory:

Akora factory was established in 1976 approximately 100 km from Islamabad towards north on grand trunk road leading towards Peshawar. Main brands are Captain, Embassy and Gold Flake. Its capacity is 14 billion sticks per annum.

3.8.8 Green Leaf Treatment (GLT):

GLT is also located with the premises of Akora Factory; initially a leaf re-drying plant was established in 1952, which was upgraded to proper GLT in 1962. It is double line/5 stages each plant with a total capacity of processing of green leaf 12000 kg/hr.

3.9   PTC's Export:

Pakistan is now 8th largest producer to Flue Cured Virginia with much brighter scope for development in quality and acceptability by export markets. Pakistan Tobacco Company

has recently entered the highly competitive International Tobacco Export market, which is directly contributing towards the foreign exchange earnings for the government and is bringing about new challenges in the quest for tobacco styles that meet international customer requirements.

3.10 Financial Performance:

The following summary of key financial highlights a clear reflection of financial performance.

3.10.1 Operating Highlights:

Financial Indicators	2002 (Rs in Millions)	2001 (Rs in Millions)	Increase
Gross Profit	2,505	1,983	26%
Operating Profit	952	643	48%
Profit Before Tax	730	352	107%
Profit after Tax	420	354	19%

3.10.2 Appropriation of Profit:

	2002 (Rs. 000s)	2001 (Rs. 000s)
Operating profit	952,062	643,320
Profit after tax	420,303	353,704
Accumulated profit/(loss) B/F	16,657	(337,047)
Profit Available for Appropriation	**436,960**	**16,657**
Interim Dividend @ 8%	**204,395**	**---**
Un-appropriated profit carried forward	**232,565**	**16,657**

Government Levies vs Net Profits
(Rs million)

	97	98	99	0	1	2
Government Levies	8180	9430	10038	10335	12848	12977
Net Profit	-268	-308	-136	-884	354	420

- Government Levies
- Net Profit

Earning Per Share (Rs)

97	98	99	0	1	2
-8.39	-9.66	-4.25	-17.49	1.38	1.65
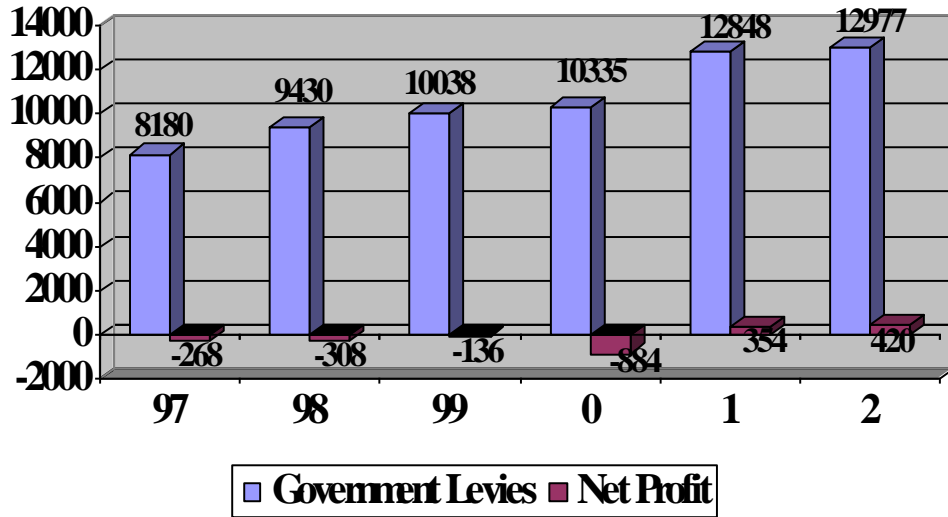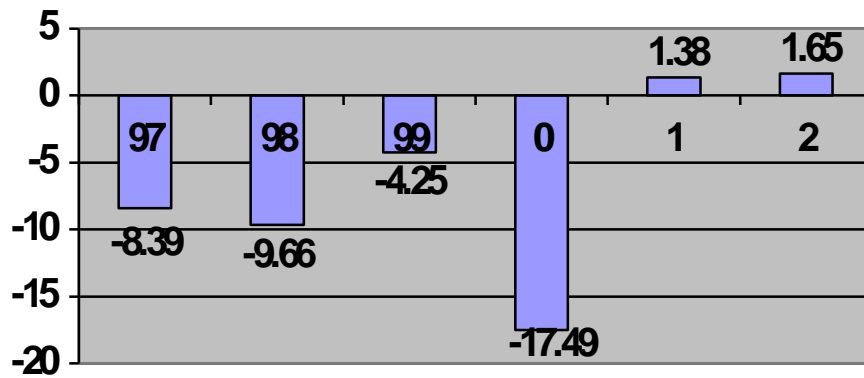
IMPLEMENTING HPWS AT PTC

3.11 Building a Case for Change:

3.11.1 Factors Leading to Anticipated Change:

Following are some of the salient aspects, which resulted into anticipated change in PTC:

- **Heavy Losses:**

  In the mid 1990's the revenue of the company suddenly dropped to an alarming level. The company consistently reported loss for the past several years. The situation at factories both at Jehlum and Akora Khattak worsened. Production target were not met and there was no end to the conflicts between the management and the union. Despite the consistent efforts of the management, the situation continued to deteriorate and the company remained at loss.

- **Loss of Market Share:**

  Due to the heavy losses the same not only resulted in the loss of production rather the company lost the competitive market and their market share was dropped down like a stone from the sky.

3.11.2 NMC Survey 1997:

These two factors (heavy losses and loss of market share) made the people concerned in the organization to sit down and find out the reasons for such heavy losses and evolve a strategy whereby these two factors could be well taken and putting the organization on to the path of prosperity. In 1997, top management decided to carry out a survey by a third party to neutrally understand and analyze the true causes of this undesirable situation. For this purpose **"National Management Consultants (NMC)"**, *(an independent management consultancy firm)* were contacted and were given the project to carry out the survey of the

production facilities and the corporate offices and give their observations and recommendations.

3.11.3 Mechanics For The Survey:

Mechanics used for survey included collection of feedback forms, individual interviews, focus groups, questionnaires and group discussions. Internal samples of 252 employees were collected including the management, BSO (business support officers) and floor workers whereas, sample of external customers consisted of 502 leaf growers, 27 suppliers and 204 customers.

3.11.4 Highlights of the Survey:

NMC after in-depth research and analysis submitted a detailed report to the top management. The highlights of this reports are summarizes as under.

❖ **Internal View:**

- **Low Morale.** Due to multifarious command factors, the morale of the working class is very low. Resultantly, the production of the company is low as well and the company is suffering heavy losses.

- **Executive Committee Board (ECB) is the GOD.** A typical bureaucratic approach is in vogue; the human element is all together missing in day-to-day dealing. ECB consider itself as Godfather. There is no respect for the working class and is considered to be the slave who has to work under all circumstances. The workers welfare is not considered at any level.

- **Senior Managers/managers were Half – Gods.** Considered to be buffer between working class and the higher echelon, the attitude of managers / senior manager is also no different than the ECB. They also consider

themselves as special creed and feel that workers are like slaves, who neither have any value nor any emotions.

- **Information was power.** The working class is kept ignorant of any happening in the company, both for their personal welfare and progression of the organization as a whole. Their opinion is neither asked nor are they consulted in any decision-making aspects.

- **Bureaucratic & Hierarchical Barriers.** Though self-explanatory, but the hierarchical barriers are so tough that it is beyond normal worker to seek justice for his grievances.

- **Cumbersome Procedures.** The procedures are so cumbersome that even if some worker has to take a day's leave he has to apply in well advance and in case of emergency leave is out of question.

- **101 Ways to Kill an Idea.** The novel ideas from the workers are never well received by the higher echelon, rather they are discouraged for sharing their ideas. At times workers novel ideas are discouraged to the extent that they are snubbed in public/ working place on a plea that he/ she is un-necessary wasting time.

- **Tense Union Management Relations – Environment of Mistrust.** Sequel to the above factors, wherein working class is treated as slaves the relations between union and management is no different as well. The element of mistrust between these two pillars of the company is deep rooted. The management never entertains the union's demand / request and on the other hand union never believes management in matters pertaining to their welfare.

- **Us & They Culture.** All the above factors has resulted 'Us and They' culture, wherein the management cadre never mix up with the working class.

- **Yes – Sir Culture.** The initiative of the workers is at the lowest ebb and atmosphere of a paranoid behavior prevails. The working class has no courage to clarify or argue for any clarification to the instructions passed. The only thing they know is 'YES SIR' irrespective of the repercussions both on personal affairs of the workers and the organization as a whole.

- **Lack of Empowerment.** Employees are responsible for many things, but are not empowered to take decision.

❖ **External View:**

- Company is inwardly focused and there is a lack of attention to the requirements of the customer.

- PTC is selfish. It is least concerned about our profitability.

- PTC staff operates like government officers

- The quality of brands has deteriorated in recent years

- Delivery lead times are long and unreliable

3.11.5 NMC Recommendations:

The NMC suggested a major restructuring plan including a radical change, or else close down the business. According to NMC, "it was not viable to continue operations under such circumstances".

3.11.6 Top Management's Response to the Survey:

The results of the survey really served as an eye opener for the top management of PTC. The top management became fully committed to reverse the situation and turn PTC into a profitable company.

3.11.7 Decision to Implement the Restructuring Plan:

After several meetings and consultancy sessions, the management at PTC reached a comprehensive restructuring plan affecting all aspects of business. The major part of the plan was to introduce a culture of commitment, sincere hardwork, dedication and initiative. It also involved a downsizing plan, affecting almost 1,200 people (around one third of the total workforce) and turning the rest of the workforce into more efficient and effective part of the business.

3.11.8 Budget and Time Frame for the Plan:

The initial budget of Rs. 770 million was approved for this entire exercise and year 1999 was set as the target date to review the results. The target was set to turn PTC into the position where it reports profit by the year 1999, through the mutual effort of all the employees and management.

3.12 Establishing a Communication Plan:

3.12.1 Open and Honest Communication:

PTC in collaboration with the BAT worldwide has committed itself to good internal communication and moved to an open and transparent approach, while respecting business confidentiality. Its aim is to provide regular, reliable and relevant business and industry-related information, through a wide range of internal communication channels to allow access for all employees. Considerable emphasis is now placed on encouraging and enabling managers to explain business strategy, performance and company positions on 'hot topics' and employee feedback is strongly encouraged. It actively encourages and promotes the free flow of ideas and information. The company has invested in many communication tools enabling a smooth and fast two-way flow, including:

- ❖ A global *Bulletin Board* on which any employee can publish news and information.

- ❖ A global intranet, '*interact'*.

❖ Employee newsletters widely published at BAT Group Companies and Group Headquarters.

❖ *Real Progress for the Real World,* a communications program for employees explaining company position on smoking, health and other key topic.

❖ *Business Connection,* a regular cascade of business briefings and videos for managers globally to use with local staff in interactive meetings.

❖ *Open Forums* and team talks with the concept of lets decide our destiny together. These consist of following:

- Inviting employees to give inputs on Vision and Values.

- Project radical (downsizing plan)-transparent and fair criteria.

- Open forums, Thermometer Sessions.

- Quality improvement related meetings at factories

- Winning in our World (WOW) play shops.

- In house magazines- Pak Tobacco, Karwaan, Justajo etc.

- Lotus Notes and Bulletin Boards to share the achievements

- Multi media screens on the factory floor to show the real time performance of a team and best performing team

3.12.2 First Time -Setting Trends in Employee Communication:

Following trends were set for the first time by the top management of the company.

❖ Sharing company's strategic direction on 1st April each year, gathering all managers and key union officials.

- ❖ Open letter to all managers and Business Support Officers (BSOs). explaining the critical need for restructuring.

- ❖ Communication Day on 27th January each year. Inviting all managers, union officials and distributors.

- ❖ Company plan is given to all participants.

- ❖ Weekly business flash report to all.

- ❖ Functional Conference involving BSO's – production, GLT etc.

All these radical steps to improve and flourish honest communication were unimaginable in the pre 1997 scenario.

3.13 Involving the Union:

Before 1997, Worker Union and the Management was pole apart. As a result of the NMC suggestion for a major restructuring plan including a radical change, or else close down the business, the management decided to involve the union as an important strategic business partner. The aim was to inculcate "one team sprit" so that ordinary people are willing to give extra ordinary in High Performance Work Systems.

3.13.1 Cultivating Mutual Gains:

- ❖ Cultivating mutual gains was one of the most important factors for inculcating one team spirit. Management involved union members in decision making because of which, it was able to build mutual trust and respect with the union. Furthermore, following steps were undertaken for cultivating mutual gains.

  - Education

  - Exposure

  - Visit to other countries to learn best practices

  - Respect

- Recognition

- Trust

❖ The above steps created a realization that implementing High Performance Work Systems will benefit everyone; the company will be more competitive, employees will have a higher quality of work life, and union will have a stronger role in representing employees.

3.13.2 Establishing Formal Commitment:

Before 2000, Biennial Agreement used to be one real issue. Pressure tactics from both the sides was used and go-slow approach was adopted. Sides used to threat each other, heavy losses to production were incurred and the negotiations used to continue for months.

PTC management through one-team approach based on openness, honesty & trust has been able to establish formal commitment. In 2001, the HR Team at Jehlum Factory concluded the agreement in the record 40 days in a cordial and amicable manner. And not a single stick of cigarette was lost during the process. During these meetings new terms and conditions are negotiated and pay raise also given to the workers. Now across the board, all the pay raises and promotions have been effectively linked with the performance-based criteria. This has resulted in the smooth operations of factories even during the negotiations, and pay raise is now not a conflicting issue. Now everybody knows clearly what he deserves and what he does not. Moreover, now management and union work hand in hand are committed to 'One Team spirit".

3.13.3 Fostering Support of Other Key Constituents:

PTC, formally transferred accountability for labor relations to it plant managers through its collective bargaining agreement with the union. Line managers are now the member of Employee Relation Council, which is responsible for local bargaining as well as grievance hearing that would formerly have been mediated by HR. Apart from the commitment that these changes create, perhaps the most

important reason for giving line managers responsibility for employee relations is that it helps them establish a direct working relationship with union.

3.13.4 Adhering to Procedures:

Once processes, agreements, and ground rules are established, they are vital to the integrity of the relationship. Nothing builds credibility like keeping one's word and taking the observable actions that demonstrate it. The PTC committed itself to following:

- ♦ **VR1 (We are one) - Breaking the Barriers:**
  - 1 Spirit - 1st to Serve.
  - 1 Working environment.
  - 1 Canteen.
  - 1 Toilet.
  - 1 Uniform.
  - 1 Parking Place.
  - 1 Training Policy for all.
  - 1 Club/ Guest House.
  - 1 Family get together for all.

- ♦ **Following Practices & Procedures further reduced barriers:**
  - Open sessions.
  - Open office layouts.
  - Representation from employees at all forums.
  - Air conditioners for all.
  - New Management Guideline reduced to 13pages from 315 pages.
  - No Red' bulbs.

3.14 Navigating the Transition to High Performance Work Systems:

Building commitment to High Performance Work Systems is an ongoing activity. Perhaps in fact it is never fully completed. And like any other change activity, performance frequently falters as implementation gets underway. One of the reasons for this is that pieces of the system are changed incrementally rather than as a total program. In order to negotiate transition to High Performance Work Systems PTC undertook following programs and initiatives.

3.14.1 Best 2000 (1997 – 1999):

Best 2000 was the first in the series of programs launched by PTC. The salient features of the subject program are highlighted as under:

❖ **NMC Survey (1997):**

This survey was carried out in 1997. The main purpose of the survey was to check the pulse not only of the customers but also of the internal echelons of the company. Since this survey was planned to diagnose the main problems, hence the improvement made over this survey was based on internal and external view. The internal view desired that emphasis should be paid on customer satisfaction, team work should be planned, due importance be given to employees development, the behavior of the top team be modified, an appropriate communication system be evolved that is to say top down communication system and finally there should be a clarity in company as well as departmental goals. Whereas the external view revolved around product availability, executing customers' order, commercial and administrative functions, contribution to the profitability of distributors and finally the quality consciousness. Based on the survey conducted in 1997, and the input received from both internal and external views, following activities were carried out:

- **Mission & Values.** Mission & values of Pakistan Tobacco were set for the company as guidance.

- **Training.** Various training programs for about 3200 employees/ customers and suppliers were planned.

- **Improvement Systems.** Various improvement programs were also planned. Few of them are Quick Win Projects (QWPs), Opportunity For Improvements (OFIs), Customer Suppliers Agreements (CSAs), Processes and Benefit Tracking.

- **PTC Corporate & Departmental Dashboards.**

- **Thermometer sessions.**

- **Leadership Behaviors & Reverse Appraisal.** Appropriate measures were undertaken to introduce these two important features in the development of working class, the management and in turn in the company as a whole.

- **Improve Key Role Profiles.** Efforts were made to improve the key role profiles in the company as a whole.

❖ **The Ultimate of Best 2000:**

Some of the pros and cons of the BEST 2000 are highlighted as under:

- **Good**:
  - BEST training cascaded to all employees and key customers.
  - Involvement of union officials as facilitators
  - Training inputs for BSOs.
  - Regular thermometer sessions.
  - Dashboards for better communication.
  - Cross-functional interaction.

- o   Improvement projects – OFIs, Major Improvement Plans (MIPs).

- **Not so Good:**

   - o   Different perceptions about objectives of BEST 2000.

   - o   People ignored the emphasis on Continuous Improvement.

   - o   Lack of "Living the Values" – modeling vs. preaching.

   - o   Not across the organization.

   - o   Commitment was not consistent.

   - o   Not linked to the business right away.

❖ **Linking BEST with Business:**

In 1999, Major Improvement Plans (MIPs), Strategy and Company Planning Workshops were carried out to link Best 2000 with the business.

❖ **Year 1999:**

The efforts made since 1997 ultimately provided a way to PTC to re-plan in totality, however, in 2nd half 1999, significant increase in price of various brands led to around 30% volume loss. This big disaster though came very heavy on the company, nonetheless the competition picked up volumes. The result of this event was that machines were shut down, the confidence of people was shattered, ECB and top level strategies lost credibility and finally the morale and confidence of the people were badly affected. However, NMC Survey was again conducted in 1999, which appreciated following Improvements:

- **Internal View:**

- o Customer satisfaction

- o Teamwork

- o Employee development

- o Top team behavior

- o Top down communication

- o Clarity of the company departmental goals

- **External View:**

  - o Product availability

  - o Executing customer orders

  - o Commercial and administrative functions

  - o Contribution to the profitability of distributors

  - o Quality consciousness

3.14.2 PTC Journey:

The first major step was a meeting of all directors, managers and union officials on 1st April 2000. This was indeed a defining moment in the annals of PTC's history, as for the first time major issues were discussed openly in marathon session lasting over 16 hours. A clear understanding was reached for a radical change, and a fast turnaround in the fortunes of the company was of critical strategic importance. To turnaround the company following bold and imaginative initiatives were taken:

- **Price Repositioning of Brands** was carried out in 1st Quarter 2000.

- **Innovations.** PTC decided to launch innovated products in 2nd Quarter 2000.

- **Launch of MRP II (3rd Quarter 2000).**

- **Project Radical (3rd Quarter 2000).**

- **Launch of Vision, WOW, Bonus Scheme (1st Quarter 2001)**.

3.14.3 Launch of MRP II:

During 2000, PTC re-invented the change efforts though adopting MRP II philosophy to achieve business excellence building over what had already been achieved under Best 2000.
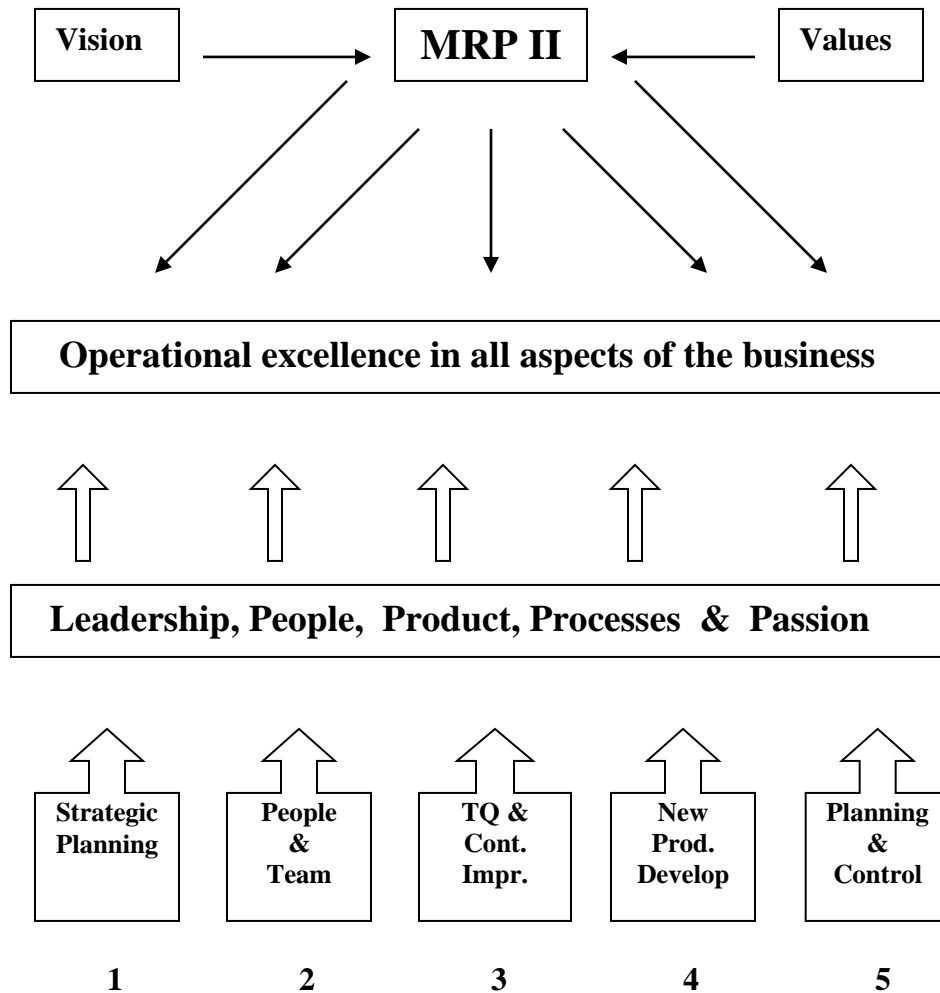
Figure 3.1:   MRP II Philosophy

- ❖   **MRP II Philosophy:**

MRP II Philosophy was based on the following five chapters:

- Strategic Planning.
- People and Team.
- Total Quality and Continuous Improvement.
- New Product Development.
- Planning and Control.

❖ **People & Team (P &T):**

Here most important Chapter 'People & Team' is discussed in detail because it played a pivotal role in navigating transition to HPWS at PTC.

❖ **People &Team Mission:**

"We will nurture a winning corporate culture that enables ordinary people to achieve the extra ordinary by performing willingly to the best of their abilities"

❖ **People & Team Composition:**

In Sep 2000, P & T group was introduced. The composition of the same was as under:

- Management, BSOs and Union.
- Cross-functional.
- Cross-location.
- Range of experience & inexperience.
- Both genders.

❖ **People & Team Focus:**

- **Winning Culture.** Break-down hierarchical and bureaucratic barriers and empower people.

- **Trust.** Achieve the goal of open and honest communication channels and nurture our relations with the internal and external business partners.

- **Teamwork.** Develop understanding of team based culture and re-enforce 'one-team' spirit throughout.

- **Employment Continuity.** Promote sense of belonging with the company and retain high performers.

- **Education and Training.** To have skilled and passionate people, continue to improve the will and skill of our people and their understanding of the overall business.

- **Work Design.** Developing culture of recognizing any good performance in the company.

- **Congruence.** Align all our efforts with company's vision and business strategies.

❖ **How this was Achieved:**

- Sharing vision, mission and values with employees and other key stakeholders.

- Ensuring that an honest and effective two-way communication process is in place.

- Providing freedom through responsibility by removing hierarchal and bureaucratic barriers.

- Encouraging people to strive for high standards in all areas of the business, so they perform with speed, flexibility and enterprising spirit.

- Helping people to understand and expand their job role through education, training and development.

- Inspiring teamwork so that people, collectively can achieve more than they could on their own.

- Encouraging people to explore the unobvious.

- Encouraging an experiment friendly culture where mistakes in pursuit of excellence are taken as opportunity for learning.

- Supporting the fun loving culture.

- Recognizing good performance and right behavior to encourage people to give in their best.

- Driving an open-minded and enterprising corporate culture where people through leadership at all levels can:

  o Dare to dream

  o Can dare to try

  o Dare to fail

  o Dare to succeed

3.14.4 Project Radical:

In April 2000, it was realized that PTC is boxed, complacent, slow, costly and crowded. There was a fear that it will have the fate that of Titanic. PTC set out for an ambitious restructuring plan involving a major downsizing plan to cut the costs. The restructuring took place during the course of 2000 at the cost of $ 12 million (Rs.770 million), affecting 1246 employees - - which is around one third of the PTC's total workforce. The benefits of this restructuring are coming through already, not only in cost saving but also in most effective and efficient workforce.

An extremely pleasing aspect of the entire exercise was the manner in which the restructuring took place. Due to the combined efforts of all the people and union officials, members of the staff affected, were able to leave the company in a most dignified and humane manner. Major highlights of this restructuring are as follows:

Area	January 2000	April 2001	Reduction
AKF	1240	845	395
JF	910	592	318
GLT	325	141	184
Leaf	428	79	349
Total	**2903**	**1657**	**1246**

Manning level Percentage   : 57.08 %

Reduction Percentage   : 42.92 %

Machine Crew Reduction

Offline Jobs Outsourced

Note: Downsizing figure of PTC Headquarters is not included in the above table.

❖ **Key Success Factors:**

- Thorough planning (incl. time & motion study)

- Cross-functional Team

- Excellent demonstration of teamwork

- Effective communication

- Demonstration of fair & firm dealing

- CBA education - visit to other companies

- Taking CBA on Board - Environment of trust

❖ **PTC – Now (after Project Radical):**

- Open & Flexible

- Fast

- Cost Effective

- Continually Improving

- Right Sized

- Having Fun

3.14.5 Launch of Vision:

Strategic Pyramid is attached as **Annex 'A'**.

❖ **Vision.** *"NO. I, first choice for everyone".*

❖ **Mission**. To perform with the speed, flexibility and enterprising spirit, of an innovative, consumers focused company.

❖ **Objectives:**

- Regain volume and value leadership by positioning viable brands in all consumer – relevant segments.

- Drive world class standards in products, processes & services, through passionate skilled and confident people.

- Strive to meet stakeholders' expectations.

❖ **Critical Success Factors:**

- **Establish a focused, segmented and differentiated brand portfolio.** This was achieved through:

  o Consumer led PTC.

  o Consumer relevance.

  o Consumer affordability.

  o Excise management.

  o Premium and Light cigarettes for adult smokers under 30 (but above 18).

- **Create a winning corporate culture with focus on Vision, Mission and Values.** For this purpose emphasis was laid on:

  o Caring leadership at all levels.

  o A shared passion for excellence.

- o   Values in Action.

- **Restructure PTC's cost base to become competitive locally and globally.** This was achieved through:

  - o   Entrepreneurial cost culture.

  - o   Right-sizing.

  - o   Leaf and wrapping material cost.

  - o   Reduce wastage.

- **Drive Customer focused operational excellence.** This was achieved through:

  - o   MRP II class 'A'.

  - o   Speed, flexibility.

  - o   Empowerment.

  - o   Complexity reduction.

  - o   Elimination of outdated rules, regulations, practices and procedures.

- ❖   **Basics.** The underline theme was to develop and strengthen:

  - Marketing and consumer understanding.

  - Product quality and innovation.

  - Excellent people and common Sense.

  - Trade marketing and distribution.

  - Reputation management.

  - Supply chain management.

3.14.6 Winning in Our World (WOW):

PTC in its change management process needed a program that could energize and align people to corporate direction as one cohesive team. PTC used WOW as an evaluation tool to gauge 'where we were' and to see 'how we are moving' on the scale in subsequent evaluation. WOW Play-shops were arranged on weekly basis. Following are its salient features:

- ❖ **Objectives.** WOW Play-shops were arranged with following objectives:

  - To sustain the winning culture.

  - To reinforce 'one-team spirit'.

  - To align the thinking and efforts of the people.

  - Sharing of Vision and Mission with all the valued business partners.

- ❖ **The Audience:**

  - **All Employees:**

    - o Managers

    - o BSOs

    - o Factory Employees

  - **Key Stakeholders:**

    - o Distributors

    - o Leaf Growers

- ❖ **Phases:**

  - **Phase I:**

    - o Selected employees (280)

    - o Key Distributors and Leaf Growers (20)

  - **Phase II:**

o   Rest of the employees (2000)

o   All distributors, suppliers and contractors

❖   **Winning in our World Vision & Values Cascade.** Attached as **Annex 'B'**.

❖   **WOW Paradigm.** Attached as **Annex 'C'**.

3.14.7 Incorporating the HR Function as a Valuable partner:

To develop an in-depth understanding of the role played by PTC's Human Resource Department in creating HPWS, one first of all has to understand the functions and practices of its HR Department. This will help us establishing a vision of how these HR practices have contributed in creating a truly dynamic culture that PTC now regards as its biggest asset and calls it, "The Winning Culture".

❖   **HR Function in Pre 1997 Scenario:**

In the pre 1997 scenario, PTC HR department was considered only as an administrative function of the company and was simply referred to as Personnel Department. Most of the time of the department was spent in resolving the day-to-day issues and the conflicts among the management and the union. It had no strategic importance and all the functions of the HR were preformed on non-scientific basis. Only administrative linkage used to prevail between the HR function and the overall strategic planning of the company. There was no concept of **Transformational Activities.**

❖   **HR Function in Post 1997 Scenario:**

One of the biggest and most effective achievements of the PTC during the post 1997 scenario is, the major transition through which PTC' HR department went through. PTC now considers its HR department as a strategic partner of the company. Reaching a two-way linkage stage, the HR function is now in it preliminary

stage of the integrative linkage. The integrative linkage is dynamic and multifaceted, rather than sequential interaction. The company has an HR Director (Mr. Zafar Taji) as their representative in the top management. Therefore, the HR function is now involved in both strategy formulation and strategy implementation. The HR department is playing a vital role in **Transformational Activities,** which has created long-term capability and adaptability of the firm. These activities include knowledge management, management development, cultural change, and strategic redirection and renewal. Obviously these Transformational Activities comprise greatest strategic value for the company.

❖ **Activities of the HR Function in Today's PTC:**

- **Transformational Activities:**
    - Knowledge management.
    - Management development.
    - Cultural change.
    - Strategic redirection and renewal.

- **Traditional Activities:**
    - Recruitment and selection.
    - Training and development.
    - Performance management and compensation.
    - Employees retention and separation.

- **Transactional Activities:**
    - Pay administration.
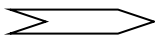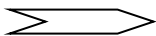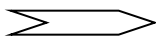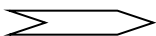   - Record keeping.
    - Employee services.

ANATOMY OF HPWS AT PTC

3.15 Workflow Design and Team Work:

3.15.1 Process Mapping:

❖ **Primary Manufacturing Department:**

Here primarily the tobacco and stem are conditioned, cut and dried separately and mixed according to the blend to be manufactured. The whole process is animated and controlled by computers. From here the tobacco is transferred to the Cut Tobacco Store through two conveyer belts.

STEM	CONDITIONING	CUTTING	DRYING	
⟫	⟫	⟫	⟫	**Mixer**
LAMINA	CONDITIONING	CURRING	DRYING	

❖ **Cut Tobacco Store:**

Once the tobacco is mixed, it is stored in different boxes marked with distant colors. The colors signify the different blends. These boxes are placed at different feeding centers by fork-lifters. From the feeding centers, the tobacco is pneumatically fed to the cigarette manufacturing machines.

❖ **Secondary Manufacturing Department:**

- **Makers.** After sucking the tobacco, the maker/makers roll the tobacco in papers to form cigarette sticks. Filters are then added completing cigarette manufacturing.

- **Packers.** In these machines cigarettes are packed in 10s and 20s. Here 10 cigarette packs are also packed to make sticks.

- **Wrappers.** Here the cigarette boxes are plastic wrapped.
- **Parceller.** Here sticks are packed together to make cartons.

MAKER	PACKER	WRAPPER	PARCELLER	CBC FILLING
>	>	>	>	>
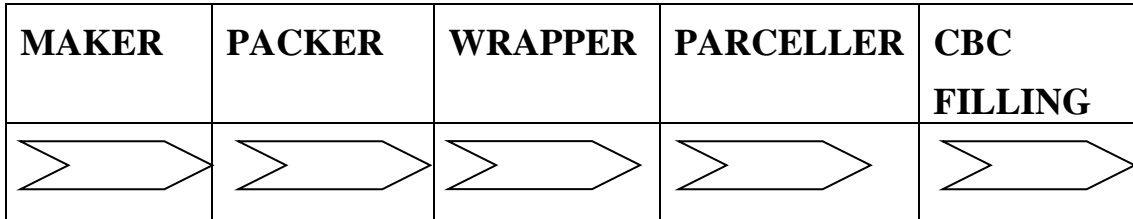
3.15.2 Module Philosophy:

Module Philosophy was the new system adopted for production and performance measurement of the floor workers. "Module philosophy was a people centered process to develop the ownership of every manufacturing link (module) and recognize the efforts in dong so through a criterion, which is transparent to every member of the team". Now rather than shifts, the crew at one machine in all the shifts acts as one module. This has helped the workers, getting rid of the shift mentality. Now they workers rely on one another for problem solving and are empowered to take decisions. They are involved at all levels and all the members of a module are involved in the efficient resource management. The celebrations are made for the best performing module with theme of **"Winning as one"**.

❖ **Drawbacks of Previous manufacturing system (Shift System):**
- To achieve high production levels, double shift operations and continuous running of machinery was done, which was harmful for the machinery in the longer run.
- Shift-wise volume was the key performance indicator.
- Poor communication used to prevail between the shifts.
- Workers were used to 8 hours mentality and were not willing to go an extra mile.
- Handing over and taking over was an issue among the shifts.

- One shift used to keep on imposing the problems/issues to other shifts and finally resulting into higher frequency of breakdowns.
- Team of the moth was based on quality only.
- Only brand wise monitoring of MQI (Manufacturing Quality Index) was possible.

❖ **Characteristics of New Module Concept:**
- Crewing is done module wise.
- Module wise Manufacturing Quality Index and Maintenance has been adopted.
- Integration of Production, Quality and waste has been done to monitor and recognize module performance.
- Sharing/recognition of performance by "Putting on the Wall" in state of the art way by installing "Data Show" on the shop floor showing in real time
  - Module performance on production, quality and waste
  - Detailed and summary screens triggered through closed loop presentation of power point
- Module board on each module also shows the following:
  - Daily and monthly trends of faults.
  - Daily and monthly trends of volume.
  - Specification sheets.
  - Module team members photographs.
  - Instructions related to safety aspects.
- This data show on the floor is also used for improving communication and other activities like training on machine cleaning procedures, safety, house keeping etc.
- Based on this system champion performers are given preferences for promotion.

- ❖ **Benefits achieved from Module System:**
  - Communication and relationships improved among the shifts.
  - The system has resulted in better responsiveness.
  - Better quality and productivity.
  - Reduction in wastage.
  - Improved machine conditions.
  - Sense of belonging and ownership is nurtured.
  - System promotes healthy competition.
  - Team based recognition of performance is achieved.
  - Identification of strong and week links is now very easy.
  - Spirit of "winning as one" has flourished.

3.15.3 Teamwork:

Teamwork is at the heart of the new culture at PTC. Following steps have been taken to encourage and promote Teamwork throughout the company at all levels.

- ❖ **Engagement And Integration:**

  "Engagement and integration" was an initiative taken by the management. Following were the objectives of this program:
  - To boost team spirit throughout the company across functional boundaries.
  - Interaction among people from different functions.
  - Understanding of process/product of other functions.
  - Appreciation on each other's achievements.

- ❖ **What was done?**
  - Cross-functional training courses were arranged.
  - Short term attachments were sent to other BAT subsidiaries to learn and share the best practices and processes.

- Cross-functional teams were assigned various projects in order to understand and learn from each other and to boost team spirit.
- Conferences and team events were arranged.
- Engagement of valued business partners through:
  - Retailers' conference
  - Distributors' conference
  - Farmers' conference
  - Growers Lobbyist Meetings
  - Engagement of government of Pakistan at highest level
  - Engaging BAT global Leadership

❖ **Module Philosophy:**

Module Philosophy as already mentioned has helped the workers, getting rid of the shift mentality. Now the workers rely on one another for problem solving and are empowered to take decisions. They are involved at all levels and all the members of a module are involved in the efficient resource management. The celebrations are made for the best performing module with theme of "Winning as one".

❖ **Innovation Teams:**

Innovation teams are cross-functional teams, fully empowered on the process of idea generation. These teams strive for congruence of departmental goals with the overall company goals (marketability and velocity). They also rely on each other for testing of ideas on initial basis, and if successful, the idea is implemented formally as a company policy.

❖ **EHS (Environment Health and Safety) Work Groups:**

These workgroups have the role to improve the EHS conditions on the work floor. Workgroups are formed on the voluntary basis and take improvement initiatives at their own.

3.16 Complementary Human Resource Policies and Practices:

3.16.1 Recruitment:

Recruitment is any practice or activity carried on by the organization with the primary purpose of identifying and attracting potential employees. And then through the process of selection it is decided that who will or will not be allowed to enter the organization. For the purpose of simplicity and convenience, we shall limit our discussion of the recruitment and selection for the management cadre only. However detailed **procedure for the recruitment and selection** of all employees is attached as **Annex 'D'**. It is also worth mentioning here, that the recruitment and section procedures followed by PTC are the same as adopted by the worldwide British American Tobacco Group.

PTC claims to be an equal opportunity employer. It does not discriminate when making decisions on hiring, promotion or retirement on the grounds of the employees' or candidates' race, color, gender, age, social class, religion, smoking habits, politics, or disability – subject to the inherent requirements of the role to be performed. A fundamental aim is to ensure a diverse and repetitive workforce profile through the promotion of employment equality.

Where possible the company fills vacancies internally, although PTC seeks out external talent as this provides the opportunity for fresh thinking, new ideas and experiences. The recruitment strategy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in the objective approach to recruitment and selection. The approach is based on the inherent requirements of the job (both now and in the foreseeable future), matching the ability and potential of the individual.

❖ **Personnel Requisition Form:**

Pakistan Tobacco Co. initiates a personnel requisition form for filling a particular position. Whenever a vacancy or need arises in any department to hire a new person, this form is filled out describing the reasons for the need to hire a new person and the requirement of the job. This form is then passed on the HR Department.

❖ **Recruitment Sources:**

Recruitment sources used by PTC can be divided into two categories:

- **Internal Recruitment.** In deciding where, when and how to implement recruitment activities, PTC's management place initial considerations on company's current employees and provides ample opportunity for advancement and promotion from within the company. In this way they are able to satisfy their internal employees. Moreover, company is also satisfied because it knows the employees' capabilities well and individual in turn know the nature of their job.

- **External Recruitment:**

  o To meet the challenge of talent, diversity and creativity, PTC periodically turns to the outside labor market, In doing so PTC employ a variety of recruitment sources i.e. university relations, executive search firms, headhunters and newspapers advertising. The goal of this entire exercise is to skim off the smartest people from top institutions of the country and from within the industry and then place them into the jobs best suited to their talent.

o For university relations, PTC has identified renowned campuses in Pakistan to which it provides financial support for their magazines and sponsors various events. These institutions include LUMS, IBA, NUST, Agriculture University Faisalabad, and Engineering University Lahore and Peshawar. PTC offers internship to students of these institutions and maintains close liaison with their marketing and job placement cells.

3.16.2 Selection:

After all the desired recruitment activities are carried out, the selection process begins. Short-listing of the applicants is done through elaborate marking based on information from the resume and applicants are called for the second phase, i.e. preliminary interviews.

❖ **Preliminary Interviews (Competency Based Interviews):**

A two-member panel of HR / Line Management carries out competency based interviews focusing on functional skills and managerial/supervisory skills. These interviews are conducted to gauge the potential of candidates, gather information, which is not there in the resume and evaluate qualifications of the applicants. These interviews are mostly structured and job related questions are asked. Different sets of interviews are prepared and are regularly updated. The candidates successfully meeting the requirements are called for the assessment center.

❖ **Assessment Center:**

In case of management, assessment centers are organized for graduate/mid career recruitment using assessment material provided by BAT. A panel of cross-functional assessors at these

assessment centers assesses the following management competencies:

- Communication skills
- Resource management
- Influencing
- Creative thinking
- Business development

The HR Manager is responsible for overall administration of the assessment center and the training of the assessors. The duration of assessment center is one day. The applicants are called in batches (groups) of 6 candidates each. Comprehensive tests have been designed for this purpose. Different case studies are given to the applicants and they are asked to display their performance in simulated environments, group discussions, presentations and are rated on managerial competencies.

❖ **Final Interviews:**

A final interview with functional directors / selection board is carried out and the selection board membership depends on the grade of the job. Date, time and venue for the final interview are fixed with the functional director / selection board and call up letters to the candidates are sent by the respective Human Resource Manager. The applicant is mainly tested in three areas:

- Personality attribute
- Technical skills
- Awareness / attitude towards tobacco industry

❖ **Medical Examination:**

Before giving the final selection call, a basic medical test is conducted to see if the candidate is suffering from any major physical or physiological disease.

Figure 3.2: The Recruitment and Selection Process

Internal Processing
Requisition/Role Profile/Approvals/
Job Specifications

↓

INVITE APPLICATIONS
- Advertisements
- Head Hunters
- Direct Applications
- Campus Campaigns

SHORT LIST CANDITATES

↓

COMPETENCY BASED INTERVIEWS

↓

ASSESSMENT CENTERS

↓

FINAL INTERVIEWS

↓

MEDICAL EXAMINATION

↓

**APPOINTMENT /
DOCUMENTATION**
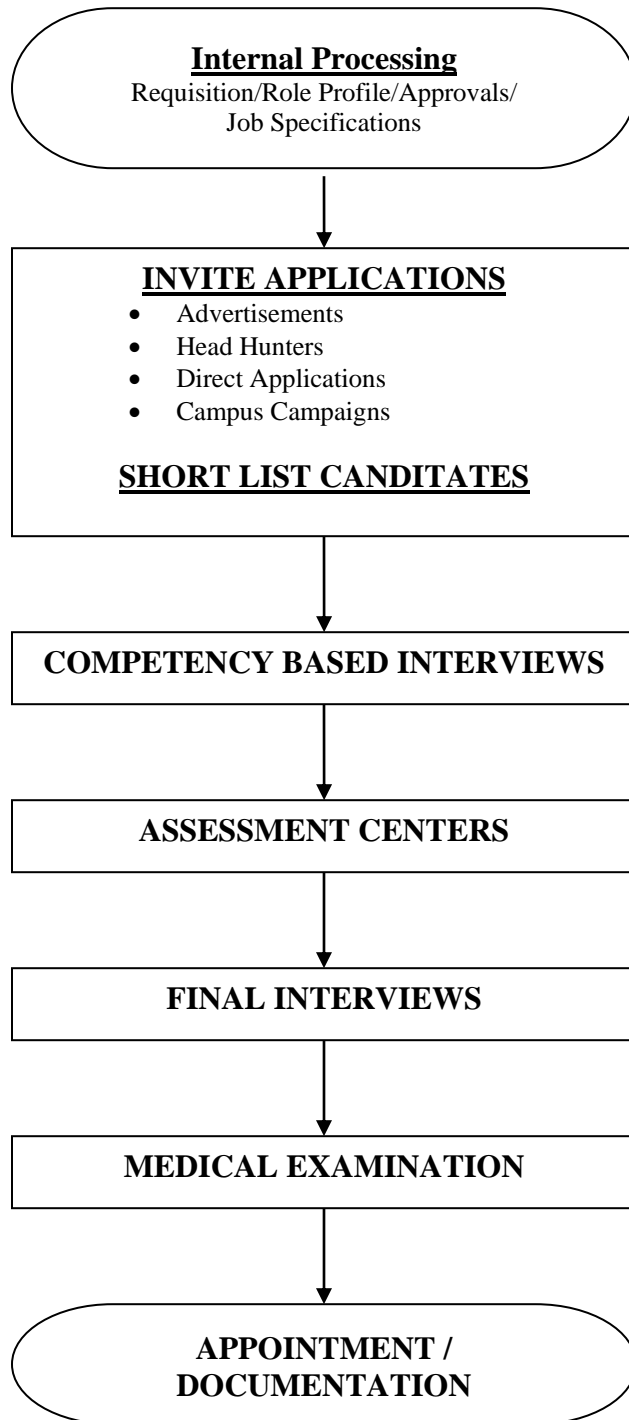
3.16.3 Training and Development:

Training refers to the planned efforts by a company to facilitate employees' learning of job related competencies. ***Development*** refers to the acquisition of knowledge, skills and behaviors that improve an employee's ability to meet changes in job requirement and in clients and customer demands. In other words, ***Development*** refers to formal education, job experiences, relationships, and assessment of personality and abilities that help employees prepare for the future. Because it is future oriented, it involves learning that is not necessarily related to the employee's current job.

 After the completion of the recruitment and selection phase, the candidates are initially hired as "Management Trainees" for a year's time. This period is basically the training and evaluation phase for the new employees. Employees are given the opportunity to orientate with the whole organization within a month's time. They are required to spend one week in their own functional area where they are given brief exposure of all departments so as to learn how various departments contribute towards company vision and meet company goals. They are also required to spend one week in the factory where they are given complete overview of the factory operations such as production, leaf treatment, marketing and packaging operations. In remaining period one week each is spent in the field and head office, so that they are absolutely clear about the functioning of complete organization.

PTC has a reputation of attracting employees with the potential to rise to the highest managerial positions and developing their managerial talent through various local, regional, and international courses and training programs. Company is of the opinion that top quality managers are required to create working conditions that motivate employees to provide high quality customer services.

> ❖ **Types of Training:**
>
> PTC has designed courses and training programs as part of their regular training for employees.

- **In House / Local Courses and Training Programs.** Local courses and training programs are sort of small-scale programs designed to improve upon the weakness in basic skills and re-sourcing in all areas. In house training is conducted through consultants in all functional areas. Training needs are fixed in view of the future role according to career development plans. The employees are encouraged to give potential feed back for improvement in weak areas. Basically, two types of training are given in local courses.

  - **Management:**
    - Challenge initiatives
    - EHS
    - Quality
    - Management skills
    - Attitude

  - **Employees:**
    - Machinery
    - EHS
    - Quality
    - Attitude

- **Regional Courses and Training Programs.** After going through the local training, regional courses are organized under the supervision of BAT. They are usually meant for the high graders of local courses and who show good performance in their own functional area. Pakistan is part of MESCA region (Middle East Special Career Assessment), which includes countries like UAE, Saudi Arabia, Sri Lanka, Bangladesh and Pakistan.

- **International Courses and Training Programs.** The employees with exceptional skills and competence level are sent abroad for international courses and training programs. Employees are informed in advance about the position, which they have to hold on successfully achieving the competence level in the courses. High potential employees are encouraged to convey their feelings about their career paths.

- **Additional Courses.** In addition to the above-mentioned training courses, additional short courses are also offered at PTC. PTC spends over 70,000 man-hours on training each year in shape of these additional short courses. Talented employees are given exposure in all three areas i.e. managerial area, functional area and cross-functional areas. Since the functional training is not the only solution for high caliber individuals, they have to be an all rounder personality.

❖ **Training Institutions Abroad:**

The main institutions, involved in imparting training to PTC employees are National University of Singapore and UK Grand Burry. In addition to these courses short-term attachments (STA's) are also arranged.

❖ **Training Man Hours**

- **Managers and BSOs.** An increase of 38% in training man-hours was observed from 2000 to 2001. The details are given at **Annex 'E'**.

- **Technical Training For Factory Employees.** 116 % increase was observed from 2000 to 2001. The details are given at **Annex 'F'**.

- **New In-House Initiatives:**
  - Change from Inside Out
  - Human Capital Re-engineering
  - Emotional Intelligence and Lateral Thinking
  - Winning in Our World play shops
  - Competent Managers Series (CMS) courses for non-management
  - Introduction of Competent Edge Series (CES)
  - Retail Excellence Program
  - Corporate and Regulatory Affairs Appreciation (CORA) Program
  - Peak performance through Neuro Linguistic Program (NLP)

3.16.4 Employee Development:

PTC places a great emphasis on continuous training and development of its employees. Right in the beginning the "Human Resource Competences Planner" and "Skill Matrix" is issued to the employees. The planner includes list of 54 competencies required in order to do quality work and the skill matrix contains the list of skills and expertise required in order to perform better in their existing functional area. Employees are required to understand the planner and skill matrix and discuss it with their supervisors. Right from the beginning, PTC tries to segregate the recruited force into three major categories:

- ❖ High potential employees
- ❖ Mid potential employees
- ❖ Low potential employees

The high potential employees with of cognitive abilities and creative mind who are likely to rise very high are then developed as per their abilities and are given cross training in every department. Generally managers have to learn about their functional areas as well as other managerial skills within two years time. If they

are able to gain required competence level in both these areas they are promoted to the higher managerial slots within due course.

Potential managers are sent on secondments, trade marketing and various other appointments in other countries for development in cultural areas and dispute resolution skills.

3.16.5 Performance Management:

❖ **Background:**

Performance Management is defined, as the process through which managers ensure that employees achieve the goals and output are congruent with organization's goal. The success of any organization is highly dependent upon the human resources in that organization. The performance of individuals in the organization can be source of competitive advantage. A performance Management system usually has three parts:

- Performance Aspects (Defining performance)

- Performance Appraisal (Measuring Performance)

- Performance Feedback

❖ **Performance Management at PTC:**

In Pakistan Tobacco Company the employees are divided into two board categories. The performance requirements for both these categories may differ but the model of performance appraisal and purpose are somewhat similar:

- **Non-unionized employees.** Non-unionized employees include Business Support Officers (BSOs) and Management employees

- **Unionized employees.** Unionized employees are basically floor employees and factory supervisors.

❖ **Standards of Performance in the Light of Company Goals:**

PTC follows the Result Approach for performance management, which focuses on management by objective, measurable results of a job or work group. Standards of performance are written statements describing *how well* a job should be performed.

The performance appraisal of all employees is based on the KRAs (Key Result Areas), which are linked with the objectives of the department. Once these KRAs are identified then the employees work to achieve the results indicated. To check these performance KPIs (Key Performance Indicators) are also decided that what behaviors are required of an employees to achieve the results. These indicators are measurable and smart and clearly identify required performance.

The KRAs are linked to department objectives. Since the department objectives are linked to company objectives, therefore indirectly KRAs of any department in PTC are also aligned with the overall company's objectives.

The Key Result Areas (KRAs) and Key Performance Indicators (KPIs) are mutually decided by senior manager and BSOs with in a department but the development of the KRAs and KPI is guided by company objectives. These keys performance indicators are core competences and technical competences. Here core may be the competences required of an individual on the whole whereas the technical competences are department specific.

❖ **Performance Appraisal:**

Performance appraisal is a process of assessing, summarizing, and developing the work performance of an employee. Reviewing performance and taking positive steps to develop employees further is a key function of management and is a major component

in ensuring the success of the company through effective employee performance. A review is about ensuring that people know what levels of performance are expected of them and then taking action to ensure they are trained and developed to perform effectively.

❖ **Review at PTC:**

At PTC a review is intended to be an open and frank discussion between an employee and their Team Leader/Manager. Generally there are two elements: first is the element in which discussion takes place over the strengths and areas, which need to be developed as displayed by the job holder over the past 12 months. The performance is of course judged comparing the performance against the KPIs. The second element is concerned with discussing the training needs/inputs activities that are considered to be appropriate to help the jobholder overcome some of development areas discussed in the review and also those activates that are deemed appropriate to build upon their current strengths.

❖ **Competences:**

At PTC, effective performance is considered necessary if the worker is deemed to be working at optimum effectiveness. The initial discussions on strengths and development areas provide a 'benchmark' on how the worker is performing at the moment against the competences. Only by carrying out this exercise is it possible to plan what training needs/inputs are necessary to help them develop further.

❖ **Will to Work:**

PTC considers a person, an enthusiast who works at his own with initiative and resultantly inculcates a sense of ownership in him, which is always considered a basic facet for an individual performance. Despite the expertise in his area of work, company

does not expect optimum effectiveness from a person without his will to work. Willingness is an efficient/effective response of an individual towards his work, which could not be achieved without interest and initiative. Will to work is basically related to "attitudes" of an individual towards work and his relationship with peers, colleagues including seniors. Someone who removes faults of the machine at his own without waiting for instruction is considered to be an individual with positive attitude. The one who awaits call/order of his seniors or colleagues is considered an unwilling worker who is looking for excuses.

❖ **Using Behaviors as Guide for Assessment:**

The reviewer uses the behaviors identified in the competences as a guide to measure the jobholder's actual behavior. The final grade given will be derived from the balanced view of the reviewer after taking into consideration whether the jobholder behaves more or less like the behaviors expressed in the competences. The assessment is based upon evidence of skills and behavior relevant to each competence and evaluation is made against an 'ideal standard'. These are only indicators so if one feels that company does not take account of a specific behavior he has observed it is acceptable to grade accordingly as long as one is confident to justify it.

❖ **Allocating the Grades:**

Allocating grades to indicate the level of performance/competence of jobholders is probably one of the most difficult aspects of the review process. All reviewers have a duty to ensure that the grades allocated are objective, accurate and fair. The areas in which, the worker requires most development and his will to work, should be addressed first in the sheet, so that the grades should support this view. The reviewer should have an idea of the grades he will

award prior to the interview using the behaviors and the rating system to measure actual behavior against.

❖ **Sources of performance appraisal:**

At PTC, the primary sources of performance appraisal are the managers and secondary sources are employees themselves. Though the peers also give their opinion but it usually does not have any wieghtage unless a conflict arises between the manager and the employee.

❖ **Feedback:**

Workers at PTC are informed of their performance and given an opportunity to express their opinion over their own level of performance against each competence. This serves the following two main purposes:

- It enables the reviewer to redefine whether the initial assessment was correct, as correct as circumstances may exist that the reviewer is unaware of.

- By asking the worker what he sees to be his own strengths and development areas often help to reduce negative responses. It also makes planning of training needs easier because the person is able to express for himself the areas in which he feels he can improve.

Following the review, the final grades are allocated and the issues/points that were discussed at the review included on the sheet. When the sheet is complete, it at the first instance is sent to the immediate manager who adds his comments, where after it is sent to Employee Relations Department. All jobholders are entitled to have a copy of their sheets if they so wish and this is encouraged to ensure that the system is perceived as being **'Open and Fair'.**

❖ **Purpose of Performance Management System in PTC:**

Performance Management system of any company is to check whether the employee performance is aligned with strategic goals. PTC claims to be value leaders in the cigarettes market and future goals is to transform PTC to perform with speed flexibility and enterprising spirit of being an innovative, consumer focused company. Hence the performance management at PTC is designed in a way that the employee's innovativeness and interpersonal skills and behavior is very much appreciated and rewarded.

Then the performance management system is also kept as an indicator to judge which employee should be promoted. In fact the promotion is purely performance based, upward movement in hierarchy is possible if the employees performs well. Furthermore, the employees who perform well are given opportunities to further develop themselves. Normally the weak points are pin pointed so that the employees can improve themselves.

❖ **Strengths of Performance Measurement System:**

Though the management claims that their Performance Measures are congruent to strategies, reliable and acceptable but they emphasized that the main strengths of their systems are the validity and specificity.

- **Validity.** Validity of a performance measure may be defined as the extent to which it measures only relevant aspects of the job. The performance measurement systems used at PTC are valid. As the management claims that they define the KRAs and KPIs extensively. They are not only aligned with the company's strategic objectives but also not deficient. A bit of contamination is acceptable as a few things extra from the actual job requirements are expected.

- **Specificity.** The extent to which the performance measure gives the employees guidance as to what is expected of them and how can they improve is referred to as specificity. The performance measure used at PTC has a very high specificity because it guides the employees as to where they lack and how can they improve.

3.16.6 Compensation and Pay Structure:

There are four hierarchal levels in PTC i.e. Top Management (including Directors), Mangers, Business Support Officers (BSOs) and workers. Directors, Managers and BSOs are among the category of non-unionized employees whereas, the rest of the workers are unionized. For every level, the compensations and pay structure differs, but is one of the leading in the market.

❖ **Surveys:**

Salary and benefit surveys in the market are done annually that are sponsored by the Human Resource Department of PTC. The reason for these surveys is to be one of the best paymasters in order to consistently attract the best work force, in return getting the work done in the best possible way. Pay structures are set up keeping in view the results of these surveys and job structure is determined through job evaluation.

❖ **Pay Structure for Unionized Employees:**

At this level, the pay structure and compensations are almost the same. It does not differ as the people working are of same level. The reason for this is to have a long-term relationship with the work force of this level. The benefits and bonuses include Eid packages, free pick and drop and free medical etc.

❖ **Pay Structure for Business Support Officers:**

At this level, pay levels are more or less the same but the increments and benefits are directly related to the performance.

The incentives may include bikes, rent of the house, free medical in Shifa International, free pick and drop on the best possible vehicles.

❖ **Pay Structure at Management Level:**

At managerial level, the pay structure again is the same and the incentives are directly related to on the job performance. The pay structure and also the incentives differ for a manager that is on contract basis as compared to the permanent employed manager. The benefits include car, mobile and its bill, biannual foreign trips with family, house, free medical in Shifa International.

3.17 Management Processes and Leadership:

3.17.1 Enterprising Spirit:

Despite a challenging business environment, PTC leadership have stemmed from their skill and confidence in seeking out opportunities for success, striving for innovation and accepting the considered risk taking that is part of their 'Enterprising Spirit' that they believe is as evident today.

The flexibility, new thinking, financial strength and long term vision that has given them 'sticking' power for a century will continue to drive them forward in search of continuing success. The HPWS developed at PTC is the one where every employee is treated as a 'Special Entity' for the organization.

3.17.2 Breaking the Barriers:

Breaking the Barriers was the famous term used and recognized at PTC. Now the top managers are no more referred to as the God for the organization but as partners. They are called by their "names" instead of "Sir". Managers and supervisors are seen more as coaches, facilitators and integrators, of team efforts. Managers in High Performance Work System (HPWS) share responsibility for decision making with employees.

There is an arrangement for a common canteen for all employees with the same quality of food. Previously there used to be separate canteens for different levels of employees. Similarly unlike previously where there were different **Washroom facilities** for the top level and lower level employees now the facilities are similar for all level employees. The new culture also introduced **training for all phenomenons**. The **Red Bulb** syndrome that used to be blinking outside the offices of senior executives prevented access by lower employees is now totally eliminated. Similarly there is the harmonized effect established by providing same parking facilities to all on the basis of first come first serve.

3.18 Supportive Information Technologies:

3.18.1 Data Base:

System of communication that has been recently implemented is a computerized database for all the employees, which allows the employees not only to give their suggestions through this system but also provides management guideline. It is also used to tell someone in advance if the person has to meet a specific person. It is also being implemented as a measure to make their employees (the blue-collar workers in particular) computer literate.

3.18.2 Payroll Systems:

Payroll systems provide personnel data, salary administration and fund information to the HR Department.

3.18.3 Self Service:

An employee can access all needed information regarding his pay, allowances, increments leave and Tax etc.

3.18.4 Management Information Direct Access (MIDAS):

HR uses MIDAS to access managers' personal information, achievements, training and development needs. It is also used for job hunting.

PRINCIPLES HPWS AT PTC

3.19 Shared Information:

PTC in collaboration with the BAT worldwide is now committed to good internal communication and has moved to an open and transparent approach, while respecting business confidentiality. It aims to provide regular, reliable and relevant business and industry-related information, through a wide range of internal communication channels to allow access for all employees. Considerable emphasis is placed on encouraging and enabling managers to explain business strategy, performance and company position on 'hot topics' and employee feedback is strongly encouraged. It actively encourages and promotes the free flow of ideas and information. The company has invested in many communication tools enabling smooth and fast two ways flow, which includes:

1. A global *Bulletin Board* on which any employee can publish news and information.

2. A global intranet, *interact.*

3. Employee newsletters widely published in BAT Group companies and Group Headquarters.

4. *Real Progress for the Real World,* a communications program for employees explaining company position on smoking and health and other key topic.

5. *Business Connection,* a regular cascade of business briefings and videos for managers globally to use with local staff in interactive meetings.

6. *Open Forums* and team talks with the concept of lets decide our destiny together. These consist of following:

    a.   Inviting employees to give inputs on Vision and Values.

    b.   Project radical-transparent and fair criteria.

    c.   Open forums, Thermometer Sessions.

    d.   Quality improvement related meetings at factories.

e.   WOW play shops.

f.   In house magazines- Pak Tobacco, Karwaan, Justajo etc.

g.   Lotus Notes and Bulletin Boards to share the achievements.

h.   Multi media screens on the factory floor to show the real time performance of a team and best performing team.

3.20 Knowledge Development:

3.20.1   Change in the Perception of Education, Training and Development:

Recent years have seen a major shift in the approach towards training and development of the employees. Before 1997, training was considered to be an extra cost and luxury available for only the top management. To be eligible for training, one had to wait until his/her hair turn grey or he/she becomes a senior manager. But now **Education Training and Development** is considered a need and investment. It is directed at filling the gap and meant for all from management to floor workers. It is now provided at the doorsteps of the employees. Furthermore, international and regional training is now also available for floor workers. Even the highly sophisticated training programs like Peak performance through NLP (Neuro Linguistic Programme) are arranged for the employees. This shift in approach is now enabling people to be effective in current and future roles. The aim is that individual in the driving **seat** to become a **knowledge worker**.

3.20.2 Learning and Sharing of Best Practices:

Learning and sharing of best practices is now a regular feature at PTC. Employees at all levels and functions are regularly sent on regional and international attachments to have exposure to the world class and state-of-the-art business practices in and outside the industry. Few examples are:

❖   A team of mangers and union officials sent to Indonesia.

❖ A team went to BAT, Britain and Calcutta Tobacco Company (CTC), Bangladesh to learn about restructuring experiences.

❖ A team of seven managers went to observe the final audits for class 'A' in BAT and further visits subsequently

❖ Exchange of Area Managers within PTC and CTC and Kenya to learn about latest management process and change management process.

❖ Distributors sent to BAT Britain and Sri Lanka.

❖ Visit to BAT United States to learn Leaf Improvement Techniques.

❖ Benchmarking with world-class companies.

❖ In-country visits to multinationals and factories.

3.21 Performance-Reward Linkage:

PTC has radically improved its compensation. In this regard, Global BAT strategy for remuneration and benefits is followed, which is as under:

1. BAT recognizes the need for remuneration policies to be competitive and they have been designed to ensure a real differentiation amongst individuals and teams within companies, using criteria such as: qualifications, skills, performance, contribution and responsibility.

2. BAT uses objective instruments in determining the level and seniority of roles within the business by mean of a well-defined method of job evaluation, which defines roles, scope and subsequent salary positions and ranges. These are then compared against the local labor market to ensure their competitiveness.

3. Prevailing market conditions are a key point of reference for establishing remuneration in each operating company. BAT complies with legislation imposing a national minimum wage; however, BAT strategy is to ensure that reward levels are highly competitive within the local area.

4. BAT use remuneration and reward as an active tool to build and maintain a high performance, highly motivated culture. The approach is based on a mix of financial and non-financial, long and short-term incentives. Each operating company has the opportunity to structure their reward and benefits packages according to local circumstances. All employees are provided with clear information for each pay period, including any deductions from their pay.

3.22 Egalitarianism:

3.22.1 The Winning Culture – Providing World-Class Environment to All:

An important step towards creating HPWS was providing the world-class environment to all. Generally the corporate offices enjoy all the facilities and lavishness, but the production facilities of the same offices lack even the basic necessities. Therefore, special attention was given to the production facilities by providing World-class environment.

3.22.2 Removing Status Barriers and Promoting "We are 1" Spirit:

❖ Another important step in creating HPWS was promoting the **"VRI (We are 1) spirit"**, throughout the company. This spirit helped in "**Breaking the Barriers"** and developing a sense of one family, equality and belonging among all the employees. Following steps were taken at Production Facilities to promote **VRI spirit** :

- 1 Spirit - 1st to serve

- 1 Working environment

- 1 Canteen

- 1 Toilet

- 1 Uniform

- 1 Parking place

- 1 Training policy for all

- 1 Club/ guest house

- 1 Family get together for all

❖ **Barriers were Further Reduced by:**

- Open sessions

- Open office layouts

- Representation from employees at all forums

- Air conditioners for all

- New Management Guideline reduced to 13 pages from 315 pages.

- No Red' bulbs

- Same traveling expense rates for all managers.

- Same rates and facilities for all employees traveling abroad.

3.23 Winning in Our World (WOW):

PTC in its change management process launched WOW program to energize and align people to corporate direction as one cohesive team. WOW vision and value cascade (Annex B) as explained below is based on the principles of High Performance Work Systems:

❖ **Employees Education & Training (Knowledge Development):**

- Learning resource centres
- Computer education
- Employee education program
- More cross-functional courses

- Technical training

- Exposure to other operating companies

- Education for opinion   leaders

❖ **Communication & Feedback Process (Shared Information):**

- Communicate, communicate & communicate to:

  o Our own people

  o Valued business partners

- Involvement of Valued Business Partners

- Thermometer Sessions

- Employee Satisfaction Survey

❖ **Employee Involvement (Egalitarianism):**

- Remove 'Barriers'

- Common Facilities

- Eid Cards & Eid Milans

- Welfare Activity Board

- Involvement of Families

- Sports & Recreation Activities

- In-house magazines

- Long service awards

❖ **Reinforcing Performance & Behaviours (Performance Reward Linkage):**

- Bonus Scheme

- On-going Reward & Recognition

- Celebrations

- Engagement & Integration

- Motivational Sessions (Faeiz Seyal)

- Module Philosophy

CHAPTER 4: ANALYSIS

The following sections provide specific findings/analysis, in terms of the culture created by the High Performance Work Systems (HPWS), the impact on financial performance, human resource practices, and the overall impact of the initiative on the company's performance.

4.1   Culture Created by the HPWS:

'Winning Corporate Culture', at PTC enabled ordinary people to achieve extra ordinary by performing willingly to the best of their abilities. Winning in our World (WOW) program energized and aligned people to corporate direction as one cohesive team. Further, the HPWS initiative led to a remarkable increase in ideas by encouraging innovation, in addition to using systems- based work designs that encouraged employees to go beyond job duties/expectations. In addition, the initiative is credited with promoting cooperation to a remarkable degree, and producing leader behaviors that are focused on business and employee needs. Overall, the HPWS initiative helped PTC to drastically change the value system in a positive direction.

4.2   Impact on the Financial Performance:

HPWS had a tremendous impact on the financial performance of the PTC. Thus, as expected, the system did successfully impact the bottom-line in a positive direction. After 7 years of losses, PTC earned Rs.354.7 million profit after tax in 2001 for the first time since 1994. Company has earned the trading profit of Rs.952 million and Profit After Tax of Rs.420 million in 2002, both the achievements being the highest-ever in the history of PTC. In view of the improved financial performance company declared dividend for the first time after 8 years at 8 % amounting to Rs.204 million (payout of 49%of the net profit after tax).

4.3   Human Resource Practices:

Since one of the keys of a successful HPWS is the optimal and proper utilization of human resources, PTC's Human resource practices and policies complement each other while keeping people aligned and energized to the strategic direction. Its recruitment and selection, training, performance and compensation are focused on ensuring that employees have teamwork, involvement and the skill to assume greater responsibility in high-performance work environment.

4.4   Impact of HPWS on the Role of HR:

One of most effective achievements of the PTC is the major transition through which PTC' HR department went through. PTC now considers its HR department as a strategic partner of the company. Reaching a two-way linkage stage, the HR function is now in it preliminary stage of the integrative linkage. The integrative linkage is dynamic and multifaceted, rather than sequential interaction. The company's HR Director is the member of the top management team (ECB). The HR function is now involved in both strategy formulation and strategy implementation. The HR department is playing a vital role in **Transformational Activities,** which has created long-term capability and adaptability of the firm. These activities include knowledge management, management development, cultural change, and strategic redirection and renewal. Obviously these Transformational Activities comprise greatest strategic value for the company.

4.5   Ensuring Fit:

4.5.1 Horizontal fit:

Horizontal fit occurs when all the internal elements of the work system complement and reinforce one another. At PTC all the HR practices, work designs, management processes, and technologies integrate and complement one

another. The synergy achieved through overlapping work and human resource practices is the heart what makes a HPWS effective at PTC.

4.5.2 Vertical Fit:

To achieve vertical fit, HPWS must support the organization's goals and strategies. Looking at the strategic pyramid at **Annex 'A'**, it is clearly evident that Vision, Mission, Key Objectives, and Critical Success Factors are in total alignment with the Work Systems.

4.6 Employee Outcomes and Quality of Work Life:

HPWS at PTC has created a multitude of potential benefits to employees. Because:

1.   Employees are more involved in their work; they are more satisfied and find that their needs for growth are more fully met. Now union and management work hand in hand as one team.

2.   Employees are more informed and empowered, they feel that they have a fuller role to play in the company and that their opinion and expertise are valued more.

3.   This of course underlies greater commitment. With higher skills and greater potential for contribution, they now have more job security. They feel that recruitment; promotion and training are on the merit. Therefore, ordinary people are ready to give extraordinary.

4.7 Competencies for Competitive Advantage:

High Performance Work Systems helped PTC to create competitive advantage through developing competencies in their employees that are:

4.7.1 Valuable:

High Performance Work Systems at PTC increased value by increasing efficiency, decreasing costs, improving processes, and providing unique to customers. The work force of the company that masters these competencies differentiates itself from other competitors.

4.7.2 Rare:

HPWS helped PTC to develop and harness skills, knowledge and abilities that are not equally available to its competitors, whose people cannot benefit from the growth opportunities. It became the first company in Pakistan, which was awarded class A as part of the international total business excellence program MRPII audited by the international consultants.

4.7.3 Difficult to Imitate:

HPWS at PTC are designed around people oriented team processes and capabilities that cannot be transported, duplicated, or copied by rival firms. HPWS have really made PTC, 'Dare to be different'.

4.7.4 Organized:

PTC now is better organized to meet the challenges of the future, from the spearheading of modern machinery and industrial practices to incorporating the global standards within the structure of the company.

4.8   Costs and Benefits of HPWS:

Cost and benefits of implementing High Performance Work Systems at PTC are as under:

	Benefits	**Costs**
Management	Efficiency Gains Lower Turnover Better employee-employer relations Potential for a better bottom line	Greater Investment in training Has to share information Has to share decision-making Loss of status and power
Workers	Access to information Participation in decision making Discretion over work processes Enhanced employability Support for family responsibilities	No guarantee of job security Need for greater commitment to the organization Some compensation based on performance Greater job responsibility Too much challenge
Unions	Affirmation of an independent voice for workers Access to information Input into range of workplace issues	Should take positions on work organization Move away from job-control unionism Should get involved in workplace decision making

CHAPTER 5: CONCLUSION/RECOMMENDATIONS

5.1   Conclusion:

High Performance Work Systems (HPWS) at PTC achieved a fit between information, technology people and work. This fit is considered desirable in order to respond to customer requirements and environmental dictates, thus keeping the company competitive and financially successful. The benefits of HPWS are many. Organizational culture and value systems can be changed for the better, higher levels of cooperation and improved communication are direct results. However, since the whole process is dependent on the commitment and involvement of the people in the organization, the key is to successfully manage the people within the organization through open communication and participation.

5.2   Recommendations:

Organizations try a number of approaches to create a "High Performance Work Systems (HPWS)", with varying degrees of success. However, "effectively managing people is a key to all the mechanisms" that organizations may employ to achieve high performance. The better the fit between people, work, information, and technology, the higher would be the likelihood of a successful HPWS. In addition to managing people, findings of the study point out a set of key guidelines that need to be followed, to successfully transform companies / organizations into HPWS. These are:

1.   One of the first things is that implementing HPWS initiatives in an organization are likely to meet some resistance. It suggested that better communication, removing barriers; educating people and higher involvement of all people as was done by PTC, will reduce the resistance if there is any.

2.   Clearly, a lot of attention needs to be paid to the design of the HPWS, with specific focus on "the way the work is done" in the organization. This

would mean creating flexible work organizations, that adapt the people and the technical systems to each other, rather than trying to "fit" the people to the technical system. Attention to the "process" is one of the key ingredients to a successful HPWS.

3. HPWS need to be very focused, clearly linked to the business goals and strategy, and the proposed steps need to be clearly laid out.

4. Training and development is a key ingredient in this process -- and all concerned individuals need to be provided with on-going training. While some of the training might need to be provided prior to initiating the effort, the most successful organizations like PTC impart on-going training in areas such as problem solving, change management, communication, and process redesign.

5. Human resource practices play a key role in this process and need to be modified/designed accordingly. Team-based rewards need to be implemented, to go hand in hand with the need for teams. In addition, the links between performance and rewards need to be made clear and explicit.

6. Token changes will not result in creating the desired High Performance Work Systems. As such, organizations need to completely overhaul "the way work is done" in order to create a High Performance works systems, so that the results are real and tangible.

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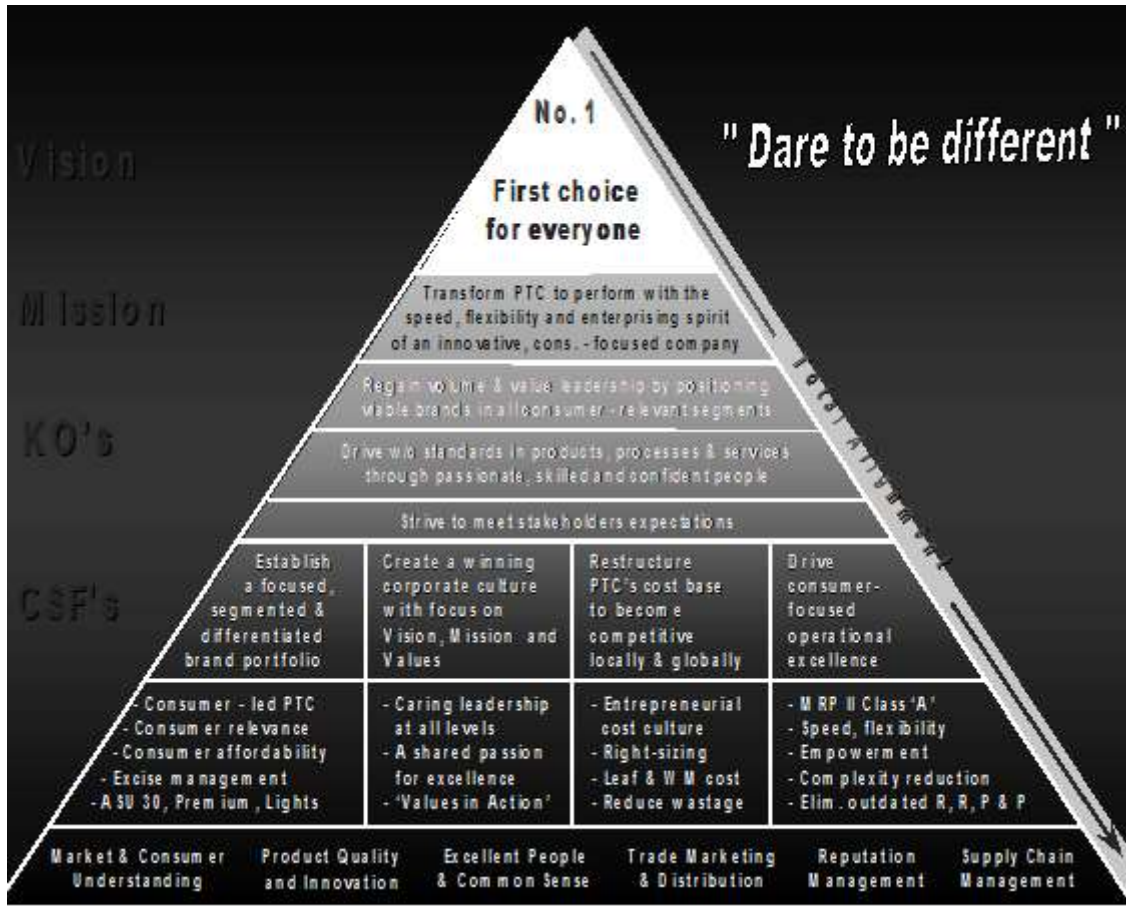**Arthur A. Thompson, Jr. and A. J. Strickland III**, 2003, Strategic Management Concepts and Cases, McGraw-Hill Irwin

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SRTATEGIC PYRAMID TO ACHIEVE EXCELLENCE

WINNING IN OUR WORLD (WOW)

VISION AND VALUES CASCADE

Employees Education & Training:
- Learning Resource Centres
- Computer Education
- Employee Education Programme
- More Cross-functional Courses
- Technical Training
- Exposure to other Op Cos
- Education for Opinion
- Leaders

Employee Involvement:
- Eid Cards & Eid Milans
- Welfare Activity Board
- Involvement of Families
- Sports & Recreation Activities
- Common Facilities
- In-house magazines
- Long service awards
- Remove 'Barriers'

Winning in our World:
Vision & Values
Cascade

Communication & Feedback Process:
- Communicate, communicate & communicate to:
  - Our own people
  - Valued business partners
- Involvement of VBPs
- Thermometer Sessions
- Employee Satisfaction Survey

Reinforcing Performance & Behaviours:
- Bonus Scheme
- On-going Reward & Recognition
- Celebrations
- Engagement & Integration
- Motivational Sessions (Faeiz Seyal)
- Module Philosophy

WOW
WINNING IN OUR WORLD PARADIGM

ACHIEVEMENT	COMMITMENT	TRUST
Vision	**Confidence**	**Teamwork**
We understand what each of us has to do	We expect to win	We have trust in each other
Map	**Standards**	**Support**
We believe in our plans	We keep raising our standards	We learn from each other
Consumer Focus	**Drive**	**Belonging**
We live for our customers	We take personal responsibility	We are proud of who we are
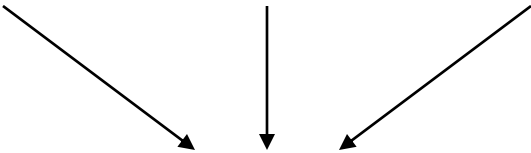
Winning Corporate *Culture*

PROCEDURE FOR RECRUITMENT AND SELECTION OF EMPLOYEES

1. Purpose:

1.1 To ensure that the requirements of SA 8000: 2001 standard relating to recruitment of employees are understood and implemented at all levels of the organization.

1.2 To define and provide a uniform procedure for recruitment of employees.

2. Scope:

2.1 This procedure is applicable in respect of recruitment of all types of employees of PTC.

3. Responsibility:

3.1 While the Human Resource Director is responsible for the overall implementation of this procedure, the Human Resource Managers at different locations shall be responsible for its implementation at the corresponding sites.

4. Instructions Procedure:

4.1 Whenever a need to fill a vacancy or a new post is identified, this is communicated by using a requisition and a role profiles the Line Manager.

4.2 The Line Manager shall ensure that the Role Profile prepared shall be adequate for the requirement/grade and such role profiles don't include discriminatory aspects.

4.3   Probationary/Training period shall be specified on the requisition form.

4.4   The requisition form along with the role profile, where applicable, is sent by the Line Manager to the functional director for his/her approval and then forwarded to the HR Manager

4.5   The HR Manager shall confirm availability of budgets (establishment salaries & cost of advertisement if required) and submit same to the Human Resources Director for approval.

4.6   Once the Human Resource Director approves the requisition, a job and person specification for advertising or to be given to the headhunters shall be prepared

4.7   The respective Human Resource Manager shall ensure that the job/person Specifications prepared is free of all possible discriminatory statements/words.

4.8   Once job and person specification is prepared, applications are invited through advertisements/key campuses and recommendations from the headhunters, as applicable. Details regarding, gender, religion, political affiliation, race, and cast shall not be included in the advertisement and the minimum age limit shall be specified as 18 years wherever it is not implied by other requirements specified.

4.9   Applications shall be obtained also from PTC Data Bank. Applications are obtained without giving any weightage to gender, religion, political affiliation, race, cast, ethnic origin, age etc.

4.10   Once applications are received, short-listing of candidates shall be carried out by Line Manager/HR Manager by giving weightage points to the following.

.   Extra curricular activities
.   Grade obtained from early schooling
.   Education
.   Relevant experience
.   Over seas travel/experience

4.11   If the post is for a grade higher than a worker, a preliminary interview shall be held.

4.12   Call up letters incorporating venue, date and time shall be sent to the listed candidates along with blank application forms by HR Manager.

4.13   The blank application form shall be void of any discriminatory questions or requests.

4.14   Candidates shall be instructed to bring along then completed application forms.

4.15   A two member panel of HR/Line Management carries out competency based interviews focusing on functional skills and managerial/supervisory skills.

4.16   In case of management, assessment centers are organized for graduate/mid career recruitment using assessment material provided by BAT.

4.17   The following management competencies are assessed by a panel of cross functional assessors at these assessment centers:

- ❖   Communication skills
- ❖   Resource management
- ❖   Influencing
- ❖   Creative thinking
- ❖   Business development

4.18   The HR Manager is responsible for overall administration of the assessment center including training of the assessors.

4.19   In case of Business Support Officers selection tests are carried out to assess functional intelligence, writing and numerical ability.

4.20   The Line Manager/the HR Manager shall prepare the test papers.

4.21   In case of workers, written, aptitude and mechanical comprehension tests are administered by the HR Manager in conjunction with Line Managers.

4.22   A final interview with functional directors/selection board is carried out and the selection board membership depends on the grade of the job.

4.23 Date, time and venue for the final interview are fixed with the functional director / selection board and call up letters are sent to the candidates intimating the same by the respective Human Resource Manager.

4.24 The selected candidates are referred to the company's nominated doctor for medical examination.

4.25 The doctor shall be requested to sends his/her medical report on the prescribed form directly to the HR department.

4.26 A candidate declared medically fit for job is made an offer subject to clearance by the referees.

4.27 The HR Department shall provide details of remuneration package and terms and conditions of service to the selected candidate.

4.28 Once the selected candidate accepts the offer the HR Manager shall prepare appointment letter, service agreement and finalize other documentation for Service Record.

4.29 Candidates reporting for tests/interviews from outside the city are reimbursed air/train/bus fares where appropriate.

4.30 Disabled candidate shall not be rejected purely because of the disability.

4.31 During the interviews documentary evidence in support of the applicants age being more than 18 years shall be checked and confirmation shall be entered in the checklist.

4.32 During the interviews and on assumption of duties only photocopies of originals shall retain and originals shall be returned to the candidate.

5. Related Documents:

5.1	Requisition Form	09/FO/HR/01
5.2	Content of a Role Profile	09/SP/HR/01
5.3	Call Letter Format	09/SP/HR/02
5.4	Company Application Form	09/SP/HR/03
5.5	Medical Report	09/SP/HR/04

TRAINING MAN HOURS MANAGERS AND BSOs
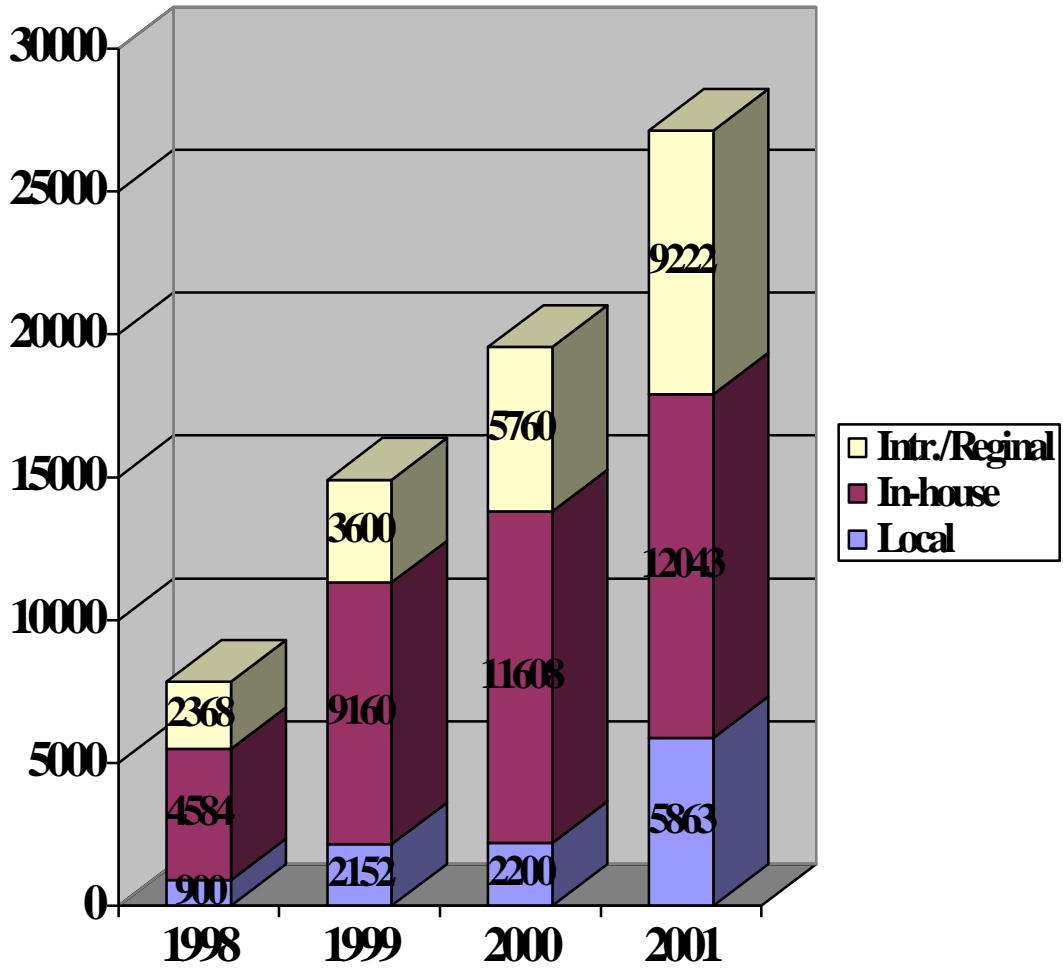
TRAINING MAN HOURS
TECHNICAL TRAINING FOR EMPLOYEES