

*Evolution of Organization and Generational
Strategies in Family- owned Business i.e.,
Packages Limited.*



By

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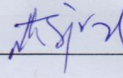
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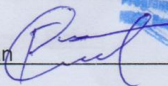
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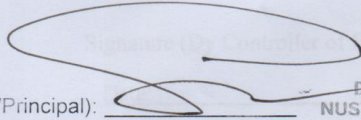


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1. Executive Summary

Packages Limited a joint venture between Akerlund & Rausing group from Sweden and the Wazir Ali Group of Pakistan was established in 1956. Packages limited is offering a wide range of paper/board/packaging options such as flexible packaging, offset printed cartons and consumer products to Multinational Clients in Pakistan.

This project will provide detailed analysis of strategies implemented in family-owned business by two generation leaders in terms of corporate, business and functional level strategies. Syed Babar Ali focused on joint venture philosophy and most of his businesses are joint ventures with major multinationals. Syed Hyder Ali focused on acquisitions/mergers and acquired major shareholding in international packaging companies i.e., Canada and South Africa while also expanded company roots in non-core businesses and vertical integration in core business i.e., Real estate, Insurance and vertical integration in Industrial Chemicals/Inks/Starch. Syed Babar focused on product differentiation through R&D in packaging business while Syed Hyder Ali identified the need to create strategic business units and followed low-cost strategy. Both leaders emphasized on quality tools for process improvement.

Company profits in Syed Hyder Ali era multiplied by three times due to business diversification as can be witnessed in report. Organization hierarchy and culture in terms of decision making, training/development and employee retention also drastically improved. This project report provides way forward for packages to focus on its core businesses of packaging not only in Pakistan but globally as profits are higher as compared to non-core businesses. It also provides a case study how timely succession planning and leadership change is essential for family business success and outline the need for organization to focus on developing strategic business units at growth phase. This project also provides a road map of future strategy of packages to focus on its competitive advantage of Quality through R&D/Innovation/sustainability goals as threat of new entrants is imminent and also focus on biodegradable products /PET packaging solutions for beverages and pharma industry.

1.2 Business Problem:

1. Lack on insights on how strategies of two generations in Packages ltd diversified family owned company to one of largest conglomerate in Pakistan

2. How timely succession planning helped in managing growth from generation to generation in family owned business i.e. Packages Ltd

1.3 Objectives

1. To analyze the evolution of Strategy in family-owned business b/w two Generations
 - Corporate Strategy
 - Business level strategy
 - Functional level Strategy
2. To analyze financial performance of core/non-core businesses b/w two Generations
3. To Improve future strategy based on recommendations of strategic analysis tools

2. Company Introduction & Overview

Packages Limited was established in 1956 as a joint venture between the Ali Group of Pakistan and Akeund & Rausing of Sweden, to convert paper and paperboard into packaging for consumer industry. Additional capital was raised from sponsors, International Finance Corporation and from the public in 1965.

Packages started its own paper mill operations in 1968 having production capacity of 24,000 tons of paper and paperboard . The capacity has been increased eventually at 110,000 tons per year. Packages Limited is producing packaging material and tissue range of products mainly from its factory in Lahore with conversion capacities of 97,000 tons of paper and paperboard and 11,000 tons of plastics all sorts for packaging. It is also producing corrugated boxes from its plant in Karachi since 2002.

Packages Limited is presently working on shifting its paper and paperboard division to a new site 70-km from the present site near Kasur. The enhanced capacity of paper and paperboard will be 300,000 tons per year.

2.1 Mission Statement

“To be the market Leaders we serve our clientele by providing quality products and services, while encouraging feedback to ensure even higher standards. To be an organization that attracts and retains outstanding professionals by maintaining a culture of openness and innovation, by promoting individual growth and by rewarding initiatives and performance.”

2.2 Vision Statement

“We believe in changing people’s lives for the greater good. It is through our ethical practices, outstanding services, and quality products that we ensure the satisfaction of all our stakeholders”

The vision statement of Packages limited is very precise and delivers the message appropriately. However, it is very much focused on the present and does not represent the future goals.

2.3 Values

Care - Fairness and consideration are integral to our culture

Honesty - Truthfulness, integrity and trust form the backbone of all our activities

Respect - We treat people with respect and dignity

Courage - We stand up for what we believe in

Lead - We aspire to lead in everything that we do



These values are fundamental beliefs of the company. It shows the principals at which they direct their relationship with all their stakeholders. The values are the basis of the company’s operating philosophies and helps in differentiating between the behavior acceptable and not acceptable in the company.

2.4 Corporate Structure

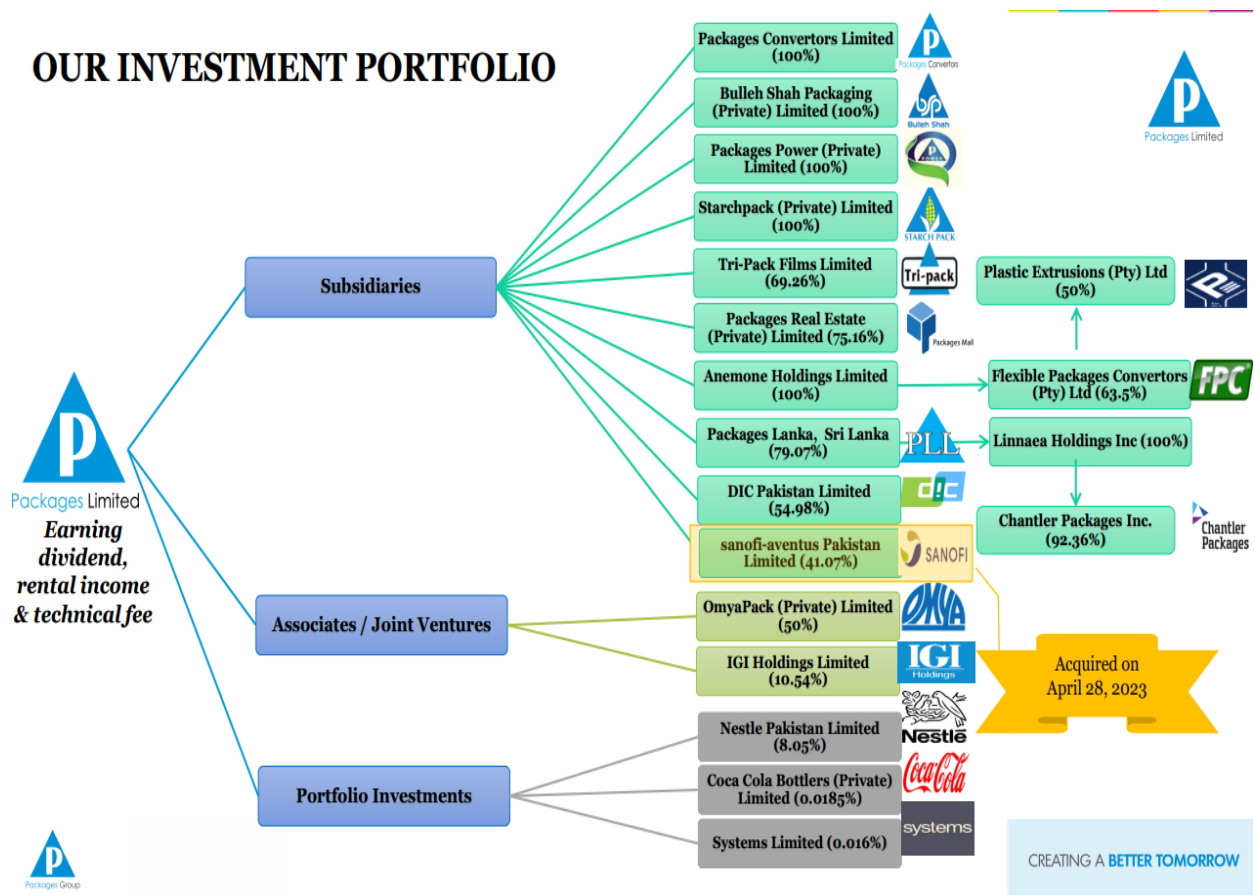


Figure 1.1 Investment Portfolio

2.5 Packages Limited Businesses

2.5.1 Packages Convertors Limited

Since 1965, Packages limited has been producing impeccable quality paper and board using ecologically friendly production methods. Their products are put through extensive testing to ensure that they are strong, stiff, and shine nicely. Packages give customizable options to the customers. Paper quality and weight are selected by their clientage according to their needs. There are different types of paper that packages are producing such as Machine glazed/ special poster paper, High gloss writing paper, fluting paper, Wood-free writing/printing paper and corrugating medium paper. Packages also manufactures different kinds of board products such as Food grade board, Bleached board, Liquid packaging board, Liner board and Duplex board/ chipboard. The consumer products include Tissue rolls, Rose Petal products, Wet tissues and Paper cups.

Major products are categorized in to following sections: -

- Flexible Packaging
- Folding Cartons
- Consumer Products



Figure 2.1 Packaging Products

2.5.2 Packages Real Estate (Private) Limited:

A multipurpose high quality shopping mall with food court, cinemas and retail outlets that brought world-class concepts, unparalleled technology, and hub of international brands to Pakistan.

2.5.3 Packages Lanka Pvt. Ltd.

Based near Colombo, Sri Lanka, it is a joint venture with Printcare (Ceylon) Limited of Sri Lanka for the manufacture of flexible packaging material

2.5.4 Bulleh Shah Packaging

Leading market supplier of corrugated packaging, with the largest renewable packaging facility and the only liquid packaging board facility in Pakistan.

2.5.5 Tri-Pack Films Ltd

Mitsubishi Corporation of Japan and Packages limited JV, Tri-pack providing customers with dependable, economical and quality films, complemented by strong customer services.

2.5.6 OMYA Pack Pvt Ltd

Calcium Carbonate Products contributes to multiple industries such as Construction, Printing & Writing, Packaging, Food, Personal & Home Care, Pharmaceuticals, Agriculture and Forestry, Water and Energy.

2.5.7 Flexible Packaging Convertors South Africa

Specialized print and packaging operations, offering films, shrouds, sheeting, fill and seal films, plastic and tubing products. FPC serves customers throughout Africa.

2.5.8 DIC Pakistan Ltd.

Dainippon Inks and Chemicals Asia Pacific Singapore Pte Limited is one of the largest printing ink manufacturing groups worldwide.

2.5.9 IGI Holding

- **IGI General Insurance Limited.**

IGI Life provides consumers and businesses with life insurance, accident and health insurance, retirement planning, family takaful and wealth management solutions.

- **IGI Life Vitality Ltd.**

IGI Life provides consumers and businesses with life insurance, accident and health insurance, retirement planning, family takaful and wealth management solutions.

- **IGI FSI**

IGI FSI is a Packages Group company, pioneering in emerging technologies driven Sales, Production and Customer Services interventions, HR and Technical solutions.

, review of risks and their mitigation plans.

3. Portfolio Analysis

In this segment, company's overall analysis was extensively carried out including Industry life cycle, SWOT & PESTEL, BCG product analysis & Porter five forces analysis.

3.1 SWOT

Strengths

- Advanced Machinery & Technology** – Packages Ltd has the state-of-the-art machinery and cutting-edge technology in offset and rotogravure printing to manufacture high quality products ensuring international standards as their major clients are multinational companies Fmcg, Tobacco, personal care companies in Pakistan i.e., BAT, Unilever, Philip Morris, nestle etc. especially C48 boxes to store raw tobacco which is only produced by Packages.
- Economies of Scale**- Packages Ltd has high-capacity production lines available to achieve economies of scale which give them competitive advantage over their competitors by reducing unit costs and inventory. They have done expansion by adding BulleShah packaging and expansion in existing plants capacity.
- Brand Image/Strong Group** – Packages Ltd has a strong brand image among top Mnc's as they are not only well known for their high-quality products acknowledged by their customers but also market leaders in packaging industry. Syed Babar Ali is known as a pioneer in packaging industry who has brought renowned companies in Pakistan in the

lights of Nestle, Tetra Pak, Siemens, Coca cola. The market reputation makes packages as one of the leading groups in Pakistan.

- iv. Reliable Suppliers** – One of packages strength is its reliable and trusted suppliers and supply chain network which is back bone for its success as supply chain resilience is one of the key factors of manufacturing industry. Packages supply chain department invest heavily in developing suppliers which reduce delays and potential lost sales in orders.
- v. Compliance with Quality Policies & International Standard Certification** – Packages ltd was the 6Th company in Pakistan which adopted ISO series as its quality standard. Organization complies with the ISO 9001 standard by their flexible and folding carton lines which is a testament for its high-quality products. Moreover 57 quality improvement teams to focus on continuous quality improvement process. Packages is also certified in Food safety and Hygiene systems (HACCP).
- vi. Skilled and Talented Workforce**- Packages ltd has invested heavily on its technical and skilled workforce who are asset and key factor in company's success over the years. Continuous development of the employees has always been priority agenda and packages offer Certificate Program in Business Management (CPBM) in LUMS to its employees and also offer foreign training for advanced machinery handling.

Weakness

- i. Imports driven Procurement**- Packages concern for its direct raw material is mainly driven by imports as mostly softwood pulp is imported from European Region. Due to restrictions on imports imposed by SBP supply disruption effected manufacturing
- ii. High Distribution Cost** – Packages operational teams has done well to reduce their fixed cost of utilities, rents, salaries etc. but still the variable cost fluctuates and their distribution cost is high due to unavailability of fleet management system for distribution
- iii. Long Sales Cycle**: Product sales cycle is long due to higher credit period which effect cash flows.
- iv. Recovery**: Recovery of sales payment is also slow as mostly company don't pay within credit time which also effect on cash flows as well as finance cost.

Opportunities

- i. Packaging of Cement Material/Cement Bags**: There is high demand of cement

packaging material in both varieties of cement bags i.e., bags made from Kraft paper and polypropylene granules which big company like packages can explore this untapped opportunity.

ii. Pharmaceutical/Medical Packaging: One of key opportunities for packages is to explore untapped market of pharmaceutical packaging i.e., rosche, Novartis, GSK, RB as packages has focused mostly on dairy, personal care and food processing products packaging.

iii. Exports – Since Packaging industry is growing all over the world and Pakistan is focusing on export focused economy so it need to shift its focus towards exports of packaging material of folding cartons, flexible products, Tissue, paper and boards with growing demand in Europe and Asia.

iv. Eco Friendly Products – With the latest concept of sustainability there is lot of awareness about climate change in the manufacturing industry and there is increased demand for environment friend products.

Threats

i. New Competitors: New entrants are emerging in the market of packaging industry in flexible and folding carton products e.g., Roshan packages, Saima packaging, Merit packaging, Cherat packaging. Strong leading groups of Pakistan have taken government subsidy to invest in packaging industry which is threat to packages ltd.

ii. Own Wing of Packaging: Major companies have also started their own wing of packaging their products in order to reduce supply chain disruptions e.g., Cherat packaging ltd by Ghulam Farooq group and Merit Packaging Ltd by Lakson Group to package their own product of Food and Personal care.

iii. Supply Chain Disruptions in Pandemic: Packages has to rely on raw materials like printing inks so scarcity of raw material and supply chain disruptions due to pandemic and other geo political issues are a direct threat to production of goods.

iv. Climate & Environmental Impact: Being a paper and packaging company Packages has to follow strong environmental protection standards and governmental regulations are updated regularly so packages have to develop sustainable economically feasible recycling solutions that meet international standards of their clients.

3.2 Industry Lifecycle

Industry lifecycle depicts the different stages where business operates in introductory, growth, maturity and slump stage within industry. An industry lifecycle has typical five stages startup, growth, shakeout, maturity, and decline.

- i. Introductory Stage:** This is the stage where customer demand is limited as there is unfamiliarity with the new products and features. At this stage there are very low revenues and negative cash flows due to large amount of capital which is being invested in technology.
- ii. Growth Stage:** This is the stage where products attract bigger market segment and demand begins to accelerate and market size also expands rapidly. Hence profitability starts to rise as revenues and cost surpass breakeven.
- iii. Shakeout Stage:** At shakeout stage some businesses are eliminated as they became unable to grow and merge or acquired by their competitors who were bigger market leaders.
- iv. Maturity Stage:** At this stage majority of companies have established themselves and industry reaches to saturation and companies develop different strategies to sustain themselves as dominant player to reduce rivalry. At this stage, companies realize maximum revenue, profits, and cash flows because customer demand is fairly high and consistent.
- v. Decline Stage:** This is the final stage of industry lifecycle as competition intensity starts to decline and companies start to focus on their most profitable products & services in order to maximize their profits and stay in industry.

Currently packaging industry is at a growth stage due to growing demand of food, dairy, personal care, snacks and beverages industry. Moreover, due to owing demand of ecommerce business in Covid 19- packaging industry has accelerated and is on track to exceed a \$1.3 trillion market share by 2024. The packaging industry is a recession proof industry and Covid-19 pandemic proved this fact. Although Covid-19 effected many industries which have stopped their operations and laid off staffs but packaging industry generated more profits. Similary Insurance industry is in growth phase as majority in Pakistan are not insured due to lack of awareness and low buying power. Industrial Chemicals industry is in growth phase as Pakistan imports major raw materials while self-indigenous manufacturing is on lower side. Real Estate Industry in malls/shopping plaza is

in maturity phase as ecommerce/q commerce has totally changed the concept of physical buying after Covid 19.

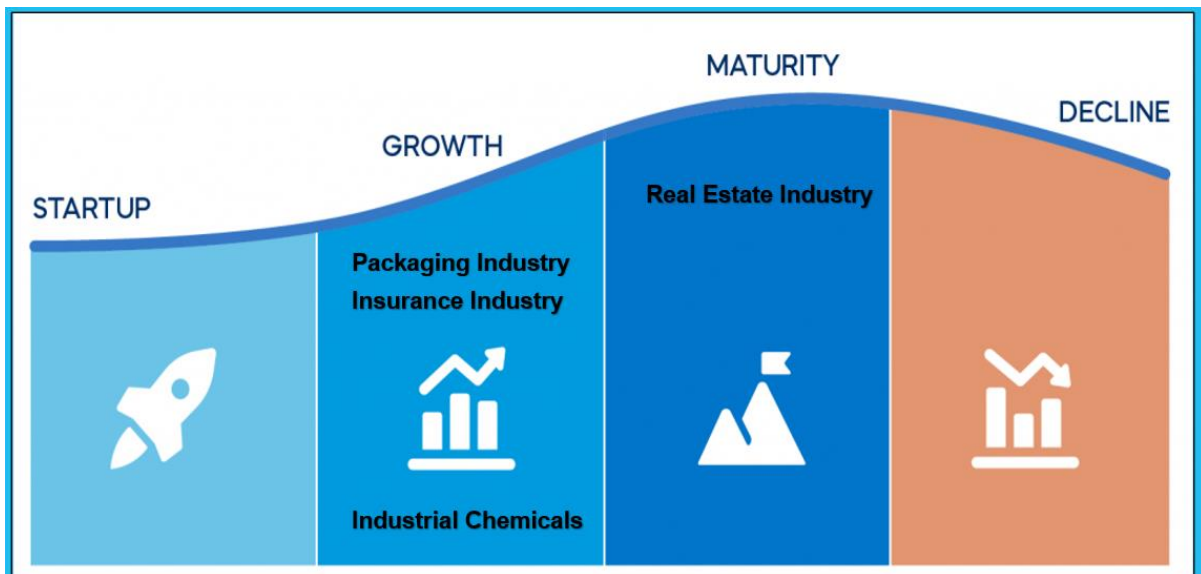


Figure 3 Industry Life Cycle

3.3 PESTEL

PESTEL analysis provides great detail about operating challenges Packages Ltd will face in prevalent macro environment other than competitive forces. For example, an Industry may be highly profitable with a strong growth trajectory but it won't be any good for Packages industry if it is situated in unstable political environment or perhaps it may face legal or economic issues.

i. Political Factors that Impact Packages Ltd

Political factors play a significant role in determining the factors that can impact Packages Ltd long-term profitability in a certain country or market. Packages Ltd is operating in packages in different countries and exposes itself to different types of political environment and political system risks. To achieve success in such a dynamic packages industry across various countries is to diversify the systematic risks of political environment. Packages Ltd can closely analyze the following factors before entering or investing in a certain market-

- Political stability and importance of packages sector in the country's economy
- Level of corruption - especially levels of regulation in packages sector
- Bureaucracy and interference in packages industry by government
- Taxation - tax rates and incentives
- Trade regulations & tariffs related to packages

- Wage legislation - minimum wage and overtime
- Work week regulations in packages

ii. Economic Factors that Impact Packages Ltd

The Macro environment factors such as – inflation rate, savings rate, interest rate, foreign exchange rate and economic cycle determine the aggregate demand and aggregate investment in an economy. While micro environment factors such as competition norms impact the competitive advantage of the firm. Packages Ltd can use country's economic factor such as growth rate, inflation & industry's economic indicators such as packages industry growth rate, consumer spending etc to forecast the growth trajectory. Economic factors that Package Ltd should consider while conducting PESTEL analysis are -

- Government intervention in the free market
- Exchange rates & stability of host country currency
- Efficiency of financial markets – Do Packages Ltd need to raise capital in local market?
- Infrastructure quality in packages industry
- Comparative advantages of host country and packages sector in the particular country
- Labor costs and productivity in the economy
- Business cycle stage (e.g., prosperity, recession, recovery)
- Economic growth rate
- Unemployment rate
- Inflation rate
- Interest rates

iii. Social Factors that Impact Packages Ltd

Society's culture and way of doing things impact the culture of an organization in an environment. Shared beliefs and attitudes of the population play a great role in how marketers at Packages Ltd will understand the customers of a given market and how they design the marketing message for packages industry consumers. Social factors that leadership of Packages Ltd should analyze for PESTEL analysis are -

- Demographics and skill level of the population.
- Class structure, hierarchy and power structure in the society.
- Education level as well as education standard in the Packages Ltd industry.
- Culture (gender roles, social conventions etc).

iv. Technological Factors that Impact Packages Ltd

Technology is fast disrupting various industries across the board. Transportation industry is a good case to illustrate this point. Over the last 5 years the industry has been transforming really fast, not even giving chance to the established players to cope with the changes. A firm should not only do technological analysis of the industry but also the speed at which technology disrupts that industry. Slow speed will give more time while fast speed of technological disruption may give a firm little time to cope and be profitable. Technology analysis involves understanding the following impacts -

- Recent technological developments by Packages Industry competitors
- Technology's impact on product offering
- Impact on cost structure in packages industry
- Impact on value chain structure in packages sector
- Rate of technological diffusion

v. Environmental Factors that Impact Packages Ltd

Before entering new markets or starting a new business in existing market the firm should carefully evaluate the environmental standards that are required to operate in those markets. Some of the environmental factors that a firm should consider beforehand are -

- Weather.
- Climate change
- Waste management in packages sector
- Attitudes toward “green” or ecological products
- Laws regulating environment pollution
- Air and water pollution regulations in packages industry
- Recycling
- Endangered species
- Attitudes toward and support for renewable energy

vi. Legal Factors that Impact Packages Ltd

In number of countries, the legal framework and institutions are not robust enough to protect the intellectual property rights of an organization. A firm should carefully evaluate before entering such markets as it can lead to theft of organization’s secret sauce thus the

overall competitive edge. Some of the legal factors that Packages Ltd leadership should consider while entering a new market are -

- Anti-trust law in packages industry and overall, in the country
- Discrimination law
- Copyright, patents / Intellectual property law
- Employment law
- Health and safety law
- Data Protection law

3.4 PORTERS FIVE FORCES ANALYSIS:

1. Threat of new entrants: High as paper/packaging, insurance, Industrial chemicals is profitable industry and yield high returns for stakeholders.
2. Bargaining power of suppliers: Low as Packages partnership with all top wood pulp suppliers
3. Threat of substitutes: High as Roshan Packages, Century, Cherat, Fatima, Merit etc. are investing in this business
4. Bargaining power of customers: High as switching cost is low and customer can shift easily
5. Competitive rivalry: High as Quality/Product differentiation is competitive advantage

3.5 BCG Matrix Analysis:

1. Company products portfolio during Syed Babar Ali time. Folding line packaging and paper/board products were stars while flexible packaging was still growing for market share. Similarly, BOPP & CPP polypropylene films were still in growth

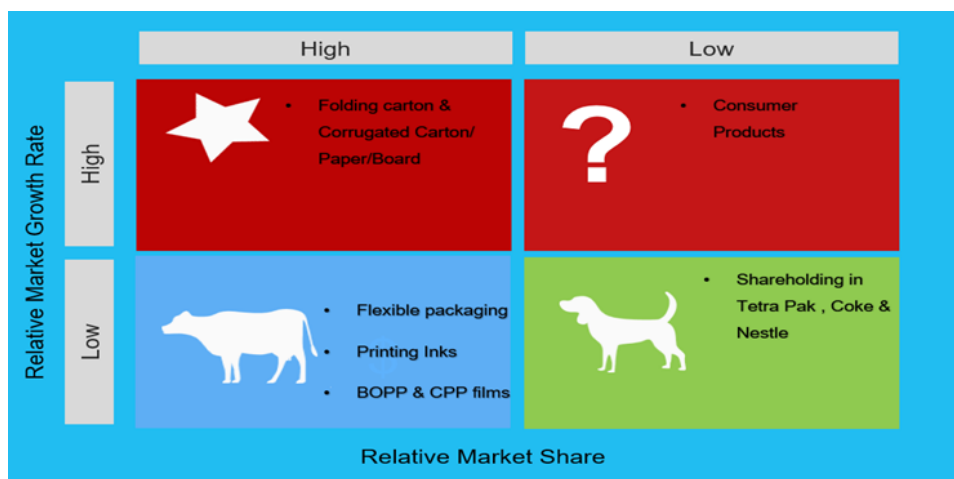


Figure 4.1 BCG Matrix Packages (Syed Babar Ali Era)

phase. Consumer products like tissue paper were question mark in that phase.

2. Company products portfolio during Syed Hyder Ali. Folding line and paper/board products were already stars and flexible packaging and consumer products also became stars . Cash cows are printing inks, BOPP/ CPP Films and Packages Mall was still growing for market share. Calcium Carbonate, Corn Starch and Insurance are still in low market growth and relative low market share in comparison to industry.



Figure 5.1 BCG Matrix Packages (Syed Hyder Ali Era)

4.Strategic Analysis

At Packages, strategies are the integral part of an organization that prescribes actions to be taken by firms to achieve competitive advantages. As part of our project, we have approached Packages Ltd management at all levels to get an insight of their strategies.

4.1 CEO/ MD Syed Babar Ali Era (1954-2008)

4.1.1 Corporate Level Strategy:

During the time frame of Syed Babar Ali, the corporate strategy was diversification through joint venture with world leading companies.



Non-Core diversification:

Renowned ventures with multi-nationals are given below. However majority shares were later sold to parent company except Tri Pack films.

- a. Tetra Pak (Food Processing Packaging)
- b. Coca Cola (Beverage producer)
- c. Nestle (FMCG)
- d. Siemens (Technology)
- e. Sanofi (Pharmaceuticals)
- f. Systems Limited (Information Technology)
- g. DIC Pakistan Vertical integration in Printing Inks JV with Dani pone Ink Corporation Japan for manufacturing of printing/packaging inks

If we analyzed the Joint Ventures of Packages, it is evident that Packages was indifferent in joint ventures weather it was related to core business or not, but the objective was to start joint venture with world leading companies and develop a new market in Pakistan. Initially, Packages created so many Joint ventures with leading organization which help Pakistan to start new markets for Beverages, Pharmaceutical and Heavy Machinery but after some-times majority of the shares were sold back to companies and Packages concentrated on their core business which is packaging.

Core Business diversification

In addition to diversification in non-core business, packages had done core business level diversification. Packages diversified related to packaging industry in

- Established Folding cartons division
- Established Business unit Flexible
- Consumer product division i.e. Rose petal, Tulip Tissue paper.
- Tri-pack films JV with Mitsubishi for BOPP films
- Established Bulleh Shah Paper Mill
- JV with Printcare named as Packages Lanka

4.1.2 Business Level Strategy:

Business level strategies include product differentiation in folding cartons, flexible products and consumer products through in-house R & D as well as key customer R&D from BAT & Unilever. Company invested in establishing Ali Institute and LUMS to develop competitive team.

4.1.3 Functional Level Strategy:

In function level strategies packages started Total production management system (TPM). Advanced Training related to Machine Operators in Ali institute to optimize the operations

and reduce loss time during operation and maintenance activities using Six Sigma and Quality tools

4.2 Syed Hyder Ali Era (2009-Present)

4.2.1 Corporate Level Strategy:

During the time frame of Syed Hyder Ali, the corporate strategy was diversification in Core and Non-core business.



Core Business:

In this era, Global expansion strategy was implemented and following Joint ventures started:

- i. Joint Venture with Stora Enso and renamed Bulleh shah packaging renamed as Bulleh Shah Packaging Pvt Ltd (A4 Paper, Board & Corrugated Cartons)
- ii. Acquiring of Chantler Packages Canada
- iii. Acquisition of majority shareholding in FPC South Africa

Non- Core Business diversification:

In addition to Global expansion in core business area, Packages Ltd carried out diversification in growing markets of non-core business as given below:

- Packages Real Estate (Packages mall)
- IGI Holdings (General, Life Insurance and Securities Investment)
- Joint venture with OMYA group Switzerland as Omya Pack (Pvt) ltd for calcium carbonate
- Acquisition of majority shareholding in Sanofi (Pharmaceuticals)
- Formation of a wholly owned local subsidiary of Starch Pack Pvt Ltd for manufacturing and distributing of corn-based starch
- Incorporated Packages Trading FZCO
- JV with SC Johnson Pakistan

4.2.2 Business Level Strategy:

Focused on product differentiation as well as low cost strategy in consumer division and flexible products in material composition through R&D. Packages carried out restructuring of the organization and converted into different Strategic Business Units to improve strategic and fast decision making. Improved decision making was a competitive advantage of its competitors.

4.2.3 Functional Level Strategy:

In function level strategies packages started KPI introduction system, implemented Quality standards of environment (ISO 19001:2000, ISO 14001: 2004, Food Safety & Hygiene Systems etc). Development of Quality Improvement Teams (QIT) for continuous improvement (Japanese principle of continuous incremental improvement called KAIZEN). Currently, over 57 QITs are established to improve quality of production in different functions. New concept of Operational excellence and zero waste were introduced to reduce cost of goods and sustainability development goals (SDG) was introduced to preserve the natural resources for upcoming generations. Packages LUMS CPBM (Certificate Program in Business Management) and care & growth sessions was introduced to improve management and technical staff skills.

5. Financial Analysis

Financial performance of company from FY 2001-2009 in terms of sales revenue , gross profit and profit after tax between two generations during succession. Syed Babar Ali was CEO from 2001-2008 while Syed Hyder Ali was CEO from 2009 onwards.

(Rupees in Million)	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2001
Invoice Sales	16533	14301	10540	9028	8163	6893	6293	5361	5158	2238
Material Consumed	8685	7639	5108	4247	3521	2710	2263	1926	1912	858
Cost of Goods sold	13736	11281	7829	6552	5746	4678	4242	3672	3549	1575
Gross Profit	307	943	1199	1295	1353	1309	1194	950	891	354
Profit before Tax	5770	-308	4633	6348	1330	1187	1037	797	514	242
Profit after Tax	4064	-196	4326	6101	1015	958	814	655	425	193

Figure 6.1 Financial Performance b/w 2 generations

5.1 Financial Analysis of Core/Non-Core Businesses

Core Businesses (Packaging, Paper & Paperboard, Consumer Division):

Companies	Revenue '22 PKR	Revenue '21 PKR	PBT '22 PKR	PBT '21 PKR
Packages Converters Limited	42 B	30 B	2.6B	2.5B
Bulleshah Packaging (Pvt) Ltd	48B	37B	5.5B	4.4B
Tri-pack Films Limited	24B	19B	1.4B	1.4B
Foreign Subsidiaries				
Packages Lanka-Srilanka	LKR 5B i.e. 4 B	LKR 2.5B i.e. 2.2B	LKR 849M i.e. 743M	LKR 108 M i.e. 94M
Flexible Packages Converters Limited- South Africa FPC	ZAR 545 M i.e. 8.2B	ZAR 698M i.e. 10.5 B	ZAR(78)M i.e. (1.17B)	ZAR(28)M i.e. (422M)
Total	126.2B	98.7B	9.073 B	7.97B

Non-Core Businesses (Real Estate, Insurance, Inks & Chemicals):

Companies	Revenue '22 PKR	Revenue '21 PKR	PBT '22 PKR	PBT'21 PKR
Packages Real Estate (Pvt) Ltd	4.6 B	3.2 B	592M	454M
Omya-Pack (Pvt) Ltd	1106M	820 M	131M	141M
IGI Holdings	2321M	2397M	486M	573M
DIC Pakistan Limited	9.4B	6.7B	1.05B	0.95B
Total	17.42B	13.1B	2.25B	2.118B

Strategic analysis of Packages limited suggest that diversification is more successful if it is done in areas of key competency and capacity as Packages focused more on its packaging business and established SBU's e.g., Flexible, Carton, Paper/board, Biaxially Orientated Polypropylene (BOPP) Film etc. However, after successfully developing footprints in Pakistan followed global strategy using financial resources and acquisition strategy as in case of Packages Lanka, FPC South Africa and Chantler Packages Canada. Packages Limited recorded impairment loss on investment in FPC of Rs. 687.121 million based on its deteriorating financial performance. A Business Restructuring Process has been initiated as per the South African Law hence the Company is undergoing a restructuring process in order to assess its profitability prospects and viability of operations.

Vertical integration is done in inks and raw material side with the help of Joint Ventures like DIC Pakistan for printing inks and Omya Pack for calcium carbonate. Packages revenues and Earnings before Taxes is higher as compared to diversification in non-core businesses like real estate, insurance, pharmaceuticals and chemicals/ printing inks as their focus has always been their core business i.e., Packaging due to innovation through research and development which enhances diversification through Greenfield entry, acquisitions, and mergers and partnerships and alliances. What is important is exercising due diligence and developing key competencies and capacity to execute successful diversification.

The institutional environment of a country whether as developed or developing economy has an important impact on strategic choices of its firms in general and on the spread of diversification strategies in particular with related diversification being more successful in developed and highly competitive economies while unrelated diversification being more popular and successful in developing economies.

6. Succession Planning

In family-owned business timely succession planning helped to manage growth from generation to generation. There are certain factors which helped Packages Ltd to smooth succession transaction Effective corporate governance practices implemented by Syed Babar Ali in terms of accountability, transparency, fairness and responsibility due to strong influence of Multinational company's culture in Joint Venture model of business. This helped in Packages culture of innovation and R&D as well. Working with Multinational companies helped the company technological and cultural improvement as well.

He also focused on education of next generations and also groomed them under his leadership and provided them experience from the start by making Syed Hyder Ali (son) member of executive committees. Valuing employees and culture of inclusiveness under his leadership to keep all stakeholders aligned during transition phase of leadership by providing them empowerment and training/professional grooming.

6.1 Organizational Structure

Syed Babar Ali Era: During Babar Ali Era Organization structure was tall/vertical due to which decision making was slow and there were no cross functional teams.

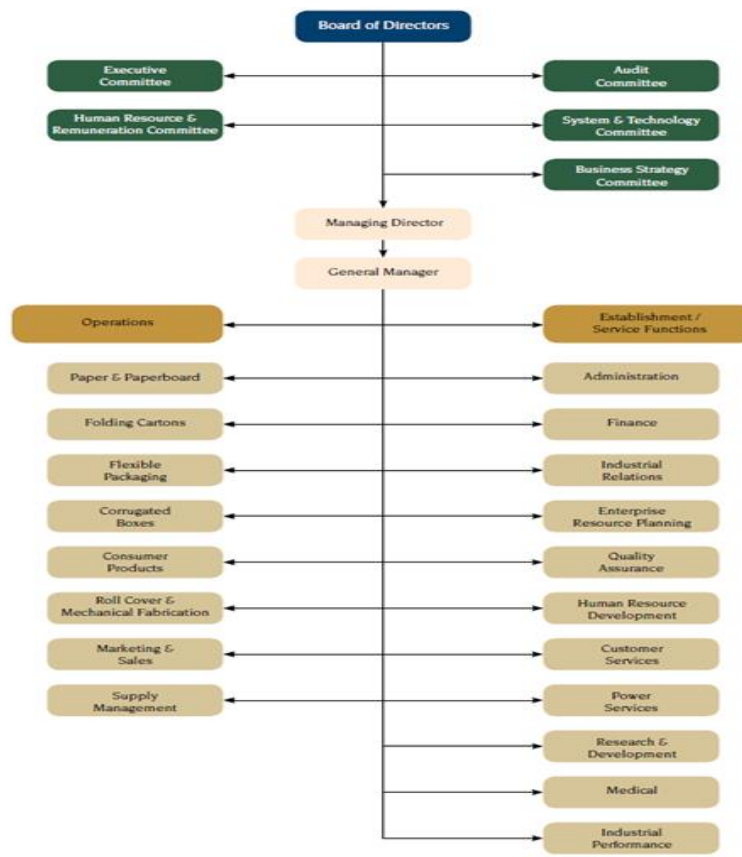


Figure 7.1 Organizational Structure(Syed Babar Ali Time)

Syed Hyder Ali: The organization hierarchy at Packages is flat/ horizontal after development of Strategic Business Units which improves efficiency, quality, innovation and responsiveness. Now every subsidiary has its own resource team. It also identifies specific employees for specific value creation tasks and roles and how task and roles are put to work.

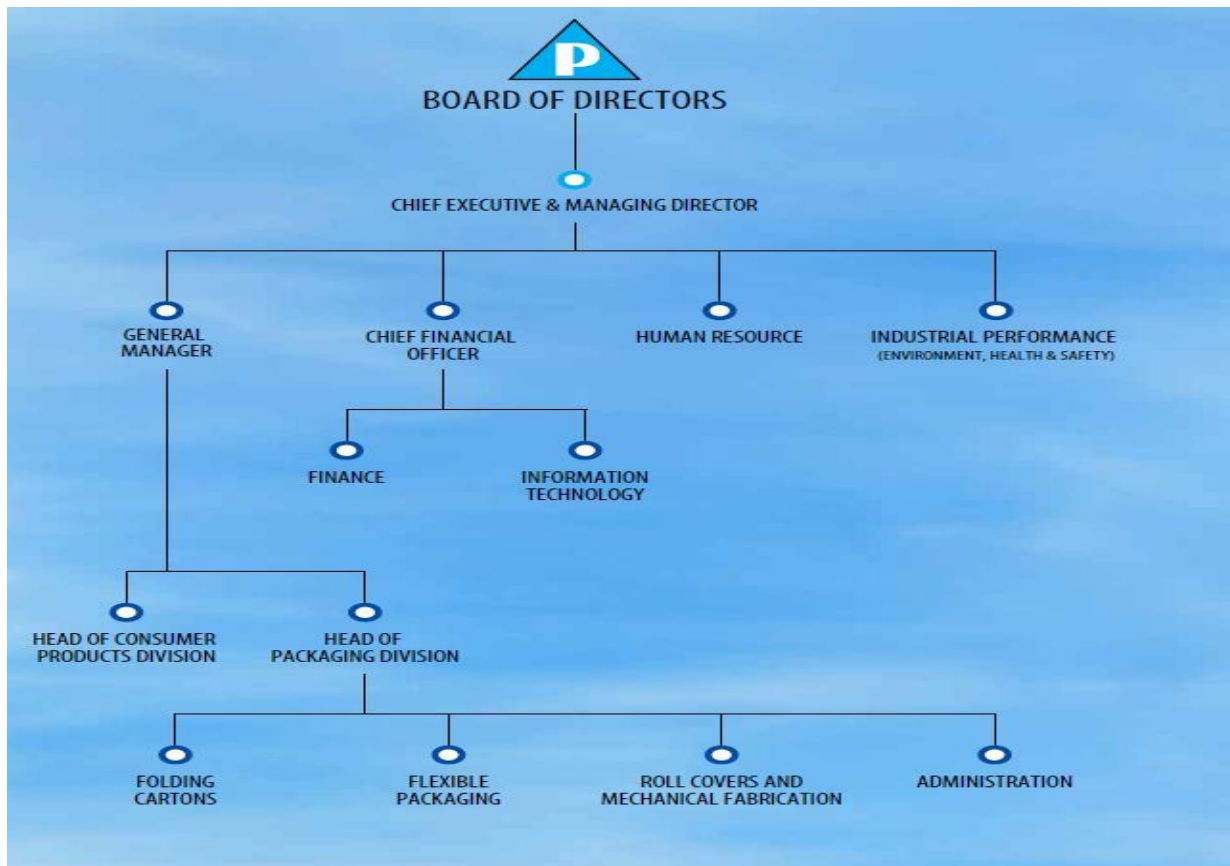


Figure 8.1 Organizational Structure (Syed Hyder Ali time)

6.2 Organizational Culture

Organization culture are the shared values and norms of the organization’s members. It’s about the organization working environment where how employees work is and interact. In packages as per the company norms they thrive in the present and look towards the future and never forgets the roots of who they are and how far they have come.

Their unique culture is based on building genuine and long-lasting relationships. They consider all the employees to be part of one family where a culture of inclusion, care and empathy they ensure that their employees remain motivated and loyal. It is for this reason that so many of the employees spend their entire careers at Packages. The management has also focused on hiring young blood into the company as said by their leadership “For blue collar, it should be his first job in packages and 90% of white collar should have packages as their first company”. This strategy has also worked well in developing long term relationship with employees. Some of the common features of culture at Packages are as follows: -

- Decision making is fast due to matrix-based organogram

- Gender diversity is encouraged
- Concept of open space working environment
- Culture of Openness and Innovation is encouraged
- Employees training of technical operators is conducted in Ali Institute
- Long Term Employee Retention policies by offering numerous incentives i.e., Gratuity, Provident Funds, Bonuses/ Rewards, Foreign trainings
- Young and energetic work force
- Open door policy

6.3 Organizational Structure & Strategy Implementation

Strategic Business Structure (SBU's)

Packages Ltd strategic business structure are independent operating units that have their own autonomous decision making. The top management assigns the responsibility of the business to the managers for the regular operations and business strategies implementation. This is how they are responsible for the formulation and implementation of comprehensive strategy & administration of their business units.

For packages in order to get things right, packages had developed organizational structure that moves fast and break things. The culture of innovation and differentiation has been induced in functional teams which gives the team room to experiment and break things without being stifled by process and brands concerns.

Packages Organization Structure is designed in a way that right people are designed for right job. All Business unit managers are assigned for the responsibility of their strategic business unit and production teams are designated for specific roles and task accordingly. Culture of innovation and differentiation is highly appreciated and talented employees are brought up for key positions who brought value as per company's mission and vision.

6.4 Control Systems

The implementation of the organization strategies depends upon the effectiveness of the control measures. All the above strategies have been implemented through following committee which insures the implementation of strategies. Control system of Packages Ltd is devised in such a way that feedback system achieves strategic targets. The major purpose of Control measures is to: -

- Efficiency, Quality, Innovation and Responsiveness
- Feedback system for employee's performance

i. Audit Committee

The objective of the Audit committee is to ensure the different types of audits (commercial audits, procedural audit and environmental audit)

ii. Quality Committee

The objective of the Quality committee is to ensure the quality of productions operations if the operations are being run at optimum levels, and the quality products are being produced after procurement of quality raw material.

iii. Claims Committee (Severity of Claims)

The objective of the committee is to ensure the customers claims are addressed properly and rectification measures are taken to avoid repeated claims of same nature.

Risk management committee (frame risk management framework and control)

The objective of the risk management committee is to ensure all the risk associated to the company are enlisted in risk register and proper road map to address the risk is available and implemented.

iv. Investment committee (Investment & its Performance)

The objective of the investment committee is the ensure all the investments are being futile and future investment plans are in right directions by evaluation of project feasibility reports

7. Managerial Implication

1. In large conglomerate Strategic Business Unit is a better strategy
2. JV strategy with top companies brings innovation lead to competitive advantage in terms of product quality but also result in good corporate governance
3. Leadership change/ timely succession planning is essential for family business success e.g. profits rose drastically over years
4. Over diversification leads to off direction from Core business

8. Conclusion & Recommendation

1. Packages to explore untapped market in pharma industry. It should also focus on solution of PET packaging/Tetra Pak food processing solutions
2. Focus on core business diversification of packaging & vertical integration through JV strategy due high profits
3. Remain competitive in the market with innovative products and introduce biodegradable products for food processing industry
4. Packages to focus indigenous development of raw materials through R&D and switch towards import substitution
5. For succession effective corporate governance practices are essential as in case of Packages but major test will be 3rd Generation

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APPENDIX:

Interview Questions with CFO Packages:

1. What is your company's mission and vision?
2. How do you differentiate yourself with your competitors?
3. What are strengths, weakness, opportunities and threats for your company?
4. What are the core values of Packages ltd?
5. What are major products of Packages Ltd?

6. What is non-core diversification of Packages?
7. How do you rate your products in BCG Matrix?
8. What external factors affect your company's business?
9. What was Syed Babar Ali corporate strategy?
10. Why did Syed Babar Ali do Joint ventures with MNCs only?
11. What is business and functional level strategy of Packages from start till now?
12. What is your organization culture?
13. Should businesses keep revising their strategy from time to time?
14. How do you respond to the technological changes in the industry?
15. What involves the strategy implementation?
16. How do you measure whether a strategy is effective?