

**Human Resource Bottle Necks at Hinopak Motors Limited Pakistan  
& Role of Mangers in Strategic Planning.**



By

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## BUSINESS PROJECT ACCEPTANCE CERTIFICATE

It is Certified that final copy of EMBA Business Project written by Bilal Shabir Registration No. 329787 of EMBA 2K20 has been vetted by undersigned, found complete in all aspects as per NUST Statutes/Regulations/MS Policy, is free of errors, and mistakes and is accepted as fulfillment for award of EMBA degree. It is further certified that necessary amendments as pointed out by GEC members of the scholar have also been incorporated in the said business project.

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## Abstract

Automotive Industry is one of the most significant industries in the world. It contributes a major share of global GDP and generates a large number of employment directly & indirectly. Auto company's growth also complements other allied industries. Auto industry segments are based on Type of Fuel (Diesel, Petrol, biofuel, Solar, Electric, Hybrid, Battery operated) & a number of wheels (Two-wheeler. Three-Wheeler / Four-Wheeler etc.)

Worldwide there are many automotive Companies some of the top ranking are (1) Toyota (2) Honda (3) Suzuki (4) GMC (5) Daimler & (6) Volkswagen. In Pakistan, till 2015 the Auto industry has main players like (1) Toyota (2) Honda (3) Suzuki (4) Hino (5) ISUZU. After 2015 strong emergence of Korean & Chinese players was observed. These companies have a different approach in terms of developing strategies for supply chain & HR Management as compared to Japanese automakers. Chinese & Korean brands came through an alliance with local partners in Pakistan so that Local Partners & MNC auto companies agreed to share Power Distribution. Whereas Japanese brands (Toyota / Honda / Hino) in Pakistan have more shareholding of Parent companies in Japan they have also influence over HR and Supply chain policies. In Pakistan due to the Lack of Core Technology and limited manufacturing capabilities of Local Suppliers all critical components are imported CKD Items. government Deletion program to improve the manufacturing of Auto Parts locally has been ineffective thorough years. Due to overreliance on the Parent company Top Line Management is also appointed by Parent companies from Japan based on the ratio of shareholding in Pakistan.

Hinopak is a sister company of Toyota Japan with a major shareholding of Toyota & Hino Japan, it is top-ranked auto company in Pakistan with the highest number of shares by any Japanese Automakers in Pakistan. Hinopak has (1) An Assembling Plant (2) A Body Manufacturing Plant (3) A Head Office in Karachi, and regional offices in (1) Quetta (2) Multan (3) Lahore (4) Islamabad (5) Peshawar. As compared to Toyota, Honda, ISUZU & Master Motors, Toyota Japan a is major shareholder in Hinopak. On one hand that gives HPML a strategic advantage over other Brands due to the High stakes involved by the Parent company, but on the other side create HR Challenges concerning Local culture, Industrial relations & communication issues for stake Holders that are (1) Customer (2) Suppliers (3) Employees & (4) Dealers.

## Top Management

including MD, DMD and other top positions are held by Hino Japan representatives on deputation for 3 years only, Long-term policies are based on the willingness of upcoming Management to continue or discontinue three years old initiatives. Traditionally decision-making is centralized where top management takes all key decisions, and mid-level & bottom-line Management follows it. Concerning Company Business Situation Hinopak & other Automotive companies are quite different than FMCG, Energy & other Industrial sectors. Traditionally demand for Automotive Products is always High whereas supply is limited due to imported parts requirements for assembling.

## Before 2018

Management was less concerned about the Problems in HRM System of Hinopak but since 2018 Hinopak faced a sharp decline in its sales due to (1) Political Instability (2) Volatile Fuel Prices & Forex rate (3) Supply chain crises due to COVID (4) Diversion of development Funds towards Flood relief activities etc. But a sense of urgency was also observed in the overall improvement of the HRM system since lost sale provides an opportunity for soul searching.

The Goal of this BRP Project will revolve around the HRM System of Hinopak & the Lost sales. The Area of attention would be the company Introduction, Mission, Vision & Goals. Environmental scanning will evaluate the type of environment in which the company is operating, key partners, rival companies, challenges faced by the company and opportunities available. Sales Figure for the last few years will explain historical sales trends in past. Through Management Hierarchy current organizational structure of the company will be examined. After Presenting Introduction of the company, Industry & environment, the main issue that is HRM bottlenecks will be discussed, 3 major HRM Bottlenecks will be identified that cause lost strategic alignment. After Problem identification in the next sections of this report, possible solutions will be recommended that could mitigate HRM bottlenecks.

At the end, challenges faced while implementing these solutions will be discussed and recommendations for Hinopak will be presented. This BRP document is an effort to identify gaps in the HRM system of Hinopak Motors Limited that have caused lost sales in the last few years.

# Table of Contents

1.	<b>Company Introduction</b> .....	7
	• Vision.....	8
	• Mission Statement.....	8
	• Corporate Goals.....	8
	• Products & Services .....	9
	• Sales Figure .....	10
	• Organizational Structure .....	11
	• Financial Highlights ... ..	13
2.	<b>Situational Analysis</b> .....	14
	• 5C Analysis .....	14
	• Porters Forces .....	15
3.	<b>Environmental Scanning</b> .....	16
	• SWOT Analysis .....	16
	• PESTEL Analysis.....	16
	• Industry Lifecycle .....	17
4.	<b>Bottleneck # 1 Cultural Clash between Host &amp; Parent Company</b> .....	18
5.	<b>Bottleneck # 2 Business Restriction for Parent Company</b> .....	23
6.	<b>Bottleneck # 3 Training of Host company Employee</b> .....	25
7.	<b>Solution of Bottleneck # 1</b> .....	27
8.	<b>Solution of Bottleneck # 2</b> .....	31
9.	<b>Solution of Bottleneck # 3</b> .....	35
10.	<b>Challenges faced concerning implementing</b> .....	40
11.	<b>Recommendation for Hinopak</b> .....	41
12.	<b>Abbreviation &amp; Definitions</b> .....	42
13.	<b>References</b> .....	43

**Appendix: A (Pictures).....44**  
**Appendix: B AGM Interview .....45**  
**Appendix: C Research Methodology .....46**

## **1. Company Introduction**

Hino Motors Japan and Toyota Tsusho Corporation along with Al-Futtaim Group incorporated a New company Hinopak Motors Limited in 1986. Through succeeding years' various changes followed in company structure and ownership. In 1998 Hino Motors & Toyota Corporation Japan obtained majority shares in the company after the disinvestment of Al-Futtaim and other groups.

Due to the superior diesel engine technology of Hino Japan, trusted suppliers in Japan & Thailand Hinopak became a reputed name in the chassis assembly segment, meeting the special requirements of end users. Hinopak Trucks deeply penetrated the truck market of Pakistan making it the market leader. To capture the unattended Bus market Hinopak management decided to establish Bus Body Manufacturing Plant in Karachi near the existing chassis assembly plant. Hinopak was the First company in Pakistan to manufacture a Bus Body. Bus Body manufacturing step received a positive response in Pakistan's auto market especially Universities and Schools Bus service largely consisted of the Hinopak Fleet at that point in time.

Today Hinopak has (1) Chassis Assembling Plant & (2) Body Manufacturing Plant in Karachi. Corporate Head Office is in Karachi & regional offices are in Karachi, Lahore, Islamabad & Peshawar, along with Regional offices & small-scale area offices in every major city of Pakistan. Hinopak have a strong dealership network in Pakistan with the Highest number of dealers in any HTV segment in Pakistan. Hinopak Management has undoubted devotion towards HSE Golden rules, the Physical & Mental Health of Its Employees & contractors. Development of its suppliers & dealers. Hinopak continuously Launches superior products to reduce carbon-foot prints and consumption of Diesel Fuel. To do so company has decided to convert its whole Assembling Plant and Head Office to Solar Power at the end of the Year 2026.

- **Vision:** Hinopak vision statement provides Long term goals of the company:

*“To provide the society with safe, economical, comfortable and environment- friendly means of transportation by manufacturing and supplying commercial vehicles and services.”*

- **Mission Statement:** The mission statement of Hinopak Presents the purpose of its existence:

*“To deliver high quality, safe, durable, reliable, comfortable environment friendly and economical products and services to their total satisfaction.”*

- **Corporate Goals:** The Corporate goals of the company explain long-term results the organization wants to achieve in the future:

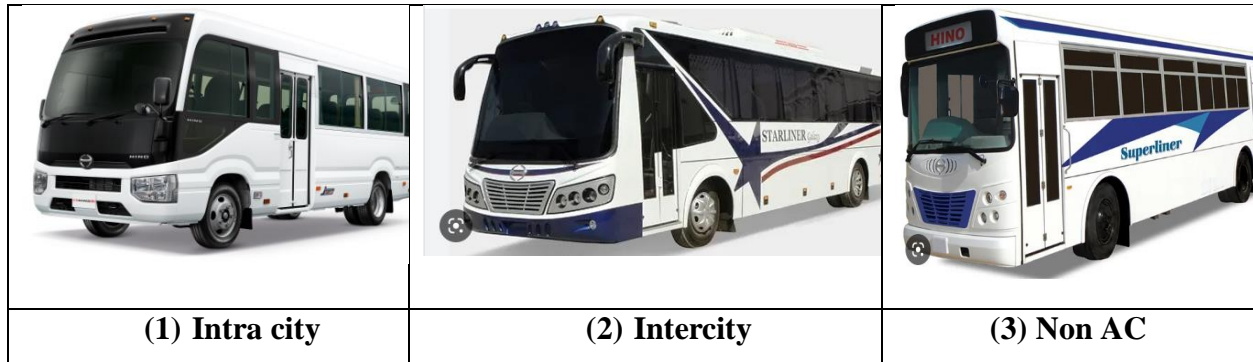
**(1) To our employees:** *To foster a corporate culture of mutual trust, respect for fundamental rights at work, opportunities for professional growth and personal welfare so that they are proud of being a member of the “Hinopak Family”.*

**(2) To the community and our nation:** *To contribute to economic and social development by providing means of transportation and by progressive localization of the vehicles.*

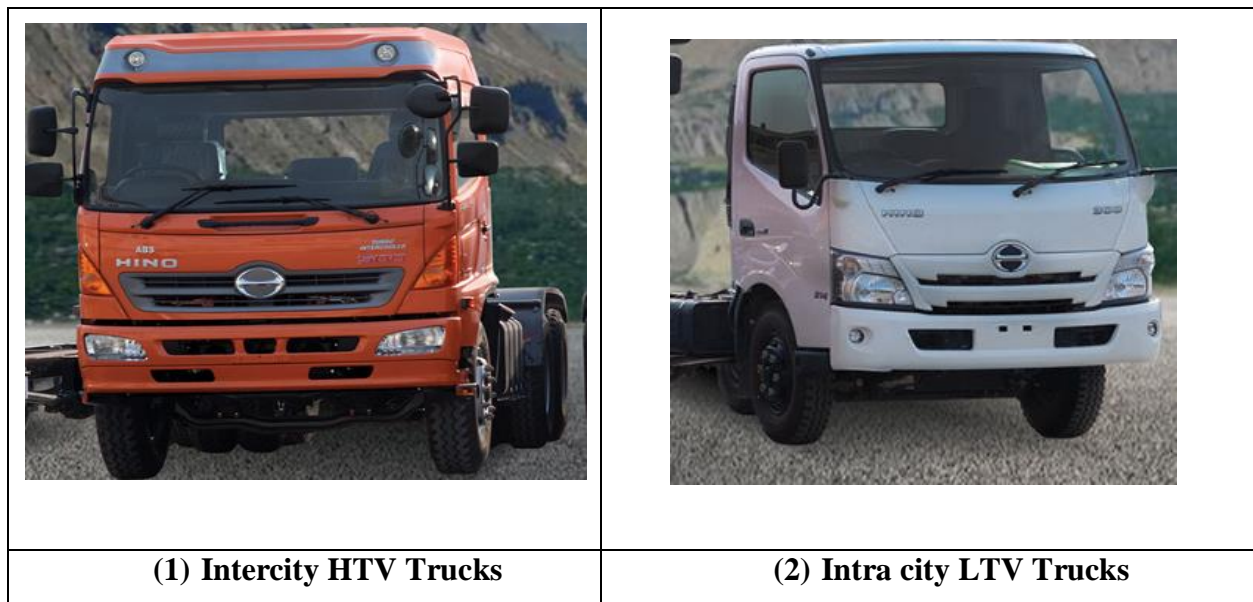
**(3) To the shareholders:** *To act in compliance with the norms expected of a subsidiary of the Toyota Group of Companies and make a meaningful financial return to the shareholders.*



- **Products & Services of Hinopak:** Hinopak is an authorized assembler of Hino Diesel Trucks & Busses in Pakistan. In Busses segment the company offers three models (1) For Intra city (2) For Intercity (3) For Student Transport (Non-AC).



For Trucking Segment Two models are offered (1) HTV Trucks (for intercity Loading) and (2) LTV Trucks (For Intra- City Loading).

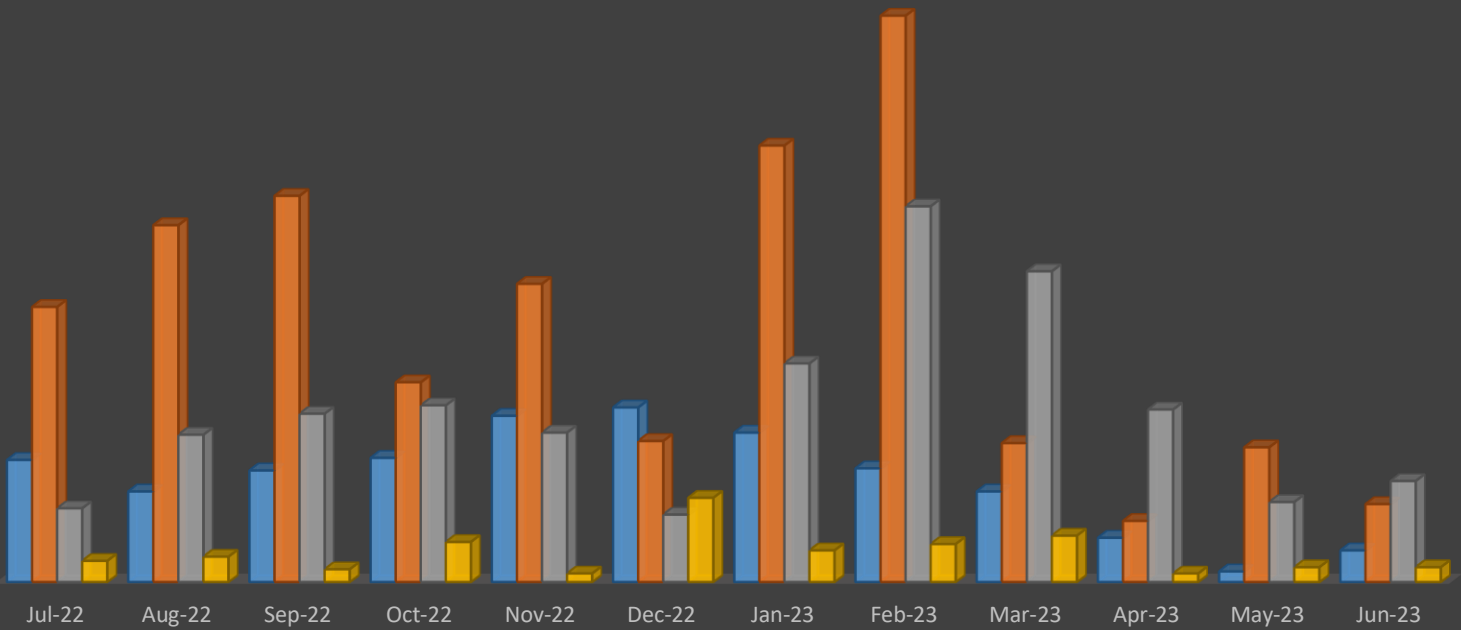


In addition to the sale of Trucks and Busses company also provides Backup support through the sale of Spare parts & workshop Maintenance services through dealership Networks.

- **Sales Figure:** Sales Figure of Trucks & busses in the last year from July 2022 to June 2023.

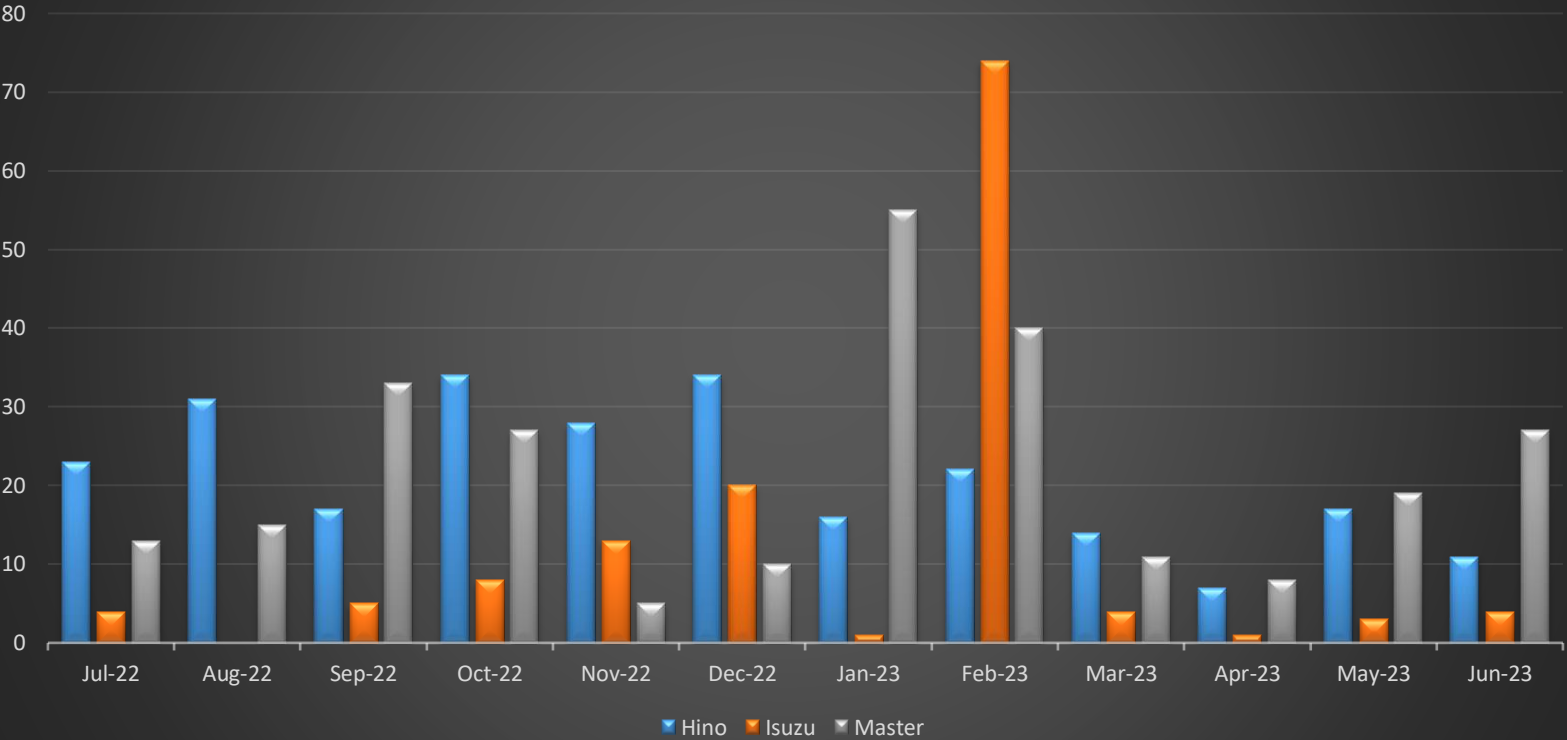
## TRUCKS SALE (JUNE 22 TO JULY 23)

■ Hino ■ Isuzu ■ Master ■ Jac



Overall Truck Market Size	3182
Market Share of Hinopak	18.35 %
Market Share of Isuzu	45.97 %
Market Share of Master	30.51 %
Market Share of Jac	5.15 %

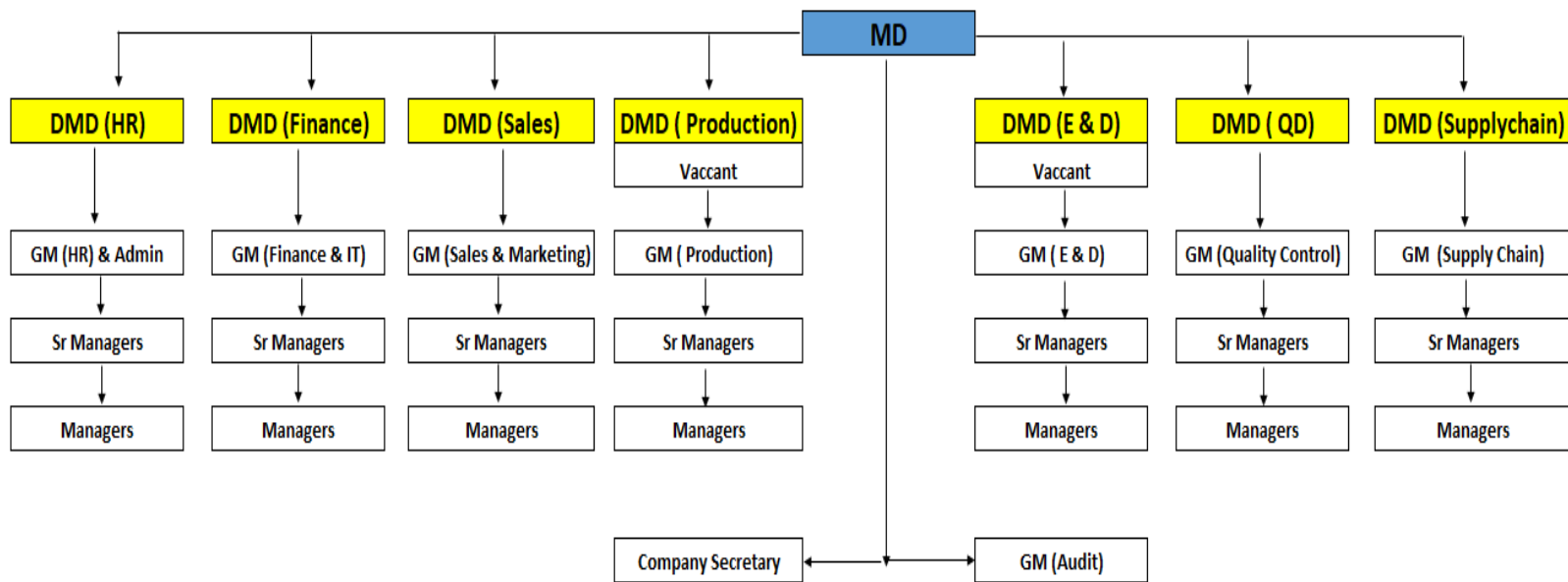
### Busses Sale (July 22 to Jun 23)



Overall Bus Market Size	654
Market Share of Hinopak	38.83 %
Market Share of Isuzu	20.94 %
Market Share of Master	40.21 %

**Note:** Sales Numbers are quoted from the PAMA website.

- **Organizational Structure:**



**MD:** Highest representation of Hino Japan in the Host county, previously equivalent to the Country Manager but Country Manager Position is now closed. MD Position is appointed by Hino Japan & Toyota Corporation. Always occupied by Expats from Japan. Deputed for three years to any county where Hino operations exist.

**DMD:** Head of Departments, always occupied by Expats from Japan. Deputed for three years to any county where Hino operations exist. Appointed by Hino Japan after advice from MD.

**GM:** Highest Position any Host Country employee can hold, appointed & transferred by MD & DMD. No fixed duration of the appointment, mostly appointed for periods. Due to experience in one department for a long time understands all SOP & ground situations. Occasionally due to functional requirements GM position could be held by expats from Japan for a maximum of three years.

**Sr. Manager:** Role of the senior Manager is to assist the GM in achieving the Business objectives of the department. Always held by Local Management.

**Managers:** Appointed & transferred by the GM of the respective department through advice from DMD or requirement-based. All Managerial positions are filled by Locals. The role of Managers is to execute Management policies.

- **Financial Highlights (2022 to 2023):** The below-mentioned details are extracted from the Annual Report of Hinopak Year 2023.

**Financial Highlights (Million Rs)**

Revenue from Contract with Customers	13,185.97
Gross Profit	1,126.61
Operating Profit	516.55
Net Assets	5,121.70
Current Assets	3,749.29
Current Liabilities	3,749.29

**Turn Over (Million Rs)**

Chassis Sale	8,746.69
Busses / Bodies	713.4
Spare parts Sale	538.98

At the end of March 2023 Despite the reduction in market size Hinopak was able to increase its net profit as compared to last year. The reason was an increase in Prices of Trucks & Busses. The Discount that the company had previously offered on Bulk orders was closed permanently. Cost cutting was assured & overhead expenses in terms of administrative expenses were controlled. Other expenses such as (1) Annual Dinners (2) Profit base Bonuses (3) Procurement of Luxury items (4) Gifts & Give away were reduced.

Capital Expenditures in terms of Buying new machinery for Plant and Office renovation work were also postponed temporarily.

## 2. Situational Analysis (5C & Porters Forces)

- 5C Analysis

Company	Collaborators	Customer	Competitors	Context
<p>Hino Japan &amp; Toyota Japan are majority shareholders in Hinopak. Without any local partner involved.</p> <p>Most renowned road sign in terms of volume and Past History of durability.</p> <p>Highest Number of Foreign Management (Expats) concerning any other Automotive Company</p>	<p>Major components are imported through a Strong Network of International Vendors and suppliers.</p> <p>Availability of Local Suppliers in Pakistan concerning less critical components.</p> <p>Total Parco is a Local supplier of Hino Lubricants.</p>	<p>Customer segments are :</p> <ol style="list-style-type: none"> <li>(1) Institutes</li> <li>(2) Commercial</li> <li>(3) Defense</li> <li>(4) Banks</li> <li>(5) Dealers.</li> </ol> <p>Oil Agencies &amp; Spare Part Dealers.</p>	<p><b>Trucks up to 6 Ton capacity :</b> (Canter / Porter / Shahzor / JMC / Sinopak)</p> <p><b>Trucks up to 14 Ton capacity :</b> ( Isuzu / Dongfeng / Faw / MAN ) .</p> <p><b>Busses</b> ( Daewoo / Master Motors / Isuzu)</p>	<p>Centralize Decision Making of Hinopak.</p> <p>Lack of core Technology shift due to weak SME industry.</p> <p>The lack of long-term policy implementation by the government causes uncertainty for Auto companies in Pakistan.</p> <p>Logistics and fleet Operations are based on the overall economic situation of the country</p>

**Company:** Explains the internal environment of the organization and its key features.

**Collaborators:** Suppliers that help the company in Business.

**Customers:** List of Potential Buyers.

**Competitors:** Rival companies within existing business segments,

**Context:** Social and Economic Environment in which the company is operating.

- **Porters Forces (5 Forces Model)**

**Threat of New Entrants**

**Low** : Toxic Business environment to attract new investors. Complicated SOP , Licensing & High Initial Costs . Risks associated with Return on investments.

**Threat of Substitutes**

**High** : Due to Chinese & Korean assemblers. The high Price difference between Japanese, Korean & Chinese companies. Today Government Polices support Chinese Auto companies.

**Existing Competitive Rivalry**

**High** : Low Industrial growth and government Projects in the last few years. High Barriers of exit for existing players. Throat-cutting completion to capture available market size. Number of competitors & market size is the same.

**Bargaining Power of Customers**

**Low** : Too much demand in the market & too little supply. Switching Costs from one Brand to another is too High. Every customer has different Budget allocation, design related requirements.

**Bargaining Power of Suppliers**

**High** : The number of suppliers are same. Due to limited suppliers of engines, gear and other allied components auto companies have less bargaining power to negotiate.

- (1) Threat of New Entrants (2) Bargaining Power of Customers is Low.
- Possibilities for (1) Competition among Rival companies (2) Bargaining Power of Suppliers (3) Threat of Substitutes is High.

### 3. Environmental Scanning

- **SWOT Analysis**

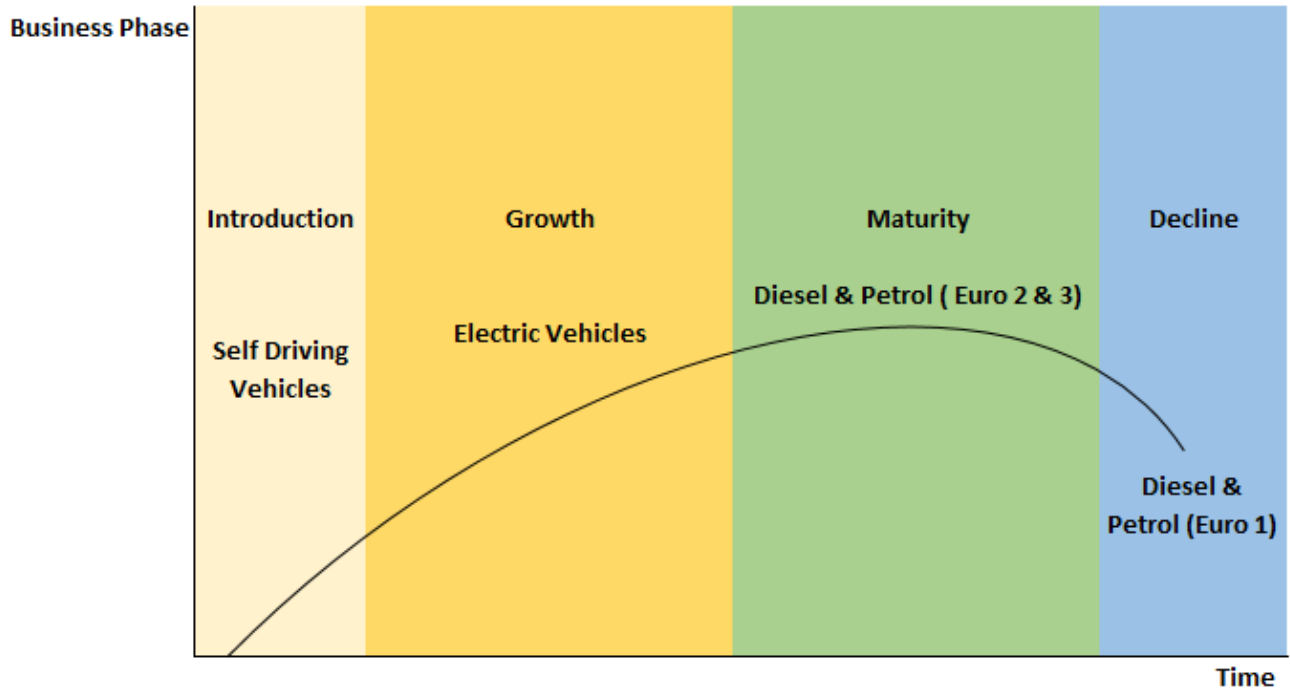
<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Investments &amp; stakes of Hino Japan (parent company) are High at Hinopak (Host company) reflecting dedication.</li> <li>• High Retention rate of employees, The average service period of Hinopak employees is 5 to 7 years at least.</li> <li>• Positive Word of Mouth &amp; soft Brand image of Hino in International and local markets.</li> <li>• Hinopak has a Long History assembling of Trucks and buses in Pakistan for more than 30 years.</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>• The ethnocentric approach causes cultural issues between the host &amp; parent company.</li> <li>• The company has High Liabilities in terms of overhead expenses as compared with other automotive companies.</li> <li>• Less Involvement of Lower Management Staff in all key decision-making processes.</li> <li>• Higher Management came for three years deputation, hence less strategic vision about Local Markets.</li> </ul>
<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>• Business diversification opportunities like the sale of Automotive Lubricants, Spare Parts &amp; other services.</li> <li>• Negotiate with International and local vendors to reduce Product Prices. Finding new suppliers to cut down expenses.</li> <li>• Vertical Integration to get control over raw material supply etc.</li> <li>• Take benefit from the Body Manufacturing technology of Hinopak.</li> </ul>	<p><b>Threat</b></p> <ul style="list-style-type: none"> <li>• Government Inclination towards Chinese Auto Makers is a direct threat to all Japanese auto assemblers in Pakistan.</li> <li>• Many Auto assemblers from different countries are ready to establish assembling units in Pakistan (part of CPEC investment).</li> <li>• Rival Company's management has better planning skills &amp; understanding of future Business opportunities.</li> <li>• Increase in Net Profits but lost market share in last few years.</li> </ul>

- **PESTEL Analysis**

Political	Environment	Social	Technology	Economy	Legal
<p>Inconsistent Policies to Implement Deletion Program etc.</p> <p>Increases in Taxes and interest rates make vehicle leasing more difficult.</p>	<p>Climate Change pushes the government &amp; automakers towards alternate sources of Fuel.</p> <p>Road Safety awareness in increased in the last few years.</p>	<p>Mental and health issues of Drivers are getting attention.</p> <p>Fleet operations require tough licensing and tax requirements.</p>	<p>EVs &amp; self-driving vehicles are the future where AI is given preference over automotive hardware.</p> <p>Today many Institutes have developed in-house standards related to auto specifications.</p>	<p>The government is demanding Automakers for Import Substitution &amp; exports.</p> <p>Diversion of government development funds toward Flood victims.</p>	<p>Flaws in Corporate Governance rules, Laws &amp; SECP codes.</p> <p>Strong Union (CBA) &amp; coordination with all Automotive companies Toyota, Honda etc.</p>



- **Industry Life Cycle**



Due to sustainable environmental goals & exhaust systems with zero emission demand for Electrical Vehicles are rapidly growing, China & Korea are rapidly investing in R & D of Electrical models, but due to raw material shortage (lithium & cobalt) & supply chain broken linkages due to COVID & now Ukraine war (semiconductor shortage) electric vehicles & IC Engines Production is reduced globally. Yet Auto Manufacturers like Nissan have announced to complete shift their existing assembly line of diesel & petrol engines to Electrical technology by the end of 2030.

Concerning Self-driving vehicles commercial production has not yet started few prototype units are in test and trial stages in congested urban cities like Tokyo etc. Google and Apple are developing modern AI technology to assure the safety and reliability of self-driving units.

## **4. Bottle Neck # 1: Cultural Clash between Host & Parent**

### **Company (Hofstede's Cultural Dimensions)**

Since 2003 Higher Management of Hinopak that includes (1) MD and (2) DMD are always held by expats from Japan. DMD of Sales and Production is always appointed by Toyota – Japan & other department heads and the MD is appointed by Hino – Japan. The expats are deputed for a certain time and not permanently posted to one company or one position for a very long time.

- **Hofstede's Cultural Dimensions:** For Understanding Cultural differences among various countries Hofstede's Cultural Dimensions are an important tool to discuss. Six Parameters defined in this framework are as follows below.
  1. **Power Distance:** As the name suggests an organizational culture that distributes equal power distribution among everyone has Low Power distance. An environment with great power distance has a High value for power distance. The Term Power Distance supports the argument that every person doesn't have equal power sharing in society.
  2. **Individualism:** Individualism-based cultures are more individual goals oriented where achievement of personal goals contributes to overall success, People are ready to work in isolation and a constrained work environment with less external support available.
  3. **Uncertainty avoidance:** Uncertainty avoidance means a culture where unpredictable events are not liked due to a proactive approach already taken in advance. In cultures with High uncertainty avoidance, people avoid taking risks and following set rules.
  4. **Masculinity:** A culture based on red ocean theory with cutthroat competition in schools & workplace. Such Societies Have Highly Skilled Human Capital.
  5. **Long Term Orientation:** Refers to how much the company values Long Term Goals, and the ability to adjust concerning changing situations.

- 6. **Indulgence:** a culture that offers work-life balance, allows its Human Resources to feel satisfied at the workplace. A culture to mingle & socialize with Fellow Human beings.

### Comparison of Cultural Dimensions (Japan & Pakistan)

Below is a cultural comparison between Pakistan & Japan concerning the above mentioned six cultural dimensions.



- 1. Power Distance (Japan & Pakistan):** On a scale of 100 Japan (score: 54) & Pakistan (score: 55) Concerning power distribution rankings both Japan and Pakistan cultures follow power ranks and decision-making is done accordingly. Delay response and late decision making is due to approval from higher management. Most companies in Japan follow the same cultural habits. Similar to Pakistan, a Pyramid style of management is in place where inequalities concerning decision-making and authority are generally accepted. Based on scoring both Japan and Pakistan culture have close similarities concerning ranks and files.
- 2. Individualism (Japan & Pakistan):** On a scale of 100 Japan (score: 46) & Pakistan (score: 14), Japanese culture appears to be more Loyal to their employers. Although the Japanese nation is considered to be a proud nation, humiliation to the country and family is unacceptable. Yet in terms of achieving goals individual Objectives are more dominant than group approach. Opposite to individualism is collectivism where overall success and group performance are more appreciable for the organization. By comparing with other Asian Nations like (China & Korea) Japanese culture is perceived as more Private and individual. Japanese culture has a limited family system in place that may contribute to its individualism. Pakistan has a low score of 14, which means Pakistan's culture represents a collectivistic approach, where group thinking is more important, and working and decision making is taken in groups with group agreement. In collectivistic societies responsibilities of families, friends and fellow members are given great value.
- 3. Masculinity (Japan & Pakistan):** On a scale of 100 Japan (scored: 95) & Pakistan (scored: 50), and Japan on the scale is 95, which is a High score for the cultural Dimension, which means culture is based on High Competition & competence through the educational system, Businesses and organizations. Success is given vital importance when compared with individual comfort and care for others. Masculinity means to be ready for rivalry among groups and individuals at any time. In Japan, employees Feel accomplished when given difficult tasks and they overcome all those challenges and perform well rather than thinking about results or rewards all the time. Due to this fighting behavior injected in kids at a very early age in life, Japan emerged as the 4th largest GDP in the world with pioneers in modern Robotics, Automotive & artifice intelligence. Japan is a close culture society with less reliance on

external support. Pakistan on the other hand has a moderate score for masculinity means it gave intermediate value to Competition, motivation & success. Quality of life is given equal importance.

- 4. Uncertainty Avoidance (Japan & Pakistan):** On a scale of 100 Japan (score: 92) & Pakistan (score: 70), Culture in Japan is highly organized with little acceptance of uncertain situations. Decision-making is taken after careful consideration of all available information, analysis and Fact sheets. Well-defined Procedures, SOPs & work instructions are defined for every single job & activity. Due to Past incidents and historical events that occurred in Japan, organizations have rapid response plans for every situation. Due to clearly defined SOP Japanese organizations are too difficult to implement changes. Management also doesn't like to hear shock news or uncertain Future Planning. The decision to Enter and Exit from a foreign operation is part of long-term planning instead of short-term goals. Pakistani culture with a score of 70 is also high to represent strong codes and avoid ambiguity. Follow set rules instead of exploring opportunities for innovation & new ideas. People work hard when kept in an organized environment with clearly defined boundaries & systems.
- 5. Long Term Orientation (Japan & Pakistan):** On a scale of 100 Japan (score: 88) & Pakistan (score: 50), long-term orientation defines how a culture oversees its future in general. With this approach, Japan's culture is focused on future preservation with high investments in design, education & technology-related research. Companies in Japan follow a stakeholder-based approach rather than shareholders. Profit maximization is part of Business but not at the cost of long-term orientation and continuous development. The concept of return to society is common that's why all companies in Japan allocate budgets for CSR activities despite the economic crunch. Pakistan with an intermediate score doesn't appear to incline towards a long-term or short-term approach.
- 6. Indulgence (Japan & Pakistan):** On a scale of 100 Japan (score: 42) & Pakistan (score: 0), being close to social norms and traditional educational systems Japan has a low score due to restraint & controls in place. Due to Historical events that occurred in Japan, culture is based on competition, perfection, Honesty and respect. Also, Pakistan's cultural norms are to restrain itself from uncontrolled desires, family burdens & religious belief systems. Pakistan also has

a very low score on the parameter of indulgence. Cultures with great Restraint generally have a certain level of discipline at the workplace, and dress codes, codes of conduct & work ethics are less flexible. Cultures with indulgence offer Flexibility in terms of work environment and are more focused on results rather than process.

- **Indirect Communication:** Expats from Japan either Hino or Toyota are not very frequent in giving feedback, positive or negative. Methods of communication are very Formal through e-mail or morning meetings only; informal communication is very limited despite (1) Open door policies and (2) Open Office communication is still done through Formal mediums. Cross-functional integration and working relations among various departments are also limited.
- **Top Down Decision Making:** All key decisions concerning Long-term and short-term planning are made by Higher management only. Management is always keen to receive honest feedback from First-line & second-line managers but Final decision-making is always based on top top-down approach, due to limited knowledge of Local industry sometimes management overlooks micro aspects of Local Industry.
- **Anti-Takeover Policies:** Due to cultural pride and a deep-rooted Business mindset of anti-hostile takeover policies. Japan Business companies are not very much in favor of acquisitions, mergers or alliances. All Japanese Auto manufacturer model is based on a Japanese Term called “Keiretsu “where interlocking relations are established among various companies with split shareholding This kind of business model prevents rival companies from acquiring any Japan-based company. (1) Poison Pills (2) Golden Parachute and other anti-hostile takeover measures are placed. As a subsidiary of Hino Japan, Hinopak had always shown reluctance against good opportunities for mergers and acquisitions in the past. As a side effect of such deep-rooted policy growth within the same industry is limited and good opportunities for business expansion are missed. Historically strategic alliance is only done with Japanese Brand in a limited capacity.

## **5. Bottle Neck # 2: Business Restriction for Parent Company**

Hino is a traditional automotive company. In the Past company had made various alliances with other companies, The Toyota and Hino merger was also one considerable example to quote. But concerning changing technology & traditions the pace of Horizontal & Vertical integration is very slow. In the last ten years Globally & Locally Hino & Hinopak has not significantly stretched its Product Line to capture new market share. No mergers within the same Trucking or Busses industry have ever happened, due to poison pills placed against Hostile takeovers, Management from Japan is not in favor of Foreign feet on its soil which is why Hino and other auto companies of Japan are less vulnerable against takeover by rival companies, but growth and Horizontal expansion is also a big challenge specially while operating in other countries where mergers, alliances & Horizontal & Vertical integration are common. Here is a comparison of Hino with other Automotive companies in Pakistan.

### **Toyota Group**

Toyota Motors	<b>Hino</b>	Lexus	Daihatsu	Denso
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Toyota is the Parent company of Hinopak Motors, Toyota Industries as a group has always shown growth in automotive sectors in Japan and other offshore operations, whereas Toyota Group had never relied on its supply chain management, and always relied on Vendors and SMEs in Japan & Thailand. A similar kind of situation is also in Suzuki & Honda.

### **Bibojee Group**

<b>Gandhara Industries (ISUZU)</b>	General Tyre	Universal Insurance	Gammon (construction)	Bannu Woolen Mill	Janana Textile Mills
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Bibojee Group is a Pakistan-based Business Group owned by Gen Ali Kuli Khan, Bibojee is the Parent company of Gandhara Industries that is Local Partner & authorized assembler of ISUZU Trucks & Busses in Pakistan. Despite the Auto Assembling Unit, the Parent group also has Tires, Insurance and textile footprints in Pakistan that complement its other business as a group.

## Master Group

MoltyFoam	Procon Engineering	Master Textile	<b>Master Motors (Fuso / Foton / Changan / Yutong)</b>	Master Wind Energy	Master OffiSys
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Master Group is also well known in Pakistan for its vertical integration, a foam manufacturing brand master group has transformed itself into the energy, textile, furniture and engineering sectors, Like Bibojee Group master motors is an authorized dealer of famous inter bus manufacturer Yutong in Pakistan other automotive brands of master motors are Fuso / Foton & Changan.

## Al Haj Group

<b>Al Haj (Faw Motors)</b>	Al Haj Textile	Al Haj Foundry	Al Haj Enterprises	Rasch Logistics
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Al-Haj Group is a Local Partner of Chinese Auto Company Faw in Pakistan. Other Business of the Al-Haj group includes Textile, Foundry and logistics.

Other Companies Like Lucky Group & Nishat Group are also Local Partner with Hyundai & Kia Motors but their main segment is in Cars & SUV that is not in competition with LCV & HTV Auto companies.



## **6. HRM Bottle Neck # 3: Training of Host company Employee** **(EPRG Model)**

- **EPRG Framework:** EPRG is a model developed to understand various aspects of the management associated with the international operation of an organization especially in developing strategies for staffing in Foreign operations of an organization. In EPRG model (1) E stand for Ethnocentric (2) P for Polycentric (3) R for Regiocentric (4) G for Geocentric. Further explanation of all these approaches is as below:

(1) **Ethnocentric:** All key decisions are taken at Head Offices. Little independence is given to Country Offices. Expats from Head Offices (Parent company) occupy all key positions at the Host company.

(2) **Polycentric:** Key decisions are taken at country offices. The main head office empowers all country offices. Key Positions are occupied by Locals from the Host company.

(3) **Regiocentric:** Main decisions are taken at regional Offices.

(4) **Geocentric:** Key posts are occupied by several people from different nationalities to promote cultural diversity.

All the above-mentioned approaches have advantages and disadvantages. From the initial introduction, it is clear that Hinopak has an “Ethnocentric “Approach to HRM. The impact of the Ethnocentric approach at Hinopak Motors Limited has a downside in terms of HRM Development and long-term planning.

(1) Parent company (Hino & Toyota Japan) representatives find it difficult to adjust to the environment of the host company (Hinopak) culture.

(2) Disturbance allowance and a relocation allowance for ex-pats cause a burden on Financial Health of Hinopak due to the difference in Forex rates.

(3) It is time-consuming to understand the Business norms & environment of the Host company to make key decisions that cause over-dependence on Host Company Employees.

(4) Communication is a key challenge associated with the Ethnocentric approach, Management feedback and Employee suggestions could easily be misunderstood.

- **Training Needs with Changing Technologies:** The Core Product of Hino & Hinopak is technology-based with changing R & D. Transfer of knowledge concerning changing Technology is again a big challenge associated with an ethnocentric approach.

In the Last

Few years' the requirement of Technology shift due to carbon Footprints & sustainable environmental goals has grown too much. Social and legal obligations by governments have forced Automotive companies to shift from traditional resources of mobility to renewable resources. Automakers had invested in their R&D department to convert engine technology from Petrol/diesel to Hybrid & now Electrical. Hino is not an exception in this regard, In the last ten years 4 to 5 variants with different engine specifications, Fuel systems & emission controls have been launched in Hinopak Pakistan only, other foreign operations with Hino Presence have more diversified models & specifications. Such speedy changes in technology have a direct impact on the Training of (1) Production (2) Sales (3) Supply chain & (4) Maintenance Staff. Before Launching any new product with complex functions and multiple parts in function, untrained staff could damage the brand & product's reputation.

- **Distance Learning issues:** As Production and maintenance require extensive hands-on experience, the Hinopak training center is not equipped enough to provide the required assistance. A normal practice during the technology shift is that the Hinopak Training Center Head and Production heads are called to Hino Japan for on-the-job training. After completion of job training, they are sent back to implement those tasks in their respective countries. The problem occurs in the transfer of knowledge from Training & Production Heads to First line managers. Hinopak Production Line focuses on Written Manuals and procedures to execute assembling tasks rather than the expertise of competent staff with extensive hands-on experience.

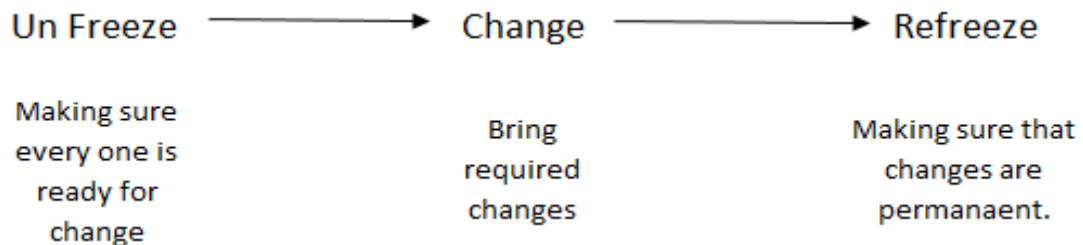
Delay in new models Launching & production is one of the biggest outcomes that occurs due to untrained staff that took more time while assembling & testing new models as compared to old models. Production staff requires two to three months to absorb changing models' production SOP. The same issues occur with the Sales, Supply chain & spare parts departments in the initial stage.

**7. Solution of Bottleneck # 1:** solutions recommended here will be based on the already discussed Bottle Neck # 1 which is a cultural clash between the Host and Parent company. The purpose is to improve communication & bridge the gap between management and employees so that decision-making can be speedy and accurate.

- **Turnaround Strategy for Cultural Transformation:** Before implementing cultural changes understand what a culture is. How does it impact organizational development? is equally important. Organizational culture defines how management verbal and non-verbal communication with its stakeholders (Employees etc.). A strong organizational culture is the competitive advantage of an organization whereas a weak culture does the opposite. Organizational culture is the identity of an organization. The following steps would explain steps to transform an organizational culture:

1. **Cultural scanning & Ideal Culture required:** The first thing is to understand what culture is required in your organization. Before implementing any cultural Transformation understating of current organizational culture is necessary. What organizational culture do we have in Place? How to develop a culture that would complement the Business goals of the organization? For performing cultural scanning a scale of Required vs. Current Culture needs to be developed to measure the score for individual parameters and then compare it with the required culture needed to implement. Whether it should be employee-focused or management-focused, organizational culture is shareholder-based or stakeholder-based. Based on the approach what approach is more suitable either ethnocentric, Polycentric or geocentric? A Look-down analysis is done to understand what culture is in practice at the organization and down downside of it. Based on the cultural norms of Hinopak, HPML is an Ethnocentric approach where all key decisions are taken at the head office and there is a clear top-down approach. Based on the ideal working environment and challenges associated with the company today, a polycentric approach is more suitable, Hinopak is involved in the manufacturing of technology products, where accurate decisions and forecasting of today will show its impact after 3 to 4 years. For smooth decision-making & avoiding unnecessary delays in management approvals, the polycentric approach is more suitable for Hinopak as compared to the ethnocentric approach.

2. **Clear defined weak areas:** Based on the culture in place and the required culture to implement, the next step is to define weak areas that hurt the organization, Based on Hofstede's Cultural Dimensions discussed in Bottle Neck # 1, parameters like Power Distance, Uncertainty avoidance and long-term term orientation share little difference between Pakistan and Japan Culture. Whereas the score difference is very high in terms of Individualism and Indulgence. A High score of individualism suggests that individual success is more important in Japanese culture than in Pakistan Group success is given more importance This difference in dimension score represents a cultural clash in terms of achieving objectives by different departments at Hinopak Motors Limited.
3. **Create an action plan:** Based on Objectives and goals action plan for cultural transformation is required where several questions need to be answered like resources required, Timelines, challenges, tasks and tactics to adopt for success. After implementation mechanism for monitoring and evaluation of an action plan should be developed.
4. **Organizational Commitment:** Too often comprehensive action plans are developed but unable to be sustained due to lack of management commitment. Transformation of an existing culture is a difficult task to do. The sustainability of transformation is only possible through continuity in policies.



- **Obeya Councils:** For reducing cultural clashes Obeya Council is a kind of Morning Meeting or Town hall meeting, to address issues of various departments, operational bottlenecks are identified and solutions are recommended, This concept was adapted from Lean Six Sigma & old Greek, Many organizations in Pakistan like (1) Dawlance & Abbott Labs are using Obeya meetings as an alternate of morning meeting. The key difference between Formal meetings and Obeya is:

1. Obeya meetings are held at open spaces, not in closed offices or surrounding walls, no sitting arrangements are present for participants. Presenters and listeners are always in standing Positions.

2. Obeya meetings could be held at sports grounds, Parking areas or any other open location where access of the common man is easy.

3. These meetings are open to the public, no invitation is required one can attend these meetings at specified time and locations.

4. Obeya meetings are held in informal ways but the outcome is more objective based.

- **Cultural Day:** To promote an environment of harmony and respect cultural day is a useful tool for informal communication. In Japan, Cultural Day is a public holiday where the display of traditional Foods, clothes & Languages & arts are displayed. Cultural day could be a barrier breaker between management and employees.
- **CSR Activities:** Many MNC companies currently operating in Pakistan are doing CSR activities in different ways. The purpose of CSR is to gain a soft corner among the local community and show dedication toward the prosperity of the Host country. Hinopak is also doing various CSR ventures that include (1) Reducing carbon Footprints (2) Donations to special education schools (3) Joint training with NHA and motorway police to enhance road safety (4) Beach Cleaning activities etc. CSR activities are a very powerful tool to generate social impact, build up an organization's image & silent marketing to capture future customers.
- **Bottom Up Communication:** To improve communication from the bottom up, and share information about unsafe practices in a more informal way concept of “Chill Down Areas” is a suggestion where company team members could have common dedicated areas to calm down overwhelming thoughts, stress & anxiety. The chill down area or Calm down area concept was initially introduced in Schools and playgroups where kids with anxiety issues could feel safe.
- **Cross Functional Teams:** Since incorporation, Hinopak have fixed Functional teams that are dedicated to a department, transferring to other departments is very rare until some serious requirement or starting a new project that causes a shortage of human resource. By Keeping in consideration issues related to delayed responses from other departments less harmony and working relationships among various stakeholders, converting Functional

teams into cross-functional teams could improve departmental integration. Cross-functional teams are several team members from various departments that work together under one department to speed up complex tasks and activities. In a sales team dedicated services of an IT Person could improve digital networking, presence of a Finance person in a sales team could improve cost analysis, profit and loss associated with sales activities. It is recommended that Cross-Functional teams should be based on Gap analysis and not compulsory to implement in all departments. A Group of people with different experiences and expertise can improve decision-making & resolve bottlenecks associated with the specialized knowledge required for some key departments. The cross-functional integration concept is popular in many progressive organizations worldwide to improve communication, collaboration and diversity.

A recommended Cross Functional team for improving the Sales process of Hinopak is as per below:



### **Functional Team (Present Situation)**

Historically Hinopak Sales Head is always surrounded by Sales Managers of various scales with experience in sales only. It is High time to change that approach as soon as

possible to dilute centralized decision-making from the top. Cross-functional teams should be empowered to make routine decisions.



**Cross Functional Team (Recommended)**

8. **Solution of Bottleneck # 2:** The solutions for Bottleneck # 2 will recommend suggestions to counter the issue of Business Restrictions for Hinopak. In Bottle Neck # 2 examples of various Automotive Groups were mentioned currently operating in the HTV & LTV segment. Groups Like Al-Haj, Master etc.
- **Explore Opportunity for Merger & Alliance:** Due to the continuous decline of sales in the overall automotive industry since 2022, the current year 2023 and 2024 is considered survival year for the automotive industry of Pakistan. LC restrictions and fluctuating exchange rates are key reasons for nose-dive production in the auto sector. For risk diversification opportunity for MOU with other auto companies in Pakistan is always an option to discuss. Since after Chinese Brand's emergence in the HTV and LTV segments, it is apparent that chinses brands are given space in the auto sector of Pakistan. In such a

toxic situation for Japanese brands alliance among various Japanese auto brands could be a very useful solution. The main Objectives of the Hinopak Merger or alliance would be:

- (1) Risk diversification and increase in market share through reduction in operatorship & shareholding.
- (2) Increase value for money as the Hino brand has more overhead expenses and stakes in Pakistan as compared to other brands.
- (3) Increase in investments & technology sharing from other companies.
- (4) Value generation through new talent & meeting higher levels of competition.
- (5) Sharing of Loss instead of going out of business.

In the Past Mergers and alliances that occurred in GMC, Nissan and other companies have had positive growth in the automotive sector.

- **Government Policies & Taxes:** Higher Prices & supply chain issue is always a Problem associated with auto companies. Due to Limited Local Production of Automotive Parts assembling is based on imported parts. EDB (Engineering Development Board) is responsible for industry development in Pakistan and defines SOP for Automotive Industry Production and Sales. EDB has a Deletion program to implement to reduce reliance on imported parts and focus on Local Production to replace imported spare parts. Motorcycle Production is a very fine example to quote where 85% of Motor Cycle Parts are manufactured through Local Production. A successful deletion program in the wheeler segment had made Bikes affordable items for the Public in general. A similar kind of deletion program is required for 4-wheelers and 10-wheelers. From 2022 to 2023 Government imposed a Capital Value Tax (CVT) on Auto Production, due to a sudden increase in new tax assemblers faced difficulty in receiving payments and deliveries from customers and dealerships to date CVT is suspended but new taxes always restrict breathing space for Business houses. Since a Sustainable Auto Policy is required for at least five years so that auto companies can plan their production and sales accordingly for the auto sector's long-term growth Legal and Tax related matters should be streamlined for companies to forecast their future. Features for Sustainable policy implementation are:
  - (1) Implementation of a Deletion Program to reduce overvalued product prices and maintain a smooth supply chain through local vendors.



(2) The government should announce an Auto policy for EV and Petrol/Diesel vehicles for the next five years at least to encourage new investors and assist existing companies for future forecasting.

- **Exports Opportunities (Africa & others):** In 2011 Hinopak assembled Left Hand Drive Trucks to export to Afghanistan, A similar initiative was taken when School buses as per Gulf specifications were developed & delivered to the UAE government. In those Years Local demand was too high to meet customer requirements on time. Since then export business from Pakistan has stopped. But today it's High time to review export opportunities due to declining Local sales and the political and economic Situation of the country. Hinopak is the only authorized assembler of Hino Trucks and Busses in southeast Asia. HPML Team has the experience, Skills & capabilities to initiate the export project again. Exports of Automotive are also a solution to dilute the Forex Crisis caused due to High Import Bills and trade deficits caused by Imported CKD Parts.



After careful research & scrutiny PAMA (Pakistan Automotive Association), EDB (Engineering Development Board), Toyota & MG Motors highlight five Countries with Potential for Car / SUV / Trucks and busses Export.

Also from 2021 to 2026 as a Policy Matter Government is maintaining a ratio of Exports concerning Imported CKD. Companies in Pakistan with export volume will be allowed to import raw materials for assembly. Master Motors Changan Oshan X7 is the First Unit that was exported in this regard last year.

- **Business Diversification (Lubricants & Spare parts):** Many Multinational companies have diversified their core business while operating in Pakistan. For example, Caltex's core Business in Pakistan was the Sales and marketing of Gasoline and diesel Fuel. For several years, Caltex was one of the leading Fuel Marketing companies in Pakistan. After emerging multiple other companies & decline in profitability, Caltex had taken a shift from Fuel Products to Lubricants sales and marketing. Today Caltex Havoline is a Prime Product in Pakistan with almost 47 % market share in the Lubricants segment. Hinopak also sale & markets already manufactured Lubricants from Total Parco and spare Parts from Local Vendors with Hinopak's Branding and Labeling. The company has Historical data and marketing experience to sell Lubricants and Spare parts on its own. The initiatives are required to invest in the manufacturing process of these items so that these huge outsourcing costs can be saved and maximum Profit utilization can be achieved. By availing manufacturing capabilities company would have low dependence on suppliers & raw materials. Hence HPML could maintain its supply chain concerning demand and supply.
- **Product Diversification:** In various Business Segments (Petroleum, Cement) rival companies are more penetration due to Design features, loading capacities and body specifications. Hinopak's main customer base is its satisfied institute customers (PAEC, NESCOM, NDC, KRL etc.), Hinopak is assuring the requirements of that customer segment. Another segment is Fleet operators and logistics companies, Hino has also a product presence in that segment, but one unattended segment is a commercial segment that comprises 19 % of the overall market size. Due to the unavailability of Hino models that can fulfill the requirements of commercial customers especially in Transportation of

Petroleum Products and construction material segment from the last few years' sales orders directly go to other companies. The company must actively look into those products gaps & analyze factors of demand, supply chain, and E & D aspects for launching new products in trucks and busses segments to prevent lost sales.

As an example, Hinopak launched its first common rail model in 2021 with ABS Brakes which was a special requirement of Oil and gas companies due to increased safety features required by end users, since after the sale of its first lot company received massive sales inquiries that were difficult to fulfill due to limited production capacity of the assembly plant.

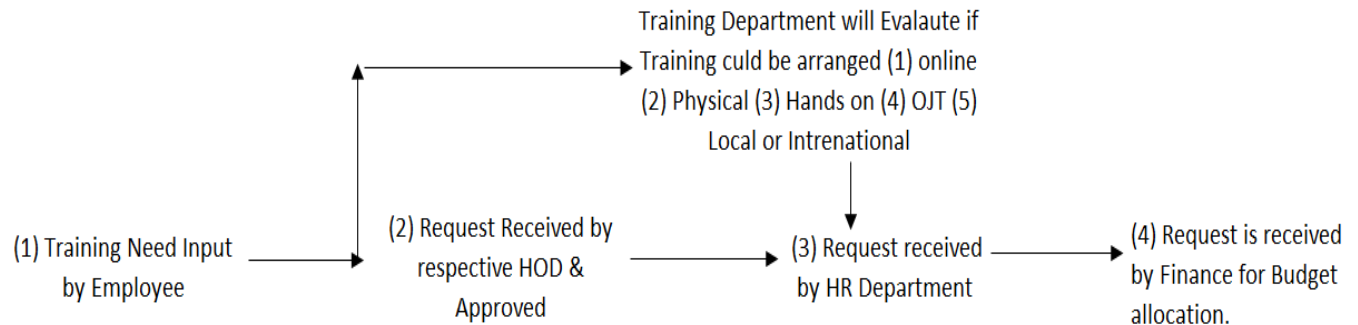
**9. Solution of Bottleneck # 3:** These Solutions are based on challenges associated with Employee training concerning changing technology and internal policies. Due to the Ethnocentric approach key decisions are taken at the Hino Japan office and circulated to all Country offices through Japanese management already present at the Host company. As work instructions and guidelines are not received directly by immediate team members, despite emails and Sop being composed to communicate and cover all aspects chances of ambiguity remain and these confusions and doubts could be seen. For that purpose, the following solutions are recommended to counter the Challenges associated with “Training of Host Company Employees”.

- **Polycentric Approach:** In international marketing and HR Polycentric is an approach to empower and train country offices to make independent decisions & improvements to minimize overreliance on head office & improve fast decision-making by keeping in view current challenges. While adapting the polycentric approach Functional Heads and team members themselves should be trained enough so that skill transfer occurs from top to bottom. Features of the Polycentric approach concerning employee training & knowledge transfer are as below:
  - 1) Succession Planning & evolving new future leadership is easy. Human resource Utilization becomes more enabling. By awarding key decision-making posts to Locals, decision-making would be quick due to less communication gap.

- 2) Host country managers and executives understand the local market situation (Political & Economical) better than expats.
  - 3) Cost savings through cut down in disturbance allowance, relocation allowance
  - 4) The polycentric approach promotes a strong internal working culture among team members. especially when an employee is reluctant to accept foreign presence.
  - 5) The polycentric approach promotes more robust informal communication necessary for the execution of smaller tasks that lead to overall work completion.
  - 6) Through a Polycentric approach compulsory changes and slot filling in the HR system could be avoided. Recruitment is done by a designated Pool of candidates, which makes it easier to execute the Hiring process smoothly.
  - 7) Team morale could be boosted; motivation level is increased when junior managers see opportunities to be on top of the ladder if work hard.
- **Identify Skills shortage:** The First step to boost Employee Training is to identify weak areas, for that purpose online system is developed to input the Training needs of individual Employees. All Employees had to fill out this form at the start of every year. The departmental Head will review the Training needs and requirements of all employees. The summary of each department would be forwarded to HR, HR will approve and forward it to Finance for Budget allocation, after budget allocation admin department will arrange training either internally or through external resources after consultation with respective

departmental Heads.

Step by Step Process for Training Need Analysis is as below:

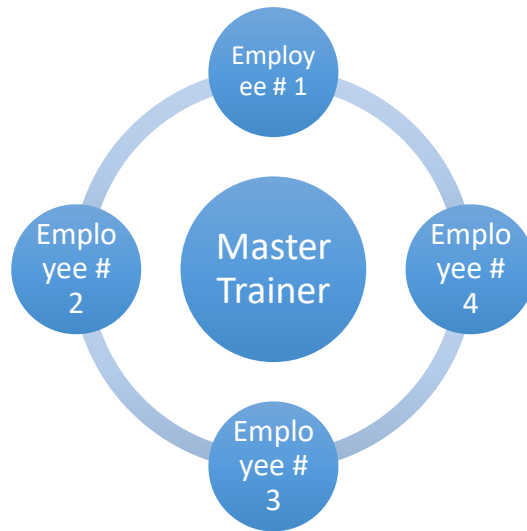


- E – Learning & Training Management System:** To Promote paper free working environment, and distance Learning & to assist new employees Hinopak IT Team has developed a Training Management System The key objectives of the Training Management system were:



1. User Manuals, Work Instructions, SOP and other related documents will be uploaded on Hinopak Portal for employees & dealers. Access rights will be protected through unique ID and firewall Protection.

2. New Training Material related to Hino Product Specifications, Drawings, BOM, and Engineering change requests will be available online.
  3. This system could be fully enjoyed by Hinopak dealers in remote cities with limited access to every dealer.
  4. A Training Management system would be added with a Digital Library where sales-related material from the last 10 years could be saved.
  5. Employee Training records and Training contest results could be saved.
- **Mentorship Program:** Mentorship Program is an informal way to boost the Technical and non-technical skills of employees. In the mentorship program, a Junior Team member is associated with the Senior manager or executive, through one-on-one discussions, interviews, case studies & engagements during office working hours. The Higher Goals of the Mentorship Program are to bridge the lack of knowledge transfer, identify areas of improvement & build management skills. Somewhat similar to future leadership programs mentorship is more cost-effective in which team members have to designate a few hours in a week to interact with each other. To observe desired results (1) Proper registration Process (2) Deciding a Program type (3) Assure Level of commitment (4) Feedback Mechanism is necessary to record actual impact generated.
  - **On Job Trainings (OJT):** For Hands-on Skill Building OJT is a tool to promote technical skills among line supervisors, Fitters, Technicians and Mechanics. Areas of application of OJT are assembling plants, Engine Shops, Inspection and Testing, Paint shops and trim shops. OJT Program could be useful for dealer staff while launching new products with different specifications. Many companies offer OJT for newly hired employees. Hinopak's objective is to provide training concerning the changing technology of the Product Line. The normal arrangement of OJT is done as per below:
    1. OJT is done in smaller groups with one master trainer who has complete competence and guides other staff.
    2. OJT is objective based where monitoring, evaluation and impact is closely monitored.



1. At the End of OJT mock test is arranged to check the level of core competence among employees.

## **10. Challenges faced concerning implementing:**

Below is list of challenges that can affect the implementation of the mentioned recommendations

- 1) The abovementioned solutions could only be implemented upon approval from Higher management. And current expats of Hinopak are reluctant to change due to the cultural norms of the Parent company in Japan.
- 2) The magnitude of suggested solutions needs to be discussed in Board meetings and approval from the parent company is also required. The solutions with minor importance like (1) Training needs analysis & (2) E-Learning is already functional and new innovation is also incorporated every day.
- 3) The Expats come for a duration of 3 to 4 years, during their stay in the host country most of the time is spent implementing their policies or understanding existing policies, hence continuity for a long period is required to implement changes in the HR system.
- 4) Local Higher Management is also not in favor of such changes in HR systems that could affect their decision-making authority and empower lower management.
- 5) Voice of Change in HR policy is coming at a time when the first preference of an organization is to survive and increase its profitability.
- 6) Due to the lost market share of Hinopak Instead of draining cash for any new project, cost cutting is more focused.
- 7) The recommended changes would be implemented on an experimental base, cut & try method at first, after evaluating the true impact, permanent changes will be exercised.
- 8) In the last few years Hinopak has been trying to reduce its liabilities as much as possible, due to which Hinopak has also reduced its shareholding in Pakistan.
- 9) Due to political instability & social challenges in Pakistan both Local and Foreign management believe that it would be a risky step to interrupt existing HR Policies.



## **11. Recommendations for Hinopak:**

- 1) The solutions recommended should be evaluated, analyzed & implemented with an impartial mindset keeping current HR policies & deciding the kind of HR approach required to meet future Business requirements.
- 2) Product and business diversification are strong recommendations that would not be possible with an Ethnocentric approach where the head office is taking key decisions in blindfold, The Polycentric approach empowers and encourages Local Human resources.
- 3) Hino Japan representatives should be delegated for a Longer term to implement Long-term policies; a three-year time period is not enough to Unfreeze older systems and refreeze new & more diversified policies.
- 4) Training Needs Analysis & Evaluation is key while dealing with technology base product, in last few years it is evident that the requirement of training was never like before, all production staff must be aware of assembling standards & procedures, sales staff must be equipped with product knowledge, supply chain have a critical role to arrange inventory and shelve space for the updated model.
- 5) As mentioned earlier due to the economic situation, Forex crises etc. business situation is very toxic for Hinopak in Pakistan. Other companies like Master, Faw, and ISUZU are adjusting their cash drain from multiple other businesses, Hinopak also had to work on vertical integration methods to come out from survival mode.
- 6) Cross-functional groups promote self-managed and proactive teams, hence to minimize skill gaps at the functional stage rearranging teams is a recommendation that could be easily implemented.
- 7) Communication through any medium like chill-down areas, smoking zones, Thanksgiving days etc. is the key to bridging cultural gaps. Nonverbal communication through these techniques promotes harmony and a level of understanding.

## 12. Abbreviation & Definitions

- **HPML:** Hinopak Motors Limited, the authorized distributor of Hino Japan.
- **Host Company:** subsidiary where Head Office employee is transferred on deputation.
- **Parent Company:** Headquarters with authority to control its subsidiaries.
- **Ethnocentric Approach:** HR system where all key decisions are taken by the office.
- **Polycentric Approach:** The Country Office is empowered to make key decisions.
- **Geocentric Approach:** Various nationality employees are working together.
- **Industry Life Cycle:** Graphical representation of how an industry evolves.
- **Horizontal Integration:** Product Line expansion & diversification.
- **Vertical Integration:** A Business Group involved in multiple kinds of other businesses.
- **E-Learning:** Electronic Learning through Long Distance & flexible techniques.
- **Bottle Neck:** Internal constraint that prevents achieving desired results.
- **Functional Team:** All team members have experience in the same field.
- **Cross-Functional Teams:** Team members have different sets of knowledge & experience.
- **Deletion Program:** Government Policy to manufacture imported spare parts locally.
- **Euro 1 Technology:** Exhaust Emission standard with most carbon footprints due to lack of exhaust filtration.
- **Euro 2 Technology:** Exhaust Emission standard with moderate carbon footprints.
- **Euro 3 Technology:** Exhaust Emission standard with least carbon footprints due to improved Exhaust Filtration Process.
- **Obeya Council:** Substitute of morning meetings & Town Hall meetings.
- **OJT (on-the-job training):** Hands-on training to employees rather than classroom or long distance learning.
- **Organizational Culture:** The way a company deals & communicate with its Human Resource.
- **Chill Down areas:** A designated space in offices where employees can mingle with each other & discuss issues other than of Functional nature.

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**Appendix: A (Pictures):** Below mentioned campaigns were done in the months of 2022 and 2023.



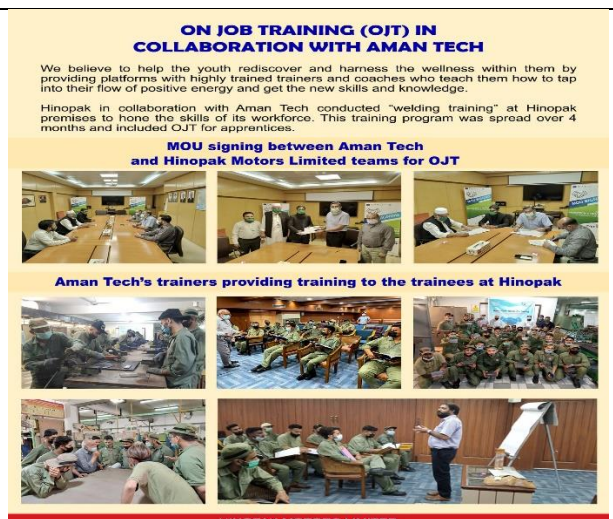
Beach Cleaning (CSR Task)



Thanks Giving Day with CBA Team



Engine Oil Launching (2023)



Local On Job Training

## **Appendix: B Interview of AGM Sales:**

Hinopak AGM Sales and Marketing is a Sales Professional with 23 years of experience in Hyundai, Hino, Faw and Isuzu. Due to the company code of conduct and conflict of interest policy short question-answer session was done.

### **Question # 1 What is the biggest challenge faced by Automotive companies in Pakistan Today?**

Answer: All companies in Pakistan are within Pakistan so a company operating within a geographical location may be affected by its political, social, legal and environmental issues. In my opinion, Losing hope in business sectors (Hinopak customers) is our biggest challenge, people like our product but they lack the resources to procure it. Automotive Products are too much overpriced today.

### **Question # 2 What are some of HR related issues faced by HPML today?**

Answer: Our HR system is old-fashioned no doubt that restructuring of HR Policies is required especially delays in approvals is a major issue that should be resolved but remember this system worked for the last 30 years in Pakistan Some employees are satisfied with it others may not be.

### **Question # 3 Do you think that the Ethnocentric model is better than the Polycentric approach?**

Answer: HR approaches could be good or bad no perfect answer to that, implementing a Polycentric approach could be the Hit and Trial method, as far as we see any change in approach seems to be impossible. The ethnocentric approach is applied in major companies

in Japan. Toyota, Honda, Suzuki, and Isuzu all are good companies and follow an Ethnocentric approach.

**Question # 4 How do you see the future of Hinopak in Pakistan??**

Answer: By close analysis of government inclination towards Chinese brands, it appears that space is given to investors from China to penetrate in auto industry of Pakistan. Many companies in China are ready to invest in Pakistan's auto industry. Based on our forecast at the end of 2025 shareholding of Japanese brands in Pakistan will be reduced significantly.

**Question # 5 What is a major difference in the approach of Host company management and parent company management??**

Answer: Parent company management is very careful while making any decision, for any change or approval extensive background checks, causes and effects are considered. Once approval is given it is long term instead of short term. Host company management makes decisions based on the situation, so they are short-term and more flexible towards change.

**Appendix: C Research Methodology:** This section will explain how the Initial idea of this BRP was generated, the source of quoted information etc. The methods adapted for BRP Problem identification, information gathering & analysis were based on a mixture of both (1) Quantitative & (2) Qualitative.

- **Problem Identification:** The Problems identified in BRP are (1) Cultural clash (2) Business Restrictions (3) Training needs. These Bottlenecks were identified through Qualitative research. The Primary sources of reference for problem identification were Hinopak Employees, their observations, informal discussions & morning meeting discussions. The issue of losing market shares & decline in sales is analyzed through a Quantitative approach, sales data of the last five years and a historic top-to-

bottom trend in overall sales volume. Similar quantitative approach, evaluating Annual reports of Hinopak from 2017 to 2023.

- **Information Gathering:** The Information gathering for BRP Content was mostly through a qualitative approach, and the analysis of the company's Financial situation and sales trend was gathered through a quantitative approach, The Sales Figures, Financial Statements, Company Introduction, Products and Services were extracted from Hinopak, Pakistan Stock Exchange, & PAMA Official web pages. The Primary source of reference for Information gathering was Oracle Oracle-based Hinopak Portal. The Hinopak Portal has extensive information available about all debarment structures, functioning & standard operating procedures. Other Primary sources were Hinopak Employees from HR and sales Departments, Functional Managers, Area managers and regional Heads. They were asked to share their thoughts about the challenges faced by HTML. Due to Hinopak's code of conduct policy, limited information could be shared about the company employees. The Interview of AGM sales is quoted in Appendix B.
- **Solutions & Analysis:** The solutions recommended are based on a case study of Dawlance Home Appliances. Through one-on-one interaction with Mr. Bashir Dawood who was a major shareholder of Dawlance Group before it was acquired by a Turkish company. Dawlance Group was successful in diversifying its Products from the refrigerator and fridge section to the Microwave, washing machine and Split AC through the management of its human resources. Dalwance Group also has deep-rooted centralized decision-making policies that halted the process of manufacturing innovative products. When the sales of the Fridge and refrigerator section started to decline the top management decided to empower its lower management instead of micromanagement. That management decision paid for the group in later years. The concept of (1) Obeya (2) Mentorships (3) Training need analysis & (4) On Job Training were part of Dawlance's Transformational strategy. The recommendations of (1) Export opportunities (2) Business Diversification (3) Government Reforms are based on observation of the overall automotive market situation, activities of rival

companies and government initiatives. Hinopak has been doing CSR activities for the last two decades. Whereas Cultural Day is something new. The recommendation is to continue it because of its positive impact.