LeMOBA: SHOULD HR PRIORITIZE EMPLOYEE PROMOTIONS TO AVOID A RETENTION CRISIS?

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Waqas Hussain, Human Resource Manager at LeMoba Beverages, closed the wooden lattice door of the boardroom with a hasty push. He came out marching towards his office with his eyes rolled and angry face. As he entered his office, one of the subordinates greeted him with a smile and posed a question: "Anything puzzling happened in there?"

Hussain responded angrily, "Yes, my performance was in question, but later it was explained that it was our whole department's performance."

During the meeting, Sabeen Fatima, LeMoba Beverages' Managing Director (MD), stressed the high turnover of employees, which created serious concerns about the Human Resource (HR) Department. Hussain was urged to settle this issue soon; "Otherwise," Fatima uttered at the end of the meeting, "Hussain, you and your team should pack your bags."

Hussain needed to propose a workable solution to the problem of employee turnover, which would be acceptable to both the Financial Controller and the Managing Director.

The Organization—LeMoba Beverages

LeMoba Beverages was located in the Sindh Industrial Trading Estate near downtown Sukkur,⁶ adjacent to the outer circle of the city (as outlined in Exhibit 1). LeMoba was a franchise of a leading international company. It was incorporated in 1986 as a private limited company offering a wide range of soft drinks varying from 200 millilitres (6.76 ounces) to 1.5 litres with the Dine9, LeMoba, Mantta, Tringg, and Diva brands (shown in Exhibit 2). The company had experienced steady growth for 25 years and had maintained its strong brand presence in the markets of Baluchistan and Sindh. The location of the company touched three highways connecting different provinces of Pakistan, and the company's territory encompassed a population of 20 million with huge potential for future growth. To penetrate further into the market, the company had added a new plant with a capacity of 20,000 units. LeMoba comprised of 1,700 regular managerial and non-managerial employees (as outlined in Exhibit 3).

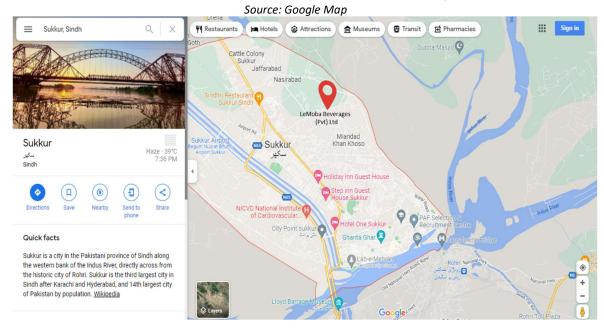


Exhibit 1. Sukkur Location [LeMoba Location Pin]



⁶ The third largest city of Sindh province, Pakistan.

Exhibit 2. LeMoba Products

Source: Company Records



The Beverage Industry in Pakistan

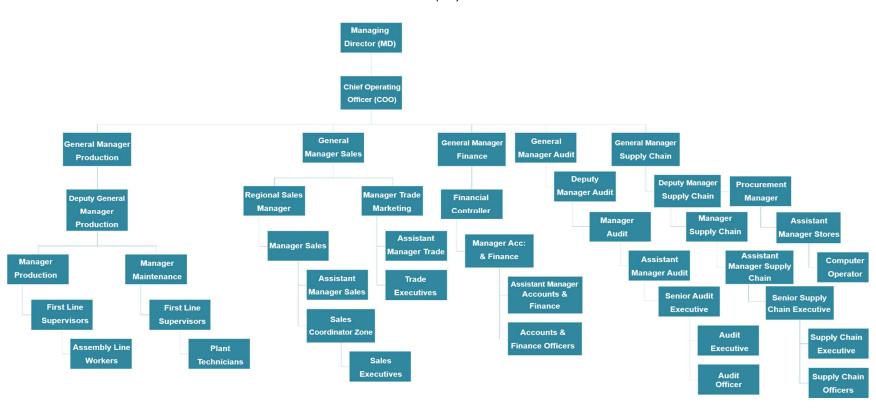
Pakistan was the seventh largest populous country in in the world and eightieth largest market for food consumption and related businesses. Therefore, for the past several decades, it had been recognized as a high consumption-oriented economy in the South Asian region. The food and beverages industries contributed twenty-seven percent of gross domestic production and sixteen percent of employment (Irfan and Wang 2019).

The beverages industry was categorized in alcoholic and non-alcoholic drinks. Non-alcoholic drinks – known as soft drink or carbonated drinks – contributed ninety-nine percent of the production of the beverages industry (Nawab, Sheikh *et al.* 2021). One study conducted in metropolitan Karachi, Pakistan's largest city, showed that 12% of people consumed soft drink more than once a day, 35.1% consumed soft drinks a few times a week, and 25.3% consumed them once in a month; 10.7% consumed soft drinks occasionally.



Exhibit 3. Organogram of LeMoba

Source: Company records



Top-Level Management: MD, COO, General Managers, Deputy General Managers **Middle-Level Management:** Managers, Assistant Managers, and Controllers

Lower-Level Management: Senior Executives, Executives, Coordinators, Officers, Assistants, and Supervisors.



There were many national and few multinational companies producing carbonated drinks in Pakistan. LeMoba's rivals included Gourmet, Murree Brewery, Mehran Bottlers, and Amrat Cola—National Companies. PepsiCo and Coca-Cola remained the market leaders and penetrated all over Pakistan due to their multinational marketing approach. PepsiCo owned three production facilities entirely managed by itself. PepsiCo also had five franchises located in different provinces around Pakistan. Coca-Cola did not operate a franchise system in Pakistan; it owned all its production plants.

HR Practices in Pakistan

Human Resource Management (HRM) was recognized as a developing field in Pakistan. Pakistani companies did not always comply with legal requirements (Hyder and Faisal 2019). Even some multinational companies in Pakistan exploited child labor, compensated below the minimum hourly wage, and offered contracts that did not provide full or regular employment. In contrast, a few multinationals entered the market and tried to avoid exploiting Pakistan's weak legal framework. These multinationals believed in bringing the best technology, equipment, infrastructure, and people; they focused on implementing the best HR practices to attract and retain the top performers.

The beverages industry produced carbonated drinks, and more than fifty percent of all workers worked in production, supply chain (downstream and upstream), and logistics. These employees were route planners, engineers, technicians, supervisors, assembly workers, loaders, etc. Often, they worked overtime, which could result in handsome wages. (In some cases, beverage companies paid overtime rates below what the law required, but employees tended to accept it.) Once in a blue moon, employees raised their voices, created pressure, and engaged in talks with management about how they were treated.

In the beverages industry, HRM typically included the basic functions of recruitment and selection, training and development, performance appraisals, and compensation. Usually, performance appraisals were a mere formality and were poorly linked with compensation.



Managing Director—A Businesswoman

Sabeen Fatima belonged to an industrialist family. Her grandmother was a pioneering female industrialist. When her grandmother passed away, Sabeen was just eighteen years old. Following in her grandmother's footsteps, she took over the family's pipe and construction business and managed it for fifteen years. She was bought into the beverages business when significant changes were made in the private shareholding of LeMoba. Her husband became the majority shareholder of LeMoba, and he asked her to take over management control of the company. At that time, LeMoba's market share was 28%. The company had not developed much in the rural surroundings of Sindh. Sabeen made it her mission to develop the company and bring it up to the par with the best companies in Pakistan and the world. As a result of her efforts – guided by a mantra consisting of five steps (as outlined in Exhibit 4) – LeMoba's market share reached 40%. Sabeen truly believed in teamwork: giving each member equal importance, footage, mileage, and giving credit to the right person. Being a businesswoman, she believed that one needs to be able to 'call the shots' within the boundaries of culture.

Push Your Products

Success
Go Out in the Market

Set the Standards of Team

Add Man & Machine

Convey Product Standards

Exhibit 4. Managing Directors' Success Mantra



Sabeen Fatima in Action

One day, Sabeen hurriedly took a flight from Karachi to Sukkur and landed at Sukkur Airport at 9:10 in the morning. She had decided to visit different departments of the Sukkur office. (No warning of her visit had been provided to the executives at the Sukkur office.) She started visiting different departments; when she entered the supply chain and logistics department, she found that the Manager of Logistics was not in his office. As a result, Sabeen became a little bit angry. She asked the Deputy Manager—Logistics to call the Logistics Manager right away. He, the Logistics Manager, responded over the phone: "I am out of the city for personal work."

After visiting other offices, the Managing Director (MD) came back to her office and asked Waqas Hussain, LeMoba's HR Manager, to issue a termination letter for the Logistics Manager. Hussain responded, "Yes, Madam!"

Without briefing Sabeen about the company's termination policy, Hussain prepared and sent a termination letter. Later the next day, in reaction to the termination of the Logistics Manager, two managers from the production department tendered their resignations. They said:

"We will not serve where respect is not given. Therefore, we will leave the company without completing the notice period and not work even for a single day. The company may deduct our one month's salary, as per policy."

This was not the first time that employees had reacted in such a way. The previous year, more than 15 employees resigned from their jobs due to the behaviour of the MD and the so-called "Yes, Boss" HR team. Employees began to believe that Sabeen Fatima came from head office occasionally with the sole purpose of firing at least one employee.



The LeMoba Working Environment

LeMoba had created a harmonious work environment where employees shared their experiences, learned from each other, adopted best practices, took pride in shared accomplishments, and celebrated their small wins. Offices were quite open, so anyone could visit and share their progress. In addition to open offices, LeMoba had more than ten discussion rooms, as well as a cafeteria on the top floor in the executive block.

Initially, there had been one old building accommodating all departments, but in December 2015, the building was demolished due to its weak infrastructure. To continue daily operations, top management had decided to set up temporary offices: the HR, Supply Chain & Logistics, and Audit departments' workstations were moved to bunkers. These departments worked in very congested spaces until June 2017. Poor working conditions in the bunkers triggered departures by senior-level employees; some quit; others decided to leave their offices early—one or two hours before office departure time. Lower-level employees used to leave their offices within thirty minutes of seniors' departure.

A Move from Bunker to an Executive Block

Finally, the new office building was ready to accommodate all employees. The building was named 'Executive Block.' It could easily accommodate all the departments. The modern, spacious, brightly coloured interior resembled a cruise ship floating in the sea. The numerous trophies and awards won by LeMoba were displayed near the reception area located on the ground floor. Each department had dedicated open spaces for teams. The Managers and the Deputy Managers had separate cubicles partitioned by glass walls. Each department was excited to kick off work in a more streamlined and dedicated manner. The open workstations/offices seemed to strengthen the bond among cross-functional teams. Alternatively, employees raised concerns about promotion and growth opportunities.



Talent Acquisition and Development

The Managing Director (MD) had hired two professionals to translate her mission into action. Waqas Hussain, 35, with a master's degree in Human Resource Management from the Institute of Business Management (IoBM) in Karachi and six years of experience with McDonald's, became the LeMoba Human Resource Manager. Muzna Kiran, 30, a recent MBA graduate of Sukkur IBA University with a major in Human Resource management, a certificate in talent acquisition, and two years of experience with GSK pharmaceuticals, became Assistant HR Manager. Hussain and Kiran led a team of HR supervised by the Deputy Manager, who did not take too much interest in their activities. The Deputy Manager was the bridge between the MD and the HR team regarding hiring decisions and implementation of the MD's directives. The Deputy Manager handled security and administration issues of the company.

When Kiran joined LeMoba, she asked colleagues to brief her about the talent acquisition process. She came to know that HR used to publish job advertisements on social networking sites to generate a pool of candidates and then screened applicants based on relevant qualifications. They also briefed her, "The interviews were conducted by a panel including one line manager and two HR team members." (As outlined in Exhibit 5).

Exhibit 5. Steps in the Selection of Candidates for Low and Middle-level Employees)

Source: Company Records





Kiran asked the Managers to review – and as needed revise – the talent acquisition process. After revision, Kiran and Husain were able to generate a pool of qualified candidates, which facilitated filling positions in a timely manner.

Hussain found that the in-house training model that HR used to conduct training needs assessment revealed four domains to work: emotional intelligence, personal grooming, work ethics, and workplace harmony. Training in these domains was conducted by Hussain and Kiran collectively in two days. The company had spent PKR 1 million on outsourced training by professional trainers in the field of plant automation, supply chain, procurement, financial budgeting, route planning, plant automation, and others (as outlined in Exhibit 7). The trainees were mostly Senior Managers, Managers, Executives, and Officers/Assistants of the concerned departments.



Exhibit 6. Revised Selection Steps for Low and Middle-level Employees

Source: Company Records

Phase 1

Job Ads LinkedIn, Facebook & Rozee.pk

Phase 2

Receiving Applications via e-portal

Phase 3

Screening Applications based on KSAPC's.

Phase 4

Initial Phone Screening Interview

Phase 5

Final Interview by Panelists

Phase 6 Job Offer ↓

Acceptance

ONBOARDING

Phase 1:

The recruiter posted job advertisements on Facebook, LinkedIn, and Rozee.pk. The position opening was ten days from the ad publishing date.

Phase 2:

The company had a recruitment website, where a candidate could create his or her complete profile and apply for the desired role.

Phase 3:

The recruiting team shortlisted résumés within three days after the closing date.

- While shortlisting, the team considered qualifications and the relevant job experience required.
- The recruiting yield pyramid ratio was 5:1 (five candidates were called for interview against one position)

Phase 4:

The recruiter made a phone call to each candidate and asked the following questions:

- Employment Status (Currently doing a job or unemployed)
- If employed, the recruiter asked questions, *i.e.*, company size, designation, # of subordinates (span of control), current salary plus benefits.
- If located outside Sukkur, willingness to relocate?
- Expectations from LeMoba

Phase 5:

Panellists consisted of a Line Manager, Head of the Concerned Department, and HR Manager.

- Generally, interviews around functional competencies.
- The Line Manager and the Head of Department had authority to finalize candidates.
- HR Manager negotiated the compensation package.

Phase 6:

A job offer was generally made to candidates who were used to:

- Accepting reasonably low compensation for entry-level jobs.
- Senior-level positions were paid premium compensation if a candidate resided in a metropolitan city, i.e.,
 Lahore, Islamabad, Karachi, Multan, or any other major city.



Exhibit 7. Capacity Building Program: July 2017 to June 2018

Source: Company records

Training Topics	No. of Days	Levels	# of Trainees				
Training For All							
People Management	1 Day	Middle	30				
Problem Solving and Negotiation	1 Day	Middle	40				
Personal Grooming & Emotional Intelligence	1 Day	Low	56				
Work Ethics & Harmony	1 Day	Low	61				
Responding to Emergency Situations	Half Day	All Levels	209				
Department Specific Training Program							
Production Department:							
Total Quality Management (TQM)	2 Days	Middle	05				
Inventory Management	1 Day	Middle	05				
Plant Automation	1 Day	Middle & Top	10				
Sales Department:							
Sales Management	1 Day	Low & Middle	10				
Customer Relations	1 Day	Low	30				
Audit Department:							
Audit Fundamentals	1 Day	Middle & Top	5				
Supply Chain and Logistics Department:							
Route Designing	2 Days	Middle	10				
Supplier Management	1 Day	Low & Middle	4				
Vehicle Tracking Training	3 Days	Тор	3				

Promotion Policy

"LeMoba's objective was to foster and provide maximum opportunities for promotion-from-within. We believe in equal opportunity for all regular employees working in the company. Promotions must be done based on the need of the organization, not individuals' requirements."

- LeMoba Promotion Policy

There were two components of the promotion policy: Years of service and immediate supervisor's recommendation (as outlined in Exhibit 8).



Exhibit 8. Promotion Policy

Source: Company Records

Policy Statement:

LeMoba's objective is to provide maximum opportunities for promotion-from-within the company. We believe in equal opportunity for all regular employees working in the company. Promotions must be done based on the needs of the organization, not individuals' requirements.

Bases of Promotion:

- 1. **Year of Service:** based on the length of service of an employee in a specific role in the department of LeMoba.
 - i. The employee must have completed three years of service in a specific role.
 - ii. If the service period is less than three years, s/he should not be considered for promotion.
- 2. **Immediate Supervisor's Recommendation:** If the immediate supervisor is satisfied with the performance of an employee, s/he can recommend the employee for a promotion, however the employee must have completed at least three years of service in a specific role.

The Challenges—Human Resource Department

Most of LeMoba's employees were engineers, technicians, and non-managerial staff working in the production plant. The technicians' and the engineers' jobs were to ensure the uninterrupted production of different product lines. Employees enjoyed a great deal of individual autonomy with minimal supervision at the plant level. However, daily workers were closely monitored and held accountable for productivity. 40% of employees worked in the Sales & Marketing, Production, HR, Audit and Supply Chain & Logistics departments. The attrition rate in these departments reached double-figures: 30% at a low level, 10% in the middle, and 0.5% at top-level positions. The HR Manager became concerned over the turnover rate and wanted to understand the reasons behind the turnover. Reluctantly, he assigned the task to Kiran, the Assistant HR Manager.



Kiran's Task—Probe Reasons for Employee Turnover

Kiran initiated a probe and started speaking with ex-employees of LeMoba who had left the job a year ago. She came up with the following observations:

- 1. Tahir Ahmed started his career as Audit Officer in Audit Department five years previously. The day he left the company, he was in the same position despite being due a promotion. His last salary was equivalent to his first month's salary with only 10% additions/increments to the basic pay.⁷
- 2. Faraz Ali started his career with LeMoba as an Accounts Assistant in 2010, with qualifications including an MBA in Finance. Ali used to sort and process vouchers, record payment transactions, maintain ledgers, and insure bank deposits. He was known for multitasking, exceptional interpersonal skills, and time management expertise. Later in 2015, he was promoted to Assistant Manager-Accounts because his immediate manager resigned from the position of Manager-Accounts. He had the responsibility to manage the operations of the department. In December 2015, his compensation package reached PKR 55,000.8 For almost three years, he managed operations successfully and was expecting a promotion. One day, he was surfing his LinkedIn account where he found LeMoba's job advertisement mentioning "We are looking for Manager—Accounts!" He was surprised to see that. Within a month, new Manager—Accounts joined the company, and HR provided him accommodation for his family in the downtown city and medical facility. The new Accounts Manager had five years' experience working in a competitor's company, but his qualification was just a Bachelor of Business Administration (BBA). Despite his qualification and experience compared to Ali, the new manager's salary was PKR 90,000. Ali only received PKR 65,000. After six months, Ali resigned from his job and moved to another company in a senior-level position, where he earned PKR 85,000 plus car, fuel, and medical benefits.



⁷ This increase was in basic salary only which was 30-40% of overall pay. This annual increment was common in Pakistan.

^{8 1} USD = PKR 163

- 3. Adam Philomon graduated in business administration from IBA Karachi in 2004. He had worked with various companies in Karachi. In December 2011, he joined LeMoba as a Sales Coordinator and worked with different cross-functional teams, including Trade Marketing, Market Research, Key Accounts, and Capability. When he joined the company, his compensation was PKR 30,000 plus sales incentives and medical insurance. For more than eight years, he was still in the same position. His current compensation package was PKR 45,000 plus incentives. He had two job offers and a strong intention to leave LeMoba.
- 4. Mahira Khan graduated from Sukkur IBA University in 2012, and later in 2014, she completed her master's degree in supply chain management from a business school located in Karachi. After completion of her master's degree, she joined LeMoba as a Supply Chain Executive with a monthly compensation of PKR 45,000 plus medical insurance for herself and her spouse. Khan was dedicated to her work, and she used to remain in the office late hours whenever her manager asked. In August 2017, her promotion was due, but unfortunately, HR did not promote her. At the start of 2018, a new employee who had only two years of experience in procurement was hired from Islamabad, Pakistan's capital city, as Senior Supply Chain Executive. Khan had three years of experience in LeMoba. The compensation offered to the new Supply Chain Executive was PKR 75,000. Khan raised her voice and asked her manager for the promotion as Senior Supply Chain Executive. After consistent pressure, HR promoted her. Her new compensation package was PKR 65,000. Nonetheless, she was not happy.
- 5. Asim Malik had been working since 2013 as a Computer Operator with a salary of PKR 17,000 monthly. Adam had a diploma in information technology when he joined LeMoba. During his job, he enrolled in an evening program to pursue a BS in computer science. In August 2016, he had only two courses remaining to complete his graduation. Adam had become an expert in handling procurement operations. Even in the absence of a boss, he had authority to process all documents, coordinate with the finance department for reconciliation, and process vouchers. It had been five years that he was not promoted to the next level position; his salary reached PKR 24,000.



6. Basit Shah earned a bachelor's degree in Commerce and was associated with LeMoba since September 2015 as an Accounts Officer. His monthly pay package was PKR 34,000 including medical facility. Often, the accounts team sat for long hours. Basit was named "Champ of voucher reconciliation." In the past three years, his salary reached PKR 41,500, including overtime allowances. His immediate Manager forwarded his promotion case to the HR department.

Kiran summed up all her observations and concluded that low-level employees were very much concerned about delayed promotions and pay inequity. On the other hand, middle-level managers were concerned about the attitude of MD. Top-level managers were satisfied with their pay packages (which usually included company-arranged accommodation, car, and other value-added services, *i.e.*, chauffeur, cook, and gardener). Only a few top managers left the job due to external attraction.

Kiran further observed that when HR had to fill the vacant position, the company seemed to prefer external candidates and paid more benefits to attract them rather than prioritizing internal candidates. Therefore, she decided to highlight the pending promotion cases of internal candidates for the promotions and retention. Hussain agreed and forwarded a list (as outlined in Exhibit 9) of 142 promotion cases to the MD for approval.

Hussain added that in many past HR decisions, the MD had intervened. She had overlooked company policies and made speedy decisions that resulted in the termination of some middle-level employees.



Exhibit 9. Pending Promotion Cases and Payroll Expense

Source: Company Records

Levels	Cases Pending for Promotion	Experience Within Company on the Same Role More than	Current Position: Average Pay in PKR	Due Promotion: Next Position	Next Position: Average Pay in PKR		
Тор	Deputy Manager (01)	05 years			PKR 310,000		
	Deputy Managers (03)	4-5 years	PKR 245,000	General Manager			
	Deputy Managers (02)	03 years					
Middle	Managers (05)	More than 05 years	PKR 197,500	Deputy General Manager	PKR 245,000		
	Assistant Managers (07)	More than 05 years			PKR 197,500		
	Assistant Managers (03)	4-5 years	PKR 122,000	Manager			
	Assistant Manager (06)	03 years					
	Senior Executives (06)	More than 05 years	PKR 75,000	Assistant	PKR 122,000		
	Senior Executives (12)	03 years		Manager			
Low	Executives (10)	More than 05 years	PKR 47,500	Senior Executive	PKR 75,000		
	Executive (25)	03 years					
	Officers (15)	More than 05 years	PKR 34,000	Executive	PKR 75,000		
	Officers (20)	03 years					
	Plant Technician (15)	More than 05 years	PKR 34,000	First-Line Supervisor	PKR 40,000		
	Plant Technician (07)	03 years		Supervisor			
	Computer Operator (05)	More than 05 years	PKR 17,000	10% Annual Increment	PKR 18,700		
	Total Cases= 142						



The Managers' Mindset

Proactive Managers

Managers in the HR, Finance, and IT departments were proactive in advocating for their subordinates. These managers often tried to empower their subordinates by delegating decision-making authority, sharing experiences, and providing learning and growth opportunities. Most employees in these departments were enjoying their promotions and receiving relatively higher compensation packages. Many lived in the company's accommodation and accepted value-added services, such as chauffeur, cook, and gardener.

Reactive Managers

The Manager of Audit, Sales & Marketing, Production, and Supply Chain & Logistics mostly had a reactive approach. Many managers were not concerned about the promotion of subordinates working in their departments but were concerned about achieving targets and meeting deadlines so that employees could receive bonuses, overtime, and travel allowances. These managers did not easily recommend promotion cases to HR until or unless employees threatened to leave or had tendered resignations. Due to a huge push for promotion from all levels of employees, reactive managers had recommended fifty-plus subordinates.

The Constraints—Finance Department

Rana Wajahat was the Financial Controller (FC) of LeMoba since 2018. He had adopted a transformational costing method for all activities in the production lines of the company, which had resulted in a 15% reduction in the cost of goods manufactured in Quarter 3. Direct labor cost was a significant contributor to the overall cost reduction. When Wajahat joined, he had instructed his staff to conduct a time-and-motion study to ensure workforce optimization in production units; this resulted in a layoff of 30% of contractual employees in Quarter 3.



The MD called a bi-annual meeting in Karachi, where she appreciated Wajahat's performance and urged top managers to utilize resources more efficiently. After the formal meeting in the Karachi office, the Financial Controller and the HR Manager had an informal discussion, in which the Controller pointed out that the proposed promotions cases of 142 employees (as outlined in Exhibit 10) by the HR department were impossible to consider in this third or fourth quarter of this year. Further, the Financial Controller mentioned that he had planned to reduce the cost of goods manufactured by 15% in Quarter 3. The cost of proposed promotions would increase payroll by only 3.33%, but in past trends, payroll had generally reduced in quarter 3 as compared to quarter 2. In addition, the Financial Controller told the HR Manager that the MD had appraised him due to the adoption of the transformational costing method, which resulted in the layoff of 313 contractual employees' costing PKR 07 million approximately. If the company considered all employees for the promotion, the cost would be approximately PKR 13 million. Moreover, the cost could not be accommodated in the 3rd quarter or even in the next quarter due to the off-season. Hussain mentioned that it was the prerogative of the MD to decide promotions. HR's job was to brief her about policy matters, considering that the MD had asked HR to address employee retention.



Exhibit 10. Financial Information of the LeMoba

Source: Company Records

	2017				2018			2019			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Projected Quarter 3
Sales Revenue	1,211.91	3,289.46	2,770.07	1,385.04	1,441.73	3,913.27	3,295.38	1,647.69	1,568.59	4,257.61	3,585.36
Cost of Goods Mfg: (COGM)	451.02	291.84	252.04	331.64	887.26	574.11	495.82	652.40	778.79	912.98	775.79
Gross Profit (Loss)	<u>760.88</u>	<u>2,997.62</u>	<u>2,518.03</u>	<u>1,053.40</u>	<u>554.47</u>	<u>3,339.15</u>	<u>2,799.56</u>	<u>995.29</u>	<u>789.81</u>	<u>3,344.63</u>	<u>2,809.56</u>
Total Payroll Cost	60.29	82.22	71.26	68.52	110.07	150.09	125.08	115.07	145.03	182.43	175.44
# of Employees (including daily wagers/contractual)	1,648	1,788	1,713	1,690	1,915	2,125	1,985	1,905	2,135	2,435	2122

Notes:

- 1. Figures in Million and PKR Currency. 01 \$ (USD) = PKR 163.
- 2. Quarters 2 and 3 were on-season for the beverages industry in Pakistan. Off-season months for the beverages industry were October to March (Q1 & Q4). Therefore, COGM, Revenue, and Payroll costs were relatively low. Employee costs were low because daily wagers/contractual staff were laid off in the offseason.
- 3. The projected impact of adopting transformational costing could reduce COGM by 15% in Q3. The projected payroll cost for Q3 was 175.44 million, which was 3.83% lower than Q2 of 2019.



What Next?

Payroll in the third quarter of 2019 would be reduced 3.8% lower than in the second quarter. If all promotion cases were considered in this quarter, the additional costs would be PKR 13,026 million. The additional costs might ruin the Financial Controller's attempt to reduce costs. Hussain needed to propose a workable solution, which would be acceptable to both the Financial Controller (who wanted to contain costs) and the Managing Director (who wanted to reduce employee turnover). What should he do?





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Muzamil Sattar is a lecturer of Marketing at Sukkur IBA University, Pakistan since 2014. He achieved a gold-medal in his graduate and post graduate studies. He has also won different merit-based scholarships, including US-Aid. Dr. Sattar has written several case studies and research papers in his area of expertise, *i.e.*, digital marketing, tourism management, and marketing analytics. One of his recent case studies was published with the Ivey Business School. He served as a reviewer in different case journals including *Emerald Emerging Markets Case Studies* and *Asian Journal of Management Cases*. Currently, he secured a fellowship at Sapienza University, Rome.







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