

GACL'S JOURNEY TOWARDS A PERFORMANCE BASED CULTURE AND ENVIRONMENT

Shivnandan C. Pathak

General Manager (Head HR), GACL

Tools of HR Initiatives

Nearly 45% of the chemical industries in the country depend upon caustic soda. It is a vital input for a host of industries like soap and detergent, aluminum, paper and newsprint, fibre, glass, tyre, chemicals and petrochemicals, pharmaceuticals, water treatment, dyes, textiles and oils. With a view to providing quality caustic soda and other products, Gujarat Alkalies and Chemicals Limited (GACL) was incorporated in the year 1973 by the Gujarat Industrial Investment Corporation Limited (GIIC), a wholly owned company of the government of Gujarat. In 1976, the first caustic soda plant was functional and had an initial capacity of 37,425 MTPA. Today, thirty five years on, GACL stands tall as one of the largest producers of caustic soda in the country with 18% market share.

Unlike other state-promoted organizations that work in near monopoly segments or are backed by government subsidies and budgets, GACL has carved out a place for itself in the highly competitive chlor-alkali sector. Sustaining and expanding business in a field thriving with private players like Grasim, DCM Shriram, Nirma and others, is no easy task.

Now the emphasis at GACL is always on excelling in all fields including human capital. Nurturing and sustaining an atmosphere that brings the best performance in every one, has enabled it to grow through many adversities.

But things were not all that easy. Facing new challenges can either break you or turn you into the best. As experience began highlighting the issues that were hampering GACL's journey forward, it exerted itself for a suitable remedy by introducing new HR practices. With a view to addressing issues like attrition,

personal bias in appraisals and others, which were existing in a culture of appraisal centred on Confidential Reports (CR), GACL chose to create a new performance-based working system in totality.

The need for a new HR Initiatives:

There were practical issues related to GACL's being a PSU following traditional management systems which were unable to keep pace with the new economic and industrial environment. To mention an example, for four years pay revision across different levels did not keep pace with pay revisions in peer industries, a fact which made it difficult for GACL to attract talented employees. Moreover, pay revision did not provide for market correction. So, pay levels always lagged behind. At one point in time, GACL was unable to attract professionals for expansion and new projects, while at the same time existing professionals quitting GACL to join the private sector became a major area of concern for the management. GACL had envisaged a vast expansion with an outlay of 20,000 crores for induction of the latest technology, all of which needed highly qualified and specialized manpower. And in achieving that aim, GACL needed to resolve the following issues as early as possible:

➤ **High Attrition**

Everybody aspires to attract the best talent. Therefore retaining and continuously motivating individual talent raises newer challenges. For a state-run public sector venture like GACL, operating in this intense competitive environment without getting any government help was becoming difficult. The private players had an annual performance and pay review system. In contrast, GACL had a setup in which pay rise was announced only once every four years. Moreover it was no match to what was being offered by the private players.

➤ **Attractive and dynamic peer trends**

With market dynamics changing, peer public sector units adopted measures which made them competent. This widened the gap between GACL and others.

➤ **Retaining the best**

There was already a scarcity of good technical talent. The poor pay revision in GACL coupled with availability of better opportunities in the national and international markets was draining the company's best talent away. A new and aggressive approach was needed to prevent this hemorrhage.

➤ **Need for performance driven culture to remain the best**

A culture where high performers are rewarded and average and low performers are given opportunity for improvement fosters healthy competition. These efforts ultimately lead to an organizational culture which is not driven by rigid processes or systems but by the performance of a committed workforce. Since this kind of environment is the need of the hour in an era of severe competition, GACL was required to take sound steps in the direction of creating a performance-driven culture.

➤ **Appraisal**

In order to reward the deserving candidate it was mandatory to construct a platform which is capable of judging people according to their performance rather than personal bias and favours of seniors.

➤ **Link individual targets with organizational targets**

A need arose which would synergize the individual and organizational goals/targets. This would ensure organizational and individual growth simultaneously so that the aggregate efforts help the organization to grow vertically and horizontally.

➤ **Create alternative to time bound promotion**

Performance of an individual should be the sole criterion to judge success and pay revision, instead of the time spent in the organization.

➤ **Overlapping of job and dual responsibility with function**

GACL was facing a unique situation in which overlapping of job and dual responsibility with function were noticed. This was a serious situation in which no job responsibility was clearly placed on the holder and furthermore, many a time work suffered due to there being no clear-cut line of job classification or accountability.

Innovative HR initiatives at GACL:

The new initiatives served to inject a new energy that would shift GACL into the top gear, enabling it to achieve bigger success. These initiatives also served to remove the existing flaws, as described before, and to create parameters to evaluate and judge rewards based on performance. Apart from others, four major HR initiatives proved to be the foundation for GACL's journey towards a performance-driven culture:

- A. New scientific performance management system
- B. Compensation restructuring
- C. Functional organograms
- D. Succession planning

➤ **A. New Scientific Performance Management System (PMS)**

It was a charter that synergized organizational targets with individual performance targets and introduced scientific parameters that were evaluated and judged on predetermined key performance indicators along with weightage and priority. The five point rating scale of evaluation along with mid-year review of targets and work responsibility was another important aspect of the new system.

Value Enhancement – Comparing New PMS with Old PMS

Sr. No.	Old (PAR / CR)	New PMS
1	Appraisal was only based on behavioural aspects.	Appraisal is integrated with functional as well as behavioural aspects.
2	Non-numeric ratings were used for evaluation.	Five point rating scale is used.
3	No linkage to the organizational business goals.	Linked with organizational business goals and objective.
4	No individual / functional targets for employees.	Targets are decided through active joint participation.
5	No role clarity / job prioritization in carrying out one's function.	Role clarity through key performance indicators and prioritization through weightage given to it.
6	Ratings were not communicated to employees.	Final performance ratings are communicated to the concerned employee.
7	No linkage to reward/ recognition.	Employee is rewarded through variable pay.
8	No linkage with other HR initiatives like career growth, job enlargement / enrichment etc.	Linkage with other HR initiative like promotion, performance counselling, training , job enlargement/ enrichment etc.
9	No specific timeline for execution of jobs / targets.	Jobs linked to the "SMART" methodology <u>S</u> pecific, <u>M</u> easurable, <u>A</u> chievable, <u>R</u> ealistic, <u>T</u> ime-bound.

Linking PMS with other HR Processes

- **Reward and Recognition**

The new PMS brings transparency and a scientific approach to judging performance. Both the functional and behavioral aspects now form the core on which performance appraisals are conducted. Linking individual targets and organization targets and the allocation of weightage clearly demarcate the key performance indicators and the role for each employee. This simplifies the reward system.

- **Training & Development**

The previous management appraisal tool, the 'Confidential Report', left no room for feedback to the employee. The secrecy over the entire process was undermining both performance and behavioural parameters applied to individuals. The emphasis of the new PMS is also on identifying the changing needs and backing them with training and development programmes.

- **Career Growth and promotion**

The use of S.M.A.R.T. methodology (Specific, Measurable, Achievable, Realistic and Time Bound) for managing people and focusing on managing teams based on their ability to complete individual and team goals allows to reward deserving candidates with suitable promotion. Now, the promotions are not time-bound but based only on performance and they are totally vacancy-based.

- **Job rotation, enrichment and enlargement**

Here strategic planning and goal setting lay the foundation to achieve the set organizational objectives. Monitoring and periodic review of the task assigned enable job rotation, enrichment and enlargement. This enhances job satisfaction.

- **Performance Counseling**

In order to help people realize their full potential, performance counselling has been introduced.

- **Star Club**

With a view to acknowledging the top performers, a separate Star Club has been created. This will motivate the top performers to be at the top and will inspire others to reach the top.

PMS Implementation Process:

Keeping track of the demands of the new PMS, an action plan was formalized to ease the transition. This was a comprehensive programme that was to touch every individual in the organization so distinct roles were cut out for people at every level.



The active involvement of the board of directors and MD not only motivated others but also eased the way forward. A steering committee comprising senior executives of GACL was given the responsibility of overseeing the implementation process. To take the programme to the ground level, a distinct approach was adopted. Two representatives from each department were identified as the catalysts of change. They were called the ‘Change Champions’ and were responsible for interacting and working as facilitators to the employees. They served as a bridge between the management and employees. What followed was a rigorous scheme of training for all the strata. Clearly crafted sessions enveloped each employee in the management staff. To back the whole function, a Help Desk structure was created which would cater to query, doubt and problem solving on a one-to-one basis. This was headed by the HR Head. Through emails, the communication process was further simplified.

1. **Top Management Support:** Active Involvement of Board of Directors & MD.
2. **A Steering committee:** Senior Executives of GACL (to oversee process of implementation).
3. **“Change Champions”** at Ground Level: Two representatives from each department (to directly interact with all management staff as facilitators).
4. **Clarity in Communication:** Through Training Programmes, Office Orders, Change Champions
5. **Rigorous Training Sessions:** Covered each employee in management staff (Concept, Objective and Benefit of new HR Initiatives).
6. **Help-desk by HR:** For one-to-one customized service and problem solving. E-mail id to interact directly with HR & Head of the organization.

PMS Process Cycle at GACL:



PMS Process	Time-line	Activity
Organizational and Functional Targets	February	Topdown approach, Meeting with HoDs for finalization of organizational targets by MD. Functional targets to be decided by HoDs in consonance with organizational targets.
Target Setting for Individuals	March	Individual targets to be fixed by employee with the superior.
Mid Year Review of KPIs	October	KPIs are finalized in the month of March to be reviewed in October.
Appraisal Process	April	Evaluation of individual performance by superior (appraiser) and then reviewer.

PMS Process	Time-line	Activity
Normalization	May	Distribution of performance ratings of all employees on the principle of "Bell Curve" by a committee of HoDs to normalize the overall pattern of rating so as to neutralize both conservative and liberal approaches in giving ratings.
Declaration & Payment of Rating	June & July	After normalization of performance ratings across the company, final ratings are to be declared and payment of variable pay is made.
Appeal Process	August	Processing appeals received from employees in response to their performance rating declared in the previous month. Employees are required to submit supporting documents and if required, he/she is also called to present his/her case in front of the Review Committee.
Performance Counseling	September	Once the final ratings are available, low and average rated employees are counselled.

As may have been noticed, there is a need for a truly dedicated team which is concentrating on the successful implementation of all phases of PMS throughout the year. It is a continuous process which needs to be done by internal team only.

Performance Evaluation based on Five Point rating scale

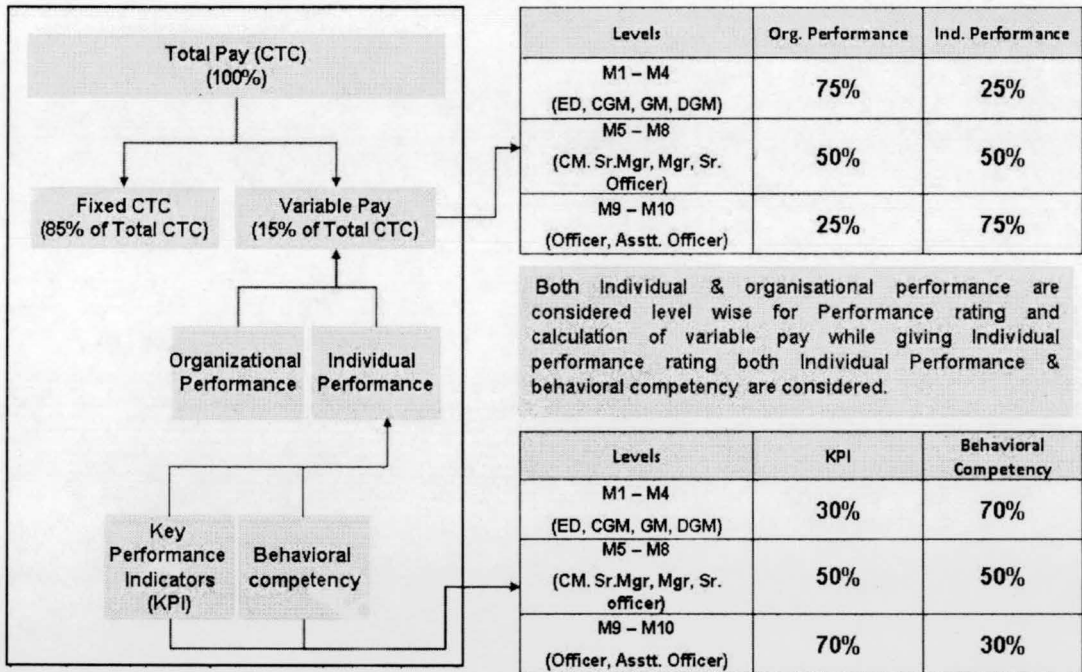
Judging performance of persons individually and then in a team was necessary. Lack of numerical data was a major setback. To overcome this, key performance indicators were identified and allotted weights which were then calculated so as to assess the growth made by an individual.

The rating adapted were as under:

Rating	Measure
5	Significantly Above Expectation (SAE)
4	Above Expectations (AE)
3	Meets Expectations (ME)
2	Below Expectations (BE)
1	Significantly Below Expectations (SBE)

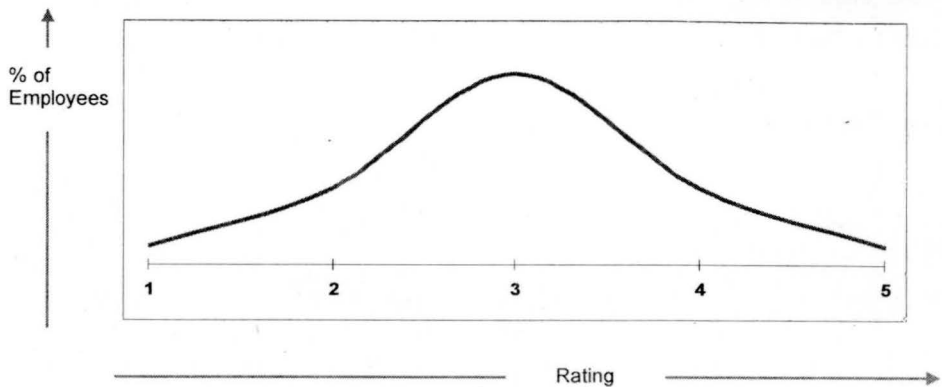
Mid-year review of targets was done in order to review existing targets. This also was a platform to review job profiles and responsibilities.

Rating Calculation



Normalization

Normalization is a process of balancing the overall performance rating pattern on the principle of the “Bell Curve” so as to keep a check on conservative / liberal approach of appraiser (rater). Board of Directors while approving the new PMS has specifically directed the management to maintain “Bell Curve” in performance rating as under:

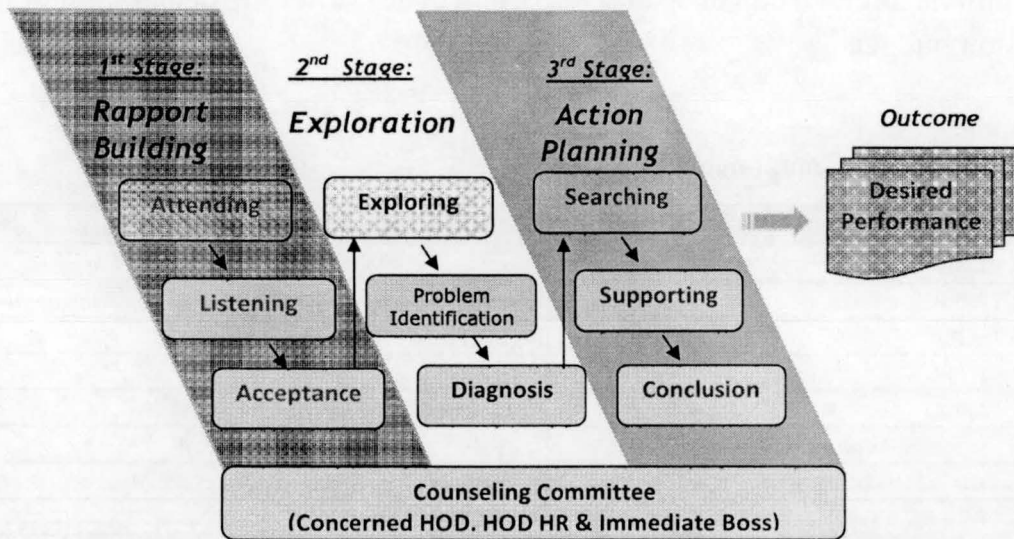


Rating	Measure	Distribution of Employees (In %)
5	Significantly Above Expectations	5%
4	Above Expectations	20%
3	Meets Expectations	50%
2	Below Expectations	20%
1	Significantly Below Expectations	5%

Performance Counselling

A thoroughly constructive and individual centred move has been the informal feedback session which we call performance counselling of an individual. Comprehensive in approach, this counselling session analyzes interpersonal problems, adaptability in the new role and family and other personal problems affecting the work performance of an individual. This is focused on building confidence and motivating the under performing employees.

Performance Counseling Process at GACL:



B. Restructuring Compensation

Another HR initiative is concentrated on reviewing the compensation package. The existing one with higher FBT and looming retirement burden was hampering the forward movement of the organization. Moreover the outdated structure comprising components with less perceived value were also leading to administrative issues in managing and monitoring them. To infuse fresh life into the package, restructuring was done with a view to providing maximum tax benefit and choice of selection of allowances suiting individual needs. The end goal was to ensure that the individuals were left with more cash in hand.

The restructured compensation:

- Maximized tax benefit with tax laws
- Allowed more cash in hand
- Provided flexibility in choosing allowances

Variable pay is paid onetime as per performance rating. While base pay is decided by company, flexible pay components are decided by employees within the allotted cap once in a year immediately after the declaration of the Union budget.

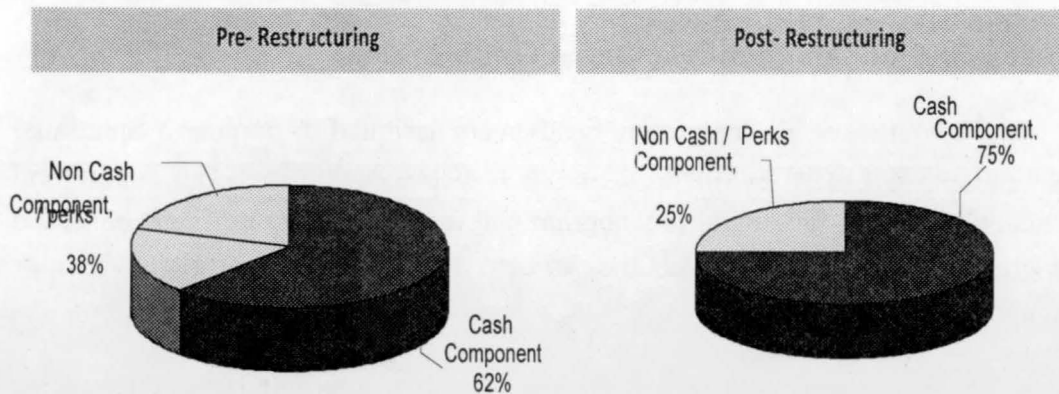
Old and New Components at a glance:

Components of Old Compensation Structure	Components of New Compensation Structure
1. Basic	
2. F.D.A.	Fixed CTC + Variable Pay = Total CTC
3. V.D.A.	(A+B) = Fixed CTC
4. H.R.A.	
5. C.C.A.	A. Base Pay (to be decided by GACL)
6. Washing Allow.	1. Basic
7. Canteen Subsidy	2. PF
8. Education Exp.	3. Gratuity
9. P.S.D. Allowance	
10. Medical reimbursement	B. Flexible Pay Plan (to be decided by employee)
11. Chem. Handling Allow.	4. Superannuation
12. Gardening Allow.	5. Conveyance
13. Conveyance	6. LTA
14. Company Car	7. HRA
15. Education Asst.	8. Education Asst.
16. Birth day gift	9. Hostel Allowance
17. L.T.A.	10. Canteen
18. P.F.	11. Washing Allowance
19. PA Policy	12. Medical Allow.
20. EDLI Insurance	13. Variable Special Allowance
21. Superannuation	
22. Bonus/Ex-Gratia	
23. Uniform/Liveries	
24. Gratuity	
25. Phone	
26. Medical	
27. Electricity	
28. Furniture	
29. Uniform & Liveries	

The Flexible Pay Plan

Every year, the components are changed (added or modified) as per the income tax rules. And, in the month of April, employees get access to their online FPP choice module wherein they can pick and choose the components they want in their CTC, looking to their eligibility for income tax exemption. The total amount is fixed, only the head changes so that the employee can get the income tax benefit.

Pre & Post Restructuring at a glance



	Cash in Hand	Non Cash	Notional
Pre- Restructuring	62%	21%	17%
Post Restructuring	75%	25%	0%

C. Functional Organogram and Manpower Strength:

After successful implementation of the new scientific performance management system, the focus was on stabilizing the system. But mere implementation / stabilising PMS or linking it to the incentive would not serve holistically the purpose of organization for sustainable growth. This can be achieved only if human

resources are optimally utilized in a lean structure identifying job responsibilities and accountabilities and other HR functions are well integrated.

In the same line as a second phase, GACL-Management has acted further:

1. To finalize functional organogram on the principle of right sizing of manpower at each level of the various functions of each department of the company.
2. To develop a succession plan to create a pool of talent available when actually needed.

Process of Finalizing function based Organogram:

In the first stage all department heads were assigned to prepare a functional organogram after discussion with their subordinates. Accordingly, all department heads prepared the functional organogram and manpower requirements based on the organogram at various levels. i.e Officer / Engineer, Senior Officer / Senior Engineer , Manager etc.

In the second stage, the Managing Director appointed a committee to critically analyze the proposed organogram in consultation with HoD. The ideology followed by the committee was:

- To fix the ideal functional organogram and minimum manpower required for the next three years in line with atomization and technology upgradation planned by the company.
- To club various functions, activities and job profiles across the levels to have more functions and responsibilities as and when management personnel move into higher positions in the organogram.

In the final stage, the recommendations of the committee were examined by the Board and the final organogram was approved and made functional.

D. Succession Planning:

GACL being a 37 year old company, the average employee age is 45 years. Moreover there are 108 management personnel, approximately 8% of the current strength, throughout the hierarchy, who are about to retire within the next three years. Thus there is a need to develop a pool of talent to fill up positions in such a way that they are well acquainted with the organizational culture and are ready to take up the responsibility. For this GACL-Management has decided to formulate a succession plan initially for three years.

As a part of this strategy the successors are inducted at the lowest grade of the hierarchy or at the stage where employees are introduced in the company. For example, if the Chief Manager is about to retire, a Graduate Engineer Trainee will be recruited as his successor. Accordingly, the employee moves upward in the structure.

Most of succession positions at senior management i.e. DGM and above are being filled by internal candidates only.

Moreover, on the finalization of the organogram, a few positions are identified as excess. These employees would also be utilized as successors in suitable positions or redeployed against vacancies due to resignations in due course of time.

Unique Features of HR Initiatives of GACL

The new PMS approach was novel in many ways.

- Very few PSUs follow the concept of CTC. GACL became part of that league by implementing CTC-based salaries in the management cadre of employees.
- Introduction of Variable Pay to encourage high performers, was itself a unique step taken by GACL.
- Flexible Pay Plan has been the most appreciated feature of these initiatives for the employees. There are very few organizations which have implemented such income tax saving policies. Being a PSU,

introduction of FPP has become a unique feature among all the HR initiatives of the company.

- Discontinuation of the four yearly pay revision has been a very critical and bold step taken by GACL towards a performance driven culture. Unlike other PSUs, GACL has adopted the practice of declaring annual rise for management cadre employees based on the organization's overall financial performance. Hence, it may vary every year depending upon the financial performance of the company.
- Promotions are now linked only to performance. Hence, it is now ensured that only high performers who have leadership potential go up in the functional ladder. High performers will also be eligible for fast track promotions even as poor performers remain in their positions till they reach the expected performance levels.
- In order to align organizational goals with individual efforts, there are different weightages for organizational performance assigned to different categories of employees. Due to this top-down approach, employees have become aware that their efforts are contributing, whether directly or indirectly, to organizational performance on a larger scale.
- Low rated employees are encouraged and motivated by counselling and tools, like transfer, job rotation, training and development and other skill enhancement programmes, are used.
- Star Club - This initiative ensures that top rated high performers keep on performing well and for that tools like nominations to MDPs, involvement in senior management discussions and career advancements in the field of their interest, are used.
- Manpower Right Sizing – The PMS concept has provided the base for manpower sizing at GACL, which has finally resulted in total as well as functional organograms and other HR processes like recruitment, transfers and promotions closely aligned to the same.

HR – The Change Agent: Leading from the front

GACL's determined team of HR professionals was on the go throughout the implementation of the new HR Initiatives. Planning, coordinating and communicating the change was their mission. Organizing a series of educative sessions with functional heads, addressing the queries raised and easing the nerves was a daily task for them.

Getting into the detailing, each and every employee's key performance indicators were identified and linked with the organizational goal. Moreover PMS compensation modules as well as other training schedules were drafted online ensuring the shift towards a paperless office. On a broader scale, they were responsible for linking the variable and flexible pay plans for all the employees. The ultimate aim was to create a single point of contact for all problem resolution.

At GACL, we believe that fuelling success is all about getting the right people at the right time. Backing them with meticulously designed induction, periodic training and knowledge enhancement sessions are equally important.

AT GACL, the HR management team is dedicated to this work round the clock. By selecting the right kind of people for every position, they ensure overall professional development and growth. Through healthy teamwork, they encourage individuals to achieve more by working in pursuit of a common vision. The aim is to unite and direct individual accomplishments towards organizational objectives.

Valuing and rewarding outstanding performance and maintaining excellent labour relationship have helped the organization in being profitable. Utmost care has been taken while planning every working aspect of employment and the result is that the company has never lost a single man-day due to labour issues.

Thus for an organization undergoing change, an active HR team and their communication form the core. Communicating the change the way it is intended is better than leaving it for the people to experience and imbibe. It is necessary that within the organization, a proper channel for flow of communication is created.

This also fosters a favourable atmosphere for individual and organizational advancement.

Indeed, by streamlining the new processes, communicating and keeping everyone in the loop, the HR team can smoothen the transition phase and augment the pace of individual and organizational growth.

This revolutionary change has turned out to be a success story under the leadership, vision, constant guidance and support of Shri Guruprasad Mohapatra, IAS, the Managing Director of GACL. Shri Guruprasad Mohapatra has taken keen interest in each and every stage of the process of implementation and ensured that the efforts of the core HR team as well as the organization as a whole are going in the right direction. A renowned HR consultancy firm has also provided professional support throughout the process of change.

In a nut-shell, by introducing HR initiatives as above, the HR function has now become the Change Agent and the Strategic Business Partner to GACL. It performs its role effectively in shaping the organization inspite of the GACL being a PSU.

* * *