

## Comparing HR practices in PTCL in Pre & Post Privatization Era

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### Abstract

*The paper evaluates the impact of changing HR practices over employee's productivity and performance in Pakistan Telecommunication Company Limited (PTCL). From being a pure government department to being a company being run on corporate lines and eventually being privatized has made it an interesting entity for study for students and researchers in the field of Human Resource Management. Foremost, the threat or the fear of being deprived of the job has been the primary reason why employees in abundance left the organization as a result of Voluntary Separation Scheme or resigned. Employees are subjected to a continuous stress as a result of repeated strikes and the attitude of the management towards the employees. Management has not been able to win the heart of the people. Training, no doubt has improved a lot, so has the recruitment, becoming faster and market-oriented. But compensation has not improved. Employees are paid less than their counter-parts in government contrary to prior privatization. Mode of Performance Appraisal has been changed by introducing the concept of Online Performance Appraisal, linking the promotions and increments to the scores earned by employees. This has made employees unhappy with that. Career-growth has also suffered because employees have not been promoted for the last many years despite expanding company workforce and business.*

*To create a healthy relationship with employees, management needs to work on better compensation package and a policy for promotion of employees.*

**Keywords:** HR Practices, Recruitment and Selection, Compensation, Career Growth, Privatization.

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Pakistan has seen tremendous growth in Telecom sector during the last decade. PTCL, being a pioneer organization, has been a forerunner in this. It has the largest telecom network having a subscriber base of 5-million at one time and its network in every nook and corner of the country. Having such a huge infrastructure, it once employed 60,000 employees and worked under Ministry of Communications. It was privatized and now it is working under private management and employs almost half the employees it had before privatization. Although the number of subscribers has decreased, new avenues for revenue have been explored and thus subscribers have to opt for PTCL as it serves them across the country. Employees are subjected to a continuous stress as a result of repeated strikes and the attitude of the management towards the employees. Management has not been able to win the heart of the people. As a result of which, the employees are not feeling easy with them. Mode of Performance Appraisal has been changed by introducing the concept of Online Performance Appraisal, linking the promotions and increments to the scores earned by the employee. This has made the employees unhappy with that. Career-growth has also suffered because the employees have not been promoted for the last many years despite expanding company workforce and business.

## **Research Problem**

To study the impact of HR practices in the changing environment in PTCL, main focus of research was to answer the question what impact the policies have on employees and how they have been affected by these?

## **Objectives of Research Study**

To measure, analyze and investigate the value-change in HR practices being followed after privatization viz-a-viz practices used to be observed prior to privatization. The outcome will help to determine the direction of effect in organizational productivity.

## **Literature Review**

Paul Starr (1988) has given two approaches to the process of privatization: radical and conventional. Radical approach is simply the re-assignment of property rights and the conventional view is an instrument to fine-tune a three-sector economy.

Studies like Nellis (1999) have been quoted by the authors to show that privatization has benefited organizations in Central and Eastern Europe and the Baltic States. More important was the quick transition from public to private-ownership and with ownership stake awarded to insider stakeholders. This approach is successful since it is attributed to the location of the transition states being closest to western markets and traditions. While in some cases, the market continues to be dominated by state-owned enterprises, business is mostly dominated by them and there are serious problems in the economy including absence of competition, difference of motive (profit or non-profit), artificial price hikes, over-staffing and non-competitive industrial base (Hakro, 2009)

Evidence has demonstrated that performance of privatized firms is much better than state-owned firms as privatization

notably enhances the operating and financial performance of privatized firms. On average, the firms have improved their performance, operations, their spending on new projects/machinery and hiring new staff. Study done by Khattab (1998) of 28 divested firms in Egypt reveals improved performance in terms of sales (71% of the sample), earnings (68%), average salary per worker (96%) and a decline in short as well as long-term debt (82%). Another study on Mexico (Rafael and Florenico, 1997) of 218 units privatized found on average 24 percent enhancement in ratio of operating income to sales, enhanced profitability and output and considerable decrease in unit costs and employment levels. (Dowlah, 1996) has indicated that seven of ten large loss-making manufacturing concerns privatized in Bangladesh began earning profits, enhancing their production, high volume of sales, capacity utilization and labor productivity and decreasing labor costs. There is sufficient evidence that state and mixed enterprises are less profitable and less efficient than the private. (Boardman and Vining, 1989). Experts mostly agree that efficiency of firms improves with privatization. The findings also indicate that the cost of production could be minimized if the output is produced by private rather than the public sector.

### **Research Methodology**

Nature of research is exploratory as well as descriptive in nature and it studies the effect of changes in Behaviour of employees with the change in status of the organisation, i.e. transformation of T&T into PTC and then into PTCL. Research Methodology followed while conducting the study is a compound one, combining descriptive as well as exploratory approaches. Primary as well as secondary data has been used. Primary: Questionnaires were distributed among the employees and responses collected from them. Secondary: Studies conducted by different authors have been taken into account to ascertain the work already done on the topic. Some very good studies conducted by M/S Teralight Limited (2001), Ahmed Nawaz Hakro and Muhammad Akram, etc. have been cited for reference.

## **Collection of Data**

Data was collected from various respondents through questionnaires. 140 questionnaires were also given to non-management employees while 60 were given to management employees. Since literacy level of the non-management employees is low, they were briefed on the objective of the survey and how to answer the questions? Since there are many departments in PTCL namely HR, Training, Technical, Business, Finance, etc., questionnaires were given to each of them. Thus the response received showed the collective view of the company and the overall situation can be judged.

## **Research Instrument**

Research Instrument used is questionnaire. Questionnaire was designed so that necessary information can be collected about the HR practices and their effect on the overall performance of the company. Questionnaire was served to 100 employees, 30 from the management and 70 from non-management. Responses of the questionnaire were quantified and then the results were tabulated so as to ascertain the result. HR personnel working at Peshawar were also interviewed to get a firsthand knowledge of the company's HR processes and their resultant effect on the company's performance.

## **Results and Analysis**

The study was carried-out to ascertain the level of satisfaction among employees of the company feel satisfied with respect to its HR policies. Policies related to the following areas were studied and analyzed:

- a. Selection
- b. Training
- c. Compensation
- d. Career-planning
- e. Performance Appraisal
- f. Labor Relations

Different rules and regulations were framed during the period from 1947 till date. The structure of the company also witnessed many changes as it changed from a pure government-owned and managed department to a privately owned and managed department. Thus the rules were also changed.

It was found that employees feel that the new management has got business-oriented approach to all the issues. Thus it is unable to provide maximum benefits to the employees.

a. Recruitment & Selection:

The process has been shortened a lot. It took several months, more than a year to recruit staff. But now the process has been made fast. Political pressure was also a major hurdle to hire the employees on merit and often resulted in recruiting more than actually required. That has been done away. Now all the staff is hired on merit and is purely business-driven.

b. Training:

Training was previously a formality; no attention was paid to adopting modern ways to train the employees who were being introduced to the latest technologies, but without much formal training, PTCL made astounding progress during the last two decades and new technologies were being introduced.

c. Compensation:

PTCL management has not been able to design pay packages for its employees. Thus the employees are neither getting company-scales like many corporate companies, nor they are getting pay and perks offered by the government to its employees.

d. Career-planning:

PTCL has not been able to promote its employees on time, thus resentment is on rise among the employees. Employees are

waiting for promotions for the last many years, but they have not been able to get those.

e. Performance Appraisal:

PTCL employees seemed satisfied with the previous practice of ACRs that had nothing to do with their pay-raise and promotions, but they feel irritated by the new PMS. This resentment may lead to non-cooperation among the employees.

f. Labor Relations:

Employees were not satisfied with performance of their unions. This is a good opportunity for the management who can capitalize on this and can effectively neutralize the influence of the union by solving the employees' problems without any delay.

In addition to that, some of the key initiatives taken by the new management are as follows:

- i. Voluntary Separation Scheme (VSS): Since the organisation was over-staffed as per international standards, the new management tried to bring it to international standards. All regular employees were offered an incentive scheme and were offered a chance to leave the organisation. Out of 58,000 employees, 30,000 opted for VSS and were paid emoluments according to the offered package.
- ii. Automation: Management introduced the culture of automation. E-mail IDs were assigned to all officers and all official correspondence previously done through letters and faxes/post was to be done through e-mail.
- iii. SAP: All purchases/repairs to be made through this system. One of the most updated business software, it helps the companies automate their businesses. Some of the modules implemented are:
- iv. Enterprise Resource Planning(ERP)
- v. Customer Relationship Management(CRM)

- vi. Leave Management: All leave applications are being processed through Leave Management System (LMS).
- vii. Performance Management System: Online PMS has been developed and pay-rise and promotions have been based on this. Employees getting good score will get good pay-rise and vice-versa.
- viii. Transfer/Postings and payroll, Travel Management, etc. have been converted to SAP. Shortly, all HR processes are also planned to be shifted to SAP-HCM module.

### **Recommendations**

Keeping in view the findings of the study, it was found that PTCL must equip its trainers with latest training techniques and also train them in new areas so that they are able to deliver the best. HR practices studies will be compared one-by-one.

### **Recruitment & Selection**

It was observed that the process has become much faster and now the management can hire a candidate within a fortnight. It has also become possible to attract the best talent from the market since they are giving market-based salaries. Due to the condition that they only accept applications from persons getting 70% or above marks or CGPA>3, the company is able to get the best lot from universities. Experienced professionals take pride to serve at relatively junior positions in a company like PTCL.

### **Training**

Training has improved a lot after privatization and has become result-oriented. Short-duration and tailor-made trainings have made it easy for all employees to attend the trainings and enhance their skill-level.

Since training needs of employees change with time, Training Need Analysis is being done periodically to assess the emerging training needs and addressing them promptly. Training



by some eminent professionals and leading training institutes like Navitus, Stephen Covey, etc. have been offered to employees. This has added to the attraction the company has for prospective candidates willing to join. A number of training programs have been designed to train and retain the best employees. Each and every employee has to attend the training sessions 2-3 times every year as part of Personal Development Plan.

### **Compensation**

PTCL has been hiring people at market-based salaries, but the disparity in the pay-packages is quite disturbing and at times discouraging for the employees. Two employees working at the same levels get different packages. This needs to be removed. Also, the gap between salaries of regular and contract employees needs to be bridged. Employees expect to get at least the pay-rise announced by the Federal Government to meet the inflation, but the company has often refused that too. This has created a negative impression among the employees. Management needs to take some confidence-building measures to undo this. PTCL shall try to match other companies in pay and benefits so that the employees do not leave due to this grey area. Employee dissatisfaction is high due to blockage of channel of promotion, lack of career growth and less salary. Salaries of PTCL employees used to be too high than the rest of the government employees, but now the employees are getting far less pay than their compatriots in other government departments, hence they cannot make their two ends meet in this towering inflation. Employee Retention is the key to long-term growth and success. If PTCL management wants to retain the best, it must pay attention to compensation plans and career-growth so that the turnover ratio is minimized.

### **Career-planning**

Employees are distressed due to lack of promotion opportunities, especially the lower staff. Some promotions given have been welcomed and the promoted employees are motivated to

work for the betterment of the company. Promotion can enhance the loyalty and raise their motivation levels. Management shall work on this front specially.

Decisions on matters related to career-progression of employees need to be taken on emergent basis. This will enable employee's progress to higher positions and thus they will prefer to continue serving the organisation. Employees showing high level of commitment must be aptly rewarded for their hard work and vice-versa. PTCL must do away with the oriental system of promotion and shall make policies to promote those employees out-of-turn who have excelled in their fields or who have higher qualifications.

### **Performance Appraisal**

Modus-operandi of Performance Appraisal was recently changed and the highly popular, yet highly controversial method of Forced Ranking was used. This has led to creation of resentment in the employees. Recently introduced forced-ranking method of Performance Appraisal has sown the seeds of jealousy among employees. Now the employees will not be cooperating with their colleagues to get good scores.

Forced-ranking shall be used to the benefit of employees. Management can give liberty to managers to place more than one person at some place in the ranking, as opposed to Forced Ranking, in which someone has to be worst performer. Job description for all management positions is made available. But the employee must be evaluated according to KPIs assigned and if he/she performs poorly, he must be given an improvement plan to overcome his/her shortcomings. Also she/he shall be given trainings that were recommended for her/him in the Performance Appraisal form.

### **Labor Relations**

PTCL management has been able to neutralize the effect of the unions due to its effective methods and has been able to

minimize their negative role. PTCL management needs to concentrate on solving the problems of employees so that they can feel motivated and at the same time, this will build their confidence in the management rather than the unions.

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