



A Systematic Wage
Distribution
*to Boost Profit &
Productivity*

The food industry in Malaysia has seen a tremendous growth over time and the local food industry which began predominantly as small-medium scale companies, have grown to large entities today. These entities especially highlight the local flavours from fruits to processed food which portrays the Malaysian identity.

Penang, one of Malaysia's most outstanding tourist spots holds a strong diversity in culture, tradition and food. It is also known to bear interesting nuances of numerous flavours that come from different influences around the globe.

It is believed that Penang is the proud home to many local delicacies and food is known as an attraction in boosting the local tourism industry. Pak Ali Food Industries Sdn Bhd (Pak Ali Food Industries) is one of Malaysia's renowned local delicacy producers that has rooted from Penang and has established itself profoundly in the food industry.

Local delicacies play an important role in reflecting the authenticity of a particular region. In fact, food is known to mirror the nature or environment and produce of a particular province. Pak Ali Food Industries is known to produce local delicacies based on the yields in Penang and other nearby regions.

This entity which was established in 2009 has a workforce of 115 people and is known to produce some of Malaysians' favourite local food such as pickled fruits, juices, 'rojak' sauce, numerous traditional treats and nutmeg based products.

This entity has grown to serve not only the local markets but also demands from Singapore, Brunei and China. Pak Ali Food Industries which started small about ten years ago has gone through a widespread of expansion and aspires to lead the 'halal' food industry especially on fruit-based products with a touch of Malaysian identity.

Pak Ali food Industries began with a lot of R&D activities to identify local demands and market trends. They have obtained support



in terms of quality enhancement from government bodies such as FAMA, MARDI, MARA and PERDA as this entity was seen unique in its product. This support was seen as a significant aspect that marked a dynamic journey within the entity.

Pak Ali Food Industries has also won numerous awards namely *Anugerah Agroprenuer Agrobank 2017*, *Anugerah Peruncitan AURA MARA 2016*, *Anugerah Industri Asas Tani Jaya 2014*, *Anugerah Satu Daerah Satu Industri 2015*, *Anugerah Usahawan IAT Pulau Pinang 2010*, *Anugerah Usahawan Bumiputera Pulau Pinang 2010* and other distinguished awards.

Productivity-Linked Wage System in motivating employees

Human capital is understood as a substantial aspect that plays an important role in the development of Pak Ali Food Industries. Therefore, this entity is determined in building a comprehensive human capital within the entity and ensure they are equipped with the skill and knowledge that are deemed crucial for the entity.

With such thoughts and ideas in mind, employees at Pak Ali Food Industries are relentlessly exposed to various training and workshops every now and then to accentuate motivation, administration, quality control, LEAN Management, effective communication and other necessary technical and non-technical skills.

The Productivity-Linked Wage System (PLWS) is seen as pathway to apply effective gain-sharing for all. At the initial stage of the entity, employees found it a challenge to follow a specific routine and excel at work which led to decrease in production.

In fact, employees were not able to gauge the capacity of their output and hence they lacked urgency. Furthermore, this brought to a lower productivity and awareness of business targets.



**Tuan Haji Alias bin Haji Ali,
Chief Executive Officer,
Pak Ali Food Industries Sdn. Bhd.**

“As much as we were determined to enhance the business, we lacked information and knowledge to narrow down business tactics. We strongly believed in ‘no pointing fingers’ and worked together in seeking for advice from MPC which is known to be resourceful in business acceleration. PLWS was introduced by MPC in 2013 and after a careful implementation of PLWS guided by MPC, we were able to increase the output and work towards optimisation in production,” said Haji Alias bin Haji Ali, the CeO of Pak Ali Food Industries Sdn. Bhd.

Since 2014, employees at the Fruit Dissection Department have been paid based on their output. The wages are in accordance to weightage and this indirectly motivates them to perform better.

For instance, employees are paid RM0.40 and RM0.80 for a kilogram of papaya and a kilogram of nutmeg respectively. All employees' performances are recorded daily in an ICT system developed by the entity. This surfaced as a brilliant way to monitor performance and productivity concurrently.

Additionally, an innovative incentive was introduced at the entity where team excellence also brings more benefit through PLWS. Monthly output for each production section is projected one month prior to the actual work month and teams are observed based on performance.

If employees' performance exceeds a 100% output target, they are paid an incentive of RM70. However, the set back to this approach is that groups are not paid incentives in performance if actual output does not exceed 80% of targeted output. This, in a way is seen as an effective measure in boosting performance, sustaining productivity and to encourage teamwork among employees.

Pak Ali Food Industries constantly improves its PLWS system by introducing various bonuses and allowances. "An incentive to reduce absenteeism rate among the staff was introduced whereby each employee who projects 100% attendance at work is eligible to receive RM50 per month and up to RM600 per year."

"We also reward employees who multitask and an additional allowance is given to those who facilitate others at work. This was seen as an impactful method of motivation and reflected increase in productivity at the workplace."

"Till to date, we often update the PLWS input and this has brought an increase in Average Direct Labour Output/Employees from 1.33 in 2013 to 2.98 in 2017, " said Alias.

PLWS was extremely beneficial to create an engaging environment at work and ensured employee commitment. Not only that, PLWS was able to sustain workforce at Pak Ali Food Industries. In addition to incentives and rewards, PLWS brought many changes to the work system and production, specifically to provide a conducive work environment for its workforce.

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Increase of overall business through a profit-sharing strategy

Pak Ali Food Industries understands that career enhancement and job satisfaction are two main aspects among employees to sustain at workplaces. These are also seen as driving factors for greater motivation and work performance.

Moreover, employers these days are constantly looking forward to ways on improving monetary and non-monetary benefits as this will bring a better business performance as a whole and reduce turnover rate thus creating a more positive work environment.

“We believe in bringing everyone who is involved in the business together. Not only our employees but the families of our employees are important to us as well. This is due to the fact that our employees have gained the support of their family members to be with us.”

“Therefore, we have been organising community activities and family days on yearly basis to bring our employees and families together. We believe this is a great way to reward their efforts in the growth of the company,” said Alias.

One of the most unique criteria of this entity is the commitment shown in sending their senior employees to perform *Umrah* on an annual basis. This is seen as the most fulfilling reward for both employer and employees respectively as religious belief is deemed significant.

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Each employee who projects 100% attendance at work is eligible to receive RM50 per month and up to RM600 per year.

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Employees who multitask and facilitate others at work will be given an additional allowance.

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Send their senior employees to perform *Umrah* on an annual basis.

Every employee at Pak Ali Food Industries receives an annual increment in accordance to their position within the organisation. Employees are evaluated on a merit system and given a doubled incentive if the company is able to achieve the targeted profit.

For instances, those who obtain a merit point of 85-100 (A Grade) will be given an amount of doubled incentive when the company profit exceeds 80% of targeted profit. However, when the company profits are lesser than 80% of the targeted profit, employees receive 1.5 month incentive accordingly.

This entity applies a flexible annual increment system to ensure all employees are driven at work through the incentives and at the same time focus on increasing productivity to ensure a shared profit among all.

On the other hand, employees who obtain a merit point of 59 and below receive an increment based on a standard system practiced at the entity. This is to ensure all employees are treated fairly and at the same time, such practices are seen as an encouragement amongst employees in achieving greater heights in productivity,” Alias further explained on the concept.

In fact, bonuses are also given to employees based on company profits and merit points obtained by every employee. For example, when the company profits exceed 80% of targeted value, employees who obtain a merit point of 85 -100 are not only entitled for an amount of doubled annual increment but at the same time receive a bonus of 0.7 month. Additionally, those who obtain a merit point of 49 and lower are given 0.1 month bonus.

Additionally, they understand that being visionary and promoting employee engagement are two important aspects that will lead to business growth and are moved to work their way towards the best.

Pak Ali Food Industries believes in growing as a family as every individual plays a role in their success and hence they believe in giving back to the Pak Ali Food Industries community through incentives and social activities. Such efforts are believed to build a liberal workforce and lead the entity and the community within in being idealistic in the business.