

# Implementing Productivity-Linked Wage System at Brahim's SATS Food Services

In-flight catering has always been at a high stake in meeting the expectations of the airline industry primarily in fulfilling travelers' satisfaction. Drawing on its experiences and creativity, Brahim's SATS Food Services Sdn. Bhd. (Brahim's) is an expert on providing privileged meals.

This entity is well known for its globally renowned 100 percent halal certification. In addition to this, they are fully geared up with an integrated set of logistics supply chain and operate around the clock reaching a maximum capacity of 50,000 meals per day.

These operations cater demands from 28 international airlines including Etihad, Cathay Pacific, China Airlines, Japan Airlines, Korean Air, Thai Airways, Emirates Airlines, Garuda, KLM, Indian Airlines, Eva Air and Pakistan International Airlines.

With these sustainable capabilities and quality services, Brahim's has become a premier choice of Malaysian Airlines

System Berhad (MAS) for more than 20 years.

The ongoing commitment of 1,193 staff has made each process namely from handling orders to tray preparations, assembling meals and delivering them onboard as well as ensuring the cleanliness of the onboard catering equipment run without any hiccups.

All employees are bounded to five core values namely Commitment, Respect, Integrity, Sustainability and Performance (C.R.I.S.P) which actually brings everyone under one roof and at the same time creating a pathway towards organisational excellence.

Besides, all staff are monitored through a comprehensive performance system known as Brahim's Productivity-Linked Wage System (PLWS) that was initiated in 2008.

A series of workshops were conducted in the initial stage for the purpose of creating a win-win negotiation between



the top management and Brahim's Employees Union. The first Collective Agreement (CA) was launched on 1<sup>st</sup> November 2008 which met the objective of Brahim's PLWS and subsequently achieved staff welfare optimisation.

## Low attendance rate led to lower productivity

Attendance at work is a crucial aspect in an organisation that looks forward to improvement and growth. The presence of all the staff at workplace is seen essential as this creates a conducive environment where all of them work together towards increasing productivity. This will ultimately lead the company towards achieving the goal of business expansion.

Following that, it is a known fact that low attendance rate reflects a high cost impact to an organisation. **Ahmad Reza Kamaruddin, the Chief Human Resource Officer of Brahim's** who began his career as the Senior Human Resource Manager in 2007 realised that attendance was an alarming concern within the entity as he knew that Brahim's is an



entity that always looks forward towards positive growth.

“At that time, it was an opportunity for me to explore on how to increase the attendance rate among the staff. As a new HR senior manager, I had to work on it as this issue consequently increased the overtime and

“In order for me to overcome these problems, I had to focus on introducing a system where employees' performance is bounded to three crucial elements namely attendance rate, overtime and medical costs.”

— Reza

medical costs, creating a financial burden to the company. The attendance ratio was only 82 percent which led to low productivity as well as efficiency. Sometimes, the on-time delivery performance was unable to meet the target.”

## Productivity-linked wage system (PLWS) to monitor employees' performance

Reza is optimistic about the potential culture change with the implementation of a system which is able to provide commensurable wages with employees' performances. Following that, a system known as Productivity-Linked Wage System (PLWS) was introduced on 1<sup>st</sup> November 2008. Nevertheless, it took about more than 6 months to fully implement the system after a few simulations before it was approved by the Board of Directors at Brahim's.

An esteemed group of people from the Brahim's Employees Union, Brahim's Management Team and the HR Department came together in developing the first Collective Agreement (CA) for the PLWS implementation. This was done solely to ensure that the element of Personal Quality (PQ) is linked to the departmental KPI and Brahim's financial target without compromising on employee benefits.

Reza added, "This innovative system stands as a platform in promoting a new working culture with a reduction in absenteeism, late comings and early outs as well as tackling disciplinary issues. Whereas, the production department uses PLWS for quality control and minimisation in production cost. Not only that, the system is also used to achieve financial targets of reducing medical and overtime costs as well as to increase the EBITDA target."

"In general, it is anticipated that all employees gain an increment of 4 percent to 12 percent annually upon the target achievement. The non-executives are given a remuneration of attendance allowance totaling RM18 per day as an encouragement and indirectly boost attendance."

He also elaborated that the PLWS paves a pathway to remove the conventional way of increment in wages regardless their performance which the organisation had been using for the past 20 years. Furthermore, Brahim's also reviewed some of the allowances which were expected to be at par with the current CA.



## Initiatives in changing mindsets of employees

The process of changing the mindsets is significant and will not phase out from the implementation of PLWS. Reza actually stated that Brahim's focuses on three aspects in employees' development. "The HR Department has been playing a crucial role in obtaining trainings to fulfill the purposes of creating awareness on the importance of time management and educating employees in embracing their roles towards Brahim's sustainability."

"The principle that goes by 'One should not be only committed to work but also devote themselves to it and has been instilled in every employee through several sharing sessions which were delivered by renowned spiritual speakers and which brought to an astonishing success. Besides, a series of roadshows and CA booklet circulation were the initiatives done by the HR Department in educating the staff on the importance of PLWS."

He then went on to explain that, employees really look forward in putting this system into practice. Moreover, the results from the employees' feedback survey which was conducted recently showed that more than 78 percent of employees were satisfied with the fairness shown by the management and PLWS at Brahim's.

## *BENEFITS offered by Brahim's* lead to low in **TURNOVER RATE**



## The impact of PLWS on Brahim's

According to Reza, the implementation of PLWS is about motivating employees towards high productivity performance and the gains from this improvement are then channeled to the employees by getting more incentives at the end of the year.

"It has always been a dream for me to improve attendance ratio subsequently bring more profit when I first came to this company. Now, it is proven that after the implementation of PLWS, the attendance ratio has increased by 5 percent and the numbers of late comings and early outs have also reduced by 43 percent. These achievements have contributed to the increase in productivity by 3 percent annually. More cost saving is generated from this system as the company is able to reduce overtime and medical costs" he proclaimed.

"Significantly, PLWS offers a win-win situation to the employees through higher wages while the employer is able to reduce payroll cost. The results are not only meaningful to the top management but it also helps us to drive our employees towards the same pathway of organisational excellence."

## Sustaining the implementation of PLWS

Close-collaboration between top management, the HR Department and Employees Union is vital in developing a new gain-sharing system that caters the needs of employees as well as the employer. This committee had brainstormed through a series of workshops in developing PLWS formula and setting-up weightage in each PLWS element of individual, department and organisation performances.

Reza said, "This is a way on how to get the buy-in from the Union. The Union's involvement from the beginning stage until today has assisted us in getting full support from all employees to replace the conventional payment system. We have also conducted PLWS meetings with the Union as an avenue to discuss on the PLWS results on a quarterly basis which cultivates trust among one another."

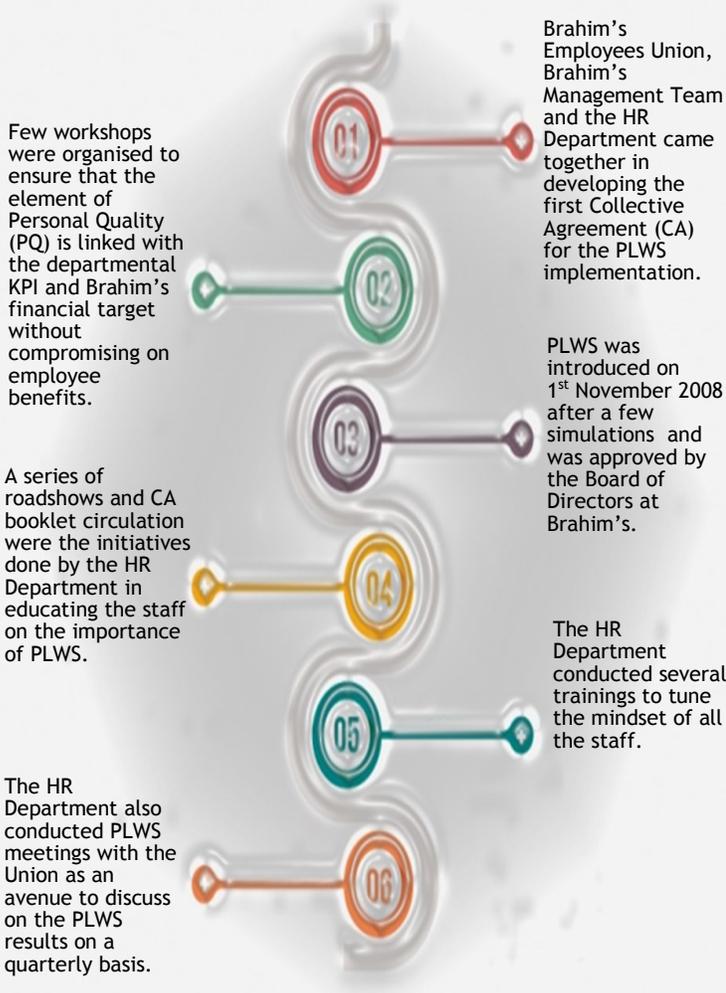
"Once a year, we use this platform to have a brainstorming session with the union leaders on how to improve the system. This is how we improvise our PLWS system for the welfare of both the employer and employees. The commitment from top management also contributes to the success of PLWS implementation while monitoring employees' performances regularly through respective supervisors," Reza added in relation to the issue of sustaining PLWS implementation.

However, he said that the town hall talk with Brahim's CeO happens to be the best approach to communicate with all employees.

"We are practicing the management transparency principle through this town hall talk. It is a platform to share the company's performance including the PLWS results with all the employees. It creates an ongoing dialogue between management and staff, and stimulates better communication among us. Employees are able to provide their feedback while the employer utilises this platform in guiding all staff towards shared vision."

Reza concluded that, "Through my experience, I have learnt that an employer which intends to implement this system must hold on to sincerity and fairness in offering wages to their staff according to performance. On the other hand, the employees were advised to study and understand the system and not to be skeptical of it. Brahim's is an exemplary organisation that utilises PLWS in minimising payroll cost while optimising output and achieving financial target. In a nutshell, Brahim's is not only able to distribute wages based on these improvements but simultaneously brings all staff together in sharing a vision towards a sustainable future."

### *PLWS roadmap at Brahim's*



# Elements and Formula of PLWS established by Brahim's

## Personal Quality (PQ) (2% - 6% salary increment)

### Attendance (1%-3% increment)

- 100% : 3%
- 96-99% : 2.5%
- 92-95% : 2%
- 88-91% : 1.5%
- <87% : 1%

### Discipline case (0.5%-1.5% increment)

- 0 case : 1.5%
- 1 case : 1.25%
- 2 cases : 1%
- 3 cases : 0.75%
- 4 cases : 0.5%

### Late comings & early outs (0.5%-1.5% increment)

- 0 min : 1.5%
- 10 min : 1.25%
- 20 min : 1%
- 30 min : 0.75%
- 40 min : 0.5%

## PLWS ELEMENTS

21 departments with different KPIs to monitor quality of output produced, service quality, compliance, customer complaints and report audit

### Example :

#### Production Department

#### • Compliance (0.5-1.5% increment)

- 100% : 1.5%
- 95-99% : 1.25%
- 90-94% : 1%
- 80-89% : 0.75%
- 70-79% : 0.5%

#### • Report (complaint) (0.2-0.6% increment)

- 100% : 0.6%
- 95-99% : 0.5%
- 90-94% : 0.4%
- 80-89% : 0.3%
- 70-79% : 0.2%

#### • Audit result (0.3-0.9% increment)

- 100% : 0.9%
- 95-99% : 0.75%
- 90-94% : 0.6%
- 80-89% : 0.45%
- 70-79% : 0.3%

### Medical Cost (0.3-1.5% increment)

- Reduce by RMXmill : 0.3%
- Reduce by RMXmill-0.1mill : 0.6%
- Reduce by RMXmill-0.2mill : 0.9%
- Reduce by RMXmill-0.3mill : 1.2%
- Reduce by RMXmill-0.4mill : 1.5%

### Overtime Cost (0.5-0.9% increment)

- Reduce by RMYmill : 0.5%
- Reduce by RMYmill-0.5mill : 0.6%
- Reduce by RMYmill- 1mill : 0.7%
- Reduce by RMYmill-1.5mill : 0.8%
- Reduce by RMYmill-2mill : 0.9%

### EBITDA (0.2-0.6% increment)

- Increase by Z% : 0.2%
- Increase by Z%+1% : 0.3%
- Increase by Z%+2% : 0.4%
- Increase by Z% +3% : 0.5%
- Increase by Z% +4% : 0.6%

## Department : Output (1%-3% salary increment)

## Organisation : Financial target (1%-3% salary increment)

### Note :

- Each employee will be awarded different increment for PQ while the percentage increment for department and organisation remain the same.
- Yearly increment from 4% up to 12%.

# Contributing factors towards the success of PLWS at Brahim's



## The impact of PLWS to Brahim's



**3%** increase in productivity performance



**5%** increase in attendance ratio



**43%** reduction in late comings & early outs



**2%** reduction in staff medical cost



**1%** reduction in overtime cost