

## PAK SWEETS: MANAGING A DIVERSE WORKFORCE

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On a hot and dry afternoon in May 2014, Shiekh Farrukh Niaz, chief executive officer (CEO) and owner of Pak Sweets, sat in his office puzzling over the best way to deal with conflicts among members of his workforce. Running a factory that depended on factory-floor workers drawn from different ethnicities was anything but easy. The conflicts resulting from ethnic differences were escalating into riots, which routinely caused damage to company property. Niaz's desire to take firm action was thwarted by the even more dangerous possibility of crippling union strikes and lockouts. Indeed, the diversity at Pak Sweets was causing tremendous issues at the factory.

### THE ORGANIZATION: PAK SWEETS

Pak Sweets started its operations in 1984 in a single room with a production capacity powered by two machines and only a few employees, tasked to produce popcorn of different flavours including butter, plain, and cheese. The product became quite successful, and with increasing revenues, the company was able to expand in 1995 to a two-room facility in Kabari Bazaar, Saddar Rawalpindi. The number of machines was increased to four, with two more machines set up for packing the popcorn. In 1996, Pak Sweets added two new product lines: dried fruits and fennel seeds. The increase in sales and success of the product lines led to hiring more employees to keep up with production.

The company experienced a steady growth in its operations from 1996 to 2002. In 2002, the factory was shifted to a full-fledged operating plant (4,047 square metres or 43,560 square feet) located at Chakri Road, Rawalpindi. The new space offered better facilities with three huge production halls, three rooms for packaging, and two administrative offices. As the organization grew, so did the workforce; by 2014, Pak Sweets had 60 employees, which was a substantial increase from the three employees hired at the commencement of the company's operations in 1984.

Pak Sweets grew into a company with a strong brand presence in the market. The company marketed a wide range of product lines including candies, packed dried fruits, lollipops, candied fennel seeds, and

bubble gum. With a growing product and customer base, Pak Sweets' revenues increased from Rs 200,000 to Rs 2,500,000.<sup>1</sup> The company also received orders from different countries in Asia and in Europe.

Pak Sweets had always enjoyed a flat hierarchy. One of the reasons was that the company had started small, with only a few people working in the organization. There was only one operations manager to whom all the factory workers reported. In turn, the manager reported to the CEO. The operations manager was also responsible for recruitment decisions.

Each production process required workers with diverse skills, so the company hired employees from different provinces of Pakistan, representing multiple ethnicities. The ethnic groups within the workforce included Punjabis (39 per cent), Sindhis (22 per cent), Pathans (28 per cent), and the Baloch (11 per cent). Historically, these ethnicities had been made up of a mixture of native people and immigrants. The ethnicities were fundamentally diverse with different languages, cultures, and codes of conduct.

Punjab was Pakistan's largest province by population. The province was populated by people indigenous to the region, as well as Arabs, Afghanis, and Turks. The commonly spoken language of the province was Punjabi, with 63 dialects.

The second largest ethnic group was Pathans. Most Pathans resided in the province of Khyber Pakhtunkhwa. They had a strong and conservative tribal system that defined their way of life. Their language was Pashto.

Sindhis, from the province of Sindh, were known for their lineal descent from the Indus Valley Civilization. They had a strong association with their language, Sindhi.

Balochistan was Pakistan's largest province by land mass but smallest by population, accounting for only 6 per cent of Pakistan's total population. The Baloch wanted greater autonomy from Pakistan and increased revenues from the natural resources in their region. This strife caused tension between the Baloch and Punjabis.

For most of the workers at Pak Sweets, Rawalpindi was not their hometown. Because of commuting issues and the early start and late finish demanded by the nature of the work, workers were provided accommodation within the factory. Accommodation and medical care were costly for the lower class in Pakistan; the state did not provide assistance for either. This meant that an organization that provided accommodation or medical care, or both, with the job was an attractive place to work. Yet, it was uncommon for factories in Pakistan to provide accommodation for all workers. Normally, only four to five workers were accommodated. Considering this, Pak Sweets was providing extraordinarily good benefits to its employees.

Having a place to stay saved costs for the workers; however, with many people working and living under the same roof, cultural differences became accentuated, leading to disputes among the workers. Initially, workers of similar ethnicities socialized together. However, over time, the divide between ethnic groups became more evident, causing destructive conflicts within the workforce. It progressed to the point that ethnic groupings prevented workplace collaboration and teamwork. Management took notice of the issue and its interference with daily work.

In an attempt to win management's favour, one ethnic group would deliberately cause trouble with the intent of getting another ethnic group to take the blame. In one such instance, the operations manager was

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<sup>1</sup> Rs = PKR = Pakistani rupee. All currency amounts are in Rs; US\$1 = Rs 99 as of May 1, 2014.

informed when a worker intentionally damaged equipment that made certain types of candies. Because of the damage, production had to be stopped for 24 hours, leading to a significant delay in the production and final delivery to markets. This was a setback for Pak Sweets, especially because it had a reputation for the timely delivery of its products.

In another instance, management learned that a worker had stolen an expensive machine part worth more than Rs 63,000. It was discovered that the worker sold the part to a junkyard, and the part could not be retrieved. Investigation into the matter stalled when members of the ethnic group to which the thief belonged refused to give evidence. The loss was not only financial but also resulted in most of the workers from that specific ethnic group being dismissed. This further exacerbated the situation and led to increased tensions among cliques within the group. The group also complained of being unfairly victimized.

Self-imposed ethnic segregation grew to such proportions that even newly hired employees were compelled to side with the group aligned with the new employees' ethnicity. If a new worker avoided committing to a group, he or she was bullied and left exposed in the event of theft, the mishandling of machines, or mechanical fault. Further, the worker risked taking the fall for anything untoward from that point forward.

After the workday finished, the workers who were living together on the factory premises started brawls, which led to the further destruction of property and the lowering of overall morale. Sometimes the situation would escalate to the point that the CEO would have to be called in to resolve the disputes.

Management was acutely aware that the growing problem was no longer limited just to workplace conflicts but was also affecting the company's reputation. In an attempt to improve the situation, the CEO had started a reward system. A worker who performed well on his or her job, did not participate in brawls, and did not cause any damage to the machines was given a semi-annual bonus. Selection of the workers largely depended on the evaluation of the operations manager. However, this solution only led to further problems when the reward system was denounced for being biased and the operations manager was accused of preferring one group over another.

As the CEO sat in his office, drinking tea to soothe his nerves and mulling over this complex problem, he wondered how things had become so unmanageable. The issues of ethnicity had escalated into full-blown disputes. Niaz had met with his managers to discuss the prevailing situation at Pak Sweets, but he was at an impasse. He wanted to come up with a feasible solution acceptable to all, prevent workplace violence and damage to company property, and protect the brand he had worked so hard to establish.

Firing the workforce and bringing in new people was not going to solve anything because ethnic identities and loyalties bound every worker in the country. Pak Sweets was a small company that had made profits of Rs 1.1 million the previous year, so it could not afford to provide lavish benefits to its employees; however, small steps could be taken to improve the situation. Niaz had to come up with a plan to promote peace and harmony among existing workers if the situation was to be addressed effectively.