

Report On
Optimizing Payroll Management in British American Tobacco
Bangladesh Company Limited

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelor of Business Administration

BRAC Business School
Brac University
April 2020

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Assistant Professor, BRAC Business School
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Letter of Transmittal

Md. Hasan Maksud Chowdhury
Assistant Professor,
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Report on Internship in British American Tobacco Bangladesh

Dear Sir,

I am immensely grateful to be able to submit my internship report to you amidst this pandemic. I have prepared this report based on my tenure as an intern at British American Tobacco Bangladesh Company Limited. Due to the lockdown, I could not manage to conduct extensive research on the topic that I have chosen as my internship was indefinitely discontinued. However, I have attempted my best to finish the report with the observation, learning and experience I have had from my time in the company. I hope the report will satisfy the essential requirements.

Sincerely yours,

Faiza Sultan

15204066

BRAC Business School

BRAC University

Date: April 21, 2020

Non-Disclosure Agreement

This agreement is made and entered into by and between British American Tobacco Bangladesh Company Limited and the undersigned student at BRAC University Student

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Acknowledgement

Firstly, I would like to thank Almighty Allah for giving me the opportunity to finish my internship at a prestigious organization and for being able to submit my report, despite the numerous challenges presented by the global COVID-19 pandemic.

Next I would like to express my gratitude towards my esteemed professor, **Md. Hasan Maksud Chowdhury**, Assistant Professor of Brac Business School, for enlightening and guiding me throughout with my university courses as well as writing this report. His feedback and recommendations have assisted me in writing this report properly.

Finally I would like to thank my line manager and supervisors at British American Tobacco Bangladesh, **Mr. Utpal Chandra Paul** and **Mr. Raiyan Ahmed** for their constant guidance and assistance during my internship tenure.

Executive Summary

This is a qualitative research done on how BATB has adopted technology to optimize the company's payroll management efficiency. BATB has a large compensation and benefit structure which makes their payroll system very complex. The payroll has to be compliant with national policies as well as international policies as it is a multinational organization. The software that BATB uses has made payroll productive, the calculations more accurate and the process less complicated while also being compliant with auditory policies.

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List of Acronyms

BATB	British American Tobacco Bangladesh
C&B	Compensation and Benefits
ITC	Imperial Tobacco Company
HO	Head Office
PMD	Primary Manufacturing Department
SMD	Secondary Manufacturing Department
FMD	Filter Manufacturing Department
DF	Dhaka Factory
KLF	Kushtia Leaf Factory

Chapter 1

The Organization

1.1 Organizational Overview

British American Tobacco's journey started as the Imperial Tobacco Company (ITC) in 1902 and later became British American Tobacco after the successful joint venture between the UK's Imperial Tobacco Company and American Tobacco Company. Imperial Tobacco's birth was in Calcutta, during the British rule and had a branch in Moulvibazar, Dhaka. The post partition trade was initially free but by 1948, customs barriers disturbed the flow of trade between India and East Pakistan (Current Bangladesh) resulting in a head office present in Karachi, and demand forced a factory set up in Fauzdarhat, Chittagong in 1952. Thenceforth, product manufacturing resources for East Pakistan were received from Karachi and finally the production phase started from 1965 in Mohakhali. However, the Indo- Pakistan war interrupted the flow of resources from India but created a fruitful opportunity for entrepreneurs to set up more factories in East Pakistan. Eventually, the name Pakistan Tobacco Company changed right after the independence in February, 1972 and was then recognized as Bangladesh Tobacco Company. In 1998, the company aligned its identity with British American Tobacco group and adopted the name British

American Tobacco Bangladesh (BATB), after reaching the required international standard and revenue stream and export quality. BATB currently has over 1,000 employees and over 40,000 people working directly and indirectly; farmers, distributors and suppliers. BATB currently exports tobacco to Germany, Poland, Russia, UK and New Zealand. Moreover, they will be expanding their exporting database, moving towards the Asian region. BATB has recently received the title of Top Employer, Bangladesh.

Vision

“To become the world's best at satisfying consumer experience with tobacco and beyond.”

Mission

British American Tobacco’s mission is to deliver their commitments to society, while championing informed consumer choice

BAT believes in making sure the adults who purchase products from BAT are completely aware of their choices despite having to provide a range of products. They also believe that the society creates new challenges and also provides us with new opportunities. Hence these challenges need to be faced with preparations, as well as opportunities taken advantage of. It is also important to

acknowledge the harm done to the environment due to their products and give to society accordingly to minimize damage.

1.2 Description Of Management Functions

For smooth operations, BATB has set up several functional areas which are integrated to ensure maximum efficiency. Each department has its unique structure according to their responsibility and function. The entity is headed by the Managing Director who acts as the operational head and national sales manager of the company. There are heads of each department who carry out their function with the help of departmental employees.

1. Operations

2. Leaf

3. Finance

4. Marketing

5. Legal and External Affairs (LEX)

6. Human Resource

Operations

Supply Chain incorporates creating the tobacco to convey the finished goods to the customers. Fundamentally, supply chain is the administration of the progression of merchandise. It incorporates the development and capacity of crude materials, work-in-process stock, and completed products from purpose of source to purpose of utilization. The different functions of supply chain include product and quality, supply network operations, transportation, Factors Affecting Consumption of Tobacco 11 warehousing, inventory control, procurement, sourcing, environment health and safety department (EHS), logistics, etc. The operations activities are segmented in the following manner:

Leaf growing: Over 80 million kilograms of tobacco is grown every year by around 35000 registered farmers throughout three divisions with 8 different locations; Kushtia, Rangpur and Chittagong. The leaf growing also follows a specific calendar and routine, while also letting the land rest by harvesting other commodities like rice, to retain fertility.

Green Leaf Threshing Plant (GLTP): Located in Kushtia, GLT deals with the processing of green leaf which is further proceeded to different locations and departments for further processing.

Primary Manufacturing Department (PMD): This is where the primary production using the raw material (leaf) takes place. The leaf is conditioned here along with any imported tobacco for cigarette production. By passing the tobacco through modern machines, the different blends and packaging grades are separated and classified. The different grades are made in proportions required under a uniform temperature and moisture. This is where the conditioning, cutting, cooling and blending takes place.

Filter Manufacturing Department (FMD): This is where the variety of filters for the different brands are produced. These filters are then put into SMD machines for secondary production.

Secondary Manufacturing Department (SMD): From PMD the processed tobacco is sent to Cut Tobacco Store (CTS) where it is stored for further use in the SMD. From CTS the blended tobacco is brought to SMD for further processing and is wrapped to make the final cigarette.

Shipping: SMD has a holding room of capacity to store approximately 250-260 million cigarettes from where goods are put in trucks for delivery. The responsibility of distribution is outsourced to a contractor who makes sure daily deliveries are done to the different territories around the country. A specific amount of stock is allocated for the daily distribution and shipping is deduced with the help of a software and by analyzing with the use of transportation

models. The trucks carry over 2 million cigarettes per trip and are supported with VAT documents in case of any disruption. The distribution process will further describe how it is done.

Leaf

One of the core functions of BATB, the Leaf department is responsible for the production of tobacco leaves. The leaf factory of BATB is located in Kushtia. This department maintains the quality of the tobacco cultivated and used in the final cigarettes, ensures efficient farming and land retaining methods are implemented and processes, packages and ships the final tobacco to the Dhaka factory.

Marketing

With the determination to make their brand a customer's first choice, the marketing department of BATB diligently works towards attaining that goal. The marketing department has two sides: Brand Marketing and Trade Marketing. Brand marketing deals with segmenting different brands of products according to the description of the target market. Trade marketing deals with field-level market interaction and ensuring proper distribution of products throughout the country.

Legal and External Affairs (LEX)

Tasked with executing responsibilities that are directed towards BATB's various stakeholders like shareholders, society, and employees, the Legal and External Affairs, or LEX, is an integral part of the organization. LEX's primary responsibilities include:

- (i) Ensuring the maintenance of defined rules and regulations
- (ii) Acknowledging Corporate Social Responsibility (CSR) (public awareness programs, healthcare initiatives, reforestation projects, etc.)
- (iii) Maintaining internal communications within the organization

Finance

Being one of the cornerstone departments of BATB, the Finance Department handles an important and challenging function. What makes BATB Finance unique is the fact that the department's objectives are aligned with other functional departments. Finance's core responsibilities include:

- (i) Formulating financial objectives and plans of actions to achieve those objectives
- (ii) Ensuring efficient and effective allocation of resources along with budgets that help manage shareholder expectations

(iii) Nurturing relationships with current and potential investors

(iv) Auditing

Human Resource Department

The Human Resource (HR) Department is essentially the spokesperson for everyone within the organization. The department looks after the wellbeing of all the employees and the organization as a whole. In terms of judging its importance, it can be argued that every single person responsible for the organization's success has been placed there by the HR Department. BATB's rigorous recruitment process is truly unique. Every candidate has to face multiple rounds of screenings where they are assessed on a wide range of skill sets and personality traits. BATB's assessors themselves go through rigorous assessment training to be able to consistently identify high quality talents who are also great cultural fits. After a candidate passes the assessment stage, he or she has to appear for a final face-to-face interview by the Head of the function they applied for or were chosen for. The HR Department also conducts extensive training and events that help maintain and improve employee performance as well as create career growth aspirations in them. Keeping employees engaged and maintaining the organization's rich culture are also important responsibilities for the department.

Chapter 2

The Internship

2.1 Nature of the Internship

For my internship I have been assigned to the Compensation and Benefits (C&B) team of the Human Resources department of BATB. During my three months as an intern I was assigned to do day to day operational tasks to assist the payroll officers and fund manager.

2.2 Duties and Responsibilities

I had to work under minimal supervision deployed to help oversee the payroll function in the unit within the Department. I have directly assisted the Funds Manager and Payroll Officers in the following tasks:

- Preparation of final settlement documents of employees leaving the organization
- Updating the database for employees who were new joiners, leavers, transfers and promotion
- Coordinating with the Bank to update fund accounts trustee information

- Designing layout for the company's payroll software for more efficient usage and audit compliance
- Reconciling the fund transactions with bank statements
- Ensuring discrepancies in reconciliation statements were mitigated and explained
- Making bank transfer documents and updating journal vouchers (JV) to authorize bank payments
- Checked calculations for each final settlement to make sure they were accurate and compliant with the company compensation and benefits policies
- Calculated the annual Provident Fund contribution of each of the employees under payroll

2.3 Learning Outcomes

Working in the biggest multinational in Bangladesh where there is an open working culture has allowed to me to gain some rare insights and opportunities:

- Directly interacted with the Managing Director himself and learnt about his experience while he learnt about ours
- Improved my networking skills

- Got exposure into the corporate culture of a multinational organization

2.4 Recommendations

The internship was an extremely eye opening experience for me, however due to the lockdown I could not complete the internship physically. My recommendation would be to arrange for better Work From Home facilities so that the interns can have a holistic learning experience despite emergency situations.

Chapter 3

Project : Optimizing Payroll Management

3.1 Introduction

Irrespective of the size of a company, payroll processing is a vital element to ensuring smooth internal operations of a company. It is imperative that a company builds a holistic payroll management system that incorporates employee information, disseminates payroll data in a timely manner and enables employees to perform various payroll functions on one platform.

In recent years, most of the Bangladeshi companies have been moving towards digitizing their payroll management. BATB has actively recognized the weaknesses in their existing payroll system and have built a platform called Luminous wherein the limitations of the previous system were addressed and mitigated. BAT maintains a payroll of over 1500 employees through Luminous that provides exclusive access to Management and Non- Management employees. The payroll employees are divided into three segments:

- Management Employees (Head Office and Trade Marketing): 550+
- Non Management Employees:
 1. Dhaka Factory: 850+

2. Kushtia Leaf Factory: 120+

3.2 Rationale

As I worked closely with the C&B team, a large part of my work revolved around the payroll management function of the company. In this report I have done a qualitative study on how BATB has used a payroll software to optimize the payroll management of the entire company by making the process more efficient, paperless and safe. The thought process behind building the platform as well as the impact of the platform on payroll related activities were deeply looked into in this research.

3.3 Objective

The intention of this report is to provide an insight into a very technical aspect of the Human Resources department, payroll. The primary objective of this research is to understand how BATB has established an efficient payroll management system.

The specific objectives are:

1. To compare the features of the previous and current payroll management and identify the degree of optimization done by BATB

2. To identify the impact of an optimized payroll management system on employees and payroll efficiency

3.4 Methodology

As this is a qualitative analysis, the research methodology was heavily reliant on individual interviews and open ended discussion with BATB employees, especially of the C&B team of HR.

Primary data collection:

1. Qualitative Analysis: In-depth interviews of managers, payroll officers and other employees working closely with the payroll management.
2. Observational Analysis: Observation of the work environment throughout the tenure of internship at BATB. Every week I devoted a certain period of my time to understand the ins and outs of the payroll system.

Secondary data collection: In order to complete my analysis I relied on different websites, literature and previous studies.

To find answers to the first question, I have solely interviewed the employees of the Compensation and Benefits Team. Their input and insights were used to understand the mechanism of the platform.

To research into the second objective, I have interviewed 10 management employees from different functions of BATB who are active users of the platform. This gave me an understanding of the employee perception of such a platform.

3.5 Scope and Limitations

Many Bangladeshi companies are transitioning towards building a holistically integrated payroll system for themselves. This study will be able to assist those companies in evaluating and addressing the weaknesses in their systems and improve or add features accordingly. It will also give data regarding whether the assumption of employee convenience is correct or not. However, a serious limitation that was placed on my research was the COVID-19 situation. Due to the situation the topic could not be as deeply researched as it was intended to be at the beginning.

3.6 Findings and Analysis

Traditional payroll using spreadsheets and registers required a lot of manpower and did not guarantee accuracy in calculations which made it extremely time inefficient. Hence, to increase the efficiency of the payroll management, over time BATB has adopted payroll softwares and regularly updated it according to the needs of the company. The first step to computerizing the payroll management was to introduce a software called Galaxy. After using it for a few years, the discrepancies and extra features required for the software were identified and thus another software was introduced called Luminous and Galaxy was discontinued.

3.6.1 Comparison of BATB Payroll Management Softwares

Galaxy

Initially the software that was used by BATB was called Galaxy. It had the features required to store employee information, disburse salaries and produce end of the year reports to reconcile with bank statements. However, accuracy of calculation was an issue and Galaxy lacked tax related payroll adjustments which created confusion among employees. So keeping these in mind, a new platform was introduced in January 2017 called, Luminous.

Luminous

From January 2017, BATB introduced a new payroll software called Luminous and is currently using this software as their primary payroll management tool. It is a more updated version of Galaxy and has been serving the purpose adequately. The benefits of Luminous are discussed in detail below.

Benefits of Luminous

1. The software is 100% compliant with auditory regulations which means there are almost no legal issues.
2. At the end of the year, the software automatically draws up an Income Tax Certificate for each of the employees, making individual taxation easier for employees to keep track of.
3. The calculations are fully automated and at the end of the month it calculates each aspect of the net payable amount to each employee accurately.
4. After calculation, the software itself draws up the report of payment to be made at the end of each month and sends it to the payroll banking partner of BATB, Standard Chartered Bank to disburse the salaries.

5. If there is any change in an employee's portfolio that might affect the salary (such as promotion, transfer etc) just updating the information would be enough to accurately calculate the new net payable salary.
6. Information about any employee can be easily acquired from the system.
7. Annual and monthly reports and salary registers are accurate and up to date.
8. Bonus payments are calculated and recorded separately.
9. Individual monthly payslips are available at any time.
10. The software provides data on an employee's leave status making it easier for the payroll officers to calculate the total final settlement amount.

3.6.2 Impact of an Optimized Payroll System

An optimized payroll management system with the above mentioned benefits impacts both the employees using the payroll and also the team that works around it. Payroll is mainly handled by the Compensation and Benefits team of the HR department of BATB. Impact on each of the stakeholders are discussed below:

Compensation and Benefits Team

According to the payroll officers, the introduction of Luminous has boosted the overall productivity of the team. Large monthly or annual reports can be extracted from the system in a click, there are no auditory issues regarding payments and adjustments, discrepancies are easier to identify and addressed accordingly. The tax payable report of each employee is transparent, reducing the number of payroll information requests that the officers had to resolve from individual employees. Despite the upgraded system, there is one problem that the officers are still facing. When an employee leaves the company, a final settlement is drawn up to address the financial obligation that each party might have towards each other. This is a complicated calculation that still has to be done manually. Luminous is not configured to draw up this calculation. As a result, inaccuracies might arise regarding payments which become an issue during bank fund transfers, end of the year statements and also during audit.

Employees

According to some of the employees, the biggest purpose Luminous serves is that it makes the tax paying system very convenient. The system allows employees to extract payroll related documents very easily to use for registrations or personal work which would otherwise be a very hasslesome process. This feature has especially benefited the employees who are stationed outside of Dhaka. Official documents, such as payslips, salary breakdown, bonus payments, are made very accessible to the users by Luminous. However, one huge drawback of this system is that inactivity of three months by any user leads to the account getting disabled temporarily. Moreover, the system does not send a reminder to the user about the approaching deadline to keep the account active. Hence, most employees face this problem of getting their accounts disabled. As a result, during emergencies they cannot access the required documents and have to go through a very tiresome and bureaucratic HR process to get access to their accounts again.

3.7 Drawbacks and Recommendations

While shifting from Galaxy to Luminous, many of the issues faced by the C&B team were taken care of. However, Luminous can not calculate the final settlement amount of a leaver employee. This calculation is still done manually and if the software is updated adequately, this calculation could also be automated allowing for lower errors. As for preventing frequent deactivation of the user accounts, an automated reminder system could be integrated into the software that would remind the employees to use their accounts before their approaching three month deadline. Both the issues are technical, which can be addressed through an upgradation of the software. The usability benefits of the system outweighs the drawbacks.

3.8 Conclusion

An optimized payroll management structure, among other things, advantages employees with speed and flexibility to securely manage and keep track of their earnings. Simultaneously, it enables employers to implement a less expensive and more efficient means of payroll administration. BATB is known for swiftly responding to changes in conventional processes. So if the recommendations are taken into consideration, the impact can be greater across the company.

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