

A business overview of aluminium bahrain



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Culture is a term that is hard to express clearly, but people tend to sense it when they feel it. “ Basically, organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. Members of an organization soon come to sense the particular culture of an organization.”[1]Organizational cultures are classified into seven distinct cultural dimensions that portray the company’s mission, objectives, strategies and vision. Aluminum Bahrain (Alba), one of the largest aluminum producers in the world is known for its strong organizational culture. Alba’s culture is characterized by several dimensions like people orientation, team orientation, aggressiveness, and stability. This essay will demonstrate the variety of dimensions through Alba’s momentous historical performance and inspiring vision.

Company History

“ The story of Alba marks the inception of industrial diversification in the Gulf. The company’s ongoing success as a primary producer of high-grade aluminium has brought significant economic benefits to the region and has taken the country technologically into the 21st Century. In the mid 1960s, the Bahrain Government was seeking to diversify its economic base from a heavy dependence on oil. The aim was to establish a suitable industry which would provide valuable export earnings, develop the country’s resources and create training and employment opportunities.

Bahrain was well situated geographically between the source of raw materials, particularly alumina from Australia, and the markets for primary aluminium in Asia, Europe and the Americas. Bahrain’s prime advantage was

its plentiful supply of gas from the Khuff field to meet the high energy requirements of aluminium production.”[2]

People Orientation

Alba is known for its people oriented organizational culture. Most of the decisions and actions take into account the company’s significant stakeholders like employees, customers, suppliers and the Bahraini society.

Fostering a stable workforce through Bahrainization

Bahrainization is an important economic policy of the Government of Bahrain, and the Company has exceeded the government’s stated target levels of Bahrainization. Consequently, the Company’s permanent staff includes a high proportion of Bahraini citizens. Currently, over 87% of its permanent employees are citizens of Bahrain.

Employees

As at June 30, 2010, the Company employed 2, 706 full-time equivalent employees. The following table sets forth the aggregate number of people employed by each of its departments.

Breakdown of Employees by Department

Department Bahraini Nationals Expatriates Total

Chief Executive	47
13 60	
Administration	
192 26 218	

Calciner & Carbon
455 105 560

Cast House
377 38 415

Finance
21 4 25

Marketing
37 2 39

Metal Production
930 64 994

Power
180 74 254

Sourcing
118 23 141

Total 2,
357 349 2, 706

Employee Benefits

Alba provides many services to employees including “ comprehensive Medical Centre, subsidized canteens, an attractive savings benefit scheme, a well-equipped sports and leisure club, a unique housing scheme, transportation to work for all non-supervisory employees and a number of

reward schemes including the Good Suggestion Scheme, Attendance Award and Gold Card scheme”[3]

Alba savings benefit scheme

The Company also operates a contributory savings scheme for its Bahraini employees, the Alba Savings and Benefit Scheme (“ASBS”). The employees’ contributions are deducted from their salaries and the Company makes an additional contribution to each employee’s savings. The scheme is established as a trust and is administered by trustees representing the employees and the Company. The trustees manage the risks relating to the scheme’s assets by approving the entities in which the scheme can invest and by setting limits for investment in individual entities. The Company’s board of directors may consider allowing Bahraini national employees to borrow from the ASBS to fund the purchase of Ordinary Shares in the Limited Offering to Bahraini citizens. “The Company’s board of directors is also considering a proposal to purchase Ordinary Shares in the Ordinary Share Offering, up to an aggregate of 3, 000, 000 Ordinary Shares, using its own funds, and to hold such Ordinary Shares in treasury until distribution at a future date to eligible employees.”[4] Under the proposed plan, each of its current employees would be granted a fixed sum of Ordinary Shares “contingent upon such employee’s continuous employment and good standing with the Company during a specified future period, and subject to certain other conditions.”[5]

The Company’s personnel policy governs its relationship with its staff. The Company has invested resources to create a safe and respectful work environment that provides many different benefits to its employees,
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including access to on-site social and health facilities, pension plans, cultural events and subsidized meals. The Company also assists its employees with career development, further training and programs to promote home ownership.

Termination benefits

For Bahraini nationals, the Company makes contributions to the General Organisation for Social Insurance (GOSI) Scheme. “ This is a funded defined contribution scheme and the Company’s contributions are charged to the income statement in the year to which it relates.”[6]The Company’s obligations are limited to the amounts contributed to the Scheme. The Company provides for end of service benefits “ determined in accordance with the Labour Law for employees based on their salaries at the time of leaving and number of years of service.”[7]Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability had all employees left at the balance sheet date.

Safety and environmental record

The Company considers health and safety concerns to be fundamentally important to its business. To this end, the Company has formulated a series of health and safety principles, policies and guidelines and established a health and safety management system. The purpose of these initiatives is to minimize any harm caused to employees in all aspects of its production activities. In addition, the Company has engaged outside consultants and auditors to assist in the development and installation of its safety policies, programs, standards, practices and procedures, and also to audit its

occupational health and safety management system performance. “ In May 2010, Det Norske Veritas certified that the health and safety management system of its smelter complies with Occupational Health and Safety Specification (OHSAS) 18001. The Company’s production facilities comply with the Environmental ISO 14001 standards and for the last four years, the Company has received the Gold Award from the UK-based Royal Society for the Prevention of Accidents.”[8]

Company’s management has long made it a priority to meet or exceed all relevant local and international safety and environmental standards as a way to demonstrate its commitment to best practices and to maintaining a long-term healthy work environment. “ The Company is certified by the International Organization for Standardization. Alba’s production facilities comply with the ISO 14001 standards, and the Company is subject to various domestic environmental standards and reporting requirements established by the Bahrain Ministry of State for Municipalities and Environment, many of which are based on the environmental guidelines issued by the World Bank.”[9]For each of the past four years, the Company has received a “ Gold Award from the UK-based Royal Society for the Prevention of Accidents for its high level of operational performance and exceptional health and safety management.”[10]

Current Managerial Issue

The Company’s business may be affected by shortages of skilled employees, including management teams, and labor cost inflation and increased rates of attrition; and high levels of “ Bahrainization” may restrict the Company’s ability to access cheaper labor markets and introduce changes intended to optimize its labor costs

Due to the large number of smelters operating within the GCC, the Company, like all other smelters in the region, faces a shortage of skilled labor. As new smelters that have been commissioned in the region, “ including Emirates Aluminium in Abu Dhabi and Qatalum in Qatar, ramp up production levels, the shortage of skilled labor could become more acute. ”[11]The Company might face higher than usual levels of attrition, as both new and existing smelters compete for a limited pool of skilled employees, including management teams. Such competition might also lead to higher than usual labor cost inflation, as the Company seeks to retain its skilled work force and experienced management teams.

Customers

This reputation has reinforced the Company’s long-standing commercial relationships with its customers, particularly those located in Bahrain and in fast-growing urban centers in the Kingdom of Saudi Arabia. The Company believes that it is in an advantageous position to retain its customer base within and beyond the GCC region, even in the face of increasing regional competition. Alba regularly meets its local and international customers to ascertain their requirements and accordingly alter its product mix to ensure that it meets their needs.

Suppliers

The Company relies on third-party suppliers of raw materials for its aluminium manufacturing. Until 2010, the Company relied on a single supplier for all of its alumina, the key raw material for the production of aluminium, but at present the Company sources it from multiple suppliers. In addition, the Company sources green petroleum coke, pitch and aluminium fluoride from suppliers in six different regions.

If there is a disruption in the supply of the Company's raw materials, or if the Company is unable to renew any of its supply contracts, then it might have to acquire these raw materials from other suppliers or from the spot markets at less favorable prices, which could adversely affect the Company's business, financial condition, results of operations and future prospects.

Team Orientation

Team Spirit

The newly appointed Chief Executive, Laurent Schmitt at end of his two weeks long tour around the plant was impressed by the company's employees' team spirit and problem solving skills to Alba's vision. " What really impressed me was that throughout each department there is a concerted effort towards continuous improvement and operational efficiency. It is not just a matter of theory but an intrinsic part of the work culture.

Everyone is involved in the decision making process, and the SMART Centres have played a key role in making this happen. They have created a sense of involvement and participation in fulfilling departmental objectives. With Alba's 40 years of experience in the Aluminium Industry, this is a strong

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basement for the future improvements that Alba will have to make happen in order to consolidate its leadership position and to secure future growth opportunities.”[12]

Alba grasped the concept of joint consultation in Bahrain and today this technique plays a key role in the success of teamwork on the plant. “ Annual programmes including granting of scholarships, the distribution of comprehensive school kits to children aged 6 – 15, a work experience programme and a Summer Camp which enables employees’ children to participate in a number of sports and leisure activities”[13]also support employee families.

Aggressiveness

Employees in Alba are continuously encouraged to perform at the best of their ability in order to further develop the company’s reputable accomplishments. Alba employees work aggressively and competitively contributing to the company’s achievements. The Company’s competitive strengths include its cost-effective production, large scale of production, industry experience and well-integrated operations, excellent safety and environmental record, strong reputation and integration in the fast-growing MENA region.

One of the world’s lowest-cost producers

“ According to the CRU Strategies Report, the Company’s operation was in the first quartile of the aluminium cost curve in 2009.”[14]This means that by basing its operations in the Kingdom of Bahrain, Alba has been able to produce aluminium at lower cost than many of its competitors. The Company

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has access to relatively low-cost power-one of the principal inputs for aluminium production. In addition, the Company enjoys certain rights to use land owned by the Government of Bahrain at nominal fees, which further reduces its operating cost.

Producer of global and regional significance

As the fourth-largest individual aluminium smelter in the world by tonnage of capacity, Alba benefits from significant economies of scale. “ For the past three years, the Company’s average annual production has exceeded 860, 000 tonnes, reaching a peak of nearly 872, 000 tonnes in 2008.”[15].

Further, the Company believes that the large scale of its operations has provided it with a stronger negotiating position in securing high-volume supply contracts for raw materials.

Extensive industry experience and well-integrated operations allowing a focus on high value-added products

The Company has a track record of nearly 40 years of production and expansion, and its experienced four-person executive management team has over 80 years of combined expertise in the metals industry. The Company has increased its production capacity through a series of expansions and upgrades.

Recent Awards and Achievements

Alba’s prominent role in the community and economy has long been recognised – a fact reflected in a number of recent awards. These include:

2001: GCC award for the best environmental activities by an industrial establishment.

2000: GCC-wide award for Bahrainisation, reflecting Alba' s commitment to Human Resources Development.

The company also won a top supporting organisation award for HRD in this year.

2000: Environmental Management System standard ISO 14001.

2000: Millennium Business Award for Environmental Achievement. Alba was one of only 12 companies in the world to win this

prestigious award presented by the United Nations Environment Programme in conjunction with the International Chamber of Commerce.

1999: Inaugural Shaikh Khalifa bin Salman Al Khalifa Award for Excellence in Industry, presented by His Highness the Prime Minister to Alba for its outstanding contribution to the industrial development of the country and in recognition of its international success.

1998: Safety Award from the Ministry of Labour and Social Affairs.

1998: Two Human Resources Development and Bahrainisation awards, presented by the Ministry of Labour and Social Affairs and the Bahrain Training Institute.

1997: United Nations Environment Programme (UNEP) Environment Award presented in conjunction with the Bahrain Ministry of Housing, Municipalities and Environment.

1994: Quality Management System ISO 9002 accreditation.

1993: Bahrainisation Award from the General Committee for Bahrain Workers.

Stability

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Organizational decisions and actions in Alba emphasize on maintaining the operational standards that highlight its efficient and effective performances. The strong organizational culture portrays developments and improvements that satisfy Alba's high standards.

Continuous cost performance improvement culture

In 2009, the Company implemented a major restructuring program with a view to identifying areas for performance improvement and efficiency-related cost savings. As a part of this program, the Company focused on head-count reduction, improvement in working capital management, inventory reduction, direct sales to customers, identifying creep capacities to increase production and improving supply chain management. In order to secure the Company's supply chain and in part as a response to the recent high volatility in raw materials pricing worldwide, the Company has prioritized efforts to improve the terms of its supply arrangements. The <https://assignbuster.com/a-business-overview-of-aluminium-bahrain/>

Company intends to further diversify its suppliers of key inputs, such as alumina, green petroleum coke and pitch, while also entering into long-term supply contracts. The Company believes that these changes would add some stability and predictability to its operations. As a part of its Operation Excellence program, the Company has streamlined some of its management and overall workforce positions.[16]

Technology

The Company makes regular investments in and improvements to the technology the Company uses in its administration and operations. These efforts have largely been focused on achieving additional production capacity and reaching a greater level of efficiency. The Company has a dedicated research and development team that identifies areas for potential operational improvement and presents its management with proposals for new technological or process-related modifications. Over the course of the past four decades, the Company has successfully integrated new operational technologies in the aluminium sector.

Alba Vision Study

The Company has conducted the Alba Vision study, which identified areas for future growth and expansion. The Company aims to realize performance improvements of “ approximately US\$100 million annually, beginning in 2010, which represents 17% of EBITDA on average for each of the past three years. The program contemplates increasing permanent performance improvements to a total of approximately US\$250 million annually if the Company is able to expand its production using its creep capacity.”[17]

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In conclusion an organization's culture is deeply rooted within its history, values, beliefs and collective experiences. Like mentioned earlier it's a difficult concept to explain but easy to feel. Alba's strong organizational culture is demonstrated through the company's several outstanding accomplishments. Several organizational dimensions like people orientation, team orientation, aggressiveness and stability are illustrated in Alba's operations and future goals. It is clearly portrayed that these achievements are a result of the company's strong organizational culture and productive employees. It is imperative that companies have a strong organizational culture; however it is impossible without hard working dedicated employees and stakeholders.