Chapter 6

THE TRANSFORMATIONAL MODEL

6 INTRODUCTION

The aim of this research is to develop a transformational model for changing a traditional, functional organisation into a high performance, entrepreneurial unit within the larger corporate environment.

This chapter is a synthesis of the transformation process. It relies heavily on the Case Study which is embodied in Annexure A. The Case Study was guided by the research aim and the following four research questions:

- Why was transformation necessary?
- How was the transformation managed?
- What role did the project team and consultant play in championing the transformation?
- What role did leadership play in championing the transformation and creating a high performance, entrepreneurial unit?

The Case Study starts with a description of the crisis faced by the company during the third quarter of 1997. It reveals the factors that led to the decision to engage in an organisation wide transformation. It also reflects upon the original thinking and planning which characterised the initial period. The case study evolves through various interventions at process, structure and people level. It reveals in painstaking detail how the various phases followed one after the other, until processes, structures, values and people were rearranged in a new way in order to add new value to the market.

The Case Study describes the appointment of a new Managing Director halfway through the transformation and how his leadership style enabled the company to fully utilise the internal changes that had taken place during the previous two years, to become an entrepreneurial unit within the larger Sasol corporate environment. The Case Study ends with a business case, which benchmarks the company's achievements.

6.1 The purpose of a model in this research

This research was aimed at developing a model for transforming a traditional, functional organisation into a highly competitive, entrepreneurial unit in a corporate environment. The aim was not to develop a generic model to be followed indiscriminately by managers and consultants in other organisations. As reasoned in Chapter 5 of this dissertation, organisations have different capabilities and face different challenges and therefore require different approaches to manage change successfully. Organisations are unique and what works for one organisation may not necessarily work for another in exactly the same way.

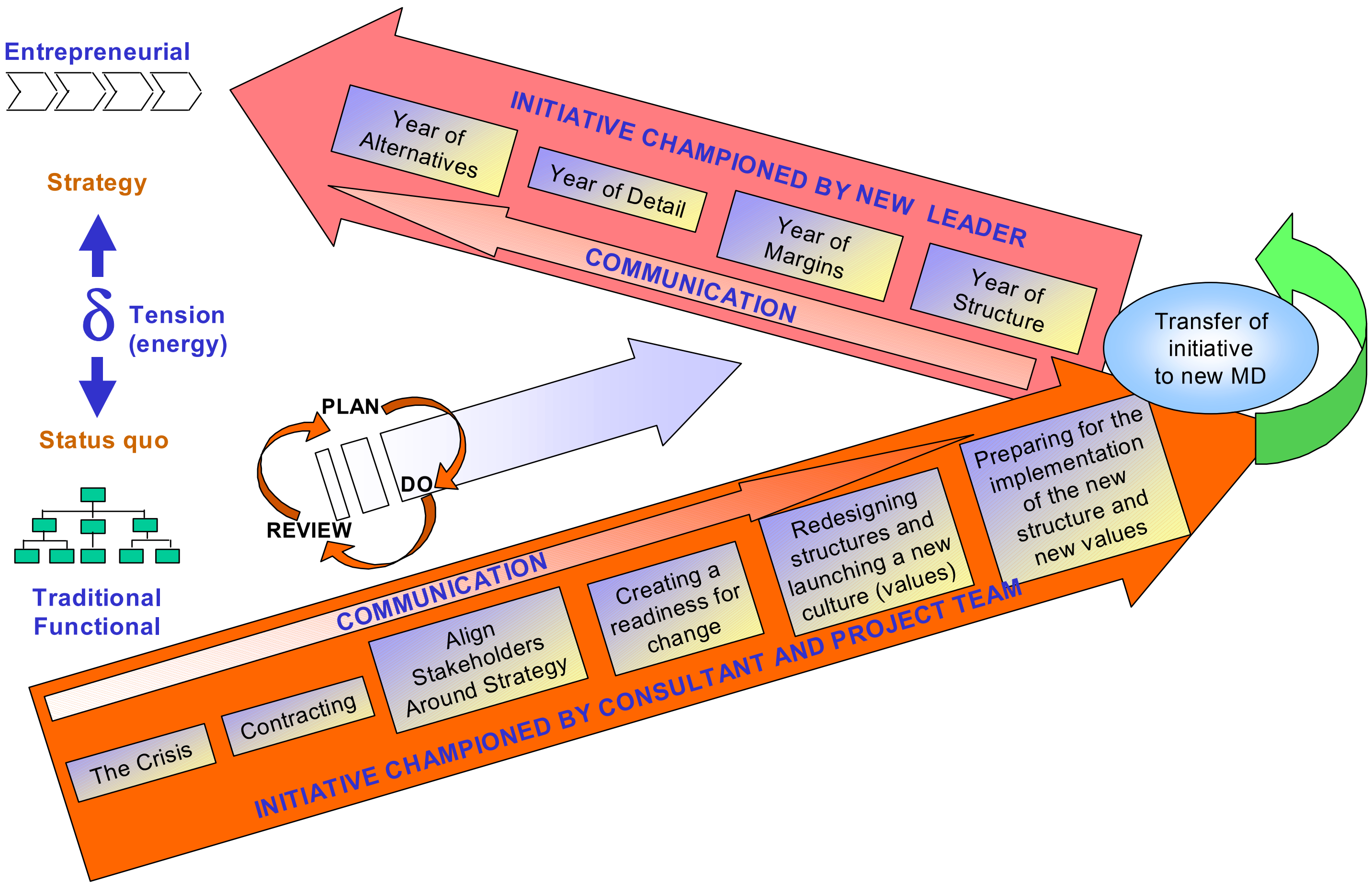
The purpose of the model is therefore neither to identify generic elements in the change process nor to suggest a definite number of sequential steps. *The purpose is more one of describing the process that was followed, understanding it by analysing successes and failures, and verifying observations and learnings against results generated by similar studies and current thinking on transformations and the entrepreneurial organisation.* The process of transformational change is just too complex and vulnerable to a plethora of unpredictable variables, to be reduced to a number of sequential steps or an inflexible strategy.

The model is particularly helpful in grasping the overall change process from a traditional organisation – one structured around functionally, specialised departments – to one structured along the value chain - focussing on defining, developing and delivering customer value. Conceptualising this change process helps to grasp the complexity involved in such a total transformation because it alters the qualitative nature of an organisation (Cummings & Worley, 2001; Blumenthal & Haspeslagh, 1994; Meijer, Tsui & Hinings, 1993; Waldersee, 1997; Scharmer, 2000). The researcher is of the opinion that such an understanding will aid managers and consultants to think about change more carefully, plan more wisely and facilitate the change process more effectively.

In view of the high failure rate of organisational change initiatives (Day, 1988; Kotter, 1995; Daft & Noe, 2000; Beer & Nohria, 2000; Applebaum & Wohl, 2000), a change model is also of conceptual importance to management and organisational theory. A transformation model, particularly one based on such a detailed case study, will help to comprehend the key dynamics and capabilities required of organisations and their leadership, when engaging in change.

Figure 6.1

A model for transforming a traditional, functional organisation into an entrepreneurial unit in a corporate environment



6.2 Description of the model

The transformation model, which emerged from this research (see Figure 6.1), is composed of nine explicit phases, spread over two distinct periods of the transformation: the period when the consultant and project team championed the initiative, and the period when the new MD as leader, championed the transformation. The model depicts the central role of strategy and portrays communication as a recurring element during both periods. It finally draws attention to the continuous cycle of plan-do-review, which characterised the change process during both periods, although applied somewhat differently.

The model is specific to this particular transformation and takes into account the distinctive organisation and it's broader operating context as well as transformational change as a phased process.

Each of the elements in the model needs further definition and clarification.

6.2.1 Strategy

The transformation in SSSA was driven by strategy. Mintzberg cites that *"…real strategic change requires not merely rearranging the established categories, but inventing new ones"* (Mintzberg, 1994:109). Strategy provides a sense of direction. For an organisational transformation strategy is the starting point, and an indispensable element in directing and co-ordinating management's decisions for a renewal (Kotter, 1996; Price, 1995; Burke & Litwin, 1989; Keyser & Serfontein, 2002). It is the first step in redefining the business. Strategy provides cohesion and legitimacy to a transformation and cultivates alignment between parties. Strategy is composed of a vision, a mission, strategic priorities, objectives and values. The vision in particular plays a prominent role in helping people understand where they are heading.

6.2.1.1 Vision

Visions serve the front-end of a strategy formulation process. A vision spells out a realistic, credible and attractive future. It is an articulation of a destination towards which an organisation should aim; a future that is better, more desirable than the present. At the start of a transformation the vision is a wake-up call to everyone involved that fundamental change is needed and is on the way (Kotter, 1996; Carnall, 1995).

A vision is a mutual construct of a desirable or idealistic future that people and organisations can bring about through their commitment and actions. (Nanus, 1992). *"A vision serves as a signpost, pointing the way, for all who need to understand what the organisation is and where it intends to go"* (Nanus, 1992:9).

In a transformation a vision is essential because it transcends the status quo, providing a link between what is now taking place and what the organisation aspires to build in the future. This creates a healthy tension and a surge of positive energy. Kotter (1995) cites that without a sensible vision, a transformation effort can easily *"dissolve into a list of confusing and incompatible projects that can take the organisation into the wrong direction or nowhere at all"* (Kotter, 1995:16).

A powerful vision, particularly at the start of a transformation, could be an idea so energising that it could unlock those essential skills, talents and resources to make it happen.

This is how SSSA articulated their vision at the start of the transformation:

VISION

Schümann Sasol is the renowned world leader, dominating the wax and related markets across the world.

Our multi-cultural and highly competent workforce is energetically and joyfully collecting opportunities through creativity, carrying it to the hives of innovative business units. The full utilization of the value chain is a way of life. Through these creative efforts we are the cost and productivity pioneers of the industry.

These units are converting a variety of feedstock's into world-class quality products, which flow crystal clear from pipelines, prepared with care, pride and dedication. As valued partners we work in harmony with the communities and environments where we do business.

Our product range is frequented by customers attracted by a professional and motivated marketing force. Customers indulge in our special priced products and enjoy it's uniqueness. To them our products are critical ingredients for their own successes.

This powerful and elegant leopard of Africa is headed by a management team that knows no limits and accepts all challenges. Running at full speed, it is setting the pace in creating new standards of excellence for conquering the worlds markets.

Three years after the start of the transformation the vision was abbreviated by the new MD, to read as follows:

VISION

The respect and imagination of the world culminate in our people, our products and our service.

6.2.1.2 Strategic priorities

A vision still needs strategic goals or priorities for attaining the vision. The vision provides direction but strategic goals provide the framework for getting there. The pattern of strategic objectives, following from the goals, relates what the organisation wants to become and what it wants to achieve (Kotter, 1996).

At the start of the transformation Schümann Sasol's business strategy revolved around eight strategic goals, which provided a framework for the transformation process. These were:

- to establish reliable feedstock sources at competitive prices for all our operations;
- to half the time cycle for all new products from concept to customer;
- to raise productivity and reduce cost levels to meet international benchmarks, measured in US dollars, without negatively affecting competitiveness;
- to rationalise and align activities, structures, technologies and resources across the value chain in order to effectively meet customer needs;
- to develop a long-term investment plan to streamline and rationalise operational and internal logistical activities in order to enhance cost effectiveness;
- to utilise the full capacity and yields of the Slurry Bed Technology;
- to establish Schümann Sasol SA (Pty) Ltd as the world market leader on Fischer-Tröpsch waxes as well as the leader in new product applications; and
- to build a knowledge and competence base to enable the company's strategic development.

The eight strategic goals and the large number of strategic objectives dealt with different components of the company: **processes** and **technologies**, **products** and **markets**, **structures** and people **competencies** - all necessary to re-invent an organisation. Most important, it was comprehensive enough to allow fundamental change to occur (Gharajedaghi, 1985).

Goals were related. For example, it was difficult to imagine how productivity levels could be raised and cost reduced if feedstock resources were unreliable and not available at a competitive price. Neither could SSSA become a world leader in Fischer-Tröpsch waxes if new product development time could not be reduced or an international competency base be created.

Organisational renewal was mandated with the inclusion of a goal, which explicitly made provision for the rationalisation and alignment of activities, structures, technologies and resources **across the value chain in order to effectively meet customer needs.** The intention of this was to design a structure that would be innovative, flexible and resilient enough to respond to the market and the changing business environment (Markides, 1997; Porter, 1996; Hamel & Välikangas, 2003). Strategy did not define an entrepreneurial company, but paved the way for one. The entrepreneurial characteristic emerged at a later stage.

6.2.1.3 The mission

A mission statement reflects an organisation's purpose or reason for being. It leaves it's tracks in organisational goals and objectives and manifests itself as guidelines for the daily decision-making of members.

Whereas a goal might be achieved or a strategy attained, a mission cannot be fulfilled. It is "…*like a guiding star on the horison - forever pursued, but never reached"* (Collins & Porras, 1996:69). Although mission or purpose therefore does not change it does inspire change. This is how SSSA drafted their mission statement:

MISSION

We are a profit driven, customer and application focused company, achieving sustainable growth by optimizing the value chain in supplying Fischer-Tropsch and other wax related products, to specialty and commodity markets worldwide.

The mission was also shortened by the new MD and by June 2001, it read as follows:

MISSION

We serve the globe with wax and related products.

6.2.1.4 Values

Another key element of the SSSA strategy that featured throughout the transformation was the company's five core values:

- creativity and individual ability;
- openness, honesty and integrity;
- equal and fair treatment;
- pride; and
- perseverance.

These core values were continually emphasised to guide the entrenchment of new behaviour. Collins & Porras (1996) allude to core values as those essential and enduring tenets of an organisation. Values are the principles or standards that help people decide what is worthwhile or desirable. Values are abstract ideas that become entrenched in the behaviour of people to demonstrate what really matters or should matter (Nanus, 1992). SSSA expressed their values through the behaviours represented in the frame that follows:

Schumann-Sasol's values expressed in behavioural forms	
1.	**To grow and to be competitive, the CREATIVITY and individual ABILITY of people should be stimulated.**
1.1	Constantly look for new ways in which the work processes people are involved in, can be changed.
1.2	Keenness to encourage and listen to new ideas from sources within and outside the company.
1.3	Ask and encourage fellow team members to apply their own unique abilities anywhere and whenever an opportunity arises.
1.4	Utilise each opportunity to understand what is really wrong and to find ways of preventing it from happening again.
1.5	Giving constructive feedback to clients, suppliers and colleagues.
2.	**In a working environment in which people are interdependent, TRUST is essential and can only be established through OPENNESS, HONESTY and INTEGRITY.**
2.1	Report and admitting mistakes and take responsibility for them.
2.2	Show respect to clients, suppliers, the community, the wider Sasol, colleagues, superiors and oneself.
2.3	Support fellow team members, whether they are present or absent.
2.4	Keeping promises to colleagues, clients, suppliers and the community.
2.5	Solve interpersonal problems at their source, instead of gossiping and taking sides.
3.	**For an individual to develop his/her own uniqueness, individual differences must be recognised and cultivated in a climate of EQUAL and FAIR TREATMENT.**
3.1	Avoiding favouritism when choosing suppliers, contractors or the company people to work with.
3.2	Apply the disciplinary code in the same way for all employees.
3.3	Respect a person that is different, be it race, gender, age or religion, whether that person is a company employee, supplier, client or a member of the community.
3.4	Vigorously oppose the belittling of any person – whether they work for the company, or not.
3.5	Communicate in such a way that everyone feels respected.
4.	**Customers and associates will give preference to a company where PRIDE is an ATTITUDE, observed in day-to-day behaviour.**
4.1	Keenly look for opportunities to take responsibility for a task.
4.2	Take pride in keeping the work environment clean.
4.3	Talk enthusiastically about the company, our clients and suppliers, our jobs as well as our products.
4.4	Pride ourselves in the people they work with, whether they are the company employees, clients or suppliers.
4.5	Deliver on spec and on time.
5.	**A company's achievements are dependent on it's PIONEERING SPIRIT, long-term VISION and commitment to PERSEVERE until results appear.**
5.1	Carry on and don't give up until a solution has been found for a problem that satisfies all parties, whether they are clients, suppliers or the company staff.
5.2	Making sacrifices in an effort to reach common objectives that might involve the client, supplier, the community as well as internal company units.
5.3	Motivate and support fellow colleagues, clients and suppliers during difficult times or disappointment.
5.4	If not successful at first, try and try again.
5.5	Stick to the rules that are dictated by the job, even if under pressure.

Values form the core of an organisation's culture. John Kotter (1995:20) believes that failure to anchor change in corporate culture is a huge error: *"…change sticks when it becomes the way we do things around here, when it seeps into the bloodstream."* (Kotter, 1995:20). He concludes: *"…until new behaviours are rooted in social norms and shared values, they are subject to degradation as soon as pressure for change is removed."*

6.2.2 The project team and consultant-championed period vs leader-championed period of change period of change

Two distinct periods were distinguishable in this transformation:

- **An initial period**, in which the project team, with the help of the consultant, championed the transformation until the start of the implementation processes;
- **A second period**, which commenced after the initiative had been transferred to the newly appointed MD, who then took the change initiative upon himself and championed the implementation in such a way that an organisation with distinct entrepreneurial characteristics emerged.

Championing by the Consultant and Project Team was not planned initially. It happened by default. A leadership void was created, first by the CEO who resigned, followed by a second CEO, who was only appointed for a short period before he was transferred to Hamburg. A third CEO was appointed from Germany. As a foreigner he struggled to gain the acceptance of his fellow managers. This forced the Consultant, Project Manager and the Project Team to drive the initiative.

This leadership void left the transformation without the necessary support, encouragement and ownership by management. Instead of sponsoring the change effort the Management Team misapplied their energy on quarrels amongst themselves and with their leader. In so doing they failed to form a guiding coalition with the Consultant and the Project Team (Kotter, 1996). This deficiency at management level threatened the credibility of the change effort and on several occasions almost derailed the process.

Other restraining factors such as the tension between the Management Board and the Management Team, the mistrust of change initiatives by lower levels and the radical nature of the transformation (i.e. from a functional to a process driven structure), compelled the consultant and project team to proceed very cautiously.

The Consultant and Project Team subsequently followed an approach similar to Action Research, associated with the practice of OD (Burke, 1987). The traditional form of Action Research was adapted in a way which corresponds with the observations expressed by Cummings & Worley (2001): the **total system** instead of a small sub-unit became involved and the degree of **member involvement** was increased.

During the Consultant – Project Team alliance dominated first period of the transformation, many efforts were initiated to involve members in learning about the organisation and how to change it (Cummings & Worley, 2001). This took the form of *self-design* work by focus groups, training and sending more than a hundred key employees through a simulation. In this modified form of Action Research the Consultant worked with members of the organisation to facilitate the learning process. The Consultant, Project Team and the larger group of members became *co-learners* (Cumming & Worley, 2001) and allies in the change process. A cyclical process of plan-do-review characterised all the phases, from alignment to kick-off of implementation.

The second period in the transformation commenced two years later. The Project Team was dissolved and the Consultant's role reduced to that of a resource for HR. The new MD recognised the proper foundation that had been laid during the first period and used it extensively in shaping the company into an entrepreneurial unit.

He also favoured the co-learning approach, albeit in a somewhat different way. As champion his strategy was different from the one followed by the Project Team – Consultant alliance. The transformation, however, proofs that there is room for more than one strategy to be followed, on condition that one can support the other.

6.2.3 Sustained communication

One of the prominent features of this transformation was the well-planned, well-directed communication before, during and after each of the identified phases (Kotter, 1996; Larkin & Larkin, 1994). Mainly because of the leadership void during the first period, communication was more pronounced, more frequent and relied on a variety of communication techniques and sources. In a very convincing way it succeeded in minimising the gap between employees' expectations and their understanding of the change and factual realities of the change. This undoubtedly reduced the build-up of negative energy as a result of negative emotions.

Communication took place through various means. Change was also clearly and concisely articulated, which reduced the chances of misinterpretation. The same message reached people from different directions, enhancing understanding at intellectual level and acceptance at emotional level. By incorporating two-way communication as part of the programme, staff members could voice their concerns, air their feelings, share their perceptions and verify their understanding (Larkin & Larkin, 1994).

The transformation was particularly effective in communicating the vision, goals and values, thereby bringing about a common understanding of a shared and desirable future and commitment to a new direction (Kotter, 1996).

During the second (leader-championed) period, the more regular forms of communication continued but a new dimension emerged: direct interaction between the leader and other leaders and between the leader and staff members, including families. Communication by the MD was frank and simple, indicative of great clarity of thought, courage and understanding on his part. This directly contributed to his credibility amongst employees (Ulrich, in Drucker, 1996).

The changes to SSSA were probably best communicated through the visible behaviour of the leader during this second period. He enacted the essence of the entrepreneurial organisation he was committed to (Kuratko *et al*, 1993; Accenture, 2001; Luczkiw, 2002). Other managers soon started modelling his example and eventually a common identity was created, which was distinctly different from that of other business units in the Sasol corporate environment.

6.2.4 Phases in the period championed by the consultant - project team alliance

6.2.4.1 The crisis

Recognition of a compelling, painful business need can be a strong motivational driver for change (Tuschman, Newman & Romanelli, 1986; Cummings & Worley, 2001). Watzlawick, Weakland and Frisch (1974) argue that some kind of a crisis is required to dislodge an existing problem.

Several internal and external factors precipitated the crisis and the decision, which triggered the transformation:

- The inherent differences in culture, history, business approach and management style between Sasol and the Schümann organisation, and the fact that these differences were never properly addressed.
- The weakening competitive position of the newly formed merger, particularly as a result of wax companies entering the polyethylene wax business and Shell Malaysia becoming a global supplier of Fischer-Tropsch waxes.
- Internal organisational problems in regard to direction, structure, processes and people, as outlined by a firm of external consultants.
- A disappointing decline in performance after an initial expectation that better performance would be a logical outcome, given the obvious synergies of the merger.
- Distrust between the Management Board and SSSA's Management Team.

The crisis at SSSA led the Management Team and the Management Board to the decision to enter into a large-scale transformation, rather than a process of incremental change, which was recommended by a firm of external consultants. Leadership reasoned that the ambiguity of large-scale change involved high levels of risk but was still a better alternative than to continue under the present conditions. The crisis which was characterised by frustration, anxiety and disillusionment sourced the energy and led to the decision to involve external help in the form of a management consultant.

6.2.4.2 Contracting

For an external consultant to be effective proper contracting is a pre-requisite (Cummings & Worley, 2001; Schein, 1987). The contracting phase included a definition of the problems in a preliminary manner and the exchange of expectations between members of the Management Team, Management Board members and the Consultant, in an attempt to define roles. Contracting also involved building rapport and establishing a working relationship with each key stakeholder. Through the contracting process awareness was created that different roles would be required for the transformation: that of the **Project Team,** the **Project Leader**, the **Management Team,** the **Management Board** and the **External Consultant**. Contracting decidedly removed the uncertainty and misconceptions that had existed in regard to the consultant's role.

6.2.4.3 Aligning stakeholders around strategy

Alignment amongst the stakeholders in regard to direction, method, roles and deliverables were required to establish a united effort (Kotter, 1996; Carnall, 1995; Ulrich, 1996). The process started with the consultant orientating himself in regard to the business and establishing a relationship with key stakeholders. During this initial engagement he verified data and assessed the understanding of the problem areas as identified earlier. Additional information was generated. Through this a common understanding surfaced amongst stakeholders that strategy (direction) was indeed the missing element and the first weakness to address. Serious structural inconsistencies also surfaced, which explained the confusion that existed between the two major stakeholders: the Management Board in Germany and SSSA's Management Team.

Two strategic alignment sessions followed, which involved representatives of all the stakeholder groups. The first session commenced with an expression of a variety of negative feelings. Emotional blockages and incorrect assumptions, which detained alignment were identified and addressed (Lundburg & Young, 2001; Mangham, 1998). With these blockages removed, the group engaged in the development of scenarios and establishment of a common strategy and change paradigm. A vision, mission, strategic priorities and strategic objectives were formulated to provide direction; a set of core values was articulated to drive future behaviour in pursuit of strategy (Kotter, 1996).

This strategic alignment process helped stakeholders to conceptualise the integration of business strategy and organisational change through the transformation. They understood what was required, but ownership for the process was still lacking. However, their understanding of the changes required was instrumental to their decision to appoint a project team and to equip them with the necessary competencies. This ensured that a project structure could be followed: a small team with reasonable influence, accepted by the employees (Breuer & Van der Ligt, 1988).

The alignment phase also served as a proper foundation for a psychological contract between the Management Board, Management Team, the CEO designate, the Project Team and the External Consultant (Schein, 1987; French & Bell, 1999).

6.2.4.4 Creating a readiness for change

For people to respond positively to change, a readiness for change has to be created. Readiness for change involves a proper understanding why change is necessary and establishing a sense of urgency (Kotter, 1995; Weber & Weber, 2001). Readiness for change also entails addressing any form of resistance and creating a positive expectation in regard of things to come. Positive energy has to replace the negative energy, which usually characterises a crisis (Carnall, 1995).

The phase commenced with an evaluation of progress made up to that point. This drew attention to competencies required by the Project Team on whom so much would depend. Project Team members were therefore trained and coached to understand change and how change should be facilitated. Simultaneously targets for communication were identified and a communication plan was drafted. The launch of the project was arranged as a major event and became the pivotal point for all communications – some leading up to it and some following it.

The launch was a great success and a good start to the transformation. It involved all major stakeholders, including more than ninety percent of all staff (Beer & Nohria, 2000; Weber & Weber, 2001). The company's new vision and the purpose of the transformation featured prominently. The project's branding (the Leopard Project) was announced. High energy levels and the involvement of all the company's leaders, created a positive expectation for the project (Waldersee, 1997; Kotter, 1996, Kotter, 1990; Cummings & Worley, 2001).

Readiness for change invariably implies a willingness on the part of the management team to engage in change. Several interventions were therefore directed at the management team. These interventions were aimed at enhancing cohesion amongst team members, encouraging open dialogue and generating motivation for the transformation in their role as the champions of change.

Consolidation of the phase took the form of an evaluation of progress, and included:

- an assessment of the success of the communication effort;

- an evaluation of progress made by individual members of the project team;
- an assessment of the energy levels in the organisation for the forthcoming changes and how positive energy levels could be sustained.

This evaluation introduced a cycle of planning–doing–evaluating, which became a regular feature of the transformation - one that successfully allowed the project team and consultant to navigate their progress carefully, to keep plans flexible, but to stay in control of the change process (Cummings & Worley, 2001).

6.2.4.5 Re-designing structures and assessing the culture (values)

To position the SSSA transformation and plan the next phase the external consultant and project leader started off by benchmarking with the Hamburg operation, which had started a transformation more than a year earlier. Key lessons were learned and many pitfalls, typical of organisations engaging in transformation, were identified.

As stipulated in the strategy, the structure of the company became the first focus of change. Structure was recognised as a pre-requisite for achieving the company's other strategic priorities. The present functional structure was considered outdated and portrayed an inadequate vehicle for adding more value to the customer.

The project team decided to perform a proper analysis of all the core processes, across the value chain. As a first step, focus group members were appointed. This was followed by the training of the project team and focus group members in performing a value chain (process) analysis. The seven core processes of the SSSA value chain are presented in Annexure B of this dissertation.

The project team and focus groups engaged in a value chain analysis, which consisted of:

- a technical analysis;
- a transformation analysis;
- a social analysis;
- a client analysis.

Realising the importance of changing people's paradigms when engaging in change, the consultant introduced a **two-day simulation** for all project team members, focus group members and members of the management team. After three months, more than 100 people (out of a staff complement of 400) had attended these simulations. The simulations helped staff to think differently about the client, the business, the values, structures, empowerment, team performance, etc. The value chain and the principles of process – redesign were now better understood (French & Delahaye, 1996); (Weber & Weber, 2001).

Values

Realising the necessity of changing organisational culture when changing structure the project team conducted a value survey (Kotter, 1996). The results were extensively communicated to groups at all levels. This reinforced their understanding of the new core values and helped them to realise what new behaviours were required. The survey also succeeded in establishing a baseline measurement in regard to values, which would make future measurements more meaningful.

Midway through, the phase progress in regard to the transformation, was once **more evaluated** and plans were reviewed and amended. The consultant's role was re-contracted in terms of specific deliverables.

While the value chain analysis was nearing it's end, the project team and focus group members met with the consultant during two two-day workshops and design principles were set. This was followed by the preparation of a first-order redesign for Board approval. By redesigning according to the value chain, core processes were brought into the centre of what drives corporate behaviour. Core processes now represented the stream of value creation as perceived from the point of view of the customer (Hammer & Champy, 1994; Hewson Consulting Group, 2000).

Concurrently an extensive communication programme was launched to prepare staff for the new structure. A coalition was formed between the project team, management team and leaders at lower levels to portray one view on the new structure (Kotter, 1996). Despite ongoing problems at management level, attempts were made to prepare management for their new leadership role in the redesigned structure. Strategy was also reviewed and amended.

At the November Board meeting approval was granted for the proposed new structure. The decision was unanimous that the transformation process should be extended to December 2000. An implementation plan was requested. Approval was also given for a pilot roll-out of the new design. The pilot would involve the appointment of people to whole task groups (self managing teams) across the value chain and the preparation of leaders at management (strategic) and team levels, for their new roles. Of real significance was the mandate given to SSSA to manage themselves operationally as well as strategically. A commitment was given to clarify the interface between the SSSA Management Team and the Management Board.

6.2.4.6 Preparing for the implementation of the new structure and values

Successful implementation is dependent on proper planning (Vrakking, 1995). Shortly after the Board Meeting of November 1998, the project team engaged in a planning workshop and developed a detailed plan for the period December 1998 to December 1999. This was followed by a review and updating of strategy. The cycle of planning – doing – reviewing had thus been well entrenched and remained a formal feature of the process until July 1999, when the new MD was appointed. Evaluation at the start of this phase was focussed on progress that had been made during the previous phases as well as the status quo in regard to the transformation. Amongst many variables in the transformation, the project team critically assessed the following (Schein, 1987; Kolb, 1984; Gharajedaghi, 1999):

- the performance of the project team;
- the impact of the communication;
- the management team and it's role in the transformation;
- the relationship between the project team and the external consultant.

The evaluation led to a refinement of the planned implementation and a re-contracting with the External Consultant.

Leaders to whole-task groups and support groups were appointed. Communication started to actively deal with resistance, which now took the form of doubts, unexpressed uncertainties, direct challenges, and high levels of anxiety (Mangham, 1998).

One project team member and other selected staff were appointed as a special task team to assess IT needs at strategic level and to design an IT system compatible with the new organisational design (Price, 1995; NOIE, 2003). At company leadership level (now referred to as strategic level), unwillingness surfaced to accept their new roles and to surrender direct operational involvement.

Team leaders of whole task groups and support groups were equipped for their new roles, and specific attention was paid to those groups, which formed part of the pilot. This was followed by the forming and development of teams around whole jobs. Structure, one of the features of an organisation often associated with a transformation, was now being addressed directly by orientating members for their new roles (Meijer, Tsui & Hinings, 1993).

Over the period 1997 to 1999 business results had improved significantly from that of the previous three years. During the financial year 1997 to 1998 revenue had grown from R442.24m to R576.34m. The net EBIT (in Rand) had increased from R13.09 m in 1997 to R31.39m in 1998. At the end of the 1998/99 financial year results looked equally promising. Revenue had increased from R576.34m to R716.30m and the net EBIT had improved from R31.39m to R45.70m.

6.2.5 Transfer of the change initiative to the new MD

A new MD was appointed in July 1999, but officially only took control of the business in early August 1999. Before accepting the appointment the new MD visited Hamburg and successfully negotiated an agreement according to which he was allowed to "*do things in his own way and be trusted to do that*". Entrepreneurs have a desire to be independent (Brandstatter & Virasli in Envick & Langford, 2000).

The new MD spent a few weeks orientating himself and assessing practices, attitudes, and the way the company was managed on a daily basis. The transformation and what had been achieved up to that point, was closely scrutinised. His personal norms and expectations for the organisation were articulated and it became clear that **he favoured** an **entrepreneurial type of organisation**. He envisaged a small head office, flatter structures and small business units which would allow people to communicate informally. Staff would be that are well informed and empowered and remuneration would be structured in such a way that those people who perform well also receive more. This correlates with the findings of Accenture (2001); Chisholm (1987); & Zaleznik (1990). His conclusion was that the current strategy, newly designed structure and the new set of core values could accommodate all his expectations and serve as a foundation to fulfil his wish for an entrepreneurial organisation in a corporate environment.

The new MD's management style was different from that of his predecessors. He displayed strong leadership, and it was clear from the start that he could fill the leadership void, which had impeded the transformation up to that point. His willingness to take accountability for the business and it's performance created positive expectations at project team level (Ulrich in Drucker, 1996).

Within a month after taking over control he officially took over the leadership role by transferring the accountability for the transformation to himself. In a brilliant political move he terminated the Leopard Project, disbanded the Project Team and appointed the Project Leader as his new Human Resources Manager. To establish himself as the sole champion he reduced the influence of the External Consultant to that of an advisor to the Human Resources Manager. It was clear that he was willing to take the risk himself (Kuratko & Welsch, 2001).

This move effectively reduced the External Consultant's role to that of a specialist resource, which would only be utilised when needed. The project team - consultant period of the transformation thus effectively came to an end.

The MD followed through on these initiatives by adding his own branding to the transformation (Kuratko, 2001; Luczkiw, 2002). This included:

- the involvement of families in the change process;
- the introduction of a common vocabulary to describe the practices and processes of the company; and
- acceptance of a policy that the company would in future be less isolated and become a more integral part of the global Schümann-Sasol.

The transfer of the change initiative, from the project team – consultant alliance to the new leader occurred over a period of approximately three months. Apart from publicly announcing his willingness to take full accountability for the business and championing the transformation process personally, several initiatives on his part enhanced the process of transfer, re-energised the transformation and firmly established his position as the leader. This behaviour supports the observation of Davis, (1999) and Kuratko (2001), that entrepreneurs are change agents who break from existing ways of doing things in order to create what has not been created before.

Some of these initiatives are particularly significant and require a more detailed discussion.

6.2.5.1 Addressing inconsistencies in the new structure

Although the MD was excited about the concept of whole task groups arranged along the value chain, he was also concerned about the inconsistency which he noticed in the structure between the managers, the whole task groups and their leaders. To him the structure reflected incongruence and an unbalanced authority distribution, which created the impression that power had been handed to the whole task groups and their leaders without affording a similar degree of empowerment to the company's managers (referred to as *cluster leaders* in the first re-design.) To him this *hierarchical element* was irreconcilable with the principles that had been applied to the rest of the new structure.

The inconsistency was addressed in a management workshop, facilitated by the consultant. After re-iterating the inconsistencies, the MD challenged his team to use the philosophy underpinning the new design and submit a better solution. The consensus decision was that *cluster leaders* at the top would become business managers, laterally linked to the value chain. The change not only supported the principle of owning the customer, but connected whole task groups more closely within each of the four business units. This move on the part of the MD brought the structure closer to the typical entrepreneurial (Hewson Consulting Group, 2000; Echols & Neck, 1998).

The MD was now satisfied with the new structure and made the successful implementation of the new structure one of his first priorities, hence the later reference to the **Year of Structure**.

6.2.5.2 Putting strategy in perspective

The MD made it clear that the current vision, mission core values, strategic priorities and objectives would suffice and would provide direction to the company. He urged leaders within the new structure to solve their problems within the guidelines of strategy. Because implementation of strategy was dependent on the speed of decision-making, bureaucracy had to be eradicated, otherwise the company would not be able to compete. This clear departure from existing practices supports the findings of Birkinshaw, (1997) and Maxon (1986).

The new leader fully supported the principle that had been followed from the start of the transformation: **change must be strategy driven**. He stated that each individual should be allowed to digest the strategy for himself so that he could clearly understand what his contribution towards strategy should be. This supports the view of Beer & Nohria (2000) that change in organisations cannot take place or be dealt with effectively if the individual employed is not engaged in the change initiative. To facilitate this process the MD shortened the vision to only one sentence and reduced the number of words in the mission statement. He regarded it essential for people to be able to recall the vision, mission and core values, without reference.

The message about the importance of strategy and the need for ownership of it were reinforced regularly and was even introduced as a common feature to all meetings held in the company. Business managers were encouraged to take the initiative and develop their own business unit strategies and take accountability for it. In this regard he acted as mentor and coach to help business unit managers overcome their initial uncertainty (Ross, 1987; Pinchot & Pinchot, 1978).

To advance strategy beyond his own circle of leaders the MD invited staff and their spouses to strategy sessions on regular intervals, where he performed a facilitating and coaching role. This initiative could be seen as part of his role as a transformational leader to establish alliances and partnerships (Ulrich, 1996). It could also be interpreted as a means of generating support for change (Weber & Weber, 2001). He believed that if a leader wants people to apply business principles in their company, they should also understand it well enough to apply the same principles in their private lives. Between 30 and 40 people attended each session and eventually about a third of the staff and their spouses were exposed. The MD was satisfied and stated that if a third of the company understood strategy and how it must be implemented, the remaining people in the company would follow suit.

The significance of the relationship between **strategy, structure** and **discipline** was frequently highlighted: strategy had to provide direction, structure had to make strategy happen and discipline had to be embedded so that people "*do the right things*" consistently. By calling people's attention to discipline and reinforcing it continuously he created a culture of discipline in which empowered people would go to extreme lengths to fulfil their responsibilities (Collins, 2001).

6.2.5.3 Making empowerment a reality

It has been highlighted that an organisational transformation is often associated with leaner, more flexible structures, information and decision-making pushed down to lower levels, decentralised teams and business units taking accountability for products, services and customers (Sackman, 1989).

The MD demonstrated a seriousness to make empowerment work on a day-to-day basis and at all levels. He started off by addressing the confusion that existed between the terms participation and empowerment. Debating a principle to him was participation, but accepting the principle and applying it in practice as one's own, was empowerment.

Utilising management meetings as report back meetings was viewed by the MD as disempowering. Challenging open debate and taking decisions were the ways in which managers could empower themselves. He saw the importance of learning in the process of developing his managers so that they could live up to their expectations and perform as business managers, rather than traditional functional heads (Chaston, Badger & Sadler-Smith, 2001; Harrison, 1992). Each member of his team was allowed to engage the services of a personal mentor. He was quite explicit about his expectation that a condition must be reached where any member of his team could lead, depending on the problem and circumstances. Members of his team were encouraged to support one another and accept the principle that no single person leads, but the team.

All these activities underscore the active role of the MD as executive in the transformation (Waldersee, 1997) and his concern for the people side of the organisation he wanted to create (Blumenthal & Haspeslagh, 1994).

6.2.5.4 Articulating a personal management philosophy

Communication during management meetings and *coffee shops* was always characterised by directness, openness and clarity of thought. Equally well articulated was his personal management philosophy, which showed a marked resemblance with the strategic leadership characteristics found in entrepreneurial leaders (Kanter, 1983; Burgelman, 1983; Guth & Ginsberg, 1990; Kuratko & Welsch, 2001). This can be summarised as follows:

- **Clarity about principles**: gaining acceptance for principles is more important than rules and procedures.
- **Promote growth in volume and revenue first**: cost should only be curbed once that has been achieved.
- **Develop the value chain as a community**: his role as leader is to serve that community.
- **Teamwork is the core of the company**: every individual should be a member of a team.
- **A quantum leap in performance can only be attained through people**.
- **Structure should reflect the strategy**.
- **His position as MD calls for certain non-negotiables:** accountability for the business, appointment of people in the top structure, company strategy and the discipline to execute strategic decisions.

His personal management philosophy also matched his concept of **success enablers**, which he personally communicated at formal and informal meetings. Success enablers referred to, amongst others, speed of implementation, cost discipline, learning, flexibility and razor sharp focus.

6.2.5.5 Closing the leadership void

The transfer process and the actions described so far succeeded in generating much needed energy at management level. It also created positive expectations in regard to the new organisation at every level. The leadership void, which had been such a serious obstacle during the previous 18 months of the transformation, was closing. People were excited about the new MD and regarded his approach to business as an adventure, worthy of engagement. The new *streamlined* structure and certain priorities and principles set by the MD, were communicated in writing as well as through group discussions, headed by members of the management team. For the first time in the transformation all managers were playing a prominent role (Ulrich in Drucker, 1996).

The MD publicly admitted that much work had been done through the Leopard Project, but concluded that implementation could only be led **by himself**, and not by a consultant or project team. He stated that an excellent foundation had been laid, but only **leadership** could take it to fruition (Waldersee, 1997).

Towards the end of the transfer process the consultant's services were re-contracted and extended for a further period, but with no influence on the leader's thinking. He was now contracted to review progress of the pilot group, address leadership and team issues at whole task group and support group levels and perform a follow-up survey on core values.

6.2.6 Phases in the period championed by the leader

When the transfer was completed the MD was ready to move into implementation in a serious way. What is interesting is the fact that he never really referred to an entrepreneurial unit as the outcome of his efforts. He merely reinforced and adapted strategy and emphasised the key principles on which the new design was based (Hewson Consulting Group, 2000; Luchsinger & Bagby, 1987). In so doing, he as the leader gave concrete meaning to the original intent: to design an organisation that is innovative, flexible and resilient enough to meet the challenges of the market.

One of his outstanding characteristics was his ability to think globally, to react quickly and to operate intuitively, showing less regard for the analytical and the rational and favouring the instinctive and the holistic.

The four identifiable phases of the period championed by the MD was not planned, but crystallised, as he gained a better understanding of the strategy, the transformation principles, the changes that had taken place and the uniqueness of the wax business. Yet, if these phases are compared with that of Kuratko (1993), it shows a more than incidental resemblance. The main difference can be ascribed to the fact that many changes had already started before the MD's arrival.

Four distinct phases can be identified during the period in which the leader championed the transformation:

- the year of structure (October 1999 to June 2000);
- the year of margins (July 2000 to June 2001);
- the year of detail (July 2001 to June 2002);
- the year of alternatives (July 2002 to June 2003).

As strategy became more pronounced the phases almost spontaneously evolved, but strategy always remained the main driver. The MD used the analogy of sheep being herded by a keen shepherd. The sheep start off in the right direction, but would soon loose their focus and sense of direction. In an effort to redirect them the shepherd would then throw a stone either to their left or their right. This activity needs to be repeated regularly to maintain direction.

6.2.6.1 The year of structure (October 1999 to June 2000)

Almost 8 months before the new MD was appointed the new organisational design was approved (November 1998), and was followed by the development of an extensive implementation plan. The implementation plan was not only directed at the structure, but at the *smooth integration of strategy, structure, culture, people, processes and technology across the value chain* (Miller & Friesen, 1984; Meijer Tsui & Hinings, 1993).

As far as the new structure was concerned, implementation made provision for a pilot. The pilot ran over a six-month period (until June 1999) and involved only a certain number of whole task groups. The pilot phase included several interventions, such as:

- the manning of the new structure;
- appointment of leaders to whole task groups and support groups;
- the orientation and development of these newly appointed leaders for their leadership roles in the new structure;
- addressing resistance to change amongst new appointees;
- preparing members of management for their new role;
- building teams (whole task groups and support groups) around whole jobs, along the value chain;
- building individual jobs within teams.

When the new MD took over the reigns in July 1999, teams had started to work together and leaders were given the opportunity to complete the structuring of their own teams around whole jobs. Paradigms of leaders and team members in regard to work were being challenged seriously.

It was mentioned earlier that the MD, shortly after his appointment, became involved in the new structure by drawing management's attention to an inconsistency in structure. He referred to the problem as the *hierarchical element in the form of cluster leaders* at the top. By applying the principles of redesign, the cluster leaders were redefined as business managers with more accountability than before. The change met the approval of the MD. At that point the MD was satisfied with the new structure and ready to become personally involved in it's implementation. Entrenching the new structure was important to the new MD, because strategy depended upon it. Structure had to enable the strategy.

In this regard the MD wanted to make sure that all people understood the thinking behind the structure and how the structure worked. To assist with this he reinforced people's understanding of the SSSA value chain and how a process driven structure differed from a hierarchical one. He personally supported business units in clarifying and defining their respective value chains and core processes (Sachmann, 1989).

The Year of Structure also involved a reinforcement of the company's **mission**. Each individual had to understand that the company's core business was producing **and** selling. In this regard he initiated several actions to streamline the structure even further:

- the role of secretaries was terminated and they were re-employed in more meaningful roles;
- the non-value adding functions such as the Test Laboratory and Maintenance were outsourced;
- staff in temporary capacities and those who were regarded as redundant, were retrenched;
- each remaining member of the organisation became digitally literate and skilled in Basic Computer Skills and in Excel software.

In the streamlining of the structure the MD relied heavily on the HR function (Kamath, in Davis, 1999). With the assistance of the HR Manager the whole process was conducted very smoothly, but the number of people was reduced from over 400 to approximately 300. As a result of the reduction of people, costs were reduced dramatically.

The MD emphasised and cultivated the principle of effective leadership in order to make the structure work. According to him it was leadership's responsibility at every level to develop individuals so that each person in the structure could make informed decisions. In his opinion each individual, down to the lowest level, should be able to exercise a choice and therefore share in decision-making. He was passionate to empower. To him empowerment was a way of liberating people – an expression of their right to do things in support of strategy (Maxon, 1986; Echols & Neck, 1998; Lee & Peterson, 2000; Chisholm, 1987).

The MD was a firm believer in the power of learning. He became personally involved in the development of the management team and was willing to coach them on a one-on-one basis to enrich the shared leadership process (Sashkin & Rosenbach, 1993). He was quite forthright in expecting them to share in the leadership of the company, not only hold positions of authority.

Meetings with his team members were characterised by many questions directed to them, in an effort to assess their level of understanding and test their way of thinking. He plainly demonstrated the value of **openness** to encourage participation, obtain everyone's ideas and clarify their expectations of him.

Management meetings were often learning events. The MD's view was that the purpose of management meetings was not for information sharing, but to focus on the future and to take decisions to bring about that future. Certain themes such as the following were reinforced at almost every management meeting (Kuratko *et al*, 1993; Maxon, 1986; Tichy & Charon, 1989):

- managers should know the company as a whole and solve problems **collectively**;
- every manager should take **ownership** of the company and know the **strategy** by heart;
- **confidence** amongst members of a team can only grow through **alignment** with one another.

To facilitate the entrenchment of the new structure he introduced a fixed rhythm of meetings. All business meetings were for example conducted on the first Thursday of each month. *Coffee shops* in the plant were handled by the MD himself and were utilized as opportunities to learn and grow and not only as a mechanism to disseminate information.

Efforts to interact directly with his people the MD's behaviour cannot be described as flawless. He was often perceived as impatient and manipulative. Staff members who worked closely with him described their feelings as a mixture of fear, anticipation, tension and excitement. **But they always felt challenged to make the right decision.**

The MD demonstrated a keen awareness of the important interface between the SSSA structure and the Management Board structure in Hamburg. He was a good networker and promoted the restoration of good relationships with Hamburg and modelled the change in attitude personally (Davis, 1999; Kuratko *et al*, 2001; Luczkiw, 2002). During "coffee shops" he actively promoted a positive image of the

Management Board and emphasised Hamburg's important role. He accentuated the principle that people should not be allowed to talk badly about their leaders. When errors occurred or responsibilities were handled incorrectly by Hamburg, he personally volunteered to take up the matters with them.

Several supporting interventions were launched by the HR Manager and External Consultant. Most of these were aimed at establishing whole task groups and support groups, thus actively endorsing the structural initiatives of the MD at strategic level.

Since the company was now structured around teams, **teamwork** became a **strategic driver** (Thomson & McNamara, 2001). Teams existed at three levels: **strategic** (the management team), **business** unit and **whole task group** level. The whole task groups and most of the support groups were clustered into business units. Each whole task group had a total responsibility for it's own area of performance, both in terms of operations and maintenance. A team took ownership of a whole task in a specific portion of the value chain, and owned problems form start to finish. Functional specialists were reduced, as maintenance staff were either outsourced or became part of whole task groups. Each person in the business was well on his way to become a well-rounded generalist, who understood all aspects of the operation, grasped the economy in which the business was operating and who could keep the interest of the total company in mind when making decisions (Entreplexity, 2002).

Supporting interventions were preceded by an assessment of progress made in regard to the pilot. The HR Manager and Consultant visited and assessed each group in terms of several dimensions: structure, leadership, team cohesion, functioning, information, orientation towards learning and awareness of customers and markets.

The results indicated that progress had been made, but certain issues required attention. Feedback was incorporated into the design of the next generation second order redesign workshops for the remaining whole task groups and support groups.

Assessment of the pilot implementation and the running of second-generation redesign workshops revealed several obstacles when changing a hierarchical structure into a process (value chain) driven structure. Some of those obstacles need to be highlighted.

- Newly appointed leaders of these teams found it difficult to understand their new role and to change from the supervisor paradigm of a hierarchy to the leadership paradigm of the team based, process driven structure.
- The use of teams in a process driven structure nullifies the influence of positional power. The team formation forced people to become more dependent on one another for support, knowledge and resources. Because of the old paradigm people initially disliked being dependent on one another. This led to the extensive use of information power, which resulted in the build up of

tension, particularly between people with different competency levels and people from different cultures.

- The third obstacle can be described as a reluctance of people (both team leaders and team members) to take accountability. This obstacle was particularly visible at the interface between whole task groups and support groups. It appeared as if whole task group leaders resisted the idea of taking accountability for maintenance and other support functions.

These unexpected reactions led the HR Manager and the Consultant to conclude that the introduction of teams was more complex than what had been anticipated. A three-phased development model was conceptualised to address the obstacles:

- **phase one** involved the formation of the team, as per second order redesign;
- **phase two** was a learning phase where members of a team could learn to work together, get used to their new roles and acquire the necessary competencies in performing their tasks (French & Delahaye, 1996);
- **phase three** allowed a team to take full accountability for all it's tasks and set it's own performance objectives within the framework of Business Unit Strategy (Echols & Neck, 1998).

The identification and development of competencies was a logical next step to improve the functioning of the new structure. Individual competencies add value and by improving and broadening them, better results are achieved (Prahalad, 1998).

In whole-task groups several members could become involved in the performance of a whole job. People therefore needed to be interchangeable to provide flexibility and adaptability. A member of these self-managing teams was also expected to work across whole jobs. Given these changes, the concept of a role rather than a job description, seemed more fitting to the new structure. The role of group members could involve a number of competencies and needed to be aligned with the competency profile of the team as a whole.

To manage competencies in the new structure, a competency matrix was developed. The matrix defined a total of 25 core competencies for the company as a whole, and served the purposes of a data source for competency profiles, performance appraisal, development opportunities and succession planning.

During the **Year of Structure**, the company's values also gained more appreciation. People now understood the important role of values in directing the desired behaviour within the new structure. Empowerment for example would not become an entrenched feature of the company unless the values of **creativity and individual ability** and **equal and fair treatment** became drivers of behaviour.

Much of the entrenchment of values could be attributed to the efforts of the MD, especially his emphasis on values as an integral part of strategy and his willingness to personally model them (Kemolgor, 2002; Kuratko & Welsch, 2001).

The MD, in conjunction with the HR Manager, requested a follow-up survey to determine whether the core values had been embedded in the company's culture.

The task was assigned to the Consultant. A qualitative approach was followed. Much progress was reported and a few general impressions surfaced:

- people expressed a plain expectation that business leaders should model the core values more visibly;
- team leaders were perceived as making a concerted effort to bring their values in line with the company's values;
- different levels of understanding and interpretation of the core values still existed at team level.

The results of the survey were taken seriously by the MD. At *coffee shops* and other meetings he relentlessly explained the new emphasis on principles and values in contrast to policies as the drivers of behaviour (Kotter, 1996; Goodstein & Burke, 1991).

Results at the end of the MD's first year of office (June 2000)

Financial results at the end of June 2000 showed very little improvement from the June 1999 results. Revenue had increased from R716.30m to R735.51m. The EBIT had increased from R45.7m to R48.46m.

More interesting were the non-financial results. The most promising results came from a second survey conducted by the International Survey Research (ISR, 2000). The first of these research surveys was conducted during the **fourth quarter of 1997** (ISR, 1997: see Case Study in Annexure A). Several problem areas emerged during that first survey. Staff did not understand the company's goals and objectives and senior management were perceived to lack clear business strategy. Productivity was a problem. Management was accused of not providing leadership, not stating objectives clearly, not managing change and not planning for the future.

In the ISR survey, which was conducted in the **first quarter of 2000**, the picture of SSSA looked radically different. As far as **leadership** was concerned a statistically significant difference at the 95% confidence level was achieved on aspects such as:

- the degree to which opinions and thinking of lower level managers were taken into consideration by senior managers when determining policy;
- efforts being made to make SSSA more streamlined and cost effective;
- the degree to which the rationale for decisions was adequately communicated by managers to lower levels;
- the degree to which a climate was established in which traditional ways of doing could be challenged.

Results in the category strategy and objectives were better than the ISR's norm for global high performance companies. Results of SSSA also exceeded global high performance companies norm in the **leadership** category. A statistically significant difference at the 95% level of confidence was obtained on two items: **stating objectives clearly and providing leadership**. In the **organisational culture** category, management was rated as encouraging staff to be innovative (statistically significant). The SSSA culture was rated as significantly different from the Sasol SA Group on **leadership through empowerment** and **harnessing diversity**. In the category **organisational transformation**, teamwork and communication were rated as better than the Sasol Group results (95% confidence level).

6.2.6.2 The year of margins (July 2000 to June 2001)

By attending production meetings regularly the MD soon realised that measurement was inadequate. He was concerned because he knew that the absence of measurement could mean that people lacked clear direction. Neither would they know how to reach strategic milestones.

His fears were endorsed by feedback from Thinc Business Solutions, a management consulting company appointed to do a strategic business assessment of SSSA.

Some of the results validated existing assumptions, but others, particularly those that dealt with the market, provided new insights. The conclusion was that the company needed to take a fresh look at markets, customers and products, if it wanted to stay competitive. A shift from the traditional was required and customer service needed improvement, knowledge of competitors needed to be sharpened and forecasting accuracy needed to be improved. This was only possible if the markets were understood. A better balance between production capability and market demand was therefore suggested.

The business assessment also revealed that staff did not fully understand the meaning of *business* and *profit making*.

As a result of this assessment the MD hypothesised that margins were poor and in some cases negative. This assumption was ratified upon analysis and he subsequently requested business unit managers to critically assess their gross margins on their products and the business processes that were being used. This was followed by an evaluation of the relationship between variable and fixed costs and an analysis of fixed costs per se, in order to improve gross margins.

The War Room

To endorse the theme advocated by the Year of Margins the MD introduced the concept of the War Room. The purpose of the War Room was to reflect the position of the company on any particular day. Calculation of daily positions was based on a sound measurement system. The War Room involved a process which started with small, informal meetings in each of the business units, followed by a meeting in the War Room, where information was integrated by representatives of the business units, to review the total picture of the company as well as that of their own business unit in terms of EBIT and profit/loss on a daily basis (Kuratko et al, 1993; Accenture, 2001; Chisholm, 1987).

The War Room also established the Order Book principle. This concept offered the MD the opportunity to enter into his coaching role (Sashkin & Rosenbach, 1993; Kamath in Davis, 1999). He used discussions around the Order Book to challenge incorrect assumptions and decisions made. Errors were used as opportunities to re-explain business principles (Ross & Unwalla, 1986).

The War Room also introduced the principle of "equals". This principle empowered operational people to report and assess the result of their own decision-making during the previous 24 hours. The process enhanced the learning of business decision-making and entrepreneurship since staff could see the effect of right or wrong decisions on their own business unit's results (Entreplexity, 2002). This learning was reinforced by a training programme in Financial Management, which was attended by all business units and whole task group leaders.

Rewards and incentives

During the Year of Margins a company-wide incentive scheme was introduced. To experience risk on **a personal level** members of management could place a certain percentage of their monthly salary on risk (Pinchot & Pinchot, 1978). This varied from one individual to another. Return of this investment was based on the performance of the company at the end of the financial year, in EBIT terms. Performance was defined as the degree **to which the budget was exceeded.**

Members of management could also exercise a profit sharing option, which meant that they had to forfeit their yearly option of purchasing Sasol shares. Eventually all managers opted for this profit sharing alternative, which is indicative of the extent to which an entrepreneurial climate had taken root (Accenture, 2001; Rule & Irwin, 1988).

The rest of the staff also participated in the incentive scheme. This took the form of individual bonuses, linked to company performance in EBIT terms, and expressed as a percentage of their salaries. Salaries and increases were published in a transparent way and communicated throughout the company.

To reinforce the principle of high performance in a responsible way, performance was linked to safety. If the company's safety record was not impeccable, staff could loose the money that they had gained through financial performance.

The performance navigation process

Human Resources systems can be a powerful link in shaping behaviours in developing a firm's ability to be entrepreneurial (Twomey & Harris, 2000). The Performance Navigation Process (PNP) was used to equip leaders to improve the performance of their teams. Other objectives dealt with the appraisal of individual performance, the development of competencies and the entrenchment of values. For the process to be successful, leaders needed to become competent in following the *navigation process*, thereby ensuring the allocation of performance bonuses fairly and objectively.

The PNP made use of existing performance matrixes and applied the principle that each staff member should take responsibility for his/her own appraisal. The value of **openness, honesty and integrity** was reinforced during the PNP and as a result of this, giving feedback, either one-on-one or in teams became a regular practice at all levels.

The Year of Margins ended with impressive financial results. Revenue had increased from R737.51m to R829.78m. EBIT had climbed from R48.46m to an imposing R98.64m.

6.2.6.3 The year of detail (July 2001 to June 2002)

The MD's metaphor of the keen shepherd who has to herd his sheep in the right direction by throwing stones to their left and to their right, found particularly good application during this phase. He noticed that staff tended to become overly confident and relaxed in the way they treated matters and events. Short cuts were being taken and facts were being generalised. The staff had obviously lost sight of detail. Detail affected processes, cost, quality, systems, customer requirements, etc. He concluded that for people to stay focused they needed to be sharpened. This could be achieved by attending to detail.

The MD experienced another discomfort: the possibility that the symptoms could be a consequence of his personal style of leadership, which was holistic and visionary (and appropriate at his level). He was concerned that employees with a different style, particularly those with an inclination for detail, would copy his style, with the result that their strengths would be lost to the company.

He therefore started placing emphasis on detail. People were urged not only to accept an answer or a practice, but to ask the question: *"What is in the detail?"* Errors and defects were treated in a similar vein, forcing people to **rethink their business**.

Several changes were observed as a result of this new accent. A dashboard concept was developed fully, which created a connection between what every person should measure on a daily basis and the company's measurements. All measurements added up to what the company wanted to achieve. The architecture made provision for a wide range of indexes, ranging from financial results to customer value, to operational excellence, to shared learning. On any day of any month the specific position of the company in regard to any of these indexes was known to everybody. In this way information systems nurtured innovation, encouraging the discussion of innovative ideas on cost reduction, and the improvements, processes, products and services (Woodward, 2001).

Because the theme was detail, every person felt obliged to constantly challenge measurements by asking two questions:

- Do we measure the right thing?
- Do we measure correctly?

In support of this initiative, the HR Manager in conjunction with the MD launched two other interventions:

- **A survey to assess the progress made in regard to the entrenchment of the company's values.** Results of the survey were very positive, indicating a high degree of entrenchment and good alignment between levels of management.
- **A mentorship programme to assist in preparing people for succession planning.** The programme was well planned and executed, resulting in contracts between mentors and protégés, which really contributed, to people development.

At the end of the financial year, 2001/2002 revenue had increased from R829.78m to R1086.0m. EBIT had escalated to R165.88m. The target of 15%, set in November 1997, had therefore been achieved six months ahead of time (15.3%).

6.2.6.4 The year of alternatives (July 2002 to June 2003)

On close analysis it can be argued that the first three phases - structure, margins and detail – could still be nothing more but efforts to improve the company's health. The Year of Alternatives must therefore be viewed as the first of the efforts by the MD that signified growth. The reasons for this statement are quite apparent if the thinking behind this phase is scrutinised. The phase for example involved the following:

- a critical assessment of SSSA's alternative products and services and how each one fitted into the company's strategy;
- an in-depth analysis of what was required at the start of the value chain to make products and services happen, and what changes could be made to the start of the value chain to affect products and services; and finally,
- a scan of the total value chain in an effort to optimise the entire process from feedstock to client.

In their efforts to operationalise the thinking, one of the first conclusions reached by the management team was the realization that they had to examine alternative feedstock sources. It resulted in them seriously contemplating the import of waxes to replace the gas feedstock from Sasol Chemical Industries. On the client end of the value chain new initiatives in the form of Task Forces were formed to attend to wax applications in cosmetics, health, polishes and emulsions.

Sasol bought the remaining shares from Hans-Otto Schümann in January 2002, but decided to allow minimal interference in the management of SSSA (Pty) Ltd for the first year. Amongst others, the name changed to Sasol Wax (Pty) Ltd (1 July 2002).

It needs to be noted that circumstances started changing markedly after 1 July. The company was obliged to switch to the SAP system and standardise it's branding according to Sasol's rules. Standardisation of the HR and Information Management Functions was also demanded. The incentive system was capped at 30% and profit sharing was only allowed until the end of the financial year. More change was expected after June 2003 to ensure that SSA is brought back into the corporate mould.

The question in the minds of Sasol Wax's management was whether the entrepreneurial character of the company was embedded well enough to withstand the practices and culture of the corporate environment.

In a survey conducted during September 2002 (n=304 or 86%), sufficient evidence was found that the **changes that had been made during the previous 5 years had been well entrenched**, portraying many characteristics of an entrepreneurial organisation.

Some of the survey results require more consideration:

- **Characteristics of the company as viewed by employees**. A total of 13 characteristics were selected, all generally associated with entrepreneurial organisation. More than 70% of this sample indicated that they witnessed these characteristics on a regular basis. Strategy and discipline in executing strategy received a very high rating. A correctness level of 76% was achieved on a question were respondents had to distinguish between strategic drivers and strategic enablers.
- **Remuneration**. As many as 43% of respondents believed that they were better off than their Sasol colleagues and 82% felt positively about the way their package was structured. Respondents expressed a positive view of the incentive scheme and accepted the principle of linking pay to performance (Jones & Butler, 1992; Accenture, 2001). Almost the total sample (97%) agreed that performance-related pay does stimulate high performance.
- **Leadership**. The MD's behaviour was described as: modelling the company's core values, acting as the company's visionary, providing strategic direction and

inspiring and motivating staff (Entreplexity, 2002; Kuratko & Welsch, 2001). Other responses confirmed an alignment between the MD and the people's "*immediate leader*".

- **Motivation**. More than 80% of respondents were aware of several self-development opportunities that existed (Lee & Peterson, 2000; Kemolgor, 2002). Employees felt proud to be a member of SSSA and what it had achieved. Strong identification with the company occurred because employees felt part of a family. Because the company was financially successful they were given recognition through incentives and profit sharing, and were given the opportunity to be creative. Other motivational factors which were clearly present in the work environment, included:
    - understanding the broader picture;
    - having a sense of ownership;
    - being an empowered member of a team;
    - having a clear business direction;
    - having worthwhile objectives; and
    - working in a warm and friendly work environment.

Despite major changes such as the introduction of SSSA into the Sasol Corporate environment, revenue at June 2003 had leaped from R1086m to R1300m. EBIT had increased from R165.88m to R187.70m.

6.2.7 SSSA as an entrepreneurial company

There is sufficient evidence to claim that SSSA, during the period 1997 to 2003, achieved a redefinition of itself as an organisation. The question is, how close did SSSA come to match the characteristics typical of an entrepreneurial organisation as part of a larger corporate environment? To answer this question the criteria reviewed in chapter four need to serve as basis for evaluation.

For clarity purposes it would be necessary to revisit the definition of corporate entrepreneurship (Thomson and McNamara, 2001: 671). To them *"…corporate entrepreneurship involves individuals or teams within a firm, led by intrapreneurs, entrepreneurs or corporate champions, who promote entrepreneurial behaviour inside large organisations, pro-actively engaging in risky projects that seek to create new, innovative, administrative procedures, products and services that facilitate organisational renewal and growth".*

6.2.7.1 Strategy (and vision)

At the start of the transformation in SSSA, the new strategy and vision guided the thinking. As the transformation progressed both strategy and vision became more pronounced. The vision eventually became a single sentence: *"The respect and imagination of the world culminate in our people, our products and our service."*

Over a five-year period SSSA changed from marketing products to marketing applications, resulting in a market focused structure, which provided for global business units facing the major clients.

The strong emphasis on a shared vision, strategy and values allowed leadership to successfully create a purpose, a set of principles to guide the change and a common will (Scharmer, 2000; Kuratko & Welsch, 2001; Twomey & Harris, 2000).

The shift from production to marketing was a major change; shifting from the commodity market to the consumer market was a quantum leap. The same could be said for their efforts to apply downward integration into higher value concepts. Their strategy to build people capacity materialised in higher productivity, more staff loyalty and improved results. It has to be concluded that generating entrepreneurship, formed an integral element of the company's strategy – part of a process of continuous strategic renewal (Chakravarthy & Gargiulo, 1998; Covin & Miles, 1999).

These results are particularly imposing if it is taken into account that new strategic initiatives were engaged without capital investment.

6.2.7.2 Structure

The decision to design the company's structure around the value chain was of great significance. It changed the underlying paradigm of employees from a function to the market (Hewson Consulting Group, 2000). A focus on core processes allowed for a structure that was more flexible and adaptable (Echols & Neck, 1998). Core processes represented a stream of value creation as perceived from the point of view of the customer.

Base Wax was designed as a separate business unit that supplied inputs to other value chains. The other value chains were: Paraffin's, Candle Wax (Medium Wax), Hard Wax and New Business Development. Each value chain was a business unit that added value (Entreplexity, 2002). Technical processes, structures, people, hardware and information systems were aligned to the business value chains. Value chains were customer driven and optimised, and staff were empowered through membership of self-managing teams within the business units and took full accountability for their results. Business units were aligned but each one developed it's own unique market driven strategy. Business units and teams were given the required decision-making authority (Pinchot & Pinchot, 1993).

The structure therefore correlates with the typical structural characteristics of the entrepreneurial organisation (Hewson Consulting Group, 2000): a business design, which faces the customer directly, the use of profit centres and managers in direct contact with the market.

6.2.7.3 New products and markets

SSSA never relied on research solely. They entered new markets, fully utilising existing knowledge in the business units and working hard to understand different markets. By understanding the markets and anticipating their reaction, they entered these new markets with relative ease. Examples of such new products and markets are:

- semi-refined wax;
- the production of drilling fluids with improved value applications;
- offering a unique raw material to the cosmetic industry;
- a mosquito net with a slow release repellent;
- various products in the health sector;
- FT exfoliating beads.

By entering the cosmetics and health industry SSSA were *challenging* the existing leaders in that industry (Accenture, 2001). In a similar vein Chinese waxes in Africa and South America were *challenged* .

6.2.7.4 Management processes

SSSA received a mandate from Schümann Sasol AG to introduce new products autonomously (after asking for it). At high risk to themselves they claimed the mandate to appoint key executives at their own discretion. Discretionary powers in regard to the following were also claimed by the SSSA leadership:

- to identify new customer groups (a regional mandate);
- to update existing products (an AG mandate);
- to initiate experimental products (self-claimed);
- to modify product processes (self-claimed).

Risk-taking is regarded as a salient quality of the entrepreneurial organisation (Accenture, 2001; Davis, 1999; Luczkiw, 2002).

Management took high risks with the design of the process (value chain) driven structure, the empowerment of employees at lower levels and the remuneration system. There is also sufficient evidence of high tolerance for risks in markets and with regard to products (e.g new business in health, cosmetics and candles.) They even took the risk of enforcing discipline in the pricing strategy within the candle industry. Technological changes and outsourcing per se involved a certain level of risk on the part of management. Procedures, systems and methods, which existed and were promoted at corporate level, were continuously challenged. Management believed that these control activities fuel bureaucracies – something they wanted to avoid. By applying the principle of doing only the things that added value and which contributed to strategy, they avoided the bureaucratic trap. They found Sasol's remuneration system inadequate and introduced their own system of remuneration and incentives. People development was handled with more freedom and staff were allowed to attend training programmes they thought they needed to improve their performance. Sasol group meetings were often ignored when they were perceived as not adding value.

6.2.7.5 Systems

Information systems were upgraded, customised and adapted to support structures and aid daily decision-making at various levels. Systems were made cost effective. Twelve days after year-end, the system enabled the availability of audited results. End-of-the-month-results could be predicted with 95% accuracy. It was evident that the business had succeeded in implementing control of IT, while delivering value through the use of technology (Woodward, 2001).

6.2.7.6 Human Resources Management

The management of human resources formed an integral part of the company's strategy and acted as a powerful link in shaping behaviour and developing the company's ability to be entrepreneurial (Twomey & Harris, 2000). The HR function played a key role in the development of teams and team leaders. Competencies were assessed and enhanced at every level. Mentorship programmes were successfully introduced and the psychological and personal wellbeing of staff was supported. The company had a powerful training and development policy, and all employees at lower levels met the minimum requirements of the NQF. The training and development budget exceeded 0.05% of revenue. Several internship and learnership agreements were in place and the company was actively involved in the development of entrepreneurs within the Sasolburg community.

6.2.7.7 Culture

SSSA's five core values were understood and the associated behaviours were well entrenched. Other characteristics of the culture included ownership of business results, taking personal accountability, freedom of decision (empowerment) and discipline at all levels. The five core values and these other qualities were effectively managed to support entrepreneurship throughout the company (Kemolgor, 2002).

6.2.7.8 Rewards and remuneration

The company could boast a non-cap incentive scheme, based on EBIT and safety modifiers which reinforced good performance (Chisholm, 1987; Pinchot & Pinchot, 1978). Performance related incentives, measured against EBIT, existed at Management levels, thus decreasing the fixed cost component and increasing the risk component. The soundness of this system was proved by the leaders' decision to discontinue the Sasol share option.

6.2.7.9 Leadership

The MD's leadership clearly promoted entrepreneurship amongst his people. He was willing to sacrifice control over operational details, showed a keen preference to provide resources in stead of giving orders and succeeded in getting people to think differently (Kemolgor, 2002). His leadership style supported the transformation fundamentally, and contributed directly to a change in the qualitative nature of the business.

6.2.7.10 Performance Management

Business performance formed an integral part of performance management. Business scorecards in the business units and whole task groups were linked to strategic deliverables and were evaluated on a monthly basis. Individual performance was measured against business objectives but also made provision for an assessment of a person's competencies and the degree to which he was living up to the company's values. Throughout the principle of self-management was nurtured (Chaston *et al*, 2001).

6.2.7.11 Business results

Business results over the period 1997 to 2003 reflect a quantum leap. Revenue increased from R442.24m in 1997 to R1172.00m in June 2003, and EBIT escalated from R13.09 m in 1997 to R187.70m in June 2003. Despite these impressive results the company succeeded in maintaining an impeccable safety record.

6.2.7.12 Sustainability of change

The MD resigned in June 2003 and was replaced on 1 July. During September 2003 a climate survey was conducted amongst a sample of 266 employees (82% of the permanent staff component). The results upheld the claim that the company had indeed became entrepreneurial and affirmed the sustainability of changes, despite the control and innate bureaucratic attributes of the corporate environment to which the people had been exposed since January 2002.

The survey results are reviewed briefly. A more elaborate analysis is contained in the Case Study (Annexure A).

- **Cultural characteristics**: the company's culture was described as customer focussed, strategy driven, performance driven and values driven.

- **Relationships with leaders and members of other teams**: the relationship with leaders was seen as supportive and inspirational. Members of *other* teams were experienced as supportive.
- **Freedom to influence and change the work environment**: staff felt empowered because they could influence and change their work environment by initiating something new, modifying it or seeking ways to add more value and make decisions.
- **Team spirit**: the team spirit was healthy and nourished by the support people showed one another, mutual respect, open and honest communication and inspiration coming from the leader.
- **Leadership**: Leaders distinguished themselves by demonstrating characteristics such as creating a vision, providing support, giving direction and showing a willingness to take responsibility.
- **The MD**: in the survey a picture emerged of a typical entrepreneurial leader, with most outstanding characteristics:
    - his inspirational style;
    - a visionary;
    - entrepreneurial and business sense;
    - his commitment to values in business.
- **The work environment:** staff saw the most outstanding characteristics of their work environment as:
    - being an empowered member of a team;
    - having a sense of ownership;
    - being treated with respect;
    - being part of a warm and friendly environment.
- **Perceptions with regard to diversity:** diversity was viewed very positively, with the uniqueness of each employee respected, and all employees perceiving diversity as an important success enabler.

Judging from these results there appears to be sufficient evidence to conclude that the entrepreneurial character was properly established and could be sustained, despite other forces imposed upon the company. A new paradigm had indeed been successfully created (Gharajedaghi, 1999; Van Tonder, 2004).

These results stand in stark contrast to results of a recent survey (Beeld, 2005), which showed that only 7% of South African employees are emotionally committed to their companies. This figure is lower than for countries like the USA (30%), Canada (24%), Chilli (25%), Great Britain (17%), Germany (16%) and Japan (9%). In the same study it was revealed that 73% of all employees in South Africa were neutral toward their employers, with 20% taking a negative stance.

6.3 Key success factors in the transformation process

Judging by whatever means, there can be little doubt that SSSA became a very successful company in the Sasol Wax International stable. Financial objectives were achieved and it harboured an empowered workforce who felt proud to be associated with the company and who experienced an extraordinary sense of meaning. The company controlled only 30% of Sasol Wax International's assets, utilised only 28% of the Group's manpower, but contributed almost 80% to the Group's profits. Over a five-year period many strategic objectives were achieved and the 15% EBIT, set in November 1997, was attained six months earlier than planned.

It would be fair to conclude that the company succeeded in regenerating itself (Scharmer, 2000; Hamel & Välikangas, 2003), and qualified for all four forms of entrepreneurship (Covin & Miles, 1999): sustained generation, organisation rejuvenation, strategic renewal and domain redefinition.

Changing a faltering company into a high performance entrepreneurial unit over a period of less than five years does not come easily. For such a transformation to succeed, the process involved must be effective. The question that remains is, what were the key success factors, which made this particular transformation so successful?

In an attempt to identify these factors one should however keep in mind that they may be unique to this particular case. All transformations do not originate from a crisis precipitated by a merger, involving two distinct national cultures. Neither do transformations regularly allow for a period where a consultant – project team alliance champion the change process for a period. It is also doubtful whether an entrepreneurial unit is always the outcome of a strategy to innovate; an entrepreneurial structure and climate is not necessarily the best option for all organisations.

To therefore elevate such factors to the status of general principles for managing transformation would be presumptuous. Yet, these factors may support the quest for generic principles for dealing with change, as described in similar studies.

What follows is therefore an attempt to isolate the key success factors for this particular case.

6.3.1 The transformation was strategy driven

Change in this case originated from strategy and was driven by strategy over the whole period (Price, 1996). An entrepreneurial company did not feature in the original strategic plan, but surfaced in the process of finding the most appropriate vehicle (structure) to meet the strategy. As strategy evolved and became more defined, the new MD with his propensity for an entrepreneurial leadership style, acted as the catalyst. Through a continuous emphasis on the vision and strategy, the transformation stayed focussed on the future, understanding and commitment was created and enthusiasm was fuelled. People at all levels were guided to understand and accept the strategy. In so doing a realistic and informed picture was embedded (Cummings & Worley, 2001; Kotter, 1996; Nanus, 1992; Beckhard & Harris, 1977; Kanter, 1983). Each employee in the company associated himself with strategy because he saw a potential benefit for himself in the deployment of strategy. Strategy became pervasive and contributed to a fundamental redefinition of the company to become more competitive (Porter, 1996; Hamel & Välikangas, 2003).

Strategy also directly determined the choice of structure and influenced the principles upon which the new design was founded. Strategic thinking impacted on other important business decisions, such as the choice of systems and their capabilities. This mode of thinking ensured that IT systems not only reinforced the structure, but could be deployed in a way to demonstrate it's benefits to the business (Price, 1996) and to the transformation per se (NOIE, 2003).

6.3.2 The transformation was primarily a people process

A transformation involves all the organisational features such as processes, structures, systems, technology, culture, policies, rewards and incentives. But people are central and give definition to all these features (Weber & Weber, 2001). Much effort therefore went into managing people's perceptions, thinking, feelings, attitudes and values in an effort to prepare them for change and align behaviour with structural and systemic changes.

6.3.3 Change was a plan-do-review process

The business environment is riddled with unpredictable events. Internally to an organisation, multiple variables are involved, often impacting on one another, resulting in volatility and instability not planned for. This complexity and changeability common to a transformation, makes a predetermined, step-by-step approach to change, a high risk. For these very reasons the SSSA transformation although strategy driven, adopted an OD approach in the process of planned change through a plan-do-review cycle. This resulted in plans being flexible and often revised as new information was gathered. OD is in essence an adaptive approach, an interactive cycle of research and action allowing for learning to take place continuously, as the process of change evolves (Weisbord, 1987; Cummings & Worley, 2001).

6.3.4 Appropriate leadership

Leadership is required to champion a transformation (Cummings & Worley, 2001; Kotter, 1996). Leadership could originate with a strong project team – consultant alliance, especially in the early phases – as was demonstrated in this case.

Successful implementation of change however, is hardly possible without the full commitment of a company's leadership.

In the SSSA case the new MD entered the transformation at the critical stage of implementation and took full accountability for the change process. In this role he modelled the behaviour needed and demonstrated the three essential roles required for championing such a transformation: **envisioning, energising** and **enabling** (Cummings & Worley, 2001). He also effectively displayed the magical combination of credibility and capability (Ulrich in Drucker, 1996).

Finally, his leadership exhibited all the characteristics of the entrepreneurial leader (Kuratko & Welsch, 2001):

- ability to communicate;
- ability to motivate;'
- vision;
- creativity; and
- risk taking.

6.3.5 Aligning people with changes in processes, structures and systems

In Chapter 5 the researcher expressed a concern that change in South Africa is often limited to change in structure. But even in cases where change is driven by serious attempts to reconceptualise the very being of the organisation to find new direction and to redesign structure, not enough is being done to prepare and align people for the new direction and structure. A new structure involves new roles, relationships and competencies. Unless employees are properly orientated to give the required definition to the new structure, they easily revert to established and outdated behaviour. The result is incongruence between intention and reality.

In the case of SSSA, the alignment of people with the new structure must be regarded as an undisputed success factor. The alignment process effectively consolidated the intended changes.

Alignment started with the vision, which drew people's attention to the value chain and the prominent place of markets and customers. The use of focus groups during the analysis of the value chain and for the redesigning of the structure ensured a thorough understanding of the core processes, and the principles underlying the new design, by a significant number of people. This direct involvement of people was supported by multiple efforts to communicate essentials of the new structure: process versus function, fewer levels, autonomous business units facing the markets, self managing teams, whole jobs and empowerment at every level.

Orientation and training started immediately after new leaders were appointed. This was followed by the selection of team members, the constructing of teams around whole jobs and the involvement of team members in the design of their own whole jobs. People knew exactly what was expected of them and how they would fit into the new structure. Any form of resistance was quickly identified and addressed. To equip people for their new roles, competencies were identified. Every effort was made to establish and enhance these competencies through training and other opportunities for learning. Through innovations such as the war Room the principle of empowerment became rooted down to the lowest level.

The behaviour required for the functioning of the new structure was effectively reinforced through the Performance Navigation Process, the entrenchment of values, the incentive scheme and a multitude of development opportunities.

Critical to the implementation of the new structure and the alignment of the people was management's ability to keep the new process-driven structure pure, and to maintain it's integrity by not deviating from the design principles. So sound were these principles that they could be used by the new MD to point out inconsistencies in the design, which led to a further refinement of the structure. Later changes only enhanced the original concept, resulting in the structure maintaining it's integrity throughout.

6.3.6 Organisational learning

A perusal of the alignment process, as discussed in 6.3.5 clearly shows the key role of learning in the preparation of people for change. Further enquiry reveals that learning was really at the heart of the transformation, taking on many forms and involving elements of both unlearning and learning. Learning was first mandated by management with the acceptance of a strategic goal, to **build a knowledge and competence base in support of strategy**. Learning was formally recognised as an enabler during the period when the new MD championed the transformation.

Learning featured prominently in the training of the project team for their role in the transformation. Learning formed the core of the plan-do-review cycle and manifested in single loop (improving) and double loop (insight) as well as triple loop (new principles) learning (Zwieringa & Wierdsma, 1992). Learning at organisational level constantly repeated a cyclical process of doing, reflecting, thinking and deciding (Kolb, 1984). When the consultant and the project team championed the change, the cyclical process dealt with the transformation; when the MD championed the transformation, the cyclical process was more about creating the entrepreneurial organisation. Learning by doing was supplemented by formal learning events. Members of management and focus groups received training to equip them for their respective roles. It took the form of coaching sessions, a simulation, workshops and formal training programmes.

The new MD was a strong supporter of learning and allowed himself to become personally involved in the coaching of his team members. Formal meetings became interactive learning events and feedback from clients and the market was innovatively used to help people learn about the impact of their own decisions on results. The Performance Navigation Process relied heavily on certain principles of learning. In the final phases of the transformation training expenses amounted to 0.05% of turnover per annum. A scrutiny of the role learning played from beginning to end reveals a marked resemblance with the learning organisation as defined by Senge (1990) and higher order learning as portrayed by Harrison (1992).

6.3.7 Entrenching the values

Values are often viewed an unavoidable step in the strategic planning process but are seldomly embedded sufficiently to significantly impact on the behaviour and eventually the culture of an organisation. At the start of the transformation SSSA drafted five core values as part of strategy, and entrenched them over a five-year period until they became non-negotiable tenets (Collins & Porras, 1996; Kotter, 1996).

Success cannot only be defined in terms of the entrenchment of values; success must also be defined in terms of the appropriateness of the values for the execution of strategy. In this regard it must be conceded that the choice of the values was indeed apt. This successful fit proves the logic not to decide on values in an arbitrary way or to be influenced by the "*flavour of the month*". The better logic is to apply the procedure followed by SSSA: select the values from the vision, because a well drafted vision usually reflects the common wish of the group involved and projects certain common values.

Because of the appropriateness of the SSSA values they remained unchanged and could generate the desired behaviour. The result was that the structure as well as the entrepreneurial climate created by the MD, greatly benefited from values such as **openness, honesty and integrity, creativity and individual ability, fair and equal treatment, pride** and **perseverance.**

6.3.8 Sharing ownership and risk

Ownership of a transformation and sharing of the risk are not mutually exclusive. If ownership and risk are shared widely the likelihood of resistance to change is reduced, and obstacles to change are normally dealt with boldly and innovatively.

In SSSA these two factors, whether seen as separate or in combination, directly contributed to the success of the transformation and to the establishment of a risk-taking climate, so essential for an entrepreneurial company.

Ownership was stimulated and nurtured through regular communication (particularly two-way communication), the appointment of a project team and the use of focus groups. Ownership was also promoted through the whole job-concept and by allowing leaders of business units and whole task groups to accept full accountability for results. The level at which empowerment was practised invariably involved high risk, not only at individual level, but also collectively to the company. This was further reinforced by the MD's incentive scheme, which offered managers the opportunity to place a certain percentage of their monthly salary on risk. As a result obstacles were approached as challenges and managers became more willing to risk empowering their people.

6.3.9 Sustaining high energy levels

Energy plays a key role at the start of and throughout a transformation (Carnall, 1995). Energy levels need to be sustained to overcome a myriad of obstacles in an innovative way.

A change is often triggered by emotions such as anger, frustration, anxiety and fear. This generates negative energy but is not the kind of energy required to change from one state to another. The challenge is to turn the negative energy into positive energy.

The SSSA case was characterised by an abundance of negative energy before and during the crisis. This got the transformation started, but soon proved to be an obstacle to change, because of cynicism, doubt and distrust. The transformation succeeded in neutralising the negative energy and replacing it with positive energy. This was achieved by reinforcing the vision, **regular and well planned communication**, being sensitive to people's feelings, involvement of employees in focus groups, maintaining good relations with other leaders, involving a significant number of people in the simulation and giving continuous feedback on progress.

6.3.10 Managing the consultant

Contracting the services of external consultants for organisational change could have major advantages because of their exposure to other organisations and their ability to interpret and understand the processes objectively. For various reasons internal staff could easily become biased. Consultants, however, could also develop prejudices and vested interests when granted too much power.

A final success factor in SSSA's transformation can be ascribed to the way in which the external consultant's services were managed and optimised. In this regard several roles are distinguishable:

- **The process role**. This role was particularly useful at the start when the very tense atmosphere between the SSSA management team and the members of the Board had to be defused. Thereafter process consulting skills were regularly used to facilitate strategy sessions and the plan-do-review cycles, to intervene at management level and to address resistance.

- **The educator role**. This role first emerged when the project team was equipped for their task, but featured regularly because of the strong emphasis on learning, whether formal or informal.
- **The expert role**. During the initial period when the consultant – project team alliance championed the change process, the project leader and his team relied on the consultant for guidance in the analysis of the value chain, the redesigning of structures, the entrenchment of values and the preparation of people for the new structure.
- **The supporter role**. The role of the consultant was radically changed when the new MD decided to take full accountability for the change process and personally became the champion. In retrospect this decision came at the right time. It enabled the MD to build on the sound foundation that had been laid, and allowed the consultant to play a less direct role by providing his support to the HR Manager when required, during the rest of the period.

Success must also be attributed to the professional way in which the project team – consultant alliance migrated from one phase to another and the proficiency in which they re-contracted their roles and responsibilities as the project evolved. In a similar vein the MD must be credited for the speed and vivacity in which he transferred power from the project team–consultant alliance to himself, in order to personally champion the transformation.

6.3.11 To conclude

None of these success factors should be seen as unique. The uniqueness probably lies in their combination, thereby creating a synthesis allowing each factor to support other factors. This however, is not the full answer: the uniqueness must also be seen in the diligence, thoroughness and professional manner in which these factors were managed.