Chapter 7

APPLICATION

7 INTRODUCTION

In the explanation of the research methodology used for this dissertation (Chapter 2) the researcher expanded on the limitations when making generalisations in qualitative research. It was acknowledged that any attempt to generalise should rather be viewed as a working hypothesis than a conclusion. Hence a preference for substituting terms such as transferability and fittingness, where the degree of transferability becomes a direct function of the similarity the two contexts. (Cronbach, 1975; Lincoln & Guba, 1985; Patton, 2002; Hartley, 2004). The researcher also recognises that transferability cannot be specified; only sufficient information can be provided to serve as modest speculations or extrapolations about the likely applicability of findings to other situations under similar, but not identical conditions (Patton, 2002).

To facilitate transferability, speculations will be limited to the South African business context, as experienced by the researcher as management consultant and restricted to the concept of organisational transformation, as defined in this dissertation, rather than organisational change, which is used as the all encompassing term in the industry.

The final section of the chapter will centre on a discussion of findings in an effort to assist managers and consultants in finding a possible application in organisations engaged in or contemplating similar transformations.

7.1 Characteristics of an organisational transformation

An organisational transformation is distinguishable from change management on a project or other forms of change in organisations, as discussed in chapter 5. In summary organisational transformations are characterised by the following features, (Blumenthal & Haspeslagh, 1994; Cummings & Worley, 2001;

Gharajedaghi, 1985; Meijer, Tsui & Hinings, 1993; Miller & Friesen, 1984; Sackmann, 1989; Tuschman, Newman & Romanelli, 1986; Waldersee, 1997):

- Transformational change occurs in response to several kinds of disruptions, such as industry discontinuities, product life cycle shifts and internal company dynamics. The disruption must be strong enough to put the organisation in a state of shock, otherwise management will hardly consider engaging in a transformation.
- An organisational transformation is often associated with a transition from a control based to a commitment based organisation, with features such as leaner, more flexible structures, information and decision-making pushed down to lower levels, decentralised teams and business units taking accountability for specific products, services and customers. The outcome is the emergence of numerous new organisational forms, distinguishable by bottom-up entrepreneurships.
- A transformation fundamentally alters an organisation's assumptions about it's functioning and how it relates to the environment. Significant shifts occur in corporate philosophy and values and in the multiple structures and organisational arrangements that shape people's behaviour. It alters the way members perceive, think and behave at work.
- Interventions revolve around culture change, self-design, organisational learning and knowledge management. Attention is centred on the people side, but change of features usually occur in a coordinated fashion so that interventions support one another. A key factor is the active role of senior executives and line management in all phases.

Essentially, organisational transformation is a change in the basic characteristics of structure, process, function and people, in such a way that it cannot return to the earlier form. It changes the very being of an organisation and involves an active process of generating and disseminating of knowledge, a process of learning and adoption and finally, the discovery of a new dimension with all its implications and finality.

If these features of organisational transformation are matched with the change attempts in South African organisations, whether public or private (as discussed in chapter 5) one conclusion can be drawn: very few if any, engage in transformational change, as described above.

The problem probably starts with the term transformation. In South Africa the term could mean different things to different people. McNamara (1998) observes that constituencies such as the public sector, organised labour and the business sector each have developed it's own unique view of transformation and that these specific views have remained entrenched, despite frequent contact. The result is diverse perceptions, interpretations and particularly expectations when the term is communicated.

A common phenomenon, which stands in stark contrast with transformational change, is the reactive way in which change is managed. Organisations tend to react to market forces, government legislation and industry changes. Reactive responses are seldomly strategy linked or driven as a process aimed at creating an entrenched competence and resilience to address a changing business environment. Instead, initiatives centre on short-term measures such as across the board cost-reductions, the closing of plants, the outsourcing of critical services and the retrenchment of staff. These short-term measures not only generate short term results but discredit change initiatives from the outset. Transformational change *fundamentally* alters an organisation's assumptions about it's functioning and how it relates to the environment.

Change is still decidedly associated with structural change, but these changes are not properly aligned with strategy; people who have to man the new structures are ignored or they receive only marginal attention. Employees are not aligned or prepared to ensure that the structure functions as intended. Despite tedious efforts to map business processes and generate more flexible designs, structures remain essentially hierarchical and functional. Power cultures, established over decades are just too strong, and despite good intentions to share power, accountability and decision-making remain centralised. Transformational change is strategy driven, is associated with more flexible structures and takes into account the people who have to give definition to the new organisational form.

Planned change is the subject of many books and articles and executives seldom neglect making reference to its significance in staying competitive. Yet, it seems as if planned change is a fallacy. It lacks serious thinking, proper conceptualisation and is characterised by poor front-end loading (to use project management terminology). This problem is exacerbated by a content focus, while the change process itself, which affects people cognitively , emotionally and existentially, is heavily underplayed. The result is that timelines are unrealistic, resources are inadequate and initial positive expectations are soon replaced by scepticism and doubt. In contrast real transformational change is in essence a planned process, driven by a well tested set of principles.

The philosophical undertones of most planned change efforts appear to be of a rational-logical nature. Because change makes sense to Senior Management, lower levels have to accept the logic and comply. Sometimes they do agree to try and obtain *"buy in",* but such efforts are often nothing more than formal presentations by a senior manager and an apparent openness to questions and ideas. However, these concerns and ideas are seldomly afforded the necessary attention.

Sometimes the philosophy verges on coercion and manipulation. Through various benefits employees are exploited to accept changes while frustration, uncertainty, alienation, disempowerment, fear and other negative feelings prevail. The consequence of this is demotivation, exhaustion and burn-out. In spite of these negative consequences it appears as if organisations just cannot mobilise sufficient time, energy and other resources to use a collaborative re-educational approach – the approach most suitable for changing people's perceptions, thinking and behaviour, and a sine qua non in transformational change.

Finally, organisational transformations should be characterised by the active uninvolvement of senior executives and line management. It appears however as if change efforts lack leaders who can champion the change and provide direction and credibility. The reasons for this failure could be manifold. It is the researcher's opinion that much of the variance can be attributed to the following:

- a reluctance to change their thinking about business – their assumptions and paradigms about business and the critical factors in business success;
- a fear of failure, coupled with an unwillingness to take risks in entrusting accountability to subordinates; and
- a hesitance to engage in change openly and boldly – and take personal accountability for the final outcome.

7.2 Searching for application

This research has generated interesting findings that could be of value when engaging in an organisational transformation. The researcher takes the liberty to rephrase some of these findings as extrapolations in an effort to find resonance in current or future transformations, acknowledging the fact that differences exist between this particular case and other organisations.

7.2.1 Pain and discomfort as a driver of transformations

Although transformations can occur in response to external changes, internal factors such as frustration, dissatisfaction, disappointment and even aggression can create a state of crisis that will oblige management to engage in a transformation. The crisis creates the necessary energy, albeit negative energy, for a bold decision to be made A tangible crisis can be helpful in creating an awareness that things have to urgently change. The problem with a crisis however is negative energy, which could drain the company of scarce resources. Negative energy should therefore be replaced by positive energy which can, for example, be generated by a challenging, compelling vision.

7.2.2 Transformations are driven by strategy

When the goal is behavioural change, coercion and manipulation are less effective. Employees ignore what is requested, become cynical and actively sabotage the change efforts.

Neither will a set of survey results or an extended diagnosis generate sufficient energy to break out of the status quo.

To encourage the dramatic shifts found in successful transformations, there must be a clear strategy, expressed in specific terms, championed by the leader and owned by employees at every level.

Strategy includes the vision, mission, strategic priorities, objectives (strategies and plans) and values. A vision is an imaginable picture of the future; a mission is the organisation's reason for being; the choice of strategic priorities and objectives provide the logic and the detail to explain how the vision can be accomplished. Values are key in establishing a new culture, with new norms of behaviour to support the changes in strategy. Together these elements clarify the general direction of change, motivate employees to take action in the direction as portrayed by the vision and co-ordinate the different actions involved in a transformation. For these reasons these elements have to be connected and reinforced by leadership relentlessly.

To be successful the vision must be shared by everyone; every employee must have a common picture of what the organisation will be in the future and the possibilities it holds for him. Strategy must become an integral part of every person's job in the sense that he understands where he fits into strategy and how his decisions and results affect the attainment of strategic goals, as well as it's impact on the performance of the company.

7.2.3 Involvement of significant numbers

This research has indicated that transformational change can be enhanced through the involvement of significant numbers of employees in one way or another. These employees may include managers, supervisors and informal leaders. Activities are aimed at gaining understanding and acceptance to motivate a critical mass for change. Individual and collective learning is implied. These activities are particularly important during the early phases of a transformation.

Activities can take the form of regular communication, directed at specific stakeholder groups, relying on two-way communication to share information about how the changes can benefit them. The success of communication is also dependent on an understanding of stakeholder needs and the ability to influence.

Other activities to gain acceptance and a readiness to engage in change seem to be more powerful. These include the involvement of employees in focus groups to engage in the analysis of processes and the design of new structures. Focus group members can also be involved in programmes to entrench values, which could entail surveying value driven behaviour, designing special programmes to embed values and providing feedback to management on progress being made.

An effective way of involving and orientating stakeholders is through simulations. Simulations are particularly powerful because of the experiential nature of the learning. A simulation can be used to challenge existing paradigms about business, leadership, clients, structures and the behaviour of people. Because employees are involved cognitively and emotionally, they quickly develop a grasp of new concepts such as value chains, a client driven structures and self-managed teams and how such factors can influence business results. Learning through a simulation is so intense that participants are confronted with their own assumptions, values and attitudes. The outcome is frequently an adjustment of mindsets and a modification of attitudes. These changes in people are particularly beneficial at the start of the implementation phase.

Finally, it seems as if the circle of influence can be extended to include families, especially the spouses of stakeholders. By involving them they feel respected, share the company's vision, understand the changes and are challenged to apply business and other principles to their family lives.

7.2.4 Change and consolidate structure

Structures can be seen as an obstacle to transformational change. Strategy implementation can be restrained by structures which fragment resources, encourage working in silos, lack customer focus and favour centralised decision-making. Structures therefore have to be redesigned when engaging in transformational change. A structure needs to be seen as a vehicle for strategy and a framework for unlocking the talent of people.

A structure can become a vehicle for strategy and an enabler when the thinking originates in strategy formulation and clear guidelines for the structure emerge from such deliberations. This does not imply that the decision-making process prescribes a specific type of structure, e.g. functional, matrix or process driven. Neither can management decide on an entrepreneurial structure in an ad hoc fashion. Certain organisations, for example refineries and mines definitely do not fit the entrepreneurial model. However, *guidelines* for structural redesign can be useful, especially when they provide clear focus, such as a *direct customer focus*, a *reduction in levels to speed up communication*, *accountability at all levels* and *unlocking the innovative ability of people*. With such guidelines it is possible to analyse business processes and re-engineer or redesign structures.

This study has shown that the degree to which a structure becomes entrepreneurial, is largely a function of the leader. A flexible, customer focussed structure, which is designed to devolve decision-making, can only become truly entrepreneurial if the leader as person matches the characteristics of an entrepreneur.

Critical to redesign is the principle of self-design, i.e. involving employees at all levels in the analysis of the business processes and designing a new structure, based on certain principles. This approach has several advantages: existing knowledge of key processes is utilised, a significant number of people understand the thinking behind the redesign and ownership for the new structure is shared. This enhances the implementation of the new design, especially if those involved in redesign are appointed in key positions (e.g. team leaders), in the new structure.

Such measures are appropriate, but not sufficient. Redesigning structures invariable also involves new roles, new relationships, new competencies and a new work environment. People therefore have to match the new structures. This can be done by:

- orientating all the employees who have to fit into the new structure with regard to the design principles;
- building teams around whole jobs so that they can manage themselves by planning-doing- and reviewing their own efforts and take accountability;
- extending the principle of accountability to individuals through the design of jobs within teams;
- developing new competencies where required, to enhance team performance;
- designing systems and policies to ensure that information is available where required and decisions can be made; and
- preparing leaders at executive, business-unit and team levels for their new leadership roles.

The word empowerment is becoming increasingly popular, even the political "correct" word to use when working with change. Despite the overuse and the different interpretations, the idea of helping people to become more powerful is an important part of a transformation. It is essential to the unlocking of human talent.

As much as the people who man redesigned structures must be trained and coached to function in their new job, very little will change if these people feel powerless.

People can be empowered through design; people can be empowered by learning the required competencies; and people can be empowered by systems and policies which ensure access to information and guide decision making. The barrier, which remains, is the manager or supervisor who shows a resistance to empower his people. There could be more than one reason for this phenomenon, but the main ones appear to be:

- the risk of failure and the possibility of losing face;
- the discomfort in handing over control;
- a distrust of subordinates.

The reluctance to empower is often rationalised by referring to subordinate's incompetence, their unwillingness to take responsibility and their low motivation. Yet, in reality, few managers become personally involved in their subordinates development or are willing to test their assumptions honestly. By applying this mindset they invariably stay involved in unnecessary detail and neglect to engage in leadership behaviour that will create productive and fulfilling employees. This research has shown that for empowerment to be successful the manager has to become personally involved in employees as people, be willing to guide and coach them relentlessly, and take responsibility for their growth.

The research also provided several pointers for sustaining new behaviour in a redesigned structure. These can be summarised as follows:

- Apply the principles of continuous learning and make it part of the plan-do-review process, inherent to performing whole jobs.
- Help people to understand the big picture of the business and their own roles in making the company successful.
- Ensure a sound grasp of business principles, help them to internalise these principles and provide them with regular feedback to evaluate the soundness of their own decisions and to learn from mistakes made.
- Make competency profiles part of performance management and encourage people to rectify deficiencies in their own profiles.
- Reward people for what they contribute so that they can establish a link between their own efforts, their level of risk, their level of competence and the reward they receive.
- Anchor the new behaviour in a culture that is driven by an appropriate set of norms and values.

Finally, it would be fair to conclude that the process driven structure and accompanying behaviours established in this case, could form the basis for sound governance. Governance is dependent on principles such as accountability, strong leadership and discipline, but also imply adherence to values such as openness, integrity and trust.

7.2.5 The role of leadership

This study confirmed the key role of leadership – not management – in a transformation. It highlighted the impact of a leader with a vision, who is willing to empower his people and prepared to take personal accountability for change.

A statement was made in Chapter 5 to the effect that too many change efforts in South Africa are driven by consultants, without management being fully involved or committed. It must be granted that consultants guarantee a certain level of objectivity; they also bring useful experience, gained through their work in other client systems. Consultants can play a particularly helpful role in diagnosing situations, planning the change process, assessing progress, providing feedback to leaders and handling certain interventions.

Consultants also have their limitations when transformational change is at stake, and cannot replace leadership. Consultants do not control resources, neither can they reward people for extra efforts. Even if they are handed sufficient resources to take the initiative in change, they don't possess the positional power or the credibility to create the momentum necessary for implementation, institutionalisation and, eventually, internalisation of change.

Leadership is key at every level, but particularly so at the top. At executive level the leader is enthusiastically followed when he passionately communicates a sensible, appealing picture of the future and can articulate strategy in such a way that people understand the logic of how the vision can be actualised. Credibility is enhanced by his willingness to spend a significant amount of time with his people, especially leaders at other levels. By helping them to understand the changes that need to be made, and coaching and guiding them until they are confident and competent, he enables them to take accountability, make decisions and accept the appropriate risk levels.

The Leader during a transformation, appeals to the higher level of morality, ethics and values and, in so doing, elevates himself and others from their everyday selves to their 'better selves'. When mastered well the leader models a style of leadership which others wish to emulate. It bolsters other's self-esteem and communicates high expectations about the company's performance, while expressing confidence in himself and others. It is a style which arouses motivation for challenging tasks, risk taking and personal responsibility, and emphasizes loyalty, being the best and overcoming obstacles.

The successful leader is able to strike a healthy balance between positional and personal power. He uses his positional power appropriately to get the necessary effect (eg. Reducing numbers, changing the status of secretaries or demanding computer literacy from every one). However. he can also use his personal power (ie. the ability to influence) to gain understanding, obtain commitment and create excitement, when required. In his interaction with others he lends credibility to the company's values by modelling the behaviour that support these values.

The research has accentuated the need to match the leader with the organisation. It seems as if the leadership style needs to correlate with the requirements of the structure. A typical bureaucrat will not blend with a flexible, flat structure which encourages risk taking and empowers people down to the lowest level. Neither will an entrepreneurial leader successfully lead a typical hierarchy, where it is more important to maintain consistency, reduce risk, apply standardised practices and maintain safety. The research has demonstrated that, if handed the basic structural ingredients, the appropriate strategy and a set of supporting values, the leader with the suitable leadership style will give the final definition to the way in which the organisation will function.

7.2.6 The strategic role of the Human Resources function

This research also confirmed the importance of people when engaging in a transformation. Peoples perceptions, thoughts and feelings determine their energy levels and their commitment to change; peoples ability to understand and adopt new practices are dependent on the success of individual and collective learning. There can therefore be no doubt that the Human Resources function is essential in understanding, predicting and influencing behaviour during transformational change.

The Human Resources function can add most value when utilised at strategic level. This offers the function the opportunity to apply OD practices such as Action Research, thereby engaging the total system and facilitating a co-learner process.

The Human Resources function can also be a powerful link in shaping behaviour and developing a company's ability to be entrepreneurial. Through training and development individual competencies can be enhanced so that employees can fit well into the new business. Teams can be appointed and developed around business units and autonomous tasks. A performance management system can be designed to improve performance and entrench new behaviour. Human Resources can also play a key role in designing and applying incentive schemes that reward entrepreneurial behaviour.

In the presence of a strong leader who is willing to take the initiative for change, the role of the Human Resources function is vital. It is the Human Resources Manager who can act as a sounding board for the leader, but who can also maintain contact with employees, identify signs of resistance, facilitate conflicts and provide support to individuals and teams. In the process of responding to these needs, he has to mobilise the services of external consultants and manage them effectively so that they can supplement his own actions.

Most important is the credibility of the person in the HR Manager's role. It seems as if a sensitivity for peoples' needs, an ability to deal with feelings, a willingness to engage in a professional relationship with employees at all levels and the courage to confront the leader personally, are the contributing factors.

7.2.7 Managing the process

A significant contribution of this research is the learnings derived from the transformation process per se. It has given more clarity to the time dimension, the nature of planning, and what constitutes a foundation to build on.

The time dimension is notable. It seems as if more rather than less time is required. It takes time for people to get used to a new idea; it takes time to understand an idea and the changes involved; it takes time to accept the changes; it also takes time to introduce it and for people to adopt the change; it takes time for the changes to become a practice and be institutionalised; it requires even more time for change to be internalised. Along this route many things can go wrong which may result in negative perceptions, disengagement and resistance. Hence the importance of proceeding carefully and thoroughly from one phase to another.

The research has underlined the need for broad planning phases, such as strategy development, creating a readiness for change, the redesigning of structures and implementation. However, within each of the broad phases, flexibility is required. A system is never really understood until someone wants to change it. New variables surface regularly and interact with each other in unique ways. In this regard the plan–do–review cycle, which was applied regularly, first by the project team–consultant alliance and later also by the leader, has proved to be extremely beneficial. It contributes to continuous learning and improved understanding. It brings about a better anticipation of the change process and promotes flexibility in regard to interventions. Through this cycle focus can be maintained and energy levels can be sustained.

7.2.8 On becoming an entrepreneurial unit in a corporate environment

The research has indicated that to become an entrepreneurial unit in a corporate environment, a company has to meet the following requirements:

- a business strategy that defines the future and demands more direct contact with the client, supported by business characteristics such as innovation, accountability at all levels and sufficient information to be able to decide and to act quickly;
- an organisational structure which allows for clients to be accessed directly, short communication channels, small business units and self-managing teams who take accountability for their outputs and face clients directly;

- support systems, particularly information systems and policies;
- people aligned with strategy, who understand the strategy and are equipped with the competencies to perform within the new structure;
- an entrepreneurial climate supporting risk-taking, trust, recognition and support;
- an incentive scheme which rewards entrepreneurial behaviour.

Finally, what constitutes a quantum leap from a traditional, functional organisation to an entrepreneurial unit in a corporate environment? To this question the Schümann-Sasol case provided an unequivocal answer. When the transformation was initiated in 1997, the newly formed merger was experiencing the pains of a crisis, brought about by factors such as cultural differences, a weakening competitive position, internal organisational problems and a disappointing decline in performance. Over the next five and a half years, profits increased by an astonishing 1434%. The company also harboured an empowered and loyal workforce, who felt proud of their association with the company. By 2003 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.