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THE CASE STUDY

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1 Orientation

This chapter is a narrative of the organisational transformation, which occurred at Schümann-Sasol SA (Pty) Ltd, during the period 1997 to 2003. It is a case study with a beginning, a middle and an end. It starts with a description of the challenges faced by the company during the third quarter of 1997 and relates factors that led up to the decision to engage in an organisation-wide transformation. It reflects the original thinking and planning which characterised the initial period including the alignment of various stakeholders. The chapter then evolves through various interventions at process, structure and people level. It reveals in painstaking detail how the various phases followed one another until processes, structures, values and people were rearranged in a new way in order to serve the market better. The chapter then describes the appointment of the new managing director halfway through the transformation and how his unique style of leadership enabled the company to fully utilise the changes that had been made to function as an entrepreneurial unit within the larger corporate context. The chapter ends with an evaluation of the company's achievements.

The case study was guided by the research aim and the following research questions:

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

2 The challenge

Sasol Ltd

Sasol Ltd is recognised as a world leader as a result of their successes in their proven oil-from-coal operations. The Sasol process (based originally on the German fixed-bed Fischer-Tropsch processes) has become a blue print for synthetic fuel projects. Sasol became a private company in 1979, when Sasol

Ltd, the group's holding company, was listed on the Johannesburg Stock Exchange.

Sasol's synfuel technology, which produces both fuel and chemical components in a single step, provides a significant cost advantage in the production of petrochemical products. The recovery of high value chemical components and by placing them in high value chemical markets is one of Sasol's strategic priorities. In 1997 chemicals represented 20% (per volume) of Sasol's production (Cox, 1997) and a large number of commercially successful products, stemming from the Coal Gasification process, had become commercially successful by then.

During the early nineties the corporate structures of the Sasol group was rationalised to align the divisions more closely with various business activities of the group. Chemical activities were placed in Sasol Chemical Industries (Pty) Ltd, the synthetic fuel activities in Sasol Synthetic Fuels (Pty) Ltd, the mining activities in Sasol Mining (Pty) Ltd and oil refining and fuels marketing activities in Sasol Oil (Pty) Ltd. During 1994 the Sasol Synthetic Fuels division was once again restructured.

Sasol's ability to manufacture synthetic fuels contributed significantly to South Africa's energy supply in that the company fulfilled in 47% of the country's liquid fuel requirements by 1996. Through the utilisation of indigenous raw materials, Sasol had created 160 000 jobs (directly and indirectly) and saved/earned foreign exchange of approximately R6000m per annum (SCC, 1996).

Sasol Wax

Sasol's diversification strategy in the early nineties was characterised by a serious drive to find reliable international partners. For that very reason Sasol Wax was registered as a limited liability company. At that point Sasol Chemical Industries were acknowledged as an expert in the production of synthetic hard waxes, derived from coal via the Fischer-Tropsch process. Sasol had been producing wax for 40 years.

By October 1993 wax production in Sasol Waxes (Pty) Ltd had increased from 100 000 to 200 000 tons per annum, as planned. At that stage new markets had to be found to sell the excess tonnage. The Schümann group of companies in Germany was subsequently targeted for acquisition. Schümann in Hamburg had been manufacturing and marketing products obtained from mineral oil processing for over 50 years. Schümann GmbH & Co KG was known to Sasol. This association dated back to the mid eighties when Sasol Chemical Industries entered into a 50/50 joint venture (known as HAVAS). A hard wax plant was erected in Hamburg where hard waxes from SasolChem were refined and distributed from there to Schümann's agents in the USA.

Sasol's strategy was to negotiate a merger in which they could have a controlling stake as well as effective management control. The first negotiation with the Schümann Group took place in October 1993. At that stage Sasol Waxes (Pty) Ltd had just qualified as an ISO 9000 company, and had achieved it's production targets. Sasol welcomed these promising results and saw them as hard currency in their negotiations with the Schümann Group.

In May 1995 Sasol Chemical Industries and the Schümann Group of companies decided to merge their wax operations, with effect from 1 January 1995. A separate German company, Schümann-Sasol International AG, was registered. Sasol Chemical Industries held a 66,66% interest and Hans-Otto Schümann held the 33,33% interest. Both Sasol and Schümann viewed the merger as having considerable synergy potential. Sasol Chemical Industries was recognized as an expert in the production of synthetic hard waxes derived from coal and Schümann had been concentrating on products from mineral oil processing for over 50 years. United as one company, Schümann-Sasol International was now positioned to offer the entire paraffin wax, hard wax and petroleum jelly product ranges. Schümann-Sasol International now controlled downstream activities in Germany, South Africa, the USA, The Netherlands, France and China (Sasol Annual Report, 1995).

Schümann-Sasol International AG registered the following subsidiaries:

- Schümann-Sasol SA (Pty) Ltd.
- Schümann GmbH & Co KG.
- HOS Holdings Corporation, USA (Moore and Munger Marketing).
- Paramelt RMC BV.

Being a German registered company these subsidiaries were managed through a Supervisory Board and a Management Board. German legislation stipulates the existence of both these boards. The role of the **Supervisory Board** is to supervise critically, but is not allowed to intervene or to influence the business directly. The **Management Board** (Vorstand) has the authority, takes responsibility for the business and exercises direct control over the units in the merger. The Supervisory Board consisted of six members, four from Sasol and two from Schümann. On the Management Board, the Schümann representative became the chairman with a second member of the board also a nominee. The previous CEO of Sasol Waxes (Pty) Ltd became the third member and the only member of the Management Board representing Sasol's interests. The Supervisory Board met on a quarterly basis, alternating between Hamburg and South Africa. The Management Board resided in Hamburg.

Sasol were thus left in a position where they owned the majority of shares in the merger, but without direct control over the business.

Schümann-Sasol SA's competitive position

Although not well recognised as industrial chemicals, waxes play an important role in many known household and industrial products. Their application include paper coatings, candles, textile and leather manufactures, polishes, adhesives, fruit and vegetable coatings, cosmetics, medicine, inks, lubricants, rubber compounding, plastic compounding and other uses (Task Force on Strategic Planning, 1997).

By the mid nineties petroleum waxes, derived from lubricating oil production, dominated the wax business, and accounted for approximately 80% of the total marketing in monetary value. Polyethylene waxes were the second largest category and animal and insect derived waxes were the third largest. Other types of waxes, including Fischer-Tropsch and additional naturally derived types, made up the remainder of the business (Task Force on Strategic Planning, 1997). At the time of the merger between Sasol Wax and Schümann more than 50 companies were producing petroleum waxes worldwide, mostly through oil refineries. Some oil companies sold directly to wax consumers while others disposed of the wax through specialised marketing firms that often processed the wax further before selling to the end-user.

A combination of market growth and competitive pressures motivated a number of traditional petroleum wax firms to enter into the polyethylene wax business. It was clear that synthetic polymers were putting pressure on traditional wax applications.

The growth of wax consumption in the three major market areas (United States, Western Europe and Japan) had been between three and four percent per annum over the previous five years and the forecast was that the slower rate would continue over the next five years.

During the period immediately after the merger, Schümann-Sasol SA (SSSA) had only one serious competitor, Shell Malaysia. Shell Malaysia at that point used a modified Fischer-Tropsch synthesis process and went into production during May 1993. Up until May 1993 Schümann-Sasol was the only manufacturer of Fischer-Tropsch waxes in the world.

When the competitiveness of SSSA and Shell Malaysia is compared, the following is evident (Task Force on Strategic Planning, 1997):

- Shell Malaysia had a more efficient process. Shell Malaysia could claim a lower labour cost and needed less man-hour per ton of product, as a result of a more efficient process. The result was a lower cost structure.
- The utilisation of Shell Malaysia's plant for 18 months before June 1997 was more than 97%, while the plant utilisation of Schümann-Sasol averaged 90%.
- Shell Malaysia was better positioned to European and American markets, which are the major consumers of Fischer-Tropsch waxes.
- Shell Malaysia's plant had the flexibility to vary the composition of their produced products in accordance with the market demand.
- Shell Malaysia could therefore offer a wider range of products, which contributed to it's overall profit, and offered sufficient flexibility in their processes.

In Southern Africa SSSA was the primary supplier of waxes. Local competition was limited and the company could dictate in the Fischer-Tropsch market. They were competitive in marketing, production, technology, distribution and sales. This gave Schümann-Sasol the advantage of manipulating the local market with reference to the prices of the different wax products (Schrenk, 2004).

By the third quarter of 1997 the national market was showing characteristics that required serious attention. These included:

- a stagnation of the medium wax market;
- growing imports from the East as a result of a surplus of wax in the global market, creating uncertainty and turbulence in the market place;
- a decline in the tendency amongst South Africans to use candles because more and more houses were being electrified each year;
- the low aesthetic value that South Africans attached to the use of candles.

The company made a net loss of R3 160 144 for the 1996 financial year. However, the loss had decreased with nearly 72% if compared with the 1995 financial year. Turnover had increased from R378m (1995) to R401m (1996) – an increase of 5,92%. The gross profit percentage had increased from 37% (1995) to 40% (1996). The gearing-and-debt ratios of 40,29% (1995) and 28,72% (1996) respectively were favourable for the company's risk carrying ability. However the fact that the debt collection period had increased from 49.7 days (1995) to 68.55 days (1996) was a major concern. The main reason for this was Prices Daelite South Africa (Pty) Ltd, which had been disposed off during the 1996 financial year, but which still remained Schümann-Sasol's main debtor (R43 698 000 or 60% of local debtors) with an amount of approximately R11m in arrears. Return on assets (-0,49%) and equity (-0,69%) were well below acceptable norms (Task Force on Strategic Planning, 1997).

An independent analysis of the business during 1997, revealed an interesting set of internal strengths and weaknesses (see table1):

Table 1:

SSSA business strengths and weaknesses: 1997

Internal strengths	Internal weaknesses
▪ Adequate financial resources ▪ Economies of scale achieved in terms of plant utilisation ▪ Strong financial position ▪ Shareholders well provided with capital ▪ Most of the capital outlays already paid off ▪ Learning curve already an optimum ▪ A positive trend on profitability ▪ Low gearing and debt ratios ▪ Control over expenditure	▪ A history of yearly losses ▪ A higher overall unit cost relative to the international competitors ▪ Overhead costs high (43% of turnover) ▪ Return on equity and investment very low ▪ Low net profit margins ▪ Relative inflexible product mix (products with low profitability were by necessity part of the product mix) ▪ Unsuccessful employment of financial leverage ▪ Expensive processes (raw materials: coal as apposed to natural gas) ▪ Higher logistical costs ▪ Poor control over debt collection

Source: Task Force on Strategic Planning (1997)

Other strengths included:

- supply agreements for almost 70% of the total wax sales;
- well-established distribution channels;
- leadership in some technologies;

- some proven logistic capabilities;
- skilled production staff;
- proven production methods.

Other weaknesses worth noting were:

- poor market information;
- poor technical support to customers;
- limited R&D financial resources;
- weak information and computer systems;
- a relatively fixed ratio of waxes (high value) to paraffin's (low value) products
- forced production of hard wax with a very small market;
- no ability to produce specialised products (facility destroyed by fire).

Conflict between the Management Board and SSSA's Management

SSSA's poor business results could be attributed to a number of factors, including higher cost of gas and utilities and an inappropriate cost structure. Other factors such as a lack of vision and strategic direction as well as ineffective marketing also played a role.

These reasons however do not adequately explain the poor performance and why the success of the merger had been illusive. Differences in regard to expectations, business approach and management style existed, which regularly surfaced on the interface between the Management Board and the Schümann-Sasol (SA) Management Team. That inhibited business success.

The root cause of these differences appeared to be cultural diversity. The South African subsidiary represented the larger Sasol Corporation with it's conservative Afrikaans history. The Schümann organisation represented the German (distinctly North German) culture, was a family-owned company, and was headed by the charismatic, highly-respected Hans-Otto Schümann. These differences were underestimated at the start of the merger.

The Management Board, being fully aware of it's position of authority and responsibility due to German law, wasted no time in questioning SSSA quality problems and challenging it's business results. The Germans regarded daily interferences in the business as natural and demanded daily reporting, particularly regarding finances and marketing.

Staff of SSSA found the behaviour of the German Board Members quite strange and labelled it autocratic, prescriptive and insensitive to the way the company had been run in South Africa. Impressions were formed during *coffee shops*, informal interactions and formal meetings. The SSSA Management Team responded with non-compliance and by playing their cards close to their chest.

A possible explanation for these interface problems can be found in Sasol's failure to secure it's intended management control of the Schümann Group, after purchasing 66,66% of the shares. This left a void which was not effectively addressed. Addressing the void would mean building alignment across separate corporate identities, creating a governance system that would promote shared decision-making, managing the economic interdependencies and building cohesion between the parties. (Bamford, Ernst & Fubini, 2004).

A loss of R3,1m at the end of the 1996 financial year was unexpected and contrary to the expectations of Schümann-Sasol International. The loss was viewed in a serious light, given the fact that their Hamburg subsidiary (Schümann-Sasol GmbH & Co KG) at that stage was still showing a handsome profit. In an effort to address the poor performance of SSSA, the Management Board decided to intervene directly. One of their first moves was to offer the CEO of SSA an exchange with Schümann-Sasol GbmH's CEO in Hamburg.

The management of SSSA failed to appreciate the logic of this request and interpreted the move as a hidden agenda to gain more control over the business and erode their autonomy even more. For personal and private reasons the CEO did not support such a move.

Conscious of their own power base, which they perceived as being vested in their technical expertise, their knowledge of the plant, and support from lower levels, the SSSAs' management team expressed their full support for the CEO. The team threatened resignation. The merger was plunged into a crisis characterised by open conflict, cultural antipathy and confusion.

Before the crisis and in response to an invitation by the Management Board to embark on an initiative similar to what had been launched in Hamburg, the CEO of SSSA commissioned a firm of management consultants (Alliance Consulting) to perform a quick analysis of the company that would justify management's position.

Analysis of the company's problems

The Alliance Consulting Group was requested to perform an analysis covering all areas of business. The consultants were specifically mandated to provide answers to the following questions:

- Have we invested sufficiently in our people?
- Are our people aware enough of the realities facing Schümann-Sasol?
- Are our people ready and do they have the capacity to respond to our new challenge?
- How do we restore the balance?

The consulting firm directed their analysis at the following categories:

- strategy: determine the company's direction;
- structure: determine the location of the decision-making power;
- processes: determine the flow of information;
- rewards: determine if it influenced the motivation of people to perform.
- people: define the employees' mindsets and skills.

A total of 12 workshops were conducted over a period of 2 weeks. All the departments were involved. A total of 142 employees attended the workshops.

The Consultant's report revealed the following problem areas (Alliance Consulting, August 1997):

- **Strategy**

  Only 50% of employees who attended the workshops, knew about the Company's vision. Lower levels expressed confusion as far as the meaning was concerned and employees and management were misaligned in regard to values.

- **Structure**

The structure was characterised by a high level of specialisation, which created difficulties in regard to coordination, communication and job rotation. A major anomaly in this trend towards specialisation was the practice of using casual labour in the final stage of the process. Most of the casual labour (52%) was employed in Final Products, but most of the customer complaints received during 1996 and 1997 also originated with final products.

Decision-making was of the command and control type. Decision-making was not always at the point of contact with the work that was being performed. Although it was claimed by the Management Board that the decision-making power was delegated to the management team, SSSA management expressed discomfort in exercising the authority and called for more clarity. As a result of these conflicting expectations very little authority was delegated to lower level supervisors.

The Hamburg management style was perceived as very much command and control and seen as in conflict with SSSA's expectation of self-direction. Although it was accepted that sales and marketing were receiving more decision-making power, good information and an effective forecasting process did not back up this power. A lack of alignment was reported between marketing, logistics and finances, which impacted on decisions regarding production. Functions lacked proper alignment, particularly at the lower levels, and was even noticeable within shifts and between shifts.

Effective lateral processes did not augment the functional hierarchy. The structure was described as *not the best fit*.

- **Processes**

Forecasting and planning were particularly ineffective. The annual sales forecast was generated by marketing and sales and was broken down per product and application. However the forecast had a limited impact on the actual production planning, which was entirely based on actual orders received. Spare production capacity was used to build strategic stocks. Forecasting was based more on historical data and *gut feel* than any forecasting method.

The current monthly planning system only addressed final products and did not roll back into the other production sections of the plant. As a result of this limited focus, no line balancing could be undertaken and the upstream sections were not aligned with the actual final product requirements.

Key control systems were absent; in other cases, employees did not comply with or did not use existing systems.

Processes were hampered by quick decisions, which were equally easily changed again. The impact of this could be seen in the fact that a 40% variation occurred on what was planned to produce. Maintenance people complained that they spent 40% of their time in meetings. Communication was confusing, which particularly influenced the lateral information flow and decision-making processes.

As a result of the above, the following symptoms occurred:

- o supervisors were not always aware of the capacities of their process areas or optimal throughput profile;
- o staff did not understand what they were supposed to control;
- o tracking of rework was seldomly done, even when systems were available to do so;
- o production performance data was unavailable.

The mindset was one of *produce what we can by running 24 hours a day, 365 days a year*.

- ▪ **Rewards**

Promotions were perceived by employees to be made on the basis of patronage, favouritism and race. Bonuses were seen as unfair because managers did not reveal the true profits achieved. Individuals received bonuses, not the team members on whom the individuals were dependent. The current reward system did not support good performance nor did it enhance the profile of Schümann-Sasol as an international company.

- ▪ **People**

SSSA was not a competency-based organisation. Because of this a level playing field for matching individuals to roles and developing their potential was absent.

Training was perceived as not needs-driven and the current training, particularly non-technical training, was critised severely. Despite the R600 000 spent on training annually, very little could be shown as proof of a good return on investment.

People management skills were identified as a concern at management and supervisor levels. Specific problems like the following were voiced:

- o managers and supervisors felt uncomfortable in managing people;
- o managers and supervisors did not have the skills to manage people;
- o developing, delegating to and empowering employees was ignored.

In terms of the four initial questions the Consulting firm concluded pointing out that:

- o the company did not invest sufficiently in their people, with direct consequences for operational effectiveness;
- o people in the organisation were not aware of the reality facing Schümann-Sasol, particularly not the reality of working for a merger;
- o people expressed their readiness to respond to the new challenges but their capacity to respond was questioned.

The final conclusion of the Alliance Consulting Group was that the people were not ready to change. Their recommendation was therefore to introduce **incremental** rather than **radical** change.

Some of the results of the Alliance Consulting Group were echoed by results from a survey conducted by International Survey Research (ISR, 1997) an international research company. Their survey was conducted during the fourth quarter of 1997 and involved the **Sasol Management Group** (down to level 6), units in **Sasol Chemical Industries** and **Schümann-Sasol SA**. Compared to other Sasol groups, the areas in which SSSA experienced difficulties, were strategy and objectives, productivity, management relations and leadership. In summary results revealed the following:

- People in SSSA did not understand how their objectives fitted into the overall Sasol goals. Neither did they understand their own companies' goals and objectives. Senior management lacked a well-formulated business strategy for the present and a clear vision for the future. Less emphasis was placed on quality, the development of internal support systems and technology and marketing.
- Productivity suffered as a result of two factors: poor forecasting of market needs and poor exploitation of new business opportunities.
- SSSA's management was perceived as not providing leadership, not stating objectives clearly, not managing change and not planning for the future.

The ISR survey results were not made available before the end of the fourth quarter of 1997. In August 1997 the management of SSSA were therefore only confronted with the analysis by their self-appointed external consultants (Alliance Consulting). The ISR survey results were never really discussed, mainly because the joint decision of the Board and SSSA's management soon afterwards to engage in a transformation process. The ISR results must however be viewed as important. As an impartial, credible international third party, SSSA's results could be compared with the results of other units within Sasol Chemical Industries.

Reaction to the consultant's report

The alliance report and particularly the one-sided way in which the organisational analysis had been initiated, did not meet the approval of the Management Board. The CEO of SSSA, decided to terminate his contract with Schümann-Sasol and was relocated in Sasol.

Five days after submitting their report on the organisational analysis, the firm of external consultants submitted a proposal for completing the Schümann-Sasol organisational transformation programme. They urged management to act immediately, following the "…*trauma of an analysis followed by the sudden resignation of the top man*". They also feared that these two factors could precipitate a management and organisational crisis.

The proposal which they submitted was labelled as one specifically designed for Schümann-Sasol. The transformation would be driven by Schümann-Sasol people and would be owned by them. Change would be incremental in an effort to build capacity of the workforce for a future *quantum leap change*. They admitted however, that the socio-political climate in which SSSA were operating as well as the expectations of shareholders, had to be taken into account.

Three phases were suggested for the transformation:

- Phase 1: Executive alignment and goal setting.
- Phase 2: The translation of corporate goals down to section manager level and the setting of goals, agreeing on KPA/KPI's, a behaviour alignment programme and *realism* programmes for levels 4 and 5.
- Phase 3: Identifying and prioritising the barriers that affected the achievement of goals that had been set and the compilation of *barrier removal teams*.

Their role as external consultants were defined as:

- facilitating the alignment and goal setting;
- training the barrier removal teams;
- designing the realism programme;
- coordinating and monitoring the improvements;
- coordinating improvements between functions.

The scope of work specified the following activities:

- a detailed assessment of current executive team non-alignment;
- the setting of corporate goals;
- the design of key performance areas and key performance indicators for executive management reporting;
- the clarification of roles and responsibilities;
- agreement on a code of behaviour aligned to vision, mission and values;
- the design of mentoring programmes to enable individuals to sustain the code of behaviour;
- the design of a realism programme;
- the completion of this realism programme by the executive management team.

This proposal is important because it reflects the first attempt by a professional body to assess the situation and submit a framework for change in SSSA. The proposal, although fairly comprehensive, particularly in regard to ownership of the process and the role of the consultants, has it's limitations. For example:

- The three phases proposed is an example of a step-by-step, structured approach, which appears to allow very little flexibility for the change process.
- The proposal reflects human resources thinking and not organisation development thinking, hence the reliance on typical human resource type techniques such as KPA's and KPI's, mentoring, role clarification, code of behaviour, etc.

- The proposal did not adequately address major problems as outlined in their organisational analysis. It did not explain, for example, how problems such as misalignment regarding values, leadership, the outdatedness of the structure, the differences between SSSA's style of management and the strong command and control style in Hamburg, the misalignment between marketing, logistics and finance, the inefficiencies with regard to forecasting and planning (to mention a few), would be addressed.
- It is stated quite clearly that the client (SSSA) would be involved in the process (e.g. "…*assignment must be driven and owned by SSSA's people*"), without being specific about the model guiding the collaborative approach.
- Finally, in their keenness to proceed with the project, they overlooked two very important factors: the Management Board's reaction to their analysis and the Management Team's readiness for change. Without the Boards' support and an expressed readiness to engage in change, ownership, support and energy for the transformation would be in doubt from the beginning.

HR's efforts to take initiative

A second initiative to address the problems described in the Alliance Consulting report, was initiated by staff from the HR function. On 2 September 1997 members of the HR Department met to discuss problems that had emerged from the Alliance Report. They identified a total of 32 key problems, categorised under the headings of strategy, structure, process, rewards and people. Through a discussion they reached the conclusion that a **manpower planning process** was the key to addressing the problems identified in the Alliance Report. In a memorandum, dated 8 September 1997, and directed to Dr Hans Barth of the Management Board in Hamburg, they suggested that a manpower plan could address many of the problems identified by the consultants. In their memo they referred to needs such as development of potential, performance management, competencies, remuneration, structure, multi-skilling and self-empowerment teams.

No plan was constructed and the decisions that were made during that session appeared to have had political overtones, possibly to strengthen Human Resources position in the company and to gain some control over the change process. Proposals such as the following, which were communicated to Dr Hans Barth of the Management Board, could substantiate this assumption:

- Alliance Consulting should not be used on a full time basis. Other consultants should also be used to have a wider base of expertise available.
- The CEO of the Hamburg operation, who was designated to take over the Sasolburg operation, should be appointed as the project driver. Tony Olivier, Head of Technical Services, should become Project Manager.
- People in the Human Resources function should be the project champions.

The September 1997 Management Board Meeting

The conflict between the SSSA Management Team and the Management Board became a full-blown confrontation during the Board Meeting of September 1997. The seven remaining members of the Management Team (the CEO had already been relocated), submitted an agenda which openly confronted serious issues in regard to the future of SSSA and the future relationship between SSSA and the Management Board.

The Management Team started off by admitting trauma because of the resignation of the CEO. They expressed deep concern over the impact of his resignation on the *business transformation process*. They acknowledged the importance of a positive attitude amongst members of the workforce to initiate such an organisational transformation. Although they did not express it directly, the agenda submitted to the members of the Board communicated a message that a transformation of the business was viewed as necessary and that they had accepted ownership in view of the potential benefits to the business.

The relationship with Schümann-Sasol AG was also addressed. Once again a major complaint was the lack of a common value system in the Schümann-Sasol Group. Roles and responsibilities were prominent on the agenda and the complaint was that they were neither clearly defined nor adhered to. The trust issue was put squarely on the table. Examples such as the unwillingness to approve the Alliance Consultants analysis, were cited. Members of the Board were accused of sharing information selectively with certain members of the Management Team, suggesting that others were not trusted.

The Management Team also referred to incidents where critical decisions, that could have a serious impact on the business, were not always thought through well, neither were the parties concerned always consulted.

Members drew the Board's attention to the clash of two very diverse cultures: the family business culture of Schümann and corporate culture of Sasol. They observed that these differences were particularly obvious in regard to decision-making. Hamburg wanted to centralise decision-making while the Sasol culture favoured decentralisation. They quoted a recent example where Schümann-Sasol AG had decided to adopt the *FIFO*-principle, without consulting the SSSA Management Team. They complained that decisions such as these created an atmosphere of distrust and uncertainty amongst members of the workforce.

Reference was made to the lack of direction, which surfaced during the survey. They attributed this problem to having a CEO with overall responsibility but no accountability.

The communication process was severely critisized. The concern was that important information only reached management through the grapevine.

Finally, they requested the Board's approval to continue with the transformation and to implement the proposals as drafted by Alliance Consulting.

This meeting is of particular importance to the process of transformation and how the process evolved over the next few months.

Entry by the consultant from Sep Serfontein Associates

A letter dated September 9, 1997, signed by Charmaine Beneke, an HR specialist, was faxed to the Researcher in his capacity as a consultant with Sep Serfontein Associates. The letter is interesting in more than one way: this is the first evidence where the word Organisation Development in regard to the project is used. The letter was an invitation to the Consultant to become involved in the project. It also contained background on the organisational analysis and highlighted some of the areas that had been singled out for change. Reference is made to a proposal by the Management Board and SSSA Management to appoint an external consultant who could "…*launch the project and manage it phase-wise*". Mention is made that an internal project leader and project team would be appointed.

In response to the letter of invitation the Consultant requested a meeting with Ms Beneke on September 10. The meeting was exploratory, but provided some structure for the project. The need for planning and alignment phases before the actual transformation would start was agreed upon. The planning phase was viewed as important, because it would allow the Consultant to study relevant information, interview members of the Management Team and to do conceptual planning for the transformation that would follow. The phase would also be used to determine which HR staff would become part of the project. Alignment in particular, was viewed as a prerequisite to the transformation and would involve strategy formulation and clarification of Schümann-Sasol AG's role in the management of SSSA. **It was agreed that strategy would form the foundation for the envisaged transformation.**

During the meeting it was jointly decided not to select the Project Team yet but to allow the alignment phase to be completed first. The choice of strategic direction would be a deciding factor in selecting project team members. The selection of the Project Team would therefore become a final activity in the alignment phase, after which the respective roles of the Management Team and the Project Team would be clarified. A tentative decision was made to train members of the Project Team at the start of in the transformation process. This first meeting was followed by an informal meeting with Dr Hans Barth of the Board. Dr Barth thereafter gave his consent to engage the services of the consulting firm.

Contracting by the Consultant

In a memorandum to Ms Beneke on September 15 the consultant suggested the submission of a final project plan by the end of October 1997. In the memo the consultant also attempted to clarify his role. It is worth noting that the way in which he describes his role is quite different from the role suggested in the initial letter of invitation of September 9. He states emphatically that the Project Team and Project Leader would take responsibility for managing the project. The consultant describes his own role as "…***providing guidance and structure, to equip members of the Project Team with the relevant competencies and to plan the project in conjunction with the project leader***". He would also provide initial direction, but expected his role to change as the project evolves. As a **first phase** of the transformation, he suggests **alignment** of the management team and communication with the rest of the organisation to address uncertainties and concerns. He indicates that the period until the end of

October would be fully utilised for planning and expresses the need to conduct interviews with each member of the Management Team during that period.

The acting CEO, a seasoned Sasol manager soon became involved in some of the contracting meetings. In a memo from the consultant to Ms Beneke and the Project Manager on September 23, reference is made to a meeting that took place on September 18. This time three proposed phases are discussed and labelled planning, alignment and transformation. The planning phase would now also involve the development of a draft plan for the project and a draft budget. The alignment phase would allow for the involvement of both SSSA's new manager (A German from the Hamburg operation), and Dr Hans Barth from the Management Board. Alignment would include the development of a company strategy. It was agreed that the analysis conducted by the Alliance Consulting Group would be incorporated into the strategic planning process.

At several meetings with the key stakeholders, various issues related to the envisaged project were discussed. Concern was, for example expressed about the friction between SSSA's Management Team, and Schümann-Sasol AG, particularly in regard to marketing. AG's role in the management of SSSA was still unclear. It was accepted that both these issues would have to be addressed as part of alignment.

Another issue which surfaced repeatedly, was that of roles. Key stakeholders recognised the different, but interdependent roles of the Management Team, the Project Team and the Consultant in the transformation process. But they also realised that the process of role clarification could not be finalised until the new CEO from Germany was appointed. Role clarification therefore had to wait until after the alignment phase. The **consultant, however, took great care during the contracting phase that the stakeholders were clear about his role in the project.**

The contracting period also involved discussions regarding the purpose of the alignment sessions. Through debate, a dual purpose was articulated: to enhance operational effectiveness and to strategically reposition the company in the market. The parties also agreed that the outcome of the alignment phase would be a comprehensive new strategy for SSSA (Pty) Ltd, consisting of a vision, mission, core values, strategic priorities and objectives.

During October the first of a series of contracts was awarded to Sep Serfontein Associates as the consulting firm to guide SSSA through three phases now referred to as a preliminary phase, an alignment phase and the transformation phase. It was (wrongly) anticipated that the transformation phase would run over a period of three months, starting on February 15, 1998. Anticipated project costs were discussed and an agreement was reached on the invoicing for the first two phases of the Consultant's involvement.

The Consultant requested a formal letter of appointment. Soon afterwards the letter of appointment was received (dated 2 October 1997). It stated that the external consultant would offer his services in "…*facilitating and* organising *of a development process for Schümann-Sasol (SA) (Pty) Ltd*". It was foreseen that this process would be developed and established in "…*a phased manner*". In the letter of appointment the three phases as discussed, were confirmed.

The contracting process between the external consultant and stakeholders from SSSA described above, occurred over almost a full month (September 1997).

The process was exploratory, interactive and cautious and resulted in a **first** contract that was accepted by the acting CEO, the Project Leader and the Consultant. The process can therefore be labelled successful. Apart from the fact that an agreement was reached, other factors also justify this conclusion:

- Contracting was linked to an initial period and the principle was accepted by the parties that re-contracting would have to be done regularly. The initial contract clarified the activities and deliverables of the preliminary and alignment phases. The transformation phase was still an unknown.
- The Consultant succeeded in establishing rapport with the project leader, HR representatives and the acting CEO. The opportunity to meet with Dr Hans Barth and to discuss the envisaged project led to a favourable impression of the consultant by the *ultimate client* and subsequent support for the Consultant's appointment.
- Frequent interaction between the parties stimulated collective thinking and contributed to a maturity of thought on the process to be followed towards the end of the contracting period. Evidence of this can be seen in the thinking in regard to the original *planning* phase. A shift in mindset occurred as the client eventually realised that planning for the transformation, before alignment would be a futile exercise. What started as a phase in which the transformation would be planned, became a preliminary or orientation phase in which the Consultant could familiarise himself with the company and it's products, verify results of the Alliance Report, build rapport with members of the Board and Management Team and generate additional information that might be relevant to the alignment phase. During the contracting process the realisation grew that planning for the transformation could only be done after the development of a strategy. Hence the later decision to schedule for such a planning period after the alignment sessions. The only activity that was agreed upon for the period after alignment was the training of Project Team members.
- Awareness of the importance of timely communication with the workforce also grew during contracting. Communication needs became more clearly articulated – not in terms of methods or techniques, but in terms of audiences (e.g. the worker forum, supervisors, the workforce), actual needs (e.g. direction, security, certainty) and timing (e.g. the realisation that the first communication to the work force should take place before the December holidays).
- The realisation grew that the alignment phase would offer the company the opportunity to build a new management team by involving the CEO designate from Hamburg in the strategic planning processes.
- The organisational analysis prepared by the Alliance Consulting Group received recognition. A number of the problems that had been identified by them, were incorporated into the interviews which the consultant conducted during the preliminary phase. The conclusions of the report were also treated as a formal input to the strategic planning process. **By integrating this analysis into the early phases of the transformation, another organisational diagnosis was avoided.**
- Ownership of the project grew amongst stakeholders, particularly the appointed Project Manager and members of the HR Department. They

became excited about the opportunity to be part of the project and wanted to add value.

- Stakeholders had a better understanding of the importance of the different roles in the transformation: management, the Project Team, the project leader and the external consultant. They also appreciated the need for these roles to be clarified before the transformation phase started.

The initial contracting phase was also characterised by a discord: the lack of a project champion. The acting CEO gave his support for the transformation, but could not accept the role because of his appointment as CEO of the Hamburg operation, due for January 1998. His successor was still in Germany. Other members of the team could not fill this void. Neither could the project leader. This failing was never really successfully addressed until a new MD was appointed in July 1999 who decided to accept ownership for the transformation.

3 Alignment

The Schumann-Sasol International's draft strategy

The orientation started early in October, 1997, primarily focusing on the main activity of this phase: understanding the situation and interviewing members of the Management Team and the Board (those who were available).

Somewhat surprisingly, however, a faxed draft strategy from Schümann-Sasol International (AG) arrived on October 20, requesting the acting MD and his team to respond by October 30. Why this document arrived at that particular point in time is open to speculation, although it appears as if four factors could have influenced the decision to formulate this draft strategy for Schümann-Sasol AG:

- a need for strategic direction by the Hamburg 2000 plus project, a transformation that had been under way since 1996 at Schümann-Sasol KG (the Hamburg operation),
- the Alliance Report which highlighted the lack of strategic direction as one of SSSA's main inhibitors;
- the desire by the Management Board to maintain the initiative, particularly in the light of SSSA's clearly articulated intention to develop their own strategy during the alignment phase; and
- changes in Schümann-Sasol's business environment and changes in respect to it's competitive position.

The draft strategy contained a vision, which portrayed Schümann-Sasol International as a *"…world leading manufacturer of paraffin and Fischer-Tropsch waxes and related products/application. We will strengthen our leading position by taking advantage of the economy of scale and becoming the cost leader in the wax industry".*

A very steep business objective was set: return on equity before taxes of 20% per annum and the listing of Schümann-Sasol's shares at an European stock exchange. The plan also envisaged *presence* in all relevant markets with manufacturing centres of 150 000 MT/a of finished product each in EU, US, Latin America, South Africa and the Far East.

The strategy also revealed what kind of organisation to expect. It stated *"…we will maintain our reputation as a competitive, innovative and reliable supplier of waxes and* related *products/applications, with strong customer orientation. We will act with due regard towards our employees, the community and the environment".* Although a very generalised statement, it did suggest a few strong values, such as **innovation**, to be a **reliable supplier**, **customer orientation**, **regard for employees** and **regard for the community** and the **environment**.

Compared to existing business the strategy was very challenging, and included an objective of a 20% market share (at that stage the combined market share of Hamburg and SSSA was between 10 & 15%), finding new feedstock sources, upgrading downstream processes to increase added value, and finding application for the 100 000 metric tonne of by-product that had not been marketed up to that point. Part of the strategy was to conclude a strategic alliance with other major wax producers. It also allowed for a number of new activities and applications (e.g. energy storage technology, wax as an additive to bitumen and new products to complement the wax applications).

This strategy was very ambitious, and even aggressive up to a certain point. But it lacked plans and specific strategies, including business plans to realise the strategy. This may explain Schümann-Sasol AG's decision to call the strategy a draft and to invite comments.

Another supposition to explain the unexpected draft strategy revolves around a budget meeting which took place in Hamburg on September 22. The document drawn up during that meeting admits that the company was being confronted with a difficult situation. This necessitated closer contact with customers in the European region and aggressive expansion to make their international presence felt in order to counter the competitive advantage of major refiners (the fact that they were using their own feedstock).

Schümann-Sasol was forced to reposition itself and increase it's efforts to place tailor-made products at the disposal of customers, to offer services that would make them a competent problem-solver for every customer and to increase the quality and reliability of their products.

The meeting also outlined a new marketing, sales and logistic structure. For the first time words like *"reorganisation of the process structure*", *"changes in responsibility in the existing organisation"* and "cultural/behavioural change of employees at all levels" were used and incorporated in the document which circulated after the budget meeting.

It was becoming quite transparent that Schümann-Sasol was experiencing changes in regard to feedstocks, competitors and customer requirements; it's business environment was changing. Leaders were realising that change had become necessary – not only in processes, structures and products, but also in the responsibilities and behaviour of individuals. Two events might have served as catalysts for change in the way of thinking: the Hamburg plus project and the crisis in SSSA.

Interviews with key stakeholders

In Sasolburg the transformation project started with interviews by the Consultant. A total of nine interviews were scheduled. The Consultant approached these interviews with several objectives in mind. He wanted to understand the situation from different perspectives by verifying existing impressions and generating additional information. He was also keen to understand and compare the thinking of the Management Board and members of the Management Team. Another objective was to assess these key stakeholders' readiness for the alignment phase and for the changes typically involved in a transformation. The Consultant saw the interviews as a unique opportunity to establish rapport with each of the stakeholders, which would aid his facilitation role during future alignment sessions.

The interviews revealed a number of distinct differences between the approach and expectations of the two available Board members and members of the SSSA Management Team. Common ground existed but differences were paramount. The chairman of the Management Board, for example, firmly believed that more control from the German part of the merger was completely justified, because Hamburg at that stage produced two thirds of the output; also was the company registered in Germany and therefore subject to German law. He was of the opinion that SSSA could learn from Hamburg, particularly in regard to the changes that were being introduced as part of the Hamburg plus intervention.

Most SSSA team members held a different view. Some could not understand why Hamburg wanted more influence over SSSA, because in their view, SSSA could solve their own problems. Others disliked Hamburg's interference in decision-making and insisted that decisions about the Sasolburg operation be made by SSSA. The view amongst management team members was unanimous that the Sasol operation should be more autonomous.

The Chairman also firmly believed that marketing was a global issue and with this in mind coordination of the marketing efforts should be at Management Board level (through himself). That explained why the Marketing Manager was expected to report to him directly. Through interviews with himself and the Marketing Manager it appeared that the Chairman's style of management in regard to marketing was characterised by incomplete delegation and the absence of a marketing policy. The Chairman insisted on being informed on every detail and then took the liberty to intervene at any time. Even clients in the different regions were allowed to approach him directly. This created frustration amongst SSSA's marketing people. The Marketing Manager of SSSA maintained that although he had the responsibility of marketing hard waxes, he was incapable of making decisions in regard to volume, price or new products. Another consequence of this style and approach to marketing was a lack of marketing information about hard waxes at SSSA level. Increasing the profits from hard waxes was essential for the Sasolburg business, but marketing staff felt as if they were kept in the dark.

The Chairman saw the incident with the previous CEO as a case of too much autonomy, which resulted in obstructions occurring between SSSA and Schümann-Sasol AG. The Chairman admitted that he should have intervened more forcefully and regretted being influenced by other board members.

Members of the management team supported the idea of more autonomy, and were unanimous that the previous CEO's style of management was different to that of the Germans. The CEO was obviously trusted by his fellow team members, and perceived as a leader with a *people sensitivity*. It was therefore clearly a case of misaligned expectations.

Dr Hans Barth, the other board member, expressed concern about the distrust between the Management Board and the Management Team. According to him this existed between individuals as well as between the two groups. It was obvious that the distrust, which had been created when the team threatened to resign, was still present. The consultant realised that this factor had to be dealt with very delicately during the alignment phase.

The Chairman in particular was very outspoken about his preferred management style. He admitted to a preference of being in control and favoured predictability rather than uncertainty. He expressed the conviction that this approach worked for companies, people, and even suppliers and clients. The Management Team on the other hand perceived the Chairman as autocratic and they expressed dislike in interferences that resembled a military style. Hence their admiration for the previous CEO who preferred to work within a climate of trust rather than control. The Consultant realised that these differences needed to be addressed and trust re-established before the company could engage in a transformation.

A request to the interviewees to articulate their wishes for the company, also met with mixed reactions. The Chairman wanted cost to be driven down and saw it as strategically important. He stated emphatically that people-numbers needed to be reduced. According to him retrenchments were unnecessary because Sasol Chemical Industries could absorb the excess staff of SSSA. Dr Barth wanted to see a change in *the way of thinking* in SSSA as well as a *change in values.* Values such as quality and attention to customer needs had to become more important in the future.

Members of the management team articulated a different set of wishes for the future. Some wanted the technical processes to improve; others felt strongly that people should not experience the transformation as traumatic. A number of them wanted the hard wax problem to be addressed directly. The market price for hard wax was R5000 per ton, yet huge losses were being incurred because of 20 000 tons of hard wax p.a. being sold to Natref at a loss. The acting CEO believed that if the 20 000 tonnes could be marketed better and sold, at least R50m could be added to the bottom line.

What applied to hard wax also applied to waksol, one of the by-products, which was sold to Sasol Oil at break-even prices. The hard wax problem was compounded by the fact that SSSA's hard wax sold in Europe, was selling at below market prices. The only two parties who benefited were Schümann-Sasol KG (the Hamburg operation) and the European agent.

The lack of strategic direction which was identified in the Alliance Report and which was reiterated during the board meeting of September 1997, was not seen as a concern by any one of the Board Members. Members of the management team however, shared the consultants' view. In fact, strategy was critised as too vague and generalised. Neither did they trust the credibility of the Schümann-Sasol AG strategy document. They pointed out that the Hamburg plus project had been analysing processes and designing new structures for a full year, without any strategy being formulated. The Project Leader saw this as a serious error in the Board's thinking as strategy needs to be developed first before any attempt could be made to change the structure of a company.

The strategic focus of the past was critised by a number of management team members. Strategy was seen by them as supporting the current market, not creating new markets. What was quite obviously required in strategy was more innovation, allowance for downstream beneficiation and finding new applications. Innovation was required for more diversification, value adding and making special products available to the market. The acting CEO cited that the company could increase it's profits to R40m p.a. within three years if a clear strategy was developed.

The interviews also confirmed what the Consultant had observed earlier: roles, particularly those of the board members, were still confusing. Dr Barth for example, still expected the Financial Manager of SSSA to report to him on financial and administrative issues; the chairman on the other hand expected the Marketing Manager to report to him. The Consultant concluded that the differences, misunderstandings and confusion in regard to the roles of the board and board members were serious and required attention during alignment.

Leadership was also an issue. The handing over of leadership of SSSA to a German CEO, was viewed with apprehension. Some members stated categorically that his appointment was a direct effort by the Management Board to exercise more control over the Sasolburg operation. Others expressed the concern that he would accept the Chairman's leadership unquestionably. Members of the Management Team were unanimous in demanding a guarantee that the CEO designated, be integrated into the SSSA Management Team during the alignment phase so that he could develop a loyalty towards the team rather than to Hamburg.

The real reasons for not appointing the Alliance Group of consultants for the transformation, also surfaced during the interviews. It appeared that Board members were afraid that the Alliance people could take over and start prescribing. Their frame of reference was the Hamburg Plus Project where only one consultant had been used and was supported by a steering committee and workgroups.

The responses of the management team members varied from accusing the Alliance Consulting Group of blowing up the results out of context to anger about accusations that had been made in the report. One team member saw the Alliance Group's claim of a R30m cost saving, if the process would be allowed to continue, as expedient rather than realistic.

These reactions influenced the Consultant to treat the Alliance Report with caution. He concluded that their report could still serve as an input, but it's value would be much less than what had been anticipated earlier.

Cultural differences invariably also played a role in many of the issues that had been identified during the interviews. Doubt was expressed by one of the members of the Management Board whether South African organisations and South African managers could really successfully engage in change when the country and the people of the country were in a constant state of flux. The question was asked how the company could change if the people who worked there could not absorb more change.

First alignment session

The first alignment session where both the Management Team and the Board were present took place over the period of October 27 - 29, 1997. Dr Hans Barth represented the Management Board. All the members of the Management Team were present. The Consultant facilitated the session.

The session started at noon with tension and anxiety quite tangible. Conscious of the intense feelings, the Consultant invited participants to share their thoughts, feelings and expectations for the session.

Several members of the management team expressed their feelings openly. The board member patiently listened to concerns, frustrations and angry comments. By the end of the afternoon a number of factors had been identified by the group as detaining alignment between the Management Team and the Board. These factors were:

- a climate of pessimism, criticism and cynicism;
- high levels of conflict between Sasolburg and Hamburg;
- fear of retribution;
- feelings of uncertainty, apprehension, fear of exposure, frustration and lack of trust;
- an unwillingness to accept change;
- an unwillingness to accept feedback.

When the session ended during the early evening, much had been achieved. Management team members had had the opportunity to express their negative feelings and distrust of the Management Board and Hamburg. Participants showed a willingness to listen and clarify meaning in order to understand. Common ground was respected and elements of trust, such as openness and honesty were established as a way of communicating with one another in the future. Members of management who had taken the risk of expressing their concerns, doubts and frustrations felt rewarded. Energy was high; the cynicism felt earlier, had changed to optimism regarding the outcome of the session.

To attain the goal of alignment, the Consultant structured the rest of the session around the following:

- the development of a scenario for 2003 (five years into the future);
- the drafting of a vision for SSSA (PTY) Ltd;
- the drafting of a mission statement;
- reaching agreement on core values; and
- deciding on strategic priorities.

After extensively dealing with the emotional factor during the first afternoon, cognitive domains such as scenario development were addressed. The scenario was particularly helpful in creating common ground amongst all parties and assisted in developing a shared set of assumptions about the future: politics, the economy, the social environment, technology, customers and competitors.

The debate on the scenario succeeded in sensitising the participants about the future and their thoughts were well primed when the Consultant asked them how they visualised SSSA in the future which they had created. Participants were challenged to create a vision that appealed to both heart and mind. The final vision had all the elements that were required to energise the company and provide direction. This is how the vision was drafted:

Our Vision

Schümann-Sasol is the renowned world leader, dominating the wax and relating 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 it full speed, it is setting the pace in creating new standards of excellence for concurring the worlds markets.

The vision was longer than a single sentence or paragraph; it was a detailed picture of a desired future, packed with symbols and metaphors, but concrete enough for everyone to identify with. The general conclusion was that this was the appropriate vision for the company at that stage.

The formulation of the mission elicited a discussion of the company's reason for existence. It provided an opportunity for everybody to share their views and to debate why the company really existed. This is how the mission statement was drafted:

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 world wide.

In an effort to decide on a number of core values, the participants revisited their vision and selected the following:

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

The first alignment session was rated as a great success by everybody involved. Not only did they develop a common paradigm as far as their business environment was concerned, they also succeeded in creating three key elements of a strategy: a vision, a mission and core values. Direction was becoming more intelligible.

The first alignment session was successful in many other ways. Participants articulated their learnings as follows:

- liaison with Hamburg is important since the two entities are interdependent of each other;
- the company had much potential to offer and utilising this potential was a challenge to all;
- change would be painful and would challenge each one;
- individual members really wanted to be part of a team;
- diverse outlooks could lead to creative solutions;
- taking the initiative would be acceptable to by the Board.

Second alignment session: November 5-7, 1997

The second alignment session began with a significantly higher level of energy and vocalised positive expectations. The Management Board was once again represented by Dr Hans Barth, but on this occasion the designated CEO also attended.

As overall strategic goal a nett EBIT of 15% as a percentage of sales by the year 2003, was set. A total of eight strategic priorities were formulated:

- 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 levels and reduce cost levels to meet international benchmarks (measured in USD), 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-Tropsch waxes as well as the leader in new product applications;
- to build an acknowledged competence base in order to enable the company to develop strategically.

To attain these priorities several strategies, expressed in patterns of specific strategic objectives, were devised.

Towards the end of the second alignment session a contracting session was arranged where several psychological contracts were concluded. The following questions served as a basis for the negotiation:

- What do we as members of the Management Team, expect from each other?
- What do we expect from our new leader (the newly appointed CEO)?
- What do we expect from the Consultant and the Project Team to be appointed?
- What does the Consultant expect from members of the Management Team?

The first two alignment sessions were successful in more than one way. Much of the conflict that had existed between SSSA and the Management Board had been addressed and different expectations were better understood. The void that had existed in regard to direction and focus was successfully addressed through a new vision, mission, core values and strategic priorities and objectives. Finally, some key stakeholders in the forthcoming transformation had entered into an agreement with one another. A number of decisions to guide the transformation, were also made:

- the strategic plan would be evaluated on a three-monthly basis and adjusted on an annual basis;
- the strategy would be vision-driven and the Management Team would champion the transformation;
- a Project Team would be appointed to facilitate and manage the transformation;
- the transformation would be guided by the newly formulated strategy and would therefore be **strategy-**driven.

First attempts to conceptualise the transformation

One of the consequences of the alignment sessions was a readiness amongst managers to view the transformation as a process. It was subsequently decided to start the transformation by creating a climate conducive to change, primarily through targeted communication, in which the message that change is necessary would be promoted. The purpose of this early communication was to help staff understand the new direction and to eliminate prejudice and negative feelings that might exist amongst them. A first communication programme was scheduled for the latter part of November 1997.

A significant outcome of the alignment process and strategy in particular, was the integration achieved between business and transformation. Business changes involved feedstock sources, technology, markets, products, productivity, cost reduction and investments. Simultaneously change would occur in the organisation's primary activity domains such as strategy, culture (values), structure and process.

The strategy would therefore evolve over the next five years in a way which would serve both business and transformation objectives. The focus of the first six months of 1998 would be on technology, finances and the organisational structure, including processes and workflow. Culture and values would be addressed during the second half of 1998. In 1999 new structures would be approved and a new IT system to support the structure would be implemented. The year 1999 would also see the entrenchment of the core values to modify the behaviour of people who have to work within the new structure. Structural changes would be followed by the development of the required competencies and the introduction of a reward system. Simultaneously the technology would be addressed to improve the economics of the technical processes. The period 2000 to 2002 was envisaged as a phase that would be dominated by the implementation of the new structure, further refinement of technology, reduction in costs, the commissioning of a new paraffin plant and the improvement of product quality.

Apart from the fact that the transformation formed an integral part of strategy and was accepted by management in that context, the transformation did not involve a pre-planned step-by-step approach to change. The transformation was rather viewed as a process of change that involved broad outcomes, such as a refocus of the company's strategy, redesigning of structures and modification of behaviour through a change in culture.

Given these outcomes (as suggested by the strategic plan), the process of change would be managed until the desired changes were in place. By involving the total system and all it's components, the company went beyond improving the organisation only incrementally – it qualified as an organisation transformation as defined by Cummings & Worley (2001).

First planned communication

Shortly after the second alignment workshop a communication session was arranged for middle managers. They were the leaders who had not been involved in the strategy formulation process. The session was perceived to be necessary to prevent rumours and misunderstanding and to involve the very important middle management level and make them allies. In this session, which was conducted on November 18, members questioned the involvement of Hamburg and the wisdom of appointing a German (the designated CEO) to lead the transformation process in SSSA. They expressed their doubt whether a person with a *Hamburg orientation* would feel comfortable with the devolution of decision-making power to lower levels.

In the session staff also expressed concern about poor communication. They wanted to know whether SSSA would be part of the Sasol organisation or the Schümann organisation. Clear leadership was requested and doubt was expressed about the transformation, since similar experiences in the past had led to no visible changes.

Preparing the Project Team

By the middle of November 1997 a Project Team of nine members had been appointed. A start-up workshop was arranged for November 27. The purpose of this workshop was to build a Project Team. It was agreed that a Project Team needed to be of the right composition, be able to function at high levels of trust and have shared objectives. In the process of establishing the team, each member was measured against four key characteristics, essential for an effective project team: position power, expertise, credibility and leadership. Other selection criteria included:

- support for new thinking;
- thorough knowledge of the organisation: it's systems, culture and employees;
- ability to communicate with and represent fellow employees;
- enthusiasm in finding better ways to do things;
- tolerance of uncertainty and ambiguity.

The purpose of the team was articulated as: "…*to design, guide and sustain the transformation process in support of Schümann-Sasol strategy, through planned interventions, thereby creating and sustaining a better future".* The key tasks of the Project Team included the following:

- to support individual managers in their attainment of objectives,
- to design, plan, redesign and implement the transformation process,
- to provide information on the organisational climate and readiness for change on a regular basis,
- to actively work towards the creation of a climate conducive to change,
- to monitor progress in regard to the transformation,
- to anticipate and deal with problems related to the transformation process,
- to perform specific interventions as required.

The Project Team met again on December 2, 1997, to learn about the role of communication in a transformation process and to start with the preparation of a communication plan. With the assistance of the Consultant, project team members were guided to understand the role of paradigms in change. Paradigm shifts are required, but paradigm shifts have multiple behavioural implications. At the individual level, paradigm shifts require openness to new ideas and the ability to relate to and respect others. Paradigm shifts require probing and questioning for deeper understanding. Project team members were let to understand that a new way of thinking was needed to create and support new paradigms. It was explained that a paradigm shift did not only present a modification of a prevailing framework, but also the acceptance of a contradictory framework.

Project team members were informed that the transformational change in SSSA would involve the *creation of a new organisational reality*. The cue to the new reality was to be found in the company's new vision, which commits the company to fundamentally changing the whole, not just of some of it's parts. Making the vision a reality not only required changing practices, policies, structures and behaviours, but also the underlying mental models, meanings, and the consciousness of all the people involved.

It was agreed that the main challenge to the Project Team was the ability to influence staff to accept the new reality and to motivate them to take on the work required to turn the vision into a new way of organisational functioning. Members were subsequently informed about strategies for organisational change as well as influencing strategies to use at both individual and group level.

The workshop ended with a target audience analysis for the purpose of developing a communication plan. The following audiences were selected and analysed:

- Schümann-Sasol International AG;
- Schümann-Sasol KG (the Hamburg operation);

- Production and Maintenance first line Supervisors;
- the Boksburg plant;
- staff in support functions (technical, logistics, financial, marketing and R&D);
- the Workers Forum;
- Sasol Chemical Industries and Sasol Technology;
- contractors and shift workers.

The aim of communication during change was defined as, *"…to create a climate by raising an awareness of the need for change, create an understanding for it and to diffuse negative feelings*".

Two training programmes were scheduled for the Project Team: Consultation Skills (scheduled for February 9 - 13, 1998) and the Positive Power and Influence Programme (scheduled for the period January 12-15, 1998).

The year ended with a meeting between the Consultant and the CEO. In the discussion, the transformation process was addressed as well as the progress that had been made. The CEO expressed his concern about some members of the management team's inability to handle the Germans. He was particularly annoyed by the tendency of people to become angry or to avoid interactions. It was clearly interpersonal relations that involved cultural diversity, which required a new approach and a new set of skills.

4 Creating a readiness for change

Planning for 1998

The decision to introduce a strategy-driven transformation came into effect early in 1998. By then change was understood as organisation-wide, strategy-driven, and managed as a process that would eventually involve everybody.

Those strategic priorities, which dealt with change in structure, culture, systems, competencies as well as the communication of change, were the responsibility of the project leader, Tony Olivier.

A meeting between the Project Leader and the Consultant took place on January 19, 1998, to address priorities and the **specific objectives** which Olivier were to be held accountable for. These were:

- "*An* ***information system*** *aimed at keeping staff informed has been introduced and is capable of reaching all staff members within two hours*" (Strategic Objective 3.14).
- "*A* programme *to operationalise the company's* ***core values****, based on an initial survey result, has been launched*" (Strategic Objective 8.7).
- "*An* analysis *has been completed where the current sub-processes in* ***the value chain*** *were defined, including the tasks that will be performed, information required and competency levels*" (Strategic Objective 4.3).
- "*Based on the analysis of sub-processes of the value chain,* ***restructuring of*** **production*****, logistics, R&D, marketing*** *and other functions has been formally started in order to add more value and to create the best practices, following a bottom up approach*" (Strategic Objective 4.4).

- "*The* process of **linking departmental and unit objectives** has been completed and approved *by the Management Team*" (Strategic Objective 3.13).

The discussion that followed indicated that new ways of thinking about change had taken root. Conclusions like the following enunciated during the meeting, support this observation:

- Communication could not occur through a single medium or in only one direction. Multiple media had to be used and provision needed to be made for two-way communication to fully understand the perceptions, opinions, belief's and feelings before or after a communication effort.
- An embedded culture could only be assessed on behavioural level. To achieve this, the core values had to be understood; they had to be modelled by the leaders, and structures, systems and procedures needed to be changed so that staff could live the values in an unrestricted way.
- SSSA had three distinct products: paraffins, medium waxes and hard waxes, implying three value chains and the possibility of three business units.
- It is difficult to conceptualise a value chain (or process-driven structure) while the functional paradigm still dominated a person's thinking.

Planning for 1998 was divided into two periods, January to March and May to December. April was scheduled for a visit to the Schümann-Sasol Plant in Hamburg, Germany. The Consultant's contract was extended to December 1998.

The first three months can be seen as a preparation period for the transformation. The Project Team was announced and groups identified as communication targets were informed about the role and composition of the Project Team. The period also allowed for the further orientation and training of the Project Team members. A detailed communication plan for each identified target group was developed and the official launch of the project was scheduled for late February 1998.

Leadership

A team-building session for the Management Team took place on January, 16 - 17, 1998 and was facilitated by the Consultant. The session addressed their leadership role in the company and how they would work together as a team in future. The session was particularly important in view of the recent appointment of the German MD (the board had decided to appoint him as MD, not CEO). A Responsibility Guide was introduced and the role of the MD as well as the roles of the other team members were discussed and defined.

By the middle of February, the Consultant conducted a follow-up discussion with the new MD and made a number of observations. In a memorandum to the Project Leader, he refers to the question asked by the new MD, whether SSSA was moving in the right direction. The Consultant expressed his concern that the transformation process may not have been properly understood, and that the MD might not have accepted his role in the process. He concluded that the MD may not be able to play such a strong championing role as initially anticipated by the Project Team.

The new MD also expressed himself rather strongly against the prominence that was given to *soft issues*. He was quite outspoken about his expectation to get to the restructuring part of the transformation and to submit a redesigned structure by the end of the year. Despite these expectations, he admitted that he had very little experience in analysing processes and designing structures.

The MD's comments can be understood, given his background in the Schümann organisation, but for the Project Team this came as quite a blow. In an effort to address the MD's concerns, the Project Team met with the Management Team on February 25. The session was productive. Negative feelings and concerns were expressed and members of both teams had the opportunity to interact honestly and openly. The session ended with the clarification of their respective roles in the transformation.

The launch

As early as January 1998, the Project Team became active in communicating different aspects of the transformation. The launch of the project, which was scheduled for February 24 - 25, became the pivotal point for all communication efforts.

A first communication plan, targeting critical stakeholders was rolled out over the period January 27 - 30. Members of the Project Team handled the programme. Specific stakeholder groups (eleven in total) were targeted. Four communication objectives were set:

- know the Project Team and it's purpose;
- understand the factors that contributed to the appointment of a Project Team;
- become excited about the launch; and
- express concerns and questions.

The launch of the transformation was handled as a major communication event. The MD was contracted well in advance to perform in his company-leadership role. His address formed the core of the 40-minute programme, which was presented on three occasions over two days, to involve as many staff members as possible. Themes of his address included world competitiveness, the challenge to the Schümann-Sasol strategy, the transformation and the Project Team.

The aim of the launch was to create excitement and a positive expectation for Schümann-Sasol's future. Several specific objectives were set for the occasion:

- to become aware of the content and symbols of the vision;
- to experience a sense of belonging to the company;
- to become aware of Schümann-Sasol's future;
- to develop a perception that management is involved in the change;
- to become aware of the new mission and core values; and
- to know the next steps of the project.

More than 90% of staff attended the three sessions over the two days. The launch was staged at the Ettienne Rousseau theatre in Sasolburg. It involved members of the Management Board, the Management Team and the Project Team. SSSA's products were displayed and markets worldwide graphically portrayed. The name **Leopard Project** was introduced as the official branding of the transformation process. One of the outstanding features of the launch was the vision video that vividly portrayed the images and metaphors of the company's new vision.

After each session Schümann-Sasol employees received T-shirts displaying the Leopard branding and images from the vision. Members of the Board and the Management Team mingled freely with staff members before and after each programme. In many ways it was a great success. A checklist that was distributed after each launch provided immediate feedback. The feedback revealed that the things that really excited staff were: the poster of the vision, the video of the vision, the presence of board members and management and the way in which the launch was executed by the Project Team. Participants were unanimous that the high standards set with the launch, created high expectations for the project. However, it was a surprise to learn that everybody in the company did not know who the members of the Management Team were, what the company's products were and which members had been appointed to the Project Team.

A Board Meeting took place during the same period as the launch. Board members were impressed by the professionalism and energy displayed by the Project Team at the launch. These positive expectations for the project were reflected in their approval of the Leopard Project's R900 000 budget.

After the launch a series of 4-hour follow-up communication sessions were designed and scheduled. A number of target groups were involved and due to the feedback gathered during the launch, some amendments were made to the original thinking. Target groups were selected on account of their **informal influence** in the company. During the workshops groups were kept homogeneous to encourage members to express their thoughts and feelings more openly. The objectives covered a variety of areas and topics, including:

- understanding each other's expectations and feelings in regard to the Leopard Project;
- understanding the vision, mission and core values;
- understanding the gap between current levels of performance and the overall strategic objective of 2003;
- understanding the set of eight strategic priorities;
- what changes were to be expected before the end of 1998; and
- the different but complementary roles of the Project Team and Management.

These sessions started after the launch and ended by the middle of March 1998.

The follow-up sessions, which were handled by members of the Project Team, proved to be extremely useful for preparing people for the transformation. A number of important learnings occurred. One was the fear for retrenchment. Another was the alienation felt by black staff. There were also lessons to be learnt in regard to the language of communication. It was obvious that members of the Management Team and the Project Team needed more contact with staff in regard to the transformation process, since managers had not been able to respond satisfactorily to questions put to them by staff. The conclusion was that Management had to play a stronger championing role in the transformation. If not, the Project Team's facilitating role could easily be replaced by a championing role, which would defeat the object of their existence. Management needed to feel and act as if they were in control of the process.

A useful part of the follow-up communication sessions was to help staff understand that the Leopard Project was directly related to the enhancement of the company's competitiveness. The message was that if competitiveness could be improved, there would be an advantage for every person in the company – also a secure job. Competitiveness was defined as: *"…the degree a company can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real income of the people over the long term".*

A refocus on leadership

To address the concerns about leadership which surfaced during the follow-up communication workshops, another session with Management was arranged on March 14. On this occasion, spouses were also involved. Their session ran concurrently with that of the Management Team and was aimed at helping them understand the imminent changes in SSSA, and the role they could play in their spouses' success.

Both sessions were experienced positively. The Consultant and Project Leader were particularly satisfied with the progress that had been made with the Management Team. Direction was more coherent and members felt excited and challenged as members of the team. They expressed a desire to contribute. The climate in the team was more relaxed, members were supporting one another and they were openly sharing their feelings. They all expressed a favourable opinion of the new MD in his leadership role.

During this session, it was also decided that members of the management team and other senior staff members would attend the Positive Power and Influence Programme (PPIP) during May and June.

The Consultant quickly followed up on the successful workshop of March 14, and initiated a discussion with the Project Team to improve the quality of communication. A number of guidelines were suggested, including more simplicity in communication, making more use of metaphors, analogies and examples, making more use of different forums, modelling by leaders and two-way communication.

The Consultant, with the support of the Project Leader, then considered themes to communicate progress with the Leopard Project. One suggestion was to communicate meaningful results. A good example was readily available. On March 10, 1998, Hard Waxes had set a new record for a single day's production. They produced 232 tonnes but had also succeeded in improving the existing record of 201 tonnes per day throughout that week. Hard Wax was now producing at an average of approximately 1400 tonnes of final products per week, compared to a previous average of 1100 tonnes.

Evaluation of progress to date

The end of the first quarter of 1998 can be described as a period of reflection and evaluation. The Project Team felt particularly encouraged by the successful launch of the Leopard Project and the high ratings it received from all stakeholders. Members of the Project Team were also gaining confidence as facilitators of the transformation process. Their thought processes were stimulated and they were growing in their understanding of change and it's dynamics. Most of the project members were people with a technical background, but they started to show remarkable understanding of the human element in change.

The team itself had matured in several ways: discussions were characterised by openness and honesty, trust prevailed and team members recognised each other's strengths and weaknesses. The team were fully aligned to the company strategy and were quite comfortable in dealing with differences amongst them.

The Consultant compiled a document, dated March 18,1998, which mirrored much of the thinking that was taking place in the Project Team at that stage. What is particularly interesting from the document is the concern expressed about the long interval between creating a readiness (the first quarter of 1998) and the more tangible changes to come, such as the design of new structures and the introduction of new technical processes. Project Team members expressed a fear that energy levels could drop and momentum stalled. This reinforced the original decision to communicate continuously in order to keep people informed, and to stimulate participation at all levels. It was agreed that the strategic objective that dealt with an internal communication system and programme had to be addressed within the next two months.

The Project Team reached another conclusion: changing culture would be a prerequisite for changing processes, structures, systems and technologies. It was agreed that a first step would be to make an assessment of the current manifestation of the new core values in the company.

Partly triggered by the record-breaking performance of the Hard Wax production group, the Project Team recognised the need for achieving short-term, quick results. They reasoned that staff on lower levels would find it difficult to relate to the company's strategic priorities and objectives, but would rather associate themselves with short-term objectives that were more real to them. They argued that short-term objectives to attain quick results would contribute to a climate where energy factors such as a sense of urgency, challenge, tangible successes, pride of achievement, fear of failure, excitement and experimentation would prevail. Another benefit of short-term objectives would be regular feedback. Through regular feedback people could assess their progress and gain confidence. To be meaningful and generate energy, objectives had to be urgent and compelling, multifaceted and linked to quantity, quality, time and cost. Short-term successes would create a common will, a results-driven orientation and would make it possible to introduce a system of tangible and non-tangible rewards.

Although these thoughts were not implemented immediately, they never vanished. They remained dormant for the next twelve months, mainly because of the fact that so much energy was being directed towards the establishment of core values, the analysis of the value chain, the redesign of processes and structures and the preparation of people to enter into the new structure. The appointment of the new MD in July 1999, was the catalyst that revived these thoughts.

By the end of the first quarter of 1998 energy in the Project Team was well focused on the establishment of core values, analysis of the value chain and continuous, but improved communication. They understood and accepted that the core values were important to entrench the behaviour required for the organisation to achieve it's mission; they understood that cultural values involved attitudes, mindsets, beliefs and an understanding that impacted on how work is accomplished and how employees dealt with each other and with customers. It was accepted that values were the subtle control mechanisms that informally sanction or prohibit behaviour, and the importance of linking values to the company's vision, mission, strategic priorities and objectives was appreciated. Members saw the logic in embedding certain behaviours through the value-entrenchment process before engaging a change in organisation structures.

Preparation for the values survey commenced in April. The purpose was to determine how the company's new core values manifested themselves in the behaviour of the people. The survey, which involved a large sample of staff from every level, was conducted during May.

Planning for the value chain analysis was also finalised. A decision was made and approved at management level that staff from various levels could be drawn into the analysis process as focus group members. Orientation of focus group members was scheduled for a week in May and their learning would involve a two-day simulation. It was estimated that the value chain analysis would be completed by September 1998. In view of this a visit to Hamburg by the Project Leader and the Consultant was planned for April. The purpose of the visit was to assess the restructuring process that was being followed in Hamburg and to compare the philosophies, methods and approaches of the two transformations.

The Project Team had by now accepted the importance of continuous communication. The team therefore engaged in longer-term communication planning, which included the selection of specific themes and methods, the introductions of more effective forms of feedback and the use of special events. A Leopard Notice Board was installed in each section of the company and a Leopard Project Newsletter was published at regular intervals.

The Project Team frequently stopped and assessed their own learning as part of their involvement in the Leopard Project. Learning led to improvements. For example in a session, conducted on April 17,1998, they slightly amended their list of key tasks in order to be better focused and to differentiate more clearly between their own role and the role of management in regard to the project.

Visiting Hamburg

The visit to Hamburg by the Project Leader and the Consultant was an energising experience. It offered them the opportunity to benchmark the SSSA transformation with the transformation in a similar plant and to understand the German-way of thinking and doing. Since the Hamburg plant's transformation had started in 1996, SSSA had the advantage of learning from their mistakes and successes (Schümann-Sasol KG, Jan 1997) (Schümann-Sasol KG, August 1997). The visit came at the right time for the Project Leader and the Consultant, since major changes in regard to core values and the structure were to start in May. In Hamburg the Hamburg Plus Steering Committee members willingly shared their experience of transformation. The following weaknesses surfaced:

- EDP needs were not properly addressed during analysis of processes and resulted in a retarding of the implementation of the new structure.
- The Steering Committee (equivalent of the SSSA Project Team) was dissolved when implementation started, resulting in the difficult process of aligning people and structures. Alignment was entrusted to managers and supervisors who lacked the necessary skills and background.
- A new set of core values was initially ignored, causing a dissonance between the behaviour required by the new structure and the behaviour that had been entrenched in the company's culture over a long period.
- Staff at lower levels found it difficult to relate to the company's vision.
- Communication was not planned from the start of the project and was not of an interactive nature, thereby blocking regular feedback from the lower levels.
- The supervisors who were appointed in the new structure had not been part of the working (focus) groups, and knew very little about the analysis that had been done and the intention of the new structure.
- Roles between management, supervisors, the steering committee, consultants and focus groups were not clarified and contracted, causing friction.
- The plant lacked a proper HR department and a resource that could handle the people dimension of restructuring.

5 Redesigning structures and assessing the culture (values)

Appointment and orientation of focus groups

After the return of the Project Leader and the Consultant, the Project Team became fully engaged in the priorities set for the transformation: the core values, communication to all levels and the analysis of the value chain. Most of the members became involved in the latter, which was perceived to be the more complex, but also the more crucial for success of the transformation.

Collectively the Consultant and Project Team looked at the business as a whole in an effort to identify the core processes, which transformed gas to wax products. Seven such core processes were defined:

unaware – application development → **aware**
aware – marketing → **want**
want – selling → **order**
order – plan to produce → **production plan**
production plan – produce → **manufactured**
manufactured – deliver to customer → **delivered**
delivered – pay → **payment**

Each of the core processes involved a number of sub-processes, which needed to be analysed.

The Project Team's task now became much more specialised. They selected members to form focus groups for each of the seven core processes. One project team member headed a focus group. As leaders of focus groups they were mandated to prepare every focus group for the process analysis and the redesign phases, which would follow later on. Project team members understood the importance of this phase and the pivotal role communication would play to create the correct attitudes. One thing they wanted to avoid was to create a perception that this phase was the exclusive domain of Management, the Project Team or focus groups. The rest of the staff had to feel part of the process. The size of the focus groups was restricted to between five and seven members. Several meetings were scheduled to help focus group members understand their role in regard to process analysis and process redesign.

The first major event in preparation for process analysis took the form of a one-week orientation workshop, which was conducted over the period May 20-24,1998. The workshop involved members of the Project Team, the Consultant and newly appointed members of focus groups. The purpose of the workshop was *"…to orientate members of the Project Team and focus groups in regard to the redesign of the process flow analysis"*. A document, titled *Redesigning Philosophy: Programme Structure And Approach,* a 5-volume manual, was prepared by the Consultant and handed to members as pre-work. The workshop was arranged near Rustenburg at an isolated venue.

The orientation week started with Alpha International, a simulation designed to study the impact of an organisation's structure, management style, values and policies on it's people, major stakeholders, productivity and profitability. A specific objective of the simulation was to create a quantum leap in productivity and profitability through redesigning total systems by involving the total organisation in the process of change (Serfontein, 1998). This powerful simulation helped the Project Team and focus group members to:

- understand their organisation as an open system;
- understand the value chain concept, including the role that suppliers and customers play in this chain;
- understand the concept of whole-systems change;
- become familiar with socio-technical thinking and the difference between a technical and social analysis;
- appreciate the huge potential of organisation redesign if approached from a socio-technical perspective;
- understand the key role of management in initiating and managing change;
- appreciate the role of values in high-performance organisations;
- apply principles of entrepreneurial thinking when turning companies around.

During the rest of the week the participants were familiarised with approaches to technical analysis and social analysis. Participants were allowed to give inputs and to contribute to the development of a customised process for SSSA. Valuable learning points in regard to the company's core process and value chain surfaced. Examples included that the discovery that core processes in SSSA were not being **used** optimally, the realisation that there was **no definition of value adding** in any of the processes and that no method existed in which core process outputs could be **quantified**.

For most of the participants this was the first opportunity to conceptualise the total process - from gas to final products - and they admitted that there was room for improvement throughout the process. Another discovery was the realisation that the value chain was currently not **customer-driven** but **production-driven**. Some of the findings of the Alliance Consulting Group almost a year earlier, were substantiated. A good example was the lack of communication between core processes.

In terms of Kurt Lewin's (1951) theory of change, this workshop was in many ways a real unfreezing experience for participants.

Towards the end of the workshop, the group as a whole compiled a communication plan to share learnings and understandings in regard to the transformation with the rest of the staff at SSSA.

Evaluating the success of the Project Team

On May 27, shortly after the one-week orientation, an evaluation session was arranged for the Project Team. The session started with an assessment of the current status of the Leopard Project. Several helping forces were identified, including a better understanding of the analysis process by project team members, the realisation that the Project Team had indeed become a microcosm of the company of the future, the constructive support that team members experienced amongst one another and a much better understanding of the factors contributing to the company's success. Project team members also expressed their appreciation for skills they had acquired through the Positive Power and Influence and Consultation Skills programmes.

The overall experience of members in the Project Team was described as extremely valuable. A restraining force was their realisation that they had not received the support from the company's leaders (the Management Team) as expected. They expressed concerns that the company's leadership were reverting to their old leadership styles. Concern was expressed that business decisions did not reflect the spirit of the Leopard Project or strategic plan. Frustration was conveyed because the initial contract between the Project Team, the Management Team and the Board had not been honoured. Project team members were upset by the expectation being voiced by certain members of Management that the Leopard Project results should by now be visible on the company's bottom line. It was seen as proof that management was not fully involved and committed. These factors momentarily clouded the interface between the Project Team members and Management. A detailed plan was drafted to guide the transformation for the period June to September.

To address the concerns aired by the Project Team, a meeting with Management was arranged for May 29. The purpose was to verify perceptions of Management, to share helping and restraining forces in regard to the project's progress and to seek ways in which the Management Team could become more involved. The meeting was also used to discuss roles and to project the next three month's activities.

Revisiting leadership

By the middle of May the Project Leader and Consultant became aware of another problem at leadership level. An uneasiness had come about amongst members of the Management Team in regard to their new leader – the German MD. Several members shared their concerns with the Project Leader and Consultant. Some of the original feelings of distrust were reawakened. Two members complained that the MD expected them to operate rather than manage. Another member complained that he had not received support in his conflict with Sastech; the two members involved in marketing felt excluded during a recent session on marketing, and left the meeting after only receiving instructions. Their perception was that other norms were being applied to the Germans who had attended the session. All the members felt that the MD had no confidence in his own Management Team.

These problems were addressed during a special session with the management team on June 12,1998. The session was facilitated by the Consultant, and assisted by the Project Leader. Interaction was honest and all the concerns voiced earlier by the individual members, were repeated and discussed. The process however was not efficient: people did not listen to one another and they too frequently became emotional. They deviated from topics and failed to support and involve one another. Conflict was a dominant feature. Negative perceptions were acknowledged. It was clear that this unproductive behaviour had been a team phenomenon for several weeks.

These and other issues were dealt with directly and a number of decisions were made to realign the behaviour of the MD and the rest of the Management Team:

- the marketing department's authority would be recognised in dealing with clients and the MD would avoid talking directly to clients and suppliers;
- the MD would be more sensitive to his own team members' positions when conflict with outside parties erupts;
- emotional outbursts would have to stop because of the impact on people's behaviour and discussions;
- meetings would have to be planned better and time used more productively;
- when conflict with Hamburg occurs, the MD would remain objective and consult with his own team members before taking a position;
- decisions would have to be made by the team, unless the MD is clearly mandated by the team to handle an issue on behalf of the team;
- negative perceptions would be dealt with as soon as a team member became aware of it;
- the team as a whole would commit themselves to the objectives they had decided upon.

The thinking behind the analysis of processes

The orientation workshop of May 20-24,1998, highlighted several flaws in the Project Team's approach to the analysis of processes across the value chain, as well as principles in regard to redesign.

This led to serious rethinking and consultation with several other people in Sasol, who had gained previous experience in process analysis. At least two of these individuals had been subjected to other methods and could provide a valuable assistance. The Consultant himself was knowledgeable about the socio-technical approach and had applied this approach in at least one other technology-driven organisation in South Africa.

The new thinking was integrated in a manual for the value chain analysis (dated June 10,1998). The aim of the manual was *"…provide focus groups with the necessary background and tools to successfully conduct an analysis of the total value chain, throughout it's sub-processes*". The redesign philosophy used SSSA's' strategic priorities as it's foundation. It took into account the fact that the strategy addressed processes and technologies, products and markets, structures and competencies – all necessary to drive the new organisation. The need to integrate the priorities is emphasised, the rationale being that one could not imagine how productivity levels could be raised and costs reduced if feedstock resources were not reliable and not available at competitive prices, neither could Schümann-Sasol became a world leader in Fischer-Tropsch waxes if new product development time could not be reduced, or an international competency base could not be created. If the company wanted to change, it needed to rethink and align the activities that were being performed within it's structures, technologies and resources across the total value chain, in order to effectively meet customer needs. An analysis of the processes, systems, technologies and structures could thus only be of value if they were directly linked to the company's strategy.

The manual states explicitly that companies that want to survive and maintain their level of competitiveness should be ready to change continuously. Radical improvements are achieved through actions that **reduce** (less complexity, fewer hierarchical levels, lower costs), as well as actions that **increase** (more innovation, greater creativity, more attractive products and greater market penetration). The challenge however is to create **new** value. To do this Schümann-Sasol had to move beyond the vertical organisation, structured along traditional functions (e.g production, logistics, laboratory, administration, marketing) and focus on the business-flow that brings value to the customer. By looking at the business as a sequence of activities or processes that result in valued customer output, a business can be managed in a coherent, integrated way in order to achieve radical improvements.

SSSA's value chain consisted of seven core processes and each core process consisted of a series of sub-processes that changed inputs into desired outputs. Redesigning the value chain would imply optimising each of the core processes so that more value would be created in each of them.

The analysis of the value chain, which was custom-made for the Schümann-Sasol environment, relied on socio-technical thinking and the work of Passmore & Sherwood (1978), Lyle & Weisbord (1989), Ashkenas *et al* (2002), and Schumacher (Volschenk, 1999). The analysis provided for a **technical analysis**, **a social analysis** and a **client analysis**. The process commenced with the technical analysis and was followed by the social analysis. Less effort was spent on the client analysis in the initial stages.

The technical analysis involved three techniques: **a transformation analysis**, a **variance analysis** and the preparation of a **key variance control table**. The

transformation analysis took into account the flow of activities through core processes across the value chain. Within each of the core processes a number of sub-processes would be identified. Each sub-process consisted of a number of sequential activities and these sequential activities were rated in terms of their value-adding characteristics. Activities that constituted state changes were regarding as value-adding activities. In the **variance analysis**, variances were identified and labelled as those conditions in the transformation process which needed to be controlled in order to produce the output desired for each stage of the process. The **variance matrix** displayed the inter-relationships among variances in each core process. A key **variance control table** was produced to discover how key variances could be controlled.

The **social system** formed part of the analysis because through the social system goals could be set and attained, the organisation could adapt and the technical system could be optimised. The social system analysis was defined as "…*those interactions and activities that are a result of methods of recruitment, payment and discipline, labour relations, mechanisms to deal with conflict, communication and decision-making procedures, plus other components which influence work-related interactions and activities of people in the organisation*" (Lyle & Weisbord, 1989). The social systems analysis was therefore aimed at describing what was actually happening within and between people and how this was influenced by procedures and mechanisms created by the technical system in which they operated. The social analysis distinguished between satisfiers and motivators. Satisfiers included elements such as pay, job security, safety and health, etc. Motivators referred to decision-making opportunity, variety in the job, opportunities to learn, the opportunity to gain meaning, etc.

The **technical analysis** was not handled in isolation. In this regard a new understanding and a new paradigm was created. People in a core process had to realise that their customer was the next core or sub-process in the value chain, and not only the spectrum of clients in the market place. During the technical analysis, those who were interviewed were questioned about their knowledge of the customer, their relationship with the customer, the feedback mechanisms in regard to quality and the mechanisms for obtaining ideas and help from the customer to improve quality and process.

Creating a critical mass by simulating reality

Simulations are generally acknowledged as a powerful tool to clarify concepts, understand principles and create a positive expectation for implementing change in a company (Rothwell, Sullivan & McLean, 1995). In the transformation at SSSA the simulation as a tool to create a climate conducive to change and to prepare key members of the organisation for a totally different structure and a new way of thinking and working, was used very effectively.

During May and August a total of ninety people, consisting of project team members, focus group members and members of the management team, attended a total of five two-day simulations. The simulation, known as Alpha International, was described earlier in this case study in terms of it's aim, objective and major learnings (see orientation week May 20-24, 1998). Alpha International represents a company with a real hierarchy, a product to manufacture, a client, a supplier and a bank. Managers are appointed at the start of the simulation to orientate themselves in regard to the company. Workers are recruited towards the end of the first day to be trained and to be prepared for production, which starts on the second day. Reality prevails throughout the two days and management becomes acutely aware of time pressure, the results of their own decisions and the impact of their policies and own behaviour on the performance of the company (Serfontein, 1998).

On the second day, the first three shifts are run while the organisation is still functioning as a hierarchy and where a command and control style of management dominates. At the end of the third shift the company is usually in trouble: production targets are not met, quality standards are dropping, conflict is erupting between management and workers and serious cash flow problems are being experienced. As a result of the crisis a diagnosis is performed, which is a joint effort by management, workers and consultants.

To change the company into a high performance organisation, the company is redesigned, based on sound redesign principles, such as the creation of self-managing teams, the empowerment of these teams to take accountability and the redefinition of management's role. The new design is implemented during the final two shifts of the simulation. The challenge to the company is to attain a quantum leap in terms of quantity and quality by the final shift, thereby restoring profitability.

In the SSSA transformation these simulations aided the change effort in several ways:

- Elements of a *win-loose* culture that existed in SSSA were demonstrated through the behaviour of participants.
- The *volume* culture adversely impacted on efforts to promote a quality orientation and to establish better client relationships and sensitivity for customer needs.
- Participants ended the simulation with a much better understanding of the value chain principle and how the value chain could be analysed in terms of technical and social processes. They understood that the redesign process required change from a hierarchy to a process-driven structure.

- It highlighted how difficult it was for management to distance themselves from the operational side of the company and focus on the business, while empowered teams manage production.
- It was demonstrated that empowerment without the necessary competencies does not work.
- There was an appreciation for high energy levels and perseverance at leadership level, as well as the strong encouraging effect it had on worker performance.
- Culture was better understood as well as the need to create values that support change. SSSA's five core values were better understood.
- Customer needs were better understood, particularly the need for quality and the fact that a contract with a customer is primarily linked to quality and not to volume. It was also realised that a relationship with a client is not successful until the client's needs are met.
- It was demonstrated that the right people should take the lead during a transformation and during the implementation process in particular.

As a direct consequence of participating in the simulations Management attempted to define a quantum leap for the company. The following suggestions were put forward:

- an increase in market share of up to 20%;
- increasing revenue per employee from 15% to 30%, and
- a reduction in product development cycle time of between 30% to 50%.

Such initiatives were seen as indications that the thinking processes at leadership level were changing. Leaders were now thinking about the concept of high performance, the requirements for quantum leaps in performance, the gap that existed between current levels of performance and high performance and the factors that could bridge the gap.

Progress with the changing of culture

It was pointed out earlier that a values survey was conducted during April and May 1998. The analysis of the results was made available in August. The survey instrument was a questionnaire that measured behaviours reflecting each of the five core values: *creativity and individual ability; openness, honesty and integrity; equal and fair treatment; pride; perseverance.*

The results identified a number of general behavioural trends, some supporting these core values, but mostly neutral or negative as far as the value related behaviours were concerned. Some differences between races and departments were also reported.

The conclusion was clear: work had to be done in regard to each of the core values to entrench them and make them an integral part of the company's new culture. Apart from the fact that the survey allowed the Project Team and Management to obtain a fingerprint of the culture, it also created a company-wide awareness of the core values and where the company stood in regard to them. This was achieved through a series of feedback sessions to various target groups in the company, including Management, First-Line Supervisors, the Affirmative Action Steering Committee and the Workers Forum. These feedback sessions were perceived as a successful communication operation because it was properly planned and the sessions were handled professionally by project team members. Through these feedback sessions the Project Team succeeded in communicating the rationale behind the new core values, defining the core values in behavioural terms and creating an awareness of the changes required to entrench them in the SSSA culture. Members of the project team were also first to model the core values.

The value chain analysis

Focus groups engaged in the analysis of technical and social processes until the middle of September. Understandably, the *easier* processes such as production and manufacturing, were addressed first. They were perceived to be easier because of their linear nature and the relative ease to identify inputs, activities and outputs. In the non-linear core processes, the sequence of work is of a more optional nature and several tasks are performed in parallel fashion (e.g. tasks in new product development, maintenance or marketing). These non-linear processes were documented as different types of interactions and activities, involving information exchange among organisational members when making key business and operational decisions. State changes (a word used in the technical process analysis to indicate value-adding) were therefore defined as **decisions** taken. Sub-processes and activities revolved around key decisions. The decision thus became the value adding activity. The social analysis was flexible enough to adapt to the non-linear processes.

Evaluating the Change Process

The Consultant's initial contract was scheduled to expire on August 15, 1998. On July 7, the Project Leader and the Consultant re-contracted. The project had now been running for nine months. Two interesting phenomena had surfaced:

- The Project Leader had formalised his role as formal spokesperson for the project. Also, being a member of the management team, he had established a weekly feedback routine on the Leopard Project during the Friday management meetings.
- The Consultant's role had become more pronounced. The new contract, which resulted from the discussions of July 7, made provision for specific tasks such as:
    - advice and assistance in the final analysis phase;
    - assistance with plans for changing the organisational culture;
    - training of the Project Team and focus group members for the redesign phase;
    - assistance with the development of competencies where appropriate.

From the decisions taken at that stage it is apparent that the Project Team, guided by the Project Leader and the Consultant, were still providing structure and leadership in the transformation. The transformation was still seen as a project and managed as a project but now better supported by Management. Accountability for the project and it's outcomes still lay with the Project Leader, but the responsibility for professional guidance rested with the Consultant.

Business results at the end of the financial year (June 30) looked better than over the previous three years. Revenue had grown from R442.224m in 1997 to R576.34m in 1998. EBIT had increased from R13.09m in 1997 to R31.39m in 1998. This exceeded the budget with more than R11m and had a favourable impact on the project; but it did not paint the full picture. Results were clearly not good enough to achieve an EBIT of 15% by 2003.

A workshop for project leaders and focus group members was arranged for July 20-24, 1998, to assess progress, evaluate the functioning of the various focus groups and to do more coaching and training.

Directly after this workshop on July 24,1998, the Project Team prepared a project plan for the period August to November 1998. The plan stipulated that the analysis of certain core and supporting processes needed to be completed by September. Of real interest was the fact that the future role of Information Technology (IT) in the new design of the structure was anticipated. The first meeting to discuss future IT needs was held on August 17. The necessity of special communication plans targeting the Management Board, the Management Team and the rest of the company, prior to the Board Meeting in November (when the new structure was scheduled to be approved), was also discussed.

On this occasion the Project Team introduced the concept of benchmarking. It was seen as a necessity before starting with the redesign process. An interesting communication innovation was the decision to use members of the focus groups to keep staff informed on the days when they returned to perform their regular jobs (focus group members spent only 50% of their time on the Leopard project).

Preparing for redesign: evaluating progress mode with the transformations

The first redesign workshop was arranged for the period September 14-16, 1998. The purpose was to prepare the Project Team and focus groups for the redesign phase. Real change was now imminent and positive expectations and high energy levels characterised this period.

The workshop was designed to evaluate progress made with the transformation project, to consolidate some of the results from the value chain analysis, to reach consensus on the design principles and to start conceptualising Schümann-Sasol's future structure. The fact that the proposal had to be ready for the Board Meeting scheduled for November 16, posed a serious challenge. The workshop was planned and facilitated by the Consultant, but strongly supported by the Project Leader.

In evaluating the process, SSSA's vision, mission, core values and strategic priorities were reviewed. The participants' attention was drawn to the gap that had been identified between existing values and the company's new core values. They understood that a culture which favoured high volumes, close supervision, finding somebody to blame, unhealthy competition, really needed to change. The new core values had become important drivers in creating a culture that would support strategy and the new structure.

The need for people to change was strongly reinforced by business results. Sales figures, contribution margins, fixed cost levels and sale volume at the end of August 1998 painted a gloomy picture. Everyone knew that unless something drastic was done, cost would exceed revenue by the middle of 2000 and the overall strategic goal of an EBIT of 15% by 2003 would become irrelevant.

Nothing less than a quantum leap was required. This called for strategic innovation and finding new ways of thinking and doing. Change would have to involve change in products, services, and in the relationships with the external environment. Innovation would be required to find more reliable feedstocks, develop new products, improve productivity levels and establish a more competitive technology.

In view of these challenges the transformation process from it's launch in February 1998 to date, was evaluated. Successes and failures were listed and discussed. An impressive list of learnings was compiled.

Establishing principles for redesign

For redesign purposes the following set of principles was accepted:

- optimise across the total length of the value chain;
- use the information from the process analysis and construct meaningful patterns of tasks that could create holistic (whole) jobs that could be performed by a team;
- equip teams with the necessary competencies to take full accountability;
- include auxiliary tasks, such as maintenance and quality control in primary jobs within whole-task groups (wtgs);
- leave scope for workers to set their own standards and determine their own means of production;
- ensure that jobs are worthy of respect and that they contribute directly to the end products;
- allow for a limited number of support functions as support groups, primarily for the benefit of whole-task groups and business units across the value chain.
- create a flatter structure where levels are minimised so that empowerment and communication could be enhanced;
- change the role of leadership so that teams and individuals within teams could be fully empowered;
- use information from the technical and social analysis to ensure integration of the technical and the human sub-system – within whole-task groups and support groups;
- ensure worker involvement in the detail design of the structures and tasks;
- allow workers to have a say in their choice of fellow workers and leaders;
- create jobs that require multiple skills;
- locate boundaries between teams and jobs appropriately;
- ensure that information is available to all who need to make sound and timely decisions;

- provide opportunities for individuals to meet their needs for growth, learning, decision-making, social support and recognition;
- ensure that the design of the organisation is aligned with the strategic priorities and objectives and that each part of the design fits with the others.

The design process started with core processes four and five (production planning and manufacturing). The application / product development, marketing / selling, delivery / payment, core processes followed later.

The period September to November 1998 proved to be a crucial one. Planning for the phase was done immediately after the workshop of September 14-16. High on the agenda was the completion of the client analysis as well as the technical and socio-systems analysis for the remaining non-linear processes: finance, procurement, human resources and the research laboratory.

Intensifying communication

Proper communication was of equal importance. A general awareness of the redesign had been created, but staff wanted more detailed information and was asking specific questions that had to be answered. A new draft design had to be tested with internal stakeholders. All levels had to be consulted, including the Management Team in regard to their new role. Outside stakeholders needed to be informed. Sasol Technology had to be involved to help the Project Team identify IT needs for the new structure. An implementation plan had to be prepared, should the Board decide to approve the new organisational structure.

The first communication effort to prepare staff for a new structure was launched on September 21, shortly after the first redesign workshop. The Project Team and the focus groups were involved. During the sessions a number of real concerns surfaced. Staff were upset because too many people (project team members and focus groups members) had been taken out of the plant for too many days. Collation and ordering of the data from the analysis was another problem. It was also apparent that the Leopard Project had not been credited for better end-of-year results or technical breakthroughs like the improvement of the Slurry Bed technology. Some people still held the view that the Leopard Project was nothing more than a small band of people with a hidden agenda. Traces of two earlier negative perceptions had thus remained. These perceptions were: "*The Leopard is only a disguise for future affirmative action"* and: *"The aim of the Leopard is to reduce the number of people*".

The communication sessions also highlighted a number of positive trends; for example, a burning need existed amongst certain staff members to become involved in the Leopard Project. It also became clear that verbal messages were much more effective than the notice boards or the newsletters. In general people were happy with the design principles and satisfied with the focus groups working on it.

As a result of the feedback from this first communication effort, the Project Team selected eight questions and prepared model answers for each question. These questions and answers were subsequently distributed amongst focus group members who were tasked to explain progress regarding the Leopard Project. Examples of these questions are:

- What has been achieved through the spirit of the leopard?
- How will the future Schümann-Sasol differ from the current organisation?
- What is the programme for the next two months, before the Board has to give approval for the new structure?
- How will the redesign affect the 1998 incentive scheme?
- Is there a relationship between redesign and affirmative action or redesign and retrenchment?

Since the focus group members only spent a certain percentage of their time working in focus groups, they could handle these questions and answers informally while they engaged in their regular work with other staff members. It was therefore a case of two-way communication in it's purest form.

Creating new mindsets amongst project team and focus group members

A second redesign workshop was conducted from September 28-30. The workshop was specifically designed to stimulate new thinking and to challenge paradigms in regard to organisational structure, the role of teams, empowerment, etc. The Consultant urged the Project Team and focus groups to work outside the parameters of current processes in SSSA. The functional mindset was challenged and participants were asked to start thinking across functions. The ideas of a whole-task group in particular required a new mindset, because instead of thinking vertically along different functional lines, technology, information, material and people now became **integrated** within the parameters of a whole-task group.

As a result of in-depth discussions and a real desire amongst project team and focus group members to create something worthwhile, several changes in thinking were noted. A few lessons regarding change were also learned. For example, outsourcing was discovered as a viable alternative, but equally strong resistance to the idea was also observed. Vested interest was a major obstacle. This phenomenon was a common one and was even observed at management level. The conclusion was that unless people were willing to change their paradigms, their logic and decisions would always reflect their existing paradigms.

Dealing with resistance at leadership level

As the time for the Board meeting drew closer, the company's leaders and specifically Management became the prime focus for change. To obtain Board approval it was essential for the Management Team to understand the new structure and the principles underlying this new structure. More important, a change of attitude was required especially with regard to leadership, and it's role within the new design. To this effect the Consultant prepared a document, *The Changing Role of Management*. The document served as a basis for questions to members of the Management Team, during interviews by the Consultant. These interviews were conducted early in October. Six members were interviewed, including the MD. Interesting opinions, perceptions and beliefs surfaced:

- Certain managers believed that subordinates were not ready to take more responsibility yet. Neither did they understand empowerment. They interpreted the concept as having more freedom. They perceived people at lower levels as averse to taking decisions, particularly decisions about people.
- The MD favoured the employment of the Project Team and focus group members in key positions within the new structure. His personal concern was that people give up too easily and wanted to see the core value **perseverance,** entrenched. He agreed that people's behaviour would have to change to make the new structure work and admitted that he was not ready to hand accountability to the lower levels yet. He confessed his own prejudices and acknowledged his preferences for the command and control style of managing.
- Certain management team members saw the need for people to be trained and to develop the competencies required by the new structure. Concern was expressed whether a sufficient number of competencies could be developed within a whole-task group to take full accountability. A few members doubted whether Schümann-Sasol International AG would allow the Sasolburg company to run autonomously. Fear was expressed that the Board members would continue interfering in the activities of the Management Team.
- Most members interviewed expressed concerns about the functioning of their own team. It appeared as if information was not shared, as if each member was still only concerned about his own function. The productivity of meetings was criticised, as well as the propensity to deal with operational issues.
- Members openly admitted their doubts and prejudices regarding the new organisational structure. It was evident that their new leadership roles had not been conceptualised yet.

Several sessions with the Management Team followed during October. These sessions served as a forum for members to openly discuss their own prejudices in regard to the new organisational structure. Many questions surfaced, mostly revolving around redesign principles. Other questions dealt with implementation and why implementation was scheduled for the period 1999 to 2003, and not over a shorter period. The relevance of IT as part of the redesign proposals was also challenged.

Decisions that evolved from the discussions included criteria for choosing whole-task group leaders and certain non-delegatable functions of leadership at whole-task group level. The Management Team in conjunction with the Project Leader and Consultant also agreed on the role of IT in the new design, and how existing safety legislation and rewards could be accommodated in the new structure.

The sessions with the Management also served the purpose of raising their awareness of their changing role, should the new design be adopted. It was accepted as a fact that the new company would require a new kind of leadership. A new kind of leadership would not only be needed during the implementation phase, but also in the future, since organisations were bound to change frequently. Three distinct roles crystallised during the discussions:

- a **leadership role**, which involved giving direction, creating alignment throughout the company and establishing the required new culture;
- a **co-ordinating role**, which involved managing the interdependencies and the fact that units would be competing for scarce resources;
- a **role as the creators of a learning environment**, which would involve establishing knowledge, skills and abilities throughout the organisation, and creating new ways of doing things.

By the end of October alignment between the Project Team and the Management Team was once again restored and the Management Team could become actively involved in the important communication phase, which commenced early in November 1998, in preparation for the Board Meeting later that month.

Creating a coalition for the Board Meeting

Once alignment was attained at management level the Project Team turned their attention to the Board. Dr Hans Barth, the board member who had strongly supported the Leopard Project up to that point, was targeted by both the Project Leader and the Consultant. In a memo to Dr Barth on October 30, the Project Leader reiterated the design principles and reviewed the status of the project. He mentioned that consensus had been reached on the following characteristics of the future organisation:

- Staff would be working in market-facing units where they will be doing whole jobs which will be directly related to customers;
- Middle Management or supervisory levels would become part of the whole-task groups, where they will perform direct value-adding work;
- Support staff, with the exception of a skeleton crew for financial accounts, human resources, IT, supply chain optimisation and business optimisation, would either become part of a whole-task group, or will be appointed to support teams which would be rendering services to whole-task-groups on the value chain.

In the memo the Project Leader also refers to "…*grouping people around processes*" and "…*creating many businesses which represent an important part of what the organisation as a whole does*". Emphasis is also placed on the principle that redesign is fundamentally aimed at a growth strategy and not downsizing. He mentions that the new design could immediately result in a cost saving of R8m. A warning is sound that behavioural change would, however, be required and that this would involve more training and a new reward system.

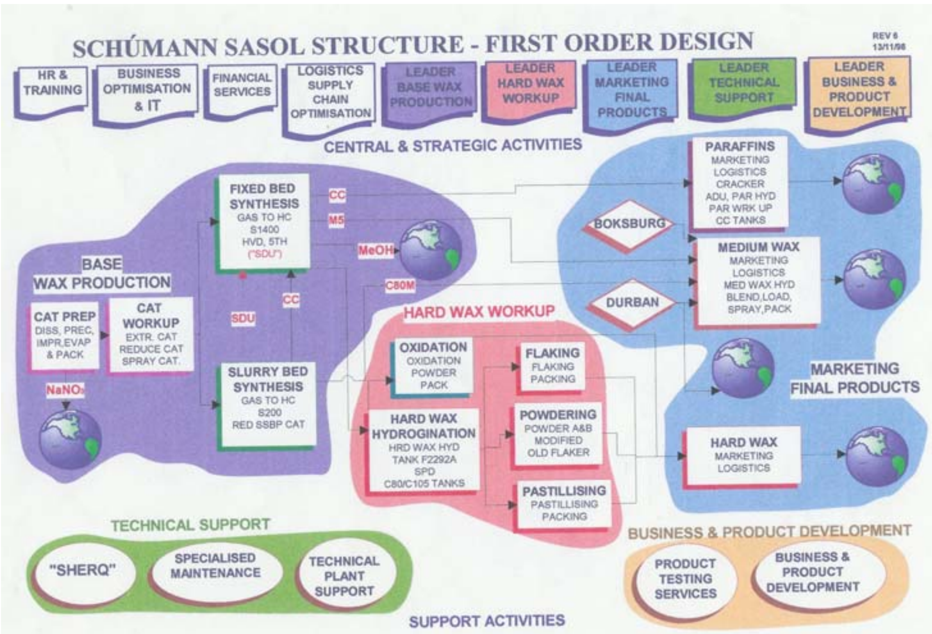
In a letter by the Consultant to Dr Hans Barth, dated November 5, 1998, many of the concepts which were highlighted by the Project Leader were reinforced. The Consultant added, "…*my personal view is that there is a positive expectation and a growing enthusiasm at staff level for the new design*." Also "…*the application of small business characteristics to the corporate environment* undoubtedly *appeals to most staff members. We are particularly thrilled by the reaction of black people who tend to see the new structure as an opportunity to develop as equals*". He cited that his major concern was Management, who might find it difficult to relinquish control and to start trusting people. A warning is given regarding the implementation process: the process would run over a three-year period and 4 to 8% of the salary budget may have to be earmarked for training. He stated emphatically that teams across the value chain cannot be empowered if SSSA's Management are not empowered by the Board to run their business both strategically and tactically.

As a result of these communications Dr Barth decided to attend the Strategy Review Session, which was scheduled for the week prior to the Board Meeting. This news was interpreted by the Project Team as a positive sign.

Communication to leadership at all levels was a major event and planned in detail by the Project Team. A communication session was held on November 3. The introduction was handled by the MD who reviewed the vision and explained the purpose of the day: "…*to share with you the concept of the new structure that has been prepared for approval*". He explained that the new structure would enable the company to improve dramatically and to become a world competitor. The new structure would create new possibilities for SSSA's own people to take more responsibility and share in decision-making, using their own skills more effectively, developing their own business skills and having a more meaningful job. The principles were then discussed and the first-order-design (figure 1) shared and explained.

Figure 1:

The redesigned Schümann-Sasol structure (November 1998)



The concept of whole-task groups was introduced and the roles of the various whole-task groups across the value chain explained. Participants were made aware of the fact that the role of management would change. A number of questions were anticipated by the Project Team and answers prepared. These were distributed as handouts to workshop participants. The following examples will suffice:

- How would the whole-task-group leaders be appointed?
- Why has marketing being split up?
- What will happen to current first-line supervisors and foremen?
- How will it effect promotion and career paths?

- Are people going to loose their jobs?, etc.

The first results of the **social analysis** were also announced in November. Surveys and interviews were conducted in manufacturing, maintenance, logistics, R&D as well as the Boksburg and Durban units. Motivators were connected to work features such as decision-making, variety, feedback and learning, mutual respect and support, whole-ness/meaning and opportunity to grow. Satisfiers were linked to fair and adequate pay, job security, benefits, safety and health and due processes. The analysis, mainly of a qualitative nature, revealed huge gaps in regard to both motivators and satisfiers. This message came at the right moment and reinforced the outcomes of the technical analysis and customer analysis (where gaps were also identified). The Project Team and Management now had sufficient information to support the need for redesign.

Strategy review

The strategy review session took place one week prior to the Board Meeting. The full Management Team was present and the Management Board was represented by Dr Hans Barth. This review session differed from the one a year before in the sense that more emphasis was placed on:

- competitiveness;
- the difference between operational effectiveness and strategic positioning (Porter, 1996);
- strategic positioning: performing different activities from rivals or performing activities in different ways;
- the origins of strategic positioning: variety-based, needs-based and access-based.

The final day was used to share the proposed new organisational structure and to assess the design for it's fit to the SSSA's strategy. A few changes were made and a new revision of the structure was prepared for the Board Meeting, scheduled for November 25.

Evaluating the transformation process

During the week prior to the Board Meeting, the Project Team engaged in another in-depth evaluation of the transformation effort up to that point. For that purpose they used John Kotter's (1996) framework. A total of seven questions were selected and each question was answered in terms of work that had been done well and work that had been done poorly. The questions were:

- Did we establish a great enough sense of urgency?
- Did we create a powerful enough guiding coalition?
- Did we have a vision?
- Did we communicate the vision effectively?
- Are we removing obstacles to the vision?
- Are we systematically planning to create short-term wins?
- Are we declaring victory too soon?

The evaluation offered the team an opportunity to systematically, honestly and candidly review the work that had been done over the previous twelve months.

It served the purpose of learning from both successes and failures. The result was more clarity about what needed to be done to sustain energy levels and maintain focus.

What pleased the Project Team was the involvement of a wide spectrum of staff in SSSA, the impact of the vision (both the way it was articulated and the unique way in which the video captured the images), the availability of project team members to work on the project, the success with internal communication and the indications that the environment in SSSA was becoming more conducive to change.

The downside to this was Management – their *business-as–usual* attitude and the fact that they could have done more to keep the Management Board informed.

The Board Meeting of November 25

At the Board Meeting the Leopard Project Team reviewed the project since it's initiation during the last quarter of 1997. The transformation philosophy as well as the design philosophy and methods were discussed. Design principles were clarified, and explained, and the new redesigned structure was put forward for approval. The Project Team motivated the new structure by reasoning that SSSA strategically required a quantum leap to realise it's vision. This could be achieved through the elimination of excess products, by increasing sales in new value-adding applications and products, by finding additional hard wax markets and by growing revenue and maximising profits from medium waxes. A new vehicle was needed to help the company compete internationally and to improve productivity and cost levels.

The rationale of creating separate whole-task groups representing paraffin's, medium waxes and hard waxes to face the market directly, as well as the principle of placing secondary activities directly in support of the primary whole-task groups, was explained.

The essence of the business case was that the company's future leadership must be allowed to manage the company strategically and to align performance with strategy. To support strategy and encourage innovation, a new set of competencies would be required and a culture characterised by openness, respect for the individual, equal and fair treatment, pride and perseverance, needed to be created to ensure behaviour desirable for implementing the changes.

In conclusion the Project Leader requested approval for the following:

- the draft redesigned structure and principles on which it was based (as the first-order redesign);
- the continuation of the restructuring process through second-order redesign, which would entail establishing whole-task groups and support groups across the value chain;
- an all inclusive implementation plan to evolve over the period December 1998 to June 2000;
- a budget to support the implementation plan;
- the development of a new reward system;

- a new mandate to Management that would empower them to manage SSSA strategically and as an autonomous business;
- a redefinition of SSSA's critical interfaces with the Management Board, SCI and Sasol Technology.

A cost saving of R24m after implementation was envisaged. This was made up of improvements directly quantifiable from the variance analysis (R8m), new opportunities as highlighted by the technical analysis (R12m), reduction of overtime of 25% (R1m) and a restraint in the appointment of new staff (R3m). The implementation plan would stretch from December 1998 to June 2000, and would allow for a series of interventions in addition to capital costs for new offices and control rooms. This would amount to R7.1m.

The Board Meeting coincided with a new edition of the Leopard News, which announced the Board Meeting as a D-day in SSSA's history. In the edition gratitude was expressed to the focus groups who had performed the technical, social and customer analysis diligently. SSSA's approach to redesign was once again explained and a number of hypothetical questions were posed, to which answers were given.

The Board Meeting was viewed as a resounding success for the Leopard Project Team. All proposals were accepted and a mandate was given to continue with the implementation.

The Board of Directors meeting was a significant event in more than one way. Board members admitted that they now understood more about the implementation of an organisation transformation where so many components were changing: strategy, structures, systems, processes and people. The complexity of the change was better appreciated too. Confidence was gained in the process being followed and the hope was expressed that implementation would be managed in the same way. The fact that a **pilot phase** for the introduction of the new structure was approved was indicative of the better understanding of the process and faith in the capabilities of the Project Team.

Another high hurdle was cleared during the Board of Directors meeting: autonomy for SSSA. For the first time SSSA was officially mandated to become an autonomous business unit which could develop and implement it's own business strategy, draw up one-and-three-year business-plans and annual budgets, develop company policies in regard to most of the core processes, negotiate contracts with customers and contractors and implement a desired organisational structure. The Management Board's responsibilities were articulated, and included global corporate strategy, (the positioning of Schümann-Sasol AG globally), managing the interface with Sasol Ltd and establishing a corporate image. The expectation was created that the interface between SSSA and the Management Board would be much easier to manage in future.

SSSA's perceived autonomy was tested soon after the Board Meeting when the Chairman on November 30, argued that the marketing of hard waxes should be a Board (Hamburg) responsibility. Several sound arguments were used, such as the fact that it involved key people in the UK, USA and Europe, that the markets of the hard wax whole-task group were in Europe, US and the Far East, that all the experience in regard to the marketing of hard waxes were in Hamburg. SSSA Management responded and insisted that an autonomous

Hard Wax whole-task-group be managed from Sasolburg. It was stated explicitly that the Hard Wax whole-task Group should have the same level of autonomy as the Paraffin's and Medium Wax whole-task groups. They asked that the management of hard waxes include the developing of a hard wax strategy and the coordination of hard wax marketing activities. It was also suggested that regional managers and technical global support were to be viewed as customers of the Hard Wax whole-task group, to act as a direct link between the final customer and the Hard Wax whole-task-group. The Chairman accepted the proposals.

Finally, approval of the recommendations by the Board of Directors met the expectations of most of the staff members. Enthusiasm for the envisaged changes started growing in October and culminated in huge support for the Project Team and Management before and during the Board Meeting. In a way the enthusiasm was overwhelming, particularly as a result of the relentless efforts by the focus group members to communicate essentials of the redesign to their fellow staff members. On the day the proposals were presented to the Board of Directors, staff at lower levels spontaneously insisted on a petition in support of the recommendations. This petition never reached the Board or Management, but it must be seen as proof of the readiness of staff to seriously engage in change.

6 Implementation of new structure

Drawing up the implementation plan

On December 1, 1998, a very comprehensive implementation plan was prepared by the Project Team. The aim of the implementation plan was "…*to attain a quantum leap in doing business through the smooth integration of strategy, culture, people, processes and technology across the value chain*".

The plan made provision for the period December 1998 to November 1999. A crucial first phase of manning the new structure was to be completed by April 30, 1999. This phase was challenging because it involved advertising the vacancies, and appointing leaders to whole-task groups (wtgs) and support groups.

It was conspicuous that an early start had to be made. An IT system had to be customised to fit SSSA's unique structure, a number of whole-task groups and support groups needed to be formed around people and task, and the company's strategy had to be reviewed and communicated to the staff. A new performance system as well as a reward/remuneration system were scheduled for the second half of the year. Full implementation of the new structure had to be in place by the end of 1999.

A few days after the compilation of the implementation plan the Project Team, under the guidance of the Consultant, met to do a critical assessment of implementation requirements. Members were made aware of the fact that most redesign and transformation efforts fall short during implementation: implementation efforts require an even greater effort than the initial analysis and design. They agreed amongst themselves that it was not enough to know what to do, but to fully understand why something was important, and finally to get these things done. As part of assessing their readiness for the implementation, piercing questions like the following were discussed:

- Do staff members really know what is expected of each of them during implementation?
- Have we done enough so that people are capable of translating the images of the vision into practical realities?
- Do the staff really appreciate the current reality and the looming disaster by the year 2000 (when costs were expected to exceed revenue), unless something drastic is done?
- Do staff feel confident that they could shape the future of the company?
- Does every staff member believe in the plan and how he or she can contribute towards changing the reality?
- Can staff members connect their day-to-day work with the changes that are being introduced and the company's strategic goals?
- Are individuals ready to co-operate and to commit themselves to long periods of uncertainty and confusion?
- Do management and staff really see IT as a catalyst to empower employees, to enhance decision-making and to establish a means for providing direct feedback of results?
- Does everyone realise that change is a learning process involving change in paradigms, skills, emotions, patterns of thinking and approaches to problems?
- Have we as a Project Team given the process of change sufficient thought, particularly in terms of the basic phases of unfreezing, change and refreezing?
- Have we as a Project Team fully conceptualised all the changes involved in this transformation: technical, physical, people, process and structure?

In a memorandum dated December 7, the Consultant reflects on the assessment process which occurred a few days earlier and highlights a number of other issues that should be keenly watched, including interfaces and the need to clarify roles on these new interfaces, the choice of an IT supplier, the importance of starting with a benchmarking process and affirmative action. The Consultant points out that people do not realise that the new design offers more opportunities for learning and growth to historically disadvantaged people than traditional functional designs. He recommends that affirmative action targets become part of the envisaged Balanced Score Card methodology.

In the memorandum the Consultant also addresses the new **co-ordination function** of the three cluster leaders: base wax workup, hard wax workup and marketing of final products. These leadership roles were introduced in an effort to provide more autonomy to the whole-task group leaders. If closely scrutinised, however, it appears as if members of the Project Team, who redesigned the structure, succeeded in applying the **process paradigm** when they created whole-task groups across the value chain, but the **functional paradigm** surfaced again when the three cluster leaders positions were defined. Instead of placing cluster leaders horizontally to their whole-task groups, they were placed vertically to the whole-task groups. It was thus a case of mindsets in conflict – one mindset functioning consciously and the other one on an unconscious level.

As the last activity of 1998 the amended strategy was documented. The strategy review completed during November resulted in the amendment of the list of strategic priorities. On close scrutiny, the effects of the new business thinking and the greater awareness of competitiveness were noticeable. Five of the original priorities remained very much the same but three did not feature on the list again - either because the priority had been attained (e.g. the introduction of the new slurry bed technology) or because they were too vague to provide proper strategic focus (e.g. to half the time cycle for all products from concept to customer). Four new strategic priorities were added, each of them directly connected to the transformation:

- to establish an integrated IT and business intelligence system to ensure competitiveness across the value chain;
- to eliminate excess product and reduce dependence on NATREF by increasing sales in new high volume applications and products to 50 000 k.t.a by 2003;
- to sell an additional 20 000 k.t.a of hard wax to new applications and markets to off-set Shell's return to the market;
- to grow revenue and maximise profits from medium waxes by finding new markets and applications whilst maintaining the current candle market.

Assessing the transformation process to restore energy at the start of 1999

The year started with a contracting meeting between the Project Leader and the Consultant. Progress on the project as well as their relationship was reviewed. They agreed to maintain their business relationship for the full year, with the Project Leader primarily taking responsibility for managing the project and communicating progress to the Management Team and the Management Board. The Consultants' primary role was to provide support to the Project Leader and members of the Project Team and to act as an unbiased third party when this was needed, particularly in situations with a high probability of conflict. His training role was reaffirmed. Two new responsibilities were added: the design of the Pilot Project and his availability to support to the IT initiative.

The first weeks of the year were characterised by discussions, reflections and evaluations. On January,06 the Leopard Project Team reported the results of a survey conducted during December on the effectiveness of communication in the transformation. No less than 87% of respondents were satisfied with the information they had noticed on the Leopard boards; 74% of the respondents were happy with the frequency of communication; 72% felt that their information needs in regard to the project were satisfied. As far as quantity and complexity in the communications were concerned, 77% indicated that they were happy with the current mix; 85% of the respondents felt that the communication sessions were effective. A list of improvement suggestions were put forward by the respondents. The conclusion was that communication had been successful in supporting the transformation project up to that point.

The Project Team's evaluation of the project reaffirmed the pivotal role of Management, particularly in regard to implementation, which was the primary goal for 1999. Some concerns regarding Management's commitment surfaced again. Concern was expressed about their lack of preparedness to assume their new role, the lack of readiness to learn new behaviour and the unwillingness to model the kind of leadership behaviour required by the new structure. The Project Leader subsequently made appointments with each member of management to test commitment towards implementation.

As a final evaluation activity the Project Team conceptualised the evolution of the transformation process, as had been observed in SSSA. A number of separate, but interrelated phases were identified:

- **Stage 1:** Awareness of change and new concepts, as well as new ways of doing things. Resistance occur because people don't understand the underlying principles and how application is possible within their own work environment and mindsets.
- **Stage 2:** People become argumentative; reasons are disputed and logic is challenged; principles are confronted; signs of frustration and anger become noticeable.
- **Stage 3:** People start to understand the principles on which the new organisation will be built, but reject the application because of vested interests. Individuals start to protect their own comfort zones by rationalising. Perceptions become clouded. Anxiety levels increase when people start admitting to themselves that they may loose status, have to learn new things or that they might loose personal support. They show signs of a willingness to compromise.
- **Stage 4:** There is evidence that people start to understand the principles and their application in their own work environment. Appreciation is shown for the logic behind the proposals as well as the new organisational design. Unfortunately they fail to see the benefit for themselves. The result is passivity and low levels of energy.
- **Stage 5:** Acceptance for change grows. People demonstrate a willingness to make new applications. Energy levels increase. The benefits of the changes are better understood and in some cases people are even willing to defend proposals.
- **Stage 6:** People start visualising the time when the changes will be implemented finally. Excitement, enthusiasm and impatience start to surface.
- **Stage 7**: Implementation starts when leaders are appointed to the new structure and staff members are appointed to new teams and in new positions. This stage had only started but once again personal vested interests surface. Some members even admitted that they found it difficult to adapt to changing circumstances. Individual staff members negotiated in their personal capacity to gain as much as possible. In some cases uncertainty, doubt and worry replaced the initial enthusiasm and excitement.

Identifying the stages, confirmed that the individual reaction to change comprises a complex blend of psychological-, social-, emotional- and cognitive factors. Conceptualising the change process from a behaviour perspective helped project team members to understand rather than judge people's behaviour.

Reviewing implementation objectives

Although an implementation plan had been drawn up at the end of 1998, the continuous evaluation of progress and unexpected problems encountered, necessitated a review of implementation objectives and activities for the first half of 1999. In a meeting staged on January 25, the Consultant and Project Leader reviewed their implementation objectives and reassessed their priorities. The outcome of the meeting was summarised in a memorandum by the Consultant on January 26. The salient points were:

- The strategic plan needed finalisation. A workshop to address that, was scheduled for February 08, 1999. Work on the Hard Wax Strategy was required in view of the prominence of hard wax in the revised strategy. More creative solutions and more innovation were required from the Hard Wax whole-task group to be successful.
- Resistance was experienced by people in the traditional research laboratories destined to become the Business and Product Development Support Group.
- Clearer guidelines were needed for the role of technical specialists in whole-task groups.
- Interface problems between SSSA and the Management Board were re-surfacing. When the MD and his Management Team commenced work according to the guidelines set in November 1998, it became obvious that the Management Board interpreted the decision differently. To address this issue a three-hour session was scheduled during the week of February 22-26, so that roles between the MD of SSSA and the Board members could be clarified.
- Following the decision to implement the new structure, leaders for the whole-task groups and support groups were appointed. Workshops to prepare these leaders for their future leadership role were scheduled for April. Those leaders who were involved in the Pilot Project were scheduled to attend the first of two workshops.
- The Pilot Project, to implement the first-order redesign, was scheduled to start during the first week of May. The pilot involved only a certain number of whole-task groups and no support groups.
- Preparation for second-order redesign was scheduled for May 1999. Second-order redesign would first involve the whole-task groups in the pilot, followed by the rest of the whole-task groups and support groups. Special training sessions were scheduled for May and June.

Assisting Management to assume it's new role became a high priority. A session was scheduled for April 28-29. One of the Project Team members was mandated to interview members of the Management Team to determine their attitudes and to assess their readiness to enter into their new roles.

The Project Leader and the Consultant realised that they were entering an area where paradigms of the past were blocking the acceptance of empowerment principles. Failure to understand the business in it's broader context because of too much specialisation in the past, was another restraining factor. Factors such as these made it difficult for leaders to switch from an operational orientation to the strategic management of a company. The legacy of the past was also blocking them working together as a business team and acting as the real change champions during the implementation of the new structure.

Encountering resistance to change

By February 1999 the **leaders** for whole-task groups (wtgs) and support groups had been appointed. The reactions of people appointed to these positions were interesting and somewhat surprising. It illustrated the complexity of the change process. People responded in different ways and displayed a variety of feelings. For the first time change was felt on a personal level.

The Project Leader and the Consultant reacted by listening to people who wanted to talk and by acknowledging their feelings of frustration, disillusionment, disappointment and doubt.

This divergence of feelings and reactions is illustrated by four cases, observed by the Consultant in meetings over several consecutive days.

- **Case 1: Appointed as leader of the Business and Product Development Group**

  Day 1

  The person visits the Consultant and expresses his disappointment with the decision to appoint him as the leader of the Business and Product Development Support Group. He insists that the decision be reconsidered because it does not offer him new challenges and is not aligned with his personal career plans. He threatens to resign if his needs are not met. On the Consultant's question how he perceives his own career development he contradicts himself with his answers. He leaves the meeting very upset and asks the Consultant for more time to think.

  Day 2

  He walks in with a list of reasons why the he cannot accept the appointment. The main reason is that it does not fit into his career plans. He does not even consider the company's needs but maintains that the job is not a challenge to him. He requests an appointment with the MD, which is granted. He remains passive to the Consultant's efforts to explain to him how important this particular leadership position is to the future of the company.

  Day 3

  During the meeting with the MD, the importance of this particular leadership position is reiterated. He can personally benefit by accepting this position. He grudgingly accepts the appointment but warns that he still has much work to complete, which could take up to nine months - and anything can happen during the next nine months!

- **Case 2: Appointment as Senior Process Engineer to the Business and Product Development Group**

  Day 1

  The staff member appears very unhappy and attributes it to a lack of new challenges. His focus is entirely on his own development and he is not even interested in listening to the needs of the company. He maintains that the new position will force him to do exactly what he has been doing during the previous three years. This is not in line with his own interests. He is critical and cynical. He is only interested in his own ideas and not prepared to listen to other views. He voices his disappointment and states emphatically that he doesn't trust the Consultant any more.

  Day 2

  The staff member now threatens to resign because Schümann-Sasol cannot offer him what he wants. He refers to other people who are equally unhappy with their appointments and who are contemplating to resign. He is placing all his hope on an overseas position, for which he has been nominated by Sasol.

  Day 3

  He accepts that the company's needs must receive priority but states that he is still unhappy with the circumstances. He becomes sarcastic and threatens to work only 8 hours per day. He does not accept the fact that he has a number of development areas that needs to be attended to.

  Day 4

  The staff members attitude has not changed and the Consultant gets the impression that he consciously ignores him.

- **Case 3: Appointment as Process Engineer in the Technical Development Group**

  Day 1

  The staff member demands that he is given more production experience and is appointed as a whole-task group leader in the manufacturing area. He threatens to resign if his needs are not met.

  Day 2

  He is willing to negotiate and will be satisfied if the company allows him to gain more production experience during the course of the next year. He understands the principle that the company must utilise him were he can contribute most. He asserts, however, that his needs are ignored.

  Day 3

  He appears more relaxed and satisfied with the recommendation that he becomes the process engineer in the Technical Development group.

- **Case 4: Appointed as Support Group Leader in the Technical Support Group**

  Day 1

The person is very upset. He declares that he was given the impression that he would become the leader of the Business and Product Development Group and regards the appointment as leader of the Technical Support Group to be an insult. He threatens resignation. He maintains that nobody in the company is even closely on par with him as far as leading the Business and Production Development Group is concerned. He confesses that he has lost his trust in the company's management.

Day 2

The staff member reveals that he has left no stone unturned to determine whether his appointment is the result of a hidden agenda or impulsive decision-making. He accuses the Consultant of being a hypocrite. He indicates that he wants to apply for another Level 4 position in the company.

Day 3

He networks widely with colleagues and tries to obtain their sympathy and does not even attend the session where the new appointments are announced. Over the past three days much time has been spent to explain to him his limitations as a consequence of his management style and high-risk profile. The Consultant encourages him to accept the new appointment and offers him the opportunity to work with a smaller team that will enable him to address his own limitations. If he is successful, he could be utilised in a much broader context in future. Despite these accommodating efforts he still listens very selectively and interprets comments very negatively.

Day 4

He has a meeting with the MD. In the meeting he expresses his disappointment in Management and alleges that Management are not aware of his successes and particularly his frustrations over the past three years. He still does not accept that his attitudes and propensity to emphasise problems are the limitations that make him unacceptable for the leadership position to which he aspires.

Experiences like these forced the Project Leader and the Consultant to reflect on the new dynamics that were surfacing in the change process. They had to admit to themselves that the process was not as simple as merely selecting potential leaders and appointing them to a new structure. People were personalising events. The conclusion was unanimous: don't label staff members as disloyal, dishonest, unreliable, unpredictable or ungrateful! It would be wiser to just accept that change was a difficult process for most people and different people work through change in different ways.

Fear was expressed that the same phenomenon may occur during second-order redesign. Leaders in whole-task groups and support groups would therefore have to be prepared and sensitised to handle this type of reaction at team member level. It was conceded that the pilot would provide them with a good opportunity to learn more about the personal dynamics of people engaged in change.

The Project Team reached another conclusion: all it's attention should not be focused on the pilot study – the rest of the organisation should also be prepared for the changes still lying ahead. One very important learning point surfaced in this regard: communication per se is not enough; it is too passive, does not normally reach all individuals, and does it take into account individual differences.

Implementing an IT System

While the pilot was being implemented, other activities related to this phase of the transformation process were simultaneously taking place. One such an initiative was the design of an IT system to support the processes incorporated into the new structure. This initiative was driven by Leon Henrico, a member of the Project Team. It started towards the end of 1998 and involved various discussions with Sasol IT to try and find common ground. On February 4,1999, a number of concerns in regard to this initiative were discussed. These can be summarised as follows:

- Although Sasol's SAP system allowed for horizontal integration, it was seen to be very prescriptive and rigid and any deviation from this fixed structure would escalate costs. Unfortunately the deviations could not be determined at that stage, since the second-order redesign had not yet started.
- IT implementation could result in overspending, which would put the Leopard Project and the transformation process at risk, with the possibility of creating a situation very similar to the situation that had been experienced in Hamburg.
- A shortage of staff that could become involved in the IT project, created problems.

The decision was to actively reduce the risk by spending a significant amount of time with the SAP consultant to ensure that they fully understood the new structure and the principles on which it was based. The SAP consultant would then be forced to clearly state what was possible and what was not. In the meantime no additional SSSA resources would be earmarked for IT implementation.

The SSSA task team responsible for the IT system decided to continue with the compilation of an IT blueprint analysis for SSSA. The proposed systems for the new IT configuration, based on the value chain diagrams, appeared in draft form on March 19,1999.

The IT task team's thinking was based on Gates' concept of the Digital Nervous System (Gates, 1999). In the design an integrated information network was suggested which made provision for the following:

- digital processes that closely linked every aspect of the company's thoughts and actions;
- accessibility of basic operational data such as finance, distribution, production and feedback from customers in electronic format, to the company's knowledge workers;
- knowledge workers who could quickly adapt and respond to information;

- making available accurate information to do strategic thinking, changing strategic planning from a stand-alone activity to an ongoing process;
- the transformation of static sales and customer- and demographic data into the design of a new product or programme;
- less time spent on processing information to more time spent on teaching people to use, analyse and act on the information.
- sales numbers, expense breakdowns, supplier- and contractor costs, status of major projects, etc. could all be seen in a form that incited analysis as well as co-ordination with other stakeholders inside and outside the company.

The main rationale of the digital nervous system was to extend the individual's analytic abilities the same way in which machines extend their physical capabilities. A secondary rationale could also be distinguished: by combining the abilities of individuals it became possible to create a common intelligence and unified ability to act (Henrico, 2000).

The thinking of the IT task force represented a shift in mindset from information to knowledge in the Project Team. To make the shift a reality, a network based on strong relationships was needed in order to tap into information at every level. Survival would depend on the company's ability to capture intelligence, transform it into usable knowledge, embed it as organisational learning and then distribute it rapidly throughout the company.

Resurfacing of leadership problems

By the middle of March 1999 all the whole-task groups and support group leaders had been appointed, and immediate difficulties were addressed. The Project Team engaged in the preparation of a number of crucial interventions that were scheduled to start with the Management Team. This was followed by interventions aimed at the appointed leaders of whole-task groups and support groups, and finally at the newly-appointed teams.

Despite several previous efforts to obtain the commitment of the Management Team for the changes, their day-to-day behaviour refuted the principles driving the change. This was a cause of concern because of the new structure's dependence on the behaviour of leaders at strategic as well as whole-task group levels. In a memo from the Consultant to the Project Leader the Project Team's thinking about leadership and the transformation process was outlined. Doubt about the MD's leadership style resurfaced. The expectation was that the person who should be leading the transformation would be a people-oriented leader - a person willing to take the initiative himself, one who would be willing to lead in his personal capacity and take the risks associated with a transformation. It was agreed that the MD had showen a willingness to change and had given support, but still was perceived as a *bureaucrat*. His perceived inability to think strategically, and his reluctance to confront the board members about his role as leader of an empowered company, was questioned again. The Project Team was concerned that unless the MD was willing to change his behaviour, his team members would not engage in change either.

The inability of management team members to mobilise sufficient emotional energy to take risks and engage in new behaviour could partly be related to the above problem. The Management Team was seen as a *"…conglomerate of bureaucrats, operators, individualists and people who are uncertain"*. A breakthrough was only possible if the MD himself would engage in new behaviour and would be willing to coach members of his management team individually.

Because of the doubt about the company's leadership the *real agenda* of the Board and the Management Team was also challenged by staff. They were seen as avoiding questions about the future number of people working in the company. These perceptions contributed to feelings of uncertainty for which communication could hardly provide answers.

Another concern, causing frustration was the reluctance of the management team to engage in *business talk*. They were perceived as communicating comfortably about production issues and even the budget, but business results and particularly the fact that an overall goal of 15% of EBIT by 2003 needed to be attained, were never articulated. This phenomenon was interpreted as another indication that Management had not yet accepted it's new strategic role as a business leader. This assumption by the Project Team was confirmed by several incidents where Management made decisions without seriously considering the consequences or without consulting with the Leopard Team for guidance in making these decisions.

The Project Team drew two conclusions:

- Management had not yet accepted the basic philosophy of empowerment.
- Management's hidden motive was to stretch the transition phase over a much longer period in order to reduce their own risk or to prove that the new organisation was *impractical,* so that they could revert to their old ways of doing things.

The two-day workshop with Management which was scheduled for late in April was therefore approached with apprehension. The Consultant realised that alignment was necessary between these two teams for the transformation to gain the required momentum for implementation. After much deliberation by the Project Team this workshop was cancelled. Instead they opted for a *leadership development proces*s, which made provision for three phases:

- a **pre-workshop phase** allowing for interviews with members of the Management Team as well as a rating of behaviour by peers and subordinates;
- a **two-day workshop** which would involve feedback to members based on the assessments made by others, as well as new learnings so that members could familiarise themselves with their new leadership roles.
- a **follow-up phase** which would involve follow-up discussions and coaching to ensure that learning continues uninterruptedly after the workshop.

This leadership development process would involve the Management Team as well as leaders of whole-task groups and support groups. In the case of the Management Team the focus would be on strategic leadership and at whole-task group and support group level, the focus would be on operational leadership.

Interviews to assess the status of implementation as perceived by members of the management team, generated valuable information and could be described as diagnostically useful. The data enabled the Project Leader, the Consultant and the Project Team to obtain a better understanding of Management's position regarding the Leopard Project. As far as their own behaviour was concerned, they were honest enough to admit that change was still seen as the Leopard's responsibility and that their ownership was still lacking. Their own discomfort in regard to their new role was acknowledged and members expressed their concern about the MD's preference for operational work. Problems like market pressures, the low oil price and mergers amongst competitors, were raised, but their greatest concern was the perceived lack of commitment by the Management Board and the ethical differences that they believed existed between themselves and the Board.

Data from the interviews and questionnaires was built into the design of the two-day session. The flow of the workshop allowed for a progression from awareness, to understanding, to acceptance. The transformation was reviewed from the start to the current phase, where leaders were appointed at different levels as a first step to populate the new structure. Management Team members were guided to understand that the change process was now converging on them as the strategic leaders of the company. During the workshop the following objectives were achieved:

- assessing the current status of the transformation as perceived by members;
- the identification of management behaviour critical to this stage of the transformation;
- clarification of the proposed leadership model and competencies required at the company's strategic management level;
- analysis of members' own behaviour and identification of their own competency needs;
- Planning of their own personal transition in regard to their new roles.

During April a project team member started to promote and explain the Balanced Score Card (BSC). Use of the BSC as a measuring device had been approved by the Board of Directors in November 1998 and was seen as an important tool to link the strategic plan to the various strategic leaders. Interviews were subsequently conducted with members of the management team to discuss those strategic objectives, for which they took responsibility. Strategic objectives were then classified into the four categories of the BSC. Three levels of measurement were identified: **corporate level, strategic level** and **operational level**.

Progress with the entrenchment of core values

Implementation of the new structure required an assessment of progress made with the entrenchment of core values. Posters, values-related information on the Leopard boards, informal discussions and a competition in support of the company's core values were used. Despite these efforts to reinforce the values, change in the behaviour of leaders and staff members was still not visible. A change in behaviour was essential for the pilot phase, which was scheduled to start in May.

Facing this dilemma the Project Team for the first time fully understood that the structure depended on the entrenchment of values. It was realised that the command and control style of Management could only be phased out if the core values could start guiding peoples' behaviour. Staff would have to demonstrate **openness** and **honesty** in order to build trust and to make the empowerment concept workable. **Diversity** would have to be taken seriously to ensure that no single staff member would feel discriminated against. Individual **ability** and **creativity** would have to be tapped into in order to make the concept of whole-task groups a workable concept. **Pride** would be essential to deliver a high quality service to clients and **perseverance** would be necessary to make the transformation a resounding success.

To speed-up the pace of value entrenchment, several decisions were taken:

- values would become an integral part of the second-order redesign workshops; and
- whole-task groups and support groups would be encouraged, after the second-order redesign workshops, to create their own unique application for each of the core values as demonstrated in the group members' behaviour, but without creating different interpretations of the core values.

On reflection the Project Team realised that communicating values through posters on the Leopard board was insufficient - more interaction on values was required. It was now accepted that they had to find ways to allow people to talk about the values and particularly to ask questions, so that values could become part of their thinking. Listening to people was important, because by listening people are encouraged to think, and by encouraging them to think, their involvement and commitment are secured.

Communication to staff was heavily scrutinised too. The Project Team concluded that they had not been very successful in encouraging enough open debate and questions. They admitted to the limitations of coffee shop sessions. Even the very popular vision video had it's limitations; staff were getting used to the video. A new generation of videos, each addressing a theme from the vision, was to be considered.

Leadership at operational level

Leadership at operational level became the focus of interventions during April. Appointed leaders of whole-task groups and support groups attended two-day workshops on April 13-14, and again on April 16-16. The overall theme was teams and the leadership of teams in the new organisation. Specific objectives included understanding the team-based organisation, the phases of team development, and the main elements of a team. Appointed leaders were given the opportunity to express their fears, hopes, concerns and feelings about their new leadership roles. Empowerment and the barriers to empowerment were on the agenda. Leaders were invited to assess Schümann-Sasol's readiness for the team-based organisation. Uncertainties in regard to the new structure were underlined and clarified.

The leadership workshops at strategic- and operational levels were successful in the sense that they served as an introduction to assist leaders to understand their new roles within the designated structure. But it was also apparent that follow-up training was needed. Designing and conducting second-order redesign workshops for whole-task group leaders in the pilot therefore appeared to be the most obvious next intervention.

The concept of making endings and starting new beginnings had also taken on a new dimension. The dynamics were first introduced during the leadership workshops to assist leaders in managing their personal transition from the old structure and old roles, to the new structure and their new roles. It was now obvious that another category of staff required assistance in this regard: people who had worked as supervisors in the old structure but failed to be selected as leaders in the new structure.

Creating and developing teams

At the start of the pilot and with the second-order redesign workshops scheduled, a lot of relevant data had been accumulated. Results from the technical as well as the social analysis were available. Customer definitions had been completed. Whole-task groups within the pilot had defined their boundaries as well as their inputs and outputs. All the business processes that added value had been identified and the support activities to be conducted within each whole-task group, had been selected.

The purpose of the second-order redesign workshops was to identify and define individual jobs/roles in such a way that the principles that had been agreed upon could be applied to every team and individual within the new structure. It was an intervention aimed at finding the most appropriate integration of technology and people within the structure in such a way that the two sub-systems could be optimised. In addition to creating a vision and a mission statement for each team the five core values were revisited. Other specific objectives included:

- understanding the meaning of a whole job;
- understanding the advantages of creating whole jobs within whole-task groups; and
- identifying and defining each team's whole jobs.

The intervention gave staff the opportunity to familiarise themselves with a key concept - **the whole job**, and with the principle that each job in the new design must make a contribution towards end results. Certain requirements would apply to a whole job, e.g.:

- a whole job would be built around a process that is adding value;
- a whole job would contain the elements of planning, doing and evaluating;
- the job holder would be empowered to perform the job;
- the job holder would have to be competent to perform the job.

After the intervention leaders and members of whole-task groups understood the principles as well as the method of design. The process of design was to continue after the workshop according to definite guidelines and with the assistance of project team members.

Two documents were created that evaluated these second-order redesign workshops as interventions. The first was a memorandum which the Leopard

Project Team sent to Management after the first round of workshops with the paraffin's, medium wax, and hard wax whole-task groups. The second was a note containing twenty-six learnings from that period. In the memo to Management the Project Team describe the learning as *rich and fruitful* and claim that they were now aware of the success factors within teams and felt more informed about the constraints external to teams. They noted that teams were still in a forming phase and that relationships were still very fragile. Roles were still confusing and direction still hazy. Factors such as language and culture were acknowledged as a reality that teams had to deal with. Suggestions like the following were put forward to ensure that the process was completed successfully:

- Teams were to be granted the opportunity to *"…sort out their own problems"*. Managers were discouraged to intervene and urged to express confidence in the team's ability to identify and solve problems.
- Teams were to be encouraged to address cultural differences, which had surfaced as stumbling blocks. Team leaders were incited to involve all the members of the whole-task groups and not only work within *comfortable relationships*.
- Staff were to be influenced to see training and coaching as ongoing events – an inevitable activity to make the new organisation work.

Valuable learning points such as the *competition phenomenon* were noted. This surfaced within and between teams. It appeared as if people were energised by identifying an enemy within against whom they needed to compete. The conclusion of the Project Team was that people did not understand the principle of interdependence yet. A new mindset was required. Other inappropriate mindsets were the view that career progress was only possible through promotion, that job security was vested in a job title and that discipline was impossible without a supervisor. The Code of Conduct which teams had to draw up, helped with the understanding of core values in a very concrete way.

More interesting observations were made:

- team members were encouraging one another and giving support to whole-task group leaders.
- openness and honesty were becoming trademarks of certain teams;
- past conflict between certain members contributed to a recurrence of conflict and eroded trust in the teams;
- the absence of a revised reward system was dampening the excitement;
- whenever a problem occurred, people tended to revert to the *old way of doing things*.

Towards the end of June 1999 progress in regard to the transformation was reported in the Leopard News. Certain paragraphs like the following captured the state of the transformation very eloquently:

"*With the implementation of the Leopard Project, Schümann-Sasol becomes a process-driven, team-based organisation in the Schümann-Sasol Group of Companies. A process-driven approach ensures that customer needs are met across the value chain and human and technical processes are optimised to satisfy the needs of shareholders. Two key variables to attain this quantum leap* *are empowerment and teams*". Also in the same report "…*in Schümann-Sasol, successful teamwork is a prerequisite for survival. In the new structure planning, execution and control will take place at workgroup level, with maximum empowerment to that level. Teams across the value chain will be performing value-adding activities, while non-value activities will be eliminated. These primary whole-task groups will perform activities that are directly linked to the company's mission*" (Leopard News, June 1999).

Reviewing strategy

The Schümann-Sasol Strategic Plan was first developed in November 1997. It was reviewed in December 1998 and again in February 1999. In an effort to improve the plan, the Strategic Plan was linked with the Balanced Score Card (BSC) as a measurement technique. This helped to identify a number of deficiencies in the company's strategic plan. These deficiencies were addressed on June 9, 1999.

For the first time not only members of the management team (now known as Strategic Management) were involved, but also leaders of whole-task groups. Constraints for implementing strategy included a lack of creativity (which inhibited the company's ability to make quantum leaps), a lack of urgency in tackling the strategic objectives, a vagueness with regard to some key strategic concepts, and a lack of finances to operationalise the strategy.

It is worth noting that the questions posed by the BSC really helped leadership to critically evaluate their own strategy (Kaplan & Norton, 1993). Four questions suggested by the BSC were particularly useful:

- If we succeed, how will we look in the eyes of our shareholders (financial dimension)?
- To achieve our vision, how must we look to our customers (customer dimension)?
- To satisfy our customers, at which processes must we excel (internal dimension)?
- To achieve our vision, how must our company learn and improve (learning dimension)?

Of concern was the difficulty experienced when relating strategy and competitiveness and finding ways to improve competitiveness. Two valuable principles were accepted: competitive advantage could grow from the development of new products and applications, and a different competitive advantage would be required for different clients.

The objectives in four of the nine priorities were extensively discussed and revised. A recommendation was accepted to invest more time and energy in the development of plans, including financial plans.

Status of the transformation by June 1999

By the end of June 1999 the transformation process had been running for more than 20 months. Through the transformation a better alignment amongst key stakeholders had been achieved. The company could boast a documented strategy, consisting of a clear vision, mission, core values and strategic priorities. The strategy was understood and accepted as essential in guiding the company towards the future. A champion for the strategy at strategic management level was, however, not forthcoming.

The strategic priority that addressed the restructuring of the company had been achieved in terms of the analysis, approval of redesign principles and a new design. A pilot had started to run on a section of the value chain. Progress had been communicated to staff at all levels, which kept them in the loop and contributed to good energy levels and a positive expectation of things to come. Core values had been reinforced through surveys, notice boards, informal discussions and a competition.

The success of the newly designed structure relied heavily on sound leadership at every level. At strategic level the Management Team had developed a better understanding of their new role but did not, as yet, quite accepted that role. The operational paradigm was preventing the business paradigm to take over. They were neither committed nor passionate about the new role, and they showed signs of uncertainty. The fact that their new mandate that had been promised to them in November 1998 had not been formally handed to them, contributed to their uncertainty and doubt. The members of the team believed that they had not really been given the authority to take full accountability of the company. Trust between them and the Management Board still appeared to be a hindrance.

By June it was announced that the position of MD would become vacant and a new MD would be appointed. Unfortunately it was known that the MD's family had already left South Africa early in 1999, which caused rumours about his inevitable relocation to Hamburg long before his decision was announced.

This intensified the void in leadership in the transformation. To a certain extent this void had been taken care of by the Project Leader himself who emerged as the informal leader during the transformation. When the position of MD became vacant he continued to serve as the formal communication channel to the Management Board in regard to progress on the Leopard Project.

Uncertainty was heightened when the new MD was announced. The news was received with much apprehension. The appointee had a reputation of being a maverick and a manipulator.

At whole-task group and support group levels the importance of leadership was now recognised and actively promoted. The self-managing team concept was gaining acceptance. Empowerment was much better understood.

As part of the second-order redesign intervention, teams were starting to work together and leaders were given the first opportunity to work with their new teams. A leader and his team now had the responsibility to design their own teams around whole jobs. Through the analysis of core jobs many people for the first time understood what they were doing and what they were supposed to do. They now understood inputs, what outputs were expected and what processes were required to convert inputs into outputs. It was realised that these outputs should be measured. The lack of objectives in the past was acknowledged. This changed the old volume paradigm. Accountability was better understood as soon as the principle of measurement was accepted.

Members of whole-task groups worked vigorously to complete their assignments and to submit their proposals to the Project Team for final approval. The experience of creating their own whole-tasks by breaking it down into the elements of planning, doing and evaluating and then deciding on what to measure and which people to appoint, resulted in ownership and high levels of energy. A positive expectation in regard to the future was pervasive amongst staff at this level.

At the end of the 1998/1999 financial year the company's revenue had increased from R576.34m to R716.30m. The EBIT had improved from R31.39m to R45.70m.

At this point the Project Leader commissioned a cartoonist to prepare a poster of key characters involved at that stage of the transformation. The part of the poster (in the frame below) depicts the handover to the new MD.

7 Transferring the initiative to the new leader

Appointment

During early May 1999 Elmore Marshall, the MD of Sasol Chemical Industries (SCI), encouraged the MD of Carbo Tar to apply for the position of MD at SSSA. As MD of Carbo Tar he had taken the company from a net loss position of R19m per annum to a profitable business unit. He considered the position as MD of SSSA as an option for the following reasons:

- SSSA was more of a core business in SCI and would offer him better career prospects than Carbo Tar;

- SSSA was already established and he was curious how he would apply his business-thinking to an already established business unit; and
- being a merger, the SSSA operation would offer him more freedom to *"…do his own thing"*.

The candidate applied and was invited to visit Hamburg and meet with members of the Management Board. The main interactions took place between the Chairman, Bruno Iversen and the other Board member, Dr Hans Barth. During a lunch with Iversen, he stated the expectation to be allowed to "*…do things in his own way and be trusted to do that*". He explained to Iversen that this would be the only way in which he would be able to perform.

When negotiating his remuneration with Barth, he tested the risk principle by proposing a very moderate basic salary coupled to profit sharing and a bonus based on meeting budget. The candidate was therefore sending out the message that he was willing to take risks, but wanted the freedom to run the business in an entrepreneurial way.

Both Iversen and Barth responded favourably to these suggestions. This was not surprising, given their history of opportunism and entrepreneurship in the Schümann era. The candidate was seen as the right person and was appointed. He was requested to evaluate SSSA, to give his opinion about the people and their utilisation, and finally, how he would handle the Leopard Project with it's leader, Tony Olivier. He affirmed to build on what had already been established as far as the change project was concerned.

The newly appointed MD returned to South Africa and shared the MD position with the outgoing MD for a short period during July 1999. The period of overlap was considered to allow the new MD time to learn as much as possible from the outgoing MD, who had occupied office during the previous 18 months. Keen to take over the reigns, he soon realised that little was to be gained by this arrangement; he then terminated the arrangement. He took over control of the business in early August.

The Project Team was informed about the new MD's appointment as early as June 16,1999. The Project Leader stated emphatically that the MD was a person who expected results. It was decided to seek the earliest possible opportunity to recontract with him as far as the Leopard Project was concerned.

The new MD as observed by the Project Leader and Consultant

On July 20, a meeting took place between the Project Leader and the Consultant. They agreed that the new MD was not only important for the company's future, he was also important for the Leopard Project. There was accordance that the relationship with the previous MD had been a productive one, with minimal interference from him in the way the Project Leader and the Consultant had managed the project. They noted that the new MD came from the Carbo Tar environment where he had been extremely successful, yet he engaged in radical measures which were perceived by his peers in the Sasol environment as controversial. They concluded that the new MD would probably have strong ideas on how the business should be managed, and they thought that it might lead to conflict.

The new MD's management style was totally different to that of the previous MD. One common assumption surfaced: the change philosophy, which had guided the transformation over the previous 20 months, might be different from his philosophy of change. They agreed that the new MD's main objective was to grow the business, but their concern was that he might show an unwillingness to accept ownership for the transformation. His style was perceived as confrontational and unwilling to listen, aimed at challenging the other person's logic. His body language communicated irritation, impatience and lack of respect for other people. He was perceived as manipulative and his use of sarcasm often unnerved people. This resulted in people feeling rejected, uncertain and excluded. This kind of behaviour could jeopardise some of the basic principles and values on which the transformation was built.

The Project Leader and the Consultant however admitted that the new MD displayed strong leadership qualities and that he could definitely fill the leadership void the transformation effort had experienced up to that point. One characteristic particularly excited them: his willingness to take accountability for the business and it's performance. They had to find answers for the following:

- What would the MD's role be in the transformation and how would his role affect other roles in the transformation?
- What values and principles did they share with the MD and what principles would have to be agreed on for the next phase of the project?
- Which potential areas of disagreement could jeopardise the relationship?

The transformation as experienced by the new MD

During his first week in office as co-leader of SSSA, the new MD studied the origins, principles and successes of the transformation and reached a general conclusion that the principles which had been applied, were sound. This referred to the strategy (vision, mission, core values and strategic priorities and objectives) as well as the redesign (the way in which the structure was designed across the value chain). The concept of whole-task groups arranged along the value chain excited him. His main concern was the mismatch in the new structure between Management (leadership) and the whole-task groups and their leaders. To him the structure reflected an unbalanced distribution of authority. For him it appeared as if power had been handed to the whole-task groups without offering a similar degree of autonomy to the company's leadership. He favoured a new level to be brought in between the whole-task groups and the strategic level – autonomous business units that could develop their own strategies around their own products.

The format of management practices was another source of frustration. He disliked the idea of utilising a management meeting as a report-back session. He saw the need for developing managers to live up to his expectations of business managers, rather than traditional functional heads.

He noticed a difference in the interpretation of **participation** and **empowerment.** Participation to him was to invite debate, but once a principle was discussed and **accepted**, applying that principle vigorously was the manager's responsibility. It then became the manager's responsibility to give *his* definition to the principle in practice. The new MD's adage was, *"…when you* *perform well and according to expectations, then you do things in your way. However, if you do not perform, I will intervene and then do things my way – because that is all I can do*". This perceived change in thinking about empowerment created a mixture of feelings – frustration, defiance and uncertainty – amongst his managers. It urged them to exercise choices and take accountability.

The MD fully supported the five core values. To him they were the link between the structure and behaviour required to support the new structure. He was also prepared to address the interface with the Management Board and to take a strong position in favour of the empowerment of SSSA, particularly regarding the marketing of hard waxes.

SSSA's strategy was accepted but it's approach to strategic planning did not meet with the new MD's approval. He rejected the idea of involving larger groups in a strategic planning process and preferred a vision and mission that everybody in the organisation could recall. He favoured facilitating strategy sessions himself, but made provision for inputs from specialists at predetermined stages of a strategic planning process.

Recontracting the roles of the Project Leader and Consultant

A meeting between the outgoing MD, the new MD and the Consultant took place on July 27. The consultant saw the meeting as an opportunity to explore the relationship with the new MD and as a first step towards a contract. To start the discussion, the outgoing MD was requested to give his impression of the transformation at that particular point. He summarised his impressions as follows:

- time constraints had made if difficult for him to attend to the project on a full time basis;
- conflict had prevailed between the day-to-day job demands on staff and preparations for the new organisation;
- change at management team level was slow; and
- change was visible in a new paradigm amongst staff – a willingness to take more initiative.

The new MD then outlined his norms for successful organisations and cited that he favoured the characteristics of entrepreneurial organisations (*high flyers*) characterised by:

- small head offices and flatter structures;
- small business units, allowing people to communicate informally;
- people that are well-informed and empowered;
- remuneration structured in such a way that people who perform well also receive more.

He articulated his personal management philosophy and emphasised the following:

- **Principles should be paramount**: gaining acceptance for principles is more important than rules and procedures.

- **Promote growth in volume and revenue first**: costs 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.
- **Structure should reflect the company's strategies.**
- **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.

After the meeting the MD announced a number of changes, which would affect the Leopard Project directly:

- The Project Leader would be appointed as Human Resources Manager because a *quantum leap could only be attained through people*. At the same time he admitted that the handling of people was one of his weaknesses.
- The Consultant would in future have to work through the new HR Manager; his primary role would be to support the new HR Manager.
- Families would become involved in the change process. They should feel involved and experience ownership for the strategy and the business.
- A common vocabulary would be established.
- SSSA (Pty) Ltd would in future be less isolated and become more integrated with the global Schümann-Sasol units.
- He would personally conduct informal talks with groups throughout the company so that he could orientate himself.

The outcomes of the meeting, particularly the changes regarding the transformation, were assessed positively by the Consultant and the Project Leader, though one fact was clear: the transformation as a project (the Leopard) was something of the past. Accountability for change in the future would be vested in the MD himself.

The appointment of Tony Olivier as the new HR Manager was welcomed because of his involvement in the Leopard Project over a two-year period and the sound relationship he had established with key people at all levels. His well-established image as an effective Project Leader would also boost the credibility of HR. Such a move could only benefit the change effort as HR would now be managed within a transformation paradigm and training and development in particular would in future be considered from within this perspective.

This also implied a lesser involvement by the Consultant. The transformation would in future not be championed by the Project Leader and the Consultant but by the MD himself.

Although generally very positive the changes would also involve an element of risk. It appeared as if this risk primarily revolved around the MD himself, because:

- he could enforce his own ideas and concepts on SSSA, which could cause new uncertainty and confusion;
- although he admitted to the key role of people in bringing about change, he was not willing to address his own weakness - that of *handling people*;
- he strongly supported *client ownership* but restricted the meaning of the concept to clients in the market place – not internal clients across the value chain.

Soon afterwards the Consultant's services were re-contracted and extended to the end of 1999. The contract made provision for the following:

- a visit to the pilot group to review progress and to address issues regarding leadership roles, new competencies required, transfer of staff to whole-task groups and the use of the Balanced Score Card (BSC) at whole-task group level.
- to speed up implementation of the new structure, whole-task groups and support groups not involved in the pilot would attend second-order redesign workshops;
- a follow-up survey on the core values would be conducted to assess the degree to which core values had been entrenched as part of the organisational culture;
- the process of implementation which had been followed since December 1998, would be evaluated for efficiency; and
- a refinement of the new structure would be made to meet the MD's expectation of full implementation by the end of 1999.

Streamlining the new structure

A decisive workshop took place on August 20-21,1999. It involved the Management Team and was facilitated by the Consultant. The new MD shared his views on a number of key dimensions:

- The current vision, mission, core values, strategic priorities and objectives would suffice. They were sound enough to provide clear direction. All problems that occurred should be solved within the guidelines of strategy. Strategy should now be cascaded down and subordinate strategies be developed.
- The present level of excellence, including the work that had been done in the Leopard Project, should be sustained. The redesigned structure offered the company the possibility of creating ownership at lower levels, but the *hierarchical* position of cluster leaders relative to whole-task group leaders was incongruent with the philosophy behind the design of the new structure.
- Cost-discipline should become a business enabler.
- Each member of the Management Team required a personal mentor to enhance his competencies. Members had different needs and they required different mentors to develop their potential as leaders. A condition must be reached where any member of the team could take the lead, depending on the problem and circumstances.

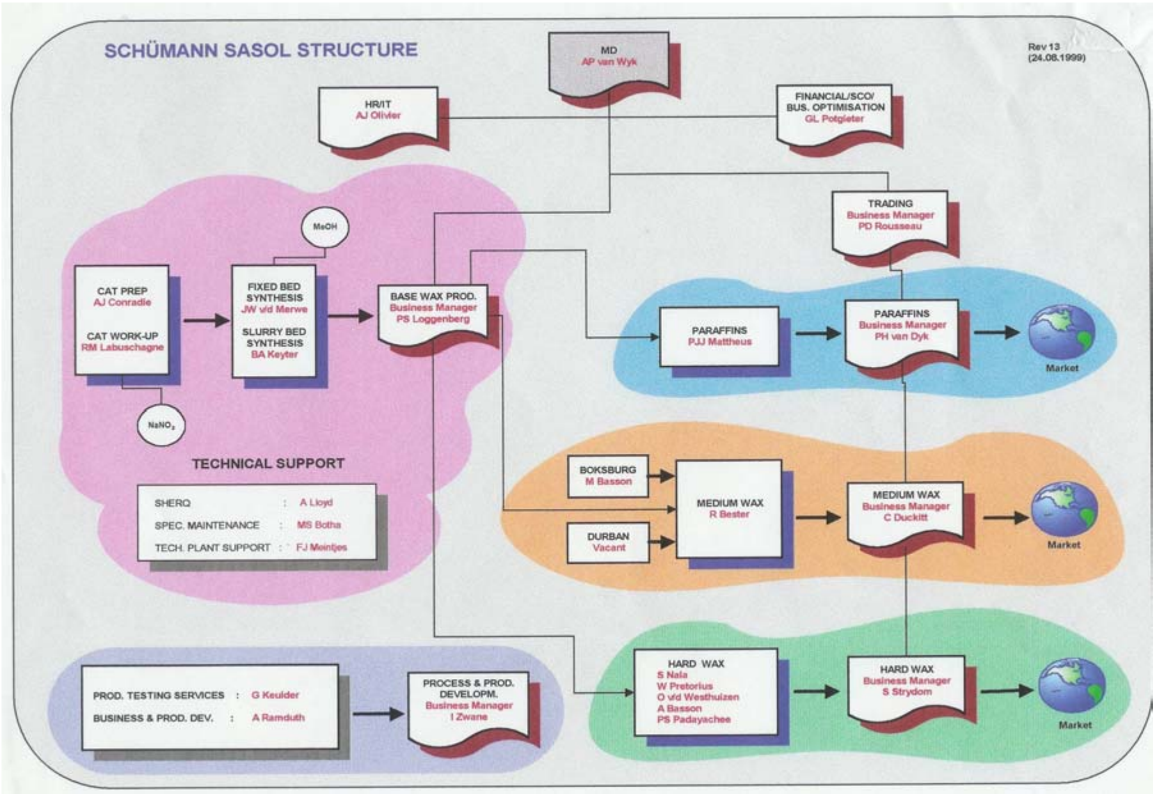
- As a team the members should support one another, stand in for one another and accept *that no one person leads, but the team*. Team members should be themselves, willing to share their feelings and thoughts openly. *"Subjectivity can only be neutralised by making things transparent, i.e. talk about things when members are given the opportunity to add their views. From such discussions objectivity emerges"*.
- Implementation of strategy was dependent on the speed of decision-making. Bureaucracy had to be killed, otherwise the company would not be able to compete.

At the same meeting a number of key decisions were taken to address current business problems, including

- a 5% reduction in fixed costs;
- an increase in the gross contribution margin to 32%; and
- a 10% increase in sales.

The new structure was also addressed. In an effort to apply design principles more consistently, the design was amended in the following ways (see figure 2):

Figure 2: Schümann-Sasol structure (September 1999)



- The *hierarchical element* of the previous version, which had been depicted as **cluster leaders** at the top, was replaced by **business managers**, laterally linked to the value chain. This change would not only enhance the principle of owning the customer, but would connect whole-task groups more closely within a business unit. In future there would be business units for paraffins, medium wax, hard wax and base wax production. The latter would become a separate business unit because of the sensitive interface with SCI and the importance of delivering high quality products and reliable volumes to the three internal clients. Base Wax Production would now also incorporate the Technical Support Group.

- Trading activities would be consolidated in a new, separate business unit. This unit would support the Paraffin, Medium Wax and Hard Wax units by sourcing for them (e.g. buy other types of waxes on the market or testing new products in the market place).
- Process and Product Development would maintain it's identity as a separate support group.

The workshop of August 20-21 was rated a success in more than one way. Members of the Management Team and their new leader could assess strategy objectively. In this regard the MD allowed lengthy discussions and encouraged open debate. For the Leopard Project Leader, now acting as HR Manager, the acceptance of strategy as a basis for building the future on, was a great relief and a confirmation that the work that had been done was of sound quality. He was equally satisfied with the decisions taken to optimise the structure. It was based on the company's strategic pointers as well as on the already accepted design principles.

There are also other reasons to believe that the workshop was significant for the transformation process:

- The workshop was a good experience for the company's leadership as a team. Exposure to the Belbin roles (Belbin, 1993) created a new awareness of individual differences amongst members; open and honest interaction between members removed most of the uncertainty that existed earlier.
- It was the first occasion on which the MD explained the relationship between strategy, structure and discipline. Strategy provides direction, structure must make strategy happen and discipline must be embedded so that people in the organisation do the right things consistently.
- The concept of success enablers was introduced by the MD. Success enablers were defined as cost-discipline, speed of implementation, flexibility, razor sharp focus, learning, empowerment, integration with Hamburg and the importance of sharing information rather than withholding it.
- The MD's promise to involve families by inviting the spouses was honoured. A special programme was designed for the second day and handled by another consultant. Towards the end of the day the MD personally briefed spouses on the company's strategy and the decisions that had been taken during the workshop.

Hamburg's reaction to the changes

Changes made to the structure during the workshop was challenged by the Chairman of the Management Board on the Monday following the workshop. The MD responded directly and openly, admitting that changes had been made to the structure, explaining the principles on which the changes were made and reaffirming his intention to take personal accountability for these changes as MD of the company.

The MD recognised the cultural differences that existed between Sasolburg and Hamburg. He also realised how important the attainment of objectives were for his German counterparts and reasoned that if he would take a strong position, he would be respected.

The Board of Directors meeting of early September offered the MD an opportunity to explain the full rationale for the latest version of the structure. This led to lengthy interactions between members of the Board and members of the Management Team.

The debate was constructive and the interaction useful in helping all the parties to learn and understand how the new structure would work. It appeared as if the German board members initially showed resistance. Some emotional obstructions even occurred, partly because of their reliance on the hierarchy in the past. Discussing the structure also offered an opportunity to members of the Board, the MD and the Management Team to become more aligned.

Change becomes leader driven

The management workshop of August did not only generate much needed energy at leadership level, it also created strong positive expectations in regard to the new organisation at every level. People were excited about the new MD and regarded his approach as an adventure worthy of engagement. The new structure and certain priorities set by the MD, were communicated in writing as well as through group discussions, headed by members of the Management Team.

After only eight weeks the MD's approach to leadership became quite pronounced. He left no doubt that he wanted to take full accountability for the transformation. He admitted that much work had been done through the Leopard Project but declared that **implementation should be led by himself, and not by a consultant or project team**. He acknowledged that a very good foundation had been laid over the previous two years, but **only leadership** could take it to fruition.

The MD fully supported the principle that had been followed from the start of the transformation: change has to be **strategy-driven**. He seriously believed that strategy should become an integral part of each individual working for the company: each individual should be allowed to digest the strategy for himself so that he clearly understood what his contribution towards strategy should be. He emphasised the fact that strategy involve vision, mission, core values, strategic priorities and objectives. Together these elements provide direction.

To make strategy more digestible he shortened the vision to only one sentence and reduced the number of words in the mission statement. In this way people could remember it more clearly. He wanted people to be able to recall the vision, mission and core values at any time when so requested.

He encouraged the newly appointed business managers to take the initiative and to develop their own strategies for their business units within the company's strategic framework. He insisted that they take full accountability for their own strategies. To reinforce the concept further, he insisted that two agenda points become a common feature to any meeting that took place in the company: safety and strategy. Whatever the topic of the meeting was, these two agenda points were expected to feature, and it was up to the chairman of a meeting to decide what substance should be given.

The MD’s leadership role from July 1999 to June 2003 can be conceptualised in terms of four phases:

- the Year of Structure (September 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).

These four phases were not planned in the beginning when he took over the company in July 1999, but evolved as strategy became more focussed. Strategy remained the main driver. He used the analogy of sheep being herded by a keen shepherd. The sheep start off in the right direction, but soon loose their focus and become less aware of their direction. The dedicated shepherd (leader) then throws a stone either to their left or their right to help them redirect their focus and efforts.

In regard to strategy and the subsequent entrenchment of structures, an important event took place between November 18-20, 1999 – the MD’s first strategy review, handled by himself.

Throughout the period since his appointment he had worked hard to fully understand the organisation, get to know the people at different levels and to encourage members of his own team to accept the challenge of empowerment (as defined by him).

For the MD this was an important session. He had gained a sufficient knowledge of the company to express his views and set clear direction. At the session he explained that the company had reached a plateau in regard to both revenue and profits; something needed to be done about it. He voiced his main concern, namely that the company would revert to conventional corporate practices and typical bureaucratic behaviour, in stead of utilizing what had been achieved through the transformation over the previous two years. He reiterated his intention to make strategy and the entrenchment of the new structure his immediate focus. He also addressed issues like core values, the competencies of people for the new structure, leadership, finances, SSSA’s products, the customer and success enablers.

To advance strategy beyond his own circle of leaders, the MD invited staff and their spouses on regular intervals to strategy sessions, where he performed a facilitating and coaching role. He believed that if one wants people to apply business principles in a company, they must understand it so well that they could 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 gained exposure. The MD was satisfied and stated that if a third of the company understood strategy and how it must be implemented, the rest will follow suit.

8 The Year of Structure (September 1999 to June 2000)

Entrenching the structure was necessary so that strategy could be implemented. Structure had to enable the strategy. The MD wanted people to understand how the structure worked and what the thinking behind the new structure was. He emphasised the principle that it was Leadership's responsibility (at every level) to develop individuals so that each person could take an informed decision within the structure. Each individual should be able to exercise a choice and therefore share in the decision-making, down to the lowest level. He was passionate to empower. He wanted a person to have the **right to do things**, wherever that persons had to deliver. Hence his emphasis on cascading the strategy down to various business units and whole-task groups.

On the process of entrenching the structure the MD played a key role in helping people understand the concept of the value chain, and how a process-driven structure differed from a hierarchical structure. He personally assisted the business units to clarify and define their own value chains: the business units (Base Workup, Paraffins, Medium Wax and Hard Wax) thus succeeding in clarifying their core processes such as **logistics, production** and **marketing**. Throughout the three interlinking concepts of strategy, structure and discipline were reinforced.

The Year of Structure also involved reinforcement of the company's mission and each individual had to understand that the company was about producing *and* selling wax. The core business was reinforced. In view of this a number of actions were initiated in order to streamline the structure:

- 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 superfluous, were retrenched;
- each remaining member of the organisation became digitally literate and skilled in Basic Computer Skills and in Excel software.

With the assistance of the HR Manager the whole process was conducted very smoothly. The number of people was reduced from an excess of 400 to approximately 300, and as a result, costs were reduced dramatically.

To support structure and entrench discipline the MD introduced a fixed rhythm for meetings: all business meetings were conducted on the first Thursday of each month. Even if month-end results were not complete, the meeting would still take place. The underlying rationale was explained: to take decisions timely is better, even if results are incomplete.

Coffee shops were handled by the MD himself, and became opportunities to learn and grow. Apart from the fact that safety and strategy were handled as agenda points at every coffee shop, financial results and enablers to the strategy were discussed frequently.

The Management Team

The MD understood the truism that people give definition to structures. That explains his unrelenting efforts to develop members of his Management Team. He wanted them to share in the leadership of the company, not only hold positions of authority.

Scheduled discussions with each member were conducted on a regular basis and meetings were used to coach and educate them. During these meetings (some of which were observed by the Consultant) he asked many questions to test their thinking and assess their level of understanding. He demonstrated the core value of openness to encourage participation, obtain everyone's ideas and to clarify their expectations of him.

Management meetings were often educational in nature. The MD would point out that management meetings are not for information-sharing, but to focus on the future. Information should be real time information, all the time. In focussing on the future, knowledge of the past was necessary, but not more than 20% of meeting time should be spent on matters of the past.

Certain themes were reinforced at almost every meeting:

- the Management Team should improve their knowledge of the company as a whole and solve problems collectively;
- every member should take ownership of the company;
- every member should know the company's strategy by heart;
- confidence of a team grows through alignments of it's members;
- a change from production-ownership to customer-ownership is required;
- know the competition; and
- only a quantum leap can achieve a return on net assets of 17,2%.

Although the new MD was sometimes perceived as impatient, his philosophy was that all people are equal. He described his own role as not being more important, but only having a different set of responsibilities. Staff members, particularly members of the Management Team, who worked closely with him, described their feelings as a mixture of fear, anticipation, excitement and tension, although they always felt challenged to make the right decision.

Addressing the structural interfaces with Hamburg

In an effort to entrench the new structure, the MD promoted the restoration of good relationships with the Management Board and modelled the changed attitude personally. During coffee shop sessions he would actively work towards creating a positive image of Hamburg and the Management Board. His communication was aimed at helping staff understand Hamburg's important role and emphasised 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 volunteered personally to take it up and address the problems on behalf of SSSA.

To demonstrate his resolve he invited the three members of the Management Board to attend his first full scale strategy meeting on November 18-20,1999. The reason for his decision was simply *"…because they need to know what we are going to do".*

Supporting interventions to entrench structure

In accordance with the implementation plan as prepared by the new HR Manager and the Consultant early in August 1999, several supporting interventions were launched. Most of these were aimed at establishing whole-task group and support groups, thus actively endorsing the structural initiatives of the MD at strategic level.

Since the company was structured around teams, teamwork became a strategic driver. Teams existed at three levels: strategic (the Management Team), the business unit and whole-task group level. All of the whole-task groups and most of the support groups were grouped into the four main business units. Each whole-task group had a total responsibility for it's own area of performance, both in terms of operations and maintenance. The team took ownership of a whole-task in a specific portion of the value chain, and owned problems from start to finish. Functional specialists had been reduced to the absolute minimum, 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.

Second-order redesign training for the remainder of the whole-task groups and support groups was preceded by an assessment of progress that had been made in regard to the pilot. The HR Manager and the Consultant visited all five whole-task groups which were involved in the pilot: Paraffins, Medium Wax, Hard Wax, the Durban operation and the Boksburg operation. Each of these whole-task groups was subsequently assessed in terms of the several dimensions: structure, leadership, team cohesion/formation, information, learning organisation, customers and markets. The results indicated that progress had been made but questions and uncertainties still remained and certain issues required more attention.

This feedback was incorporated into the design of the next generation second-order redesign workshops planned for the remaining whole-task groups and support groups. One of the obstacles, which emerged from the feedback, was the difficulty whole-task group leaders experienced in understanding their roles. In the amended design more time was scheduled to make sure that newly appointed whole-task group leaders understood the differences between their new role and that of the traditional supervisor. The second-order redesign workshops started with whole-task groups, followed by support groups and ended with specialist functions at strategic level (e.g. finance).

Conducting second-order redesign workshops for whole-task groups and support groups allowed the Consultant to interact formally and informally with leaders and members of these teams. From the interactions, it became apparent that the change to self-directed teams was difficult. Several obstacles retarding the process were identified. One obstacle was the use of information power now that position had lost it's flavour. Team formation forced people to become more dependent on one another for support, knowledge, information, etc. Members disliked being dependent on one another and they became irritated, which resulted in the build-up of tension, particularly between different cultures and different competency levels.

Team-formation was also slowed down because of incompatible individual differences. Leading a whole-task group or support group was not easy either, especially switching from a supervisor mindset to a leadership mindset. The reluctance of people to take accountability was another surprising obstacle.

This problem was also experienced in support groups and on 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. This resulted in misunderstandings and tension.

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

- phase one involved **the formation of the group**, as per second-order redesign;
- phase two was conceptualised as 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;
- phase three allowed a team to take full **accountability** for all their tasks and to set their own performance objectives.

Revisiting the core values

Core values gained more appreciation because people now understood the important role of values in directing behaviour within a new structure. Empowerment for example, could not operate as intended unless the values of creativity and individual ability and equal and fair treatment become drivers of behaviour.

Much of the new awareness of values could be attributed to the efforts of the MD, especially his emphasis on core values as an integral part of strategy.

In view of this renewed prominence of values the MD, in conjunction with the HR Manager requested a follow-up survey to determine whether the new core values had been embedded in the company's culture. The task was assigned to the Consultant.

A qualitative approach was followed and the primary focus was the five whole-task groups as well as the Business and Product Development Support Group. Management was excluded from the survey. The survey took place between October 11-14, 1999. Results, which were presented to the Management Team on November 14, revealed varied levels of value entrenchment. The only whole-task group which showed that all five core values had to a large degree been entrenched, was the Paraffins one. The Hard Wax whole-task group was still struggling with the value of **creativity and individual ability** as well as **equal and fair treatment**. In the Durban plant the five core values had only been partially established.

Some interesting general impressions surfaced during the survey:

- Staff expressed a plain expectation that business leaders should model the core values more. Other behaviours, often in dissonance with the core values, were the norm, e.g. the propensity to over-emphasise mistakes, failure to express personalised recognition of success, failure to communicate business decisions, etc.
- Whole-task group leaders were making a concerted effort to change themselves and to empower others, as opposed to supervisors in the past.

- Different levels of understanding of the core values still existed within whole-task groups, and different interpretations of values within the context of empowerment were given.

These results were taken seriously by the MD. During coffee shops and other meetings he relentlessly explained the new emphasis of principles and values in contrast to policies as the drivers of behaviour.

Assessing the transformation after six months under new leadership

By January 2000 the championing of the transformation had been fully transferred to the MD, closely supported by the HR Manager. The MD was setting the pace for implementation, driving the company strategically, shaping people's thinking and creating new mindsets. Much of his personal energy was directed at business unit leaders to assist them in cascading strategy to their levels and to take full accountability for their own strategies.

The HR Manager, working in close collaboration with the MD, provided supporting interventions. The Consultant and his company adopted a new role. This role was less permanent and did not involve a contracted number of days per month as before. Sep Serfontein Associates now only became a name on a list of preferred consulting firms, which rendered services as needed. The initiative, drive and management of the implementation had switched to the leadership of the company.

At individual level, most people were still struggling with change. Some showed resistance, while others were embracing the new structure and new concepts like empowerment. At team level people were still finding it difficult to work together and to develop a common identity. Conflict which erupted between shifts as a result of various disciplines now working together, was difficult to resolve. Some leaders of whole-task groups and support groups were also straining, particularly in regard to their people leadership role. It became quite clear that teams (and people) found it difficult to relinquish past practices, embrace new behaviours and adopt new mindsets.

In January 2000 the MD and the HR Manager decided to involve an independent consulting firm, Bryce-Diaz, to assess the problems at whole-task group level. Some of the problems that surfaced included an inability to handle conflict, a lack of discipline, quality, misunderstanding of empowerment, unclear roles, negative attitudes and leadership inefficiencies. This diagnosis to a large extent supported the conclusions the HR Manager and the Consultant had made earlier. These problems were addressed in a workshop involving whole-task group leaders.

Competencies

The development of competencies originated from strategy, but was a logical next step for improving the functioning of the new design. Individual competencies add value. By utilizing individual competencies and by improving and broadening them, better results can be achieved and quantum leaps become possible.

In whole-task groups and support groups more than one member could become involved in the performance of a whole job. People working within a whole-job therefore needed to be interchangeable to provide flexibility and adaptability. A member of such a team was also expected to be capable of working across whole jobs. Given this flexible approach with regard to the performance of team members, the concept of a role rather than a job description therefore seemed more fitting to the company's new structure. The role of a group member could involve several competencies and needed to be aligned with the competency profile of the whole-task group as a whole.

A competency was defined as the ability of a team member to apply certain skills, attitudes and knowledge, in such a way that he adds value. The competencies an individual member required could vary in complexity. For some competencies an *advanced* level of competence was required, for others an *accomplished* level an for others and *entry* level would be quite adequate.

To manage competencies a competency matrix was developed. This was used to measure the output in terms of demonstrated competencies. The matrix served as a data source for competency profiles, appraisals of performance, development opportunities and succession planning. Allowance was made for four competency matrices: one for individual members, one for a team (whole-task group or support group), one for the team leader and one for each business manager. The competencies contained in each matrix were aligned with the business strategies to enhance the company's competitive advantage.

Results at the end of 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. The revenue had increased from R716.30m to R735.51m. EBIT had increased from 45.7 to 48.46.

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). Several problem areas emerged during that first survey. Staff did not understand the company's goals and objectives and senior management lacked 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 regard to the above issues the rating of SSSA were significantly lower than the average for the Sasol Group.

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 to managers at 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 SA Group results (95% confidence level).

9 The Year of Margins (July 2000 to June 2001)

Introduction of the War Room concept

Early in 2000 the MD started to attend production meetings regularly. He soon realised that measurement was absent. He was concerned about this phenomenon because the absence of measurement meant that people didn't know where they were going. Neither would people know how to reach strategic milestones. Although this weakness was not addressed during his first year of office, it was the start of the war room concept. The concept became practice during his second year of office.

Thinc Business Solutions were brought in to do a strategic business assessment of the company. Feedback from this assessment was given on August 8, 2000 and included a number of recommendations. Some of the issues supported existing assumptions, but other issues, particularly those dealing with the market, provided new insights. It was quite obvious: to remain competitive, the company needed to take a fresh look at markets, customers and products. A shift away from the traditional was required and customer service needed to be improved. Knowledge of competitors was also inadequate. Forecasting accuracy could only be improved if a better knowledge of the market existed. A better balance between market demand and production capability was suggested.

It also appeared as if staff still did not fully understood the meaning of *business* and *profit-making*. Two suggestions were made:

- that a simple, yet comprehensive *system* be developed for the integration of business information; and
- that a performance measurement system be formalised as a business integrator to provide meaning and objectivity to individual jobs.

The assessment by Thinc Business Solutions to some extent confirmed what the MD had observed and studied over several months. One of his conclusions was that margins were poor and in some cases negative. He therefore requested the business unit managers to critically assess their gross margins (revenue minus variable costs) and the reasons for it.

The MD's prime objective was to increase gross margins substantially. This could be done by reducing variable costs and increasing prices. To achieve his objective he requested businesses to calculate the margin for each of their products and to assess the business processes being used. In addition, the relationship between variable and fixed costs had to be evaluated. This included a critical assessment of fixed costs and it's contribution towards an improvement of gross margins.

In an effort to increase gross margins, price increases followed. This was met with considerable resistance by both Hamburg and a subsidiary in the USA, Moore and Munger. At that stage it appeared as if neither the Germans nor the Americans fully understood the language of margins. After some serious debate the MD obtained support from Dr Hans Barth of the Management Board. Eventually the full Board gave it's approval.

To endorse the Year of the 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. Daily positions were based on a sound measurement system, compiled by Thinc Business Solutions.

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 representatives of the various business units integrated information. The War Room enabled representatives of the business units across the value chain to view 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. During these open discussions, people could contribute, participate and challenge any bit of information.

The War Room and the Year of Margins relied heavily on a business intelligence capability. This was achieved through monitoring and chasing infrastructure through trained and competent people. The result was that essential business intelligence on strategic, tactical and operation levels could be made available within hours.

The fact that every member was computer-literate helped staff throughout the company to work *smart* with information. By establishing a computer literate organisation advanced digital tools could be utilised, enabling staff to learn and master the skills and practices of modern business. Over time staff started performing in logistics, production, maintenance and other functional activities as business people. These achievements must be ascribed to the fact that all the staff members had accumulated good business sense. On a daily base, they could see how everything they do impacted on the bottom line financial performance of the company.

The War Room also established the Order Book principle. This concept offered the MD the opportunity to enter into his coaching role. He used discussions around the Order Book to challenge incorrect assumptions and decisions made. Errors were used as opportunities to re-explain business principles. It is however important to note that, although he challenged assumptions and decisions, he never took over the decision or told the staff member what the decision should be. He always asked the person what he could do to rectify a poor decision. He was absolutely merciless in his efforts to change staff members' thinking about business.

Apart from the fact that information was shared and provided where needed, 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 since staff could see the effect of right or wrong decisions on their own business unit's results. This learning was complemented by a training programme in Financial Management. All business unit and team leaders attended this course.

Rewards and incentives

The Year of Margins also saw the introduction to a new company-wide incentive scheme. The MD wanted Management to clearly understand and experience risk on a personal level. A system was subsequently introduced in which members of management could place a certain percentage of their monthly salary on risk. This varied from one individual to another. Some high-risk tolerance individuals placed as high as 30% of their monthly salaries on risk. Return on this investment was based on the performance of the company at the end of the financial year in EBIT terms. Performance was not seen as making budget, but the degree to which **the budget was exceeded**. Because budget was exceeded every year over the period 2001 to 2003, some members doubled or quadrupled their investment over this period.

Members of management could also exercise a profit sharing option. To qualify they had to forfeit their option of purchasing Sasol shares on an annual basis. Eventually all level 4's (members of management) opted for the profit-sharing alternative, which could be viewed as an indication of the extent to which an entrepreneurial climate had taken root.

For the rest of the staff, individual bonuses were linked to the company's performance in EBIT terms, and expressed as a percentage of their salaries. The scheme was restricted to individuals and not extended to business units or teams, mainly because of the administrative burden that would be involved.

Salaries and increases were published in a transparent way and communicated throughout the company. EBIT was used as measurement of performance. However if the **safety record was not impeccable**, staff could loose the money that they had gained through financial performance. The fixed component of a person's remuneration (basic salary) was linked to the competency matrix. The annual salary adjustment, which applied to all Sasol employees, also applied to SSSA staff.

The Performance Navigation Process

In January 2001 the need for a new performance appraisal system became acute. The Sep Serfontein Consulting Group was invited to submit a proposal. In launching the initiative the HR Manager admitted to a direct relationship between performance appraisal, coaching and values. SSSA referred to it's performance appraisal system as the Performance Navigation Process (PNP). The purpose of the PNP was to equip leaders to improve the performance of their teams. Individuals would be appraised for their **business performance, competencies** and **values.**

For the process to be successful, leaders needed to become competent in following the *navigation* process, thereby ensuring the allocating of performance bonuses fairly and objectively. In this regard two specific competencies were identified:

- to do ongoing informal performance management and coaching; and
- to do joint performance and development planning with a team member.

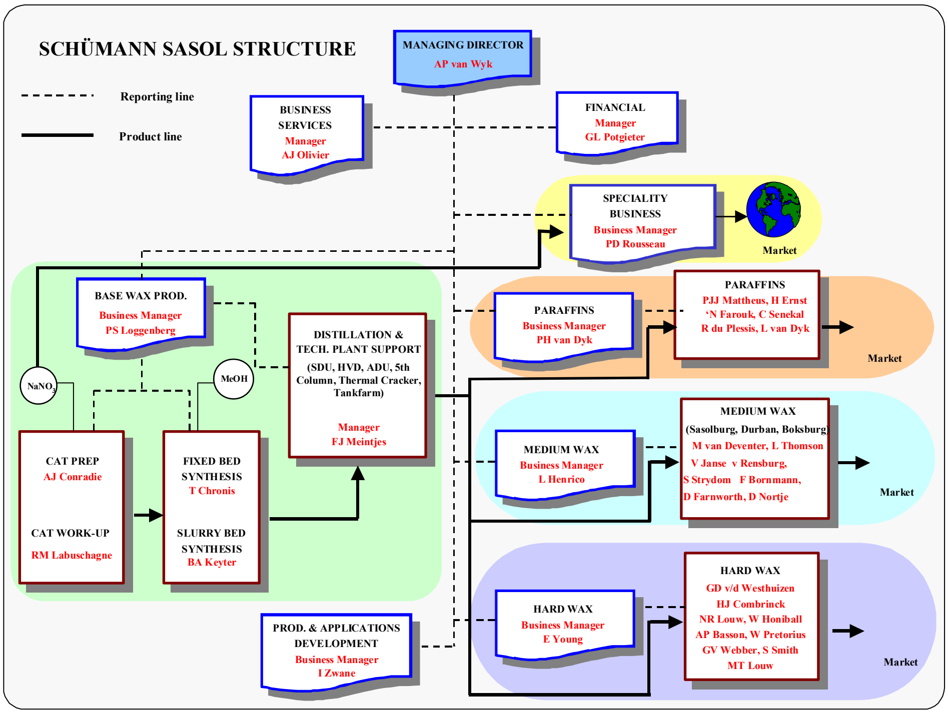
Guidelines for the Performance Navigation Process included the use of the performance matrices, the principle that each staff member will personally take responsibility for his own appraisal and reinforcement of the value of *openness*, *honesty* and *integrity*. Feedback became an acceptable practice at all levels.

The procedure was finalized by the consulting firm and a number of two-day training programmes were conducted during February and March 2001, involving the business unit and team leaders in each of the four business units.

During the Year of Margins small refinements to the organisation structure were introduced. These refinements are portrayed in figure 3.

Figure 3

SSSA's organisational structure during the period July 2000 to June 2001



The Year of Margins ended in June 2001. Financial results were impressive. Revenue had increased from R735.51m to R829.78m. EBIT had climbed from R48.46m to R98.64m.

10 The Year of Detail (July 2001 to June 2002)

Like the previous two years the focus of this third year of the MD's term of office was not pre-planned either, although change was still strategy-driven. The *Year of Detail* was therefore introduced to enhance the deployment of the company's strategy.

The rationale for this phase is quite interesting. The MD noticed that staff tended to become over-confident and too relaxed in the way they treated matters and events. Shortcuts were taken while others tended to generalize, loosing sight of **detail**. Detail, per definition, referred to processes, cost, quality, systems, customer requirements, etc.

The MD concluded that for people to stay focused they needed to be sharpened. This meant that they had to understand the detail. He was also afraid of something else: the effect of his personal style of leadership, which was holistic and visionary and appropriate at his level, but very inhibiting to those with different styles, especially those who were more inclined to look at detail. He knew that if they would start copying his style, 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 the business.

This had a marked impact on the behaviour of people. A number of changes occurred as a result of this initiative:

- The *value of openness and honesty* was reinforced as everything in the system was made transparent.
- With the help of Thinc Business Solutions the Dashboard concept was developed fully. This was made easier by the fact that members of the organisation were computer-literate and could use Microsoft Excel. Data was fed into the system on a daily basis to measure deviations. Because the theme was detail, every person was obliged to constantly challenge measurements by asking two questions:
  - do we measure the right thing?
  - do we measure correctly?

Through the use of the Dashboard the MD succeeded in creating a connection between what every person should measure on a daily basis and the company's Dashboard. All measurements added up to what the company wanted to achieve. The architecture made provision for financial results, product/market sustainability, customer value, logistic effectiveness, operational excellence, performance competence, shared learning and business culture development. The result was that at any point during a month the specific position of the company in regard to these parameters (which included numerous objectives and key performance areas) was known to everyone. The Dashboard also enabled them to anticipate profit at month end.

In support of the MD's initiative for more detail, the HR Manager, in conjunction with the MD, decided to conduct a further survey on the level of value entrenchment. Once again Sep Serfontein Consulting was mandated to do the survey.

The findings of the survey were shared towards the end of June 2001 and the report was published in July 2001. The survey revealed the following:

- the values of *openness and honesty*, and *individual ability* and *perseverance* were treated as more important than *equality* and *pride*;

- behaviours associated with *pride* and *perseverance* were more visible than behaviours associated with the other values;
- the behaviour of top management and the behaviour of other leaders in the organisation were highly correlated, indicating good alignment between levels of management in regard to the core values.

A second HR initiative was launched in September 2001 when it was decided to formally introduce **mentorship** into the business. The mentorship need had initially been identified at the same time as the need for the Performance Navigation System. The mentorship need in SSSA was very specific. It had to assist in preparing people for succession planning, particularly people with leadership potential at team level. Mentorship was also viewed as a means of creating a better balance between a task focus and a people orientation, and of improving diversity management. One condition was that mentorship should be linked to the Performance Navigation Process.

Protégées were selected from levels 5, 6 and lower. Approximately 20 mentors availed themselves for the mentor role. The process was started with a series of interviews, followed by the training of both mentors and protégées. Preparation ended with a contract between mentors and protégées. Roll-out of the mentorship programme commenced in 2001.

At the end of the financial year, 2001/2002 revenue had increased from R829.78m to R1086m. EBIT had risen to R165.88 (Net EBIT = 15,3%). The target of an EBIT of 15% set in November 1997 had thus been achieved six months ahead of target date.

11 The Year of Alternatives (July 2002 to June 2003)

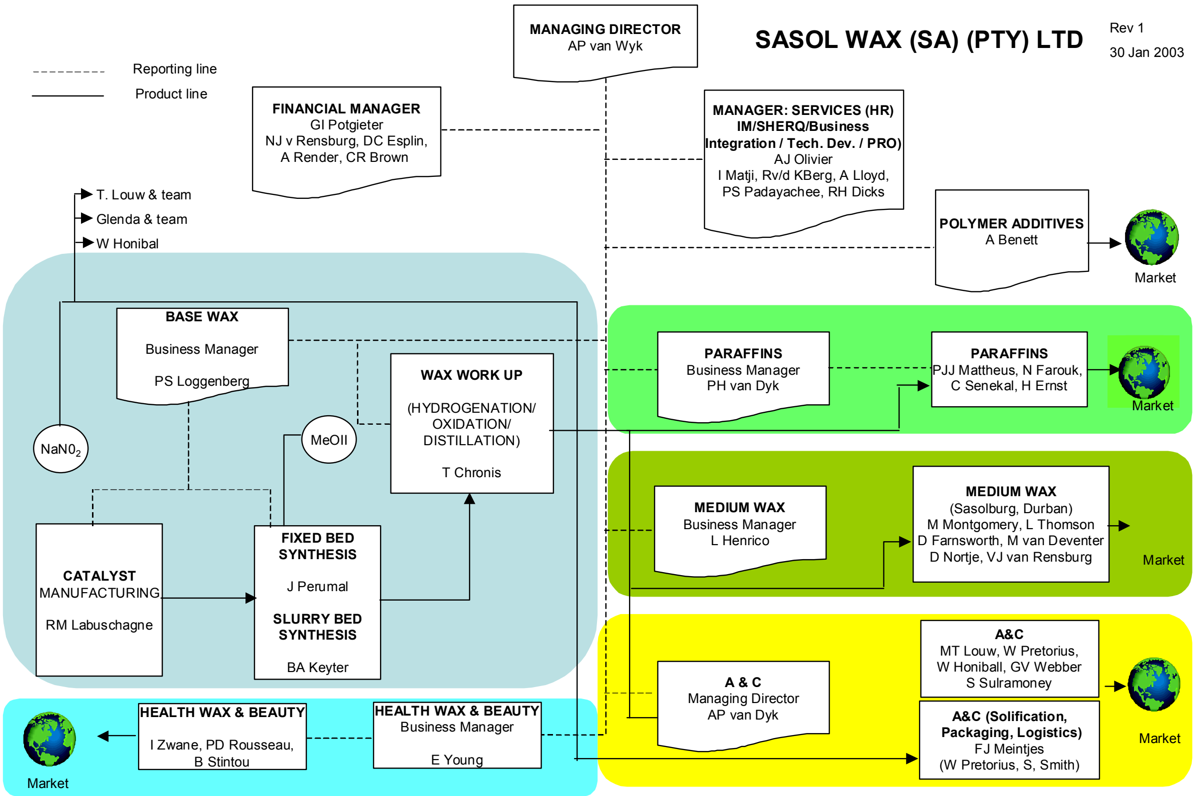
On close analysis the first three phases, structure, margins and detail, could be seen as a variety of efforts to improve the company's health. The Year of Alternatives was the first of the efforts by the MD that can be described as a growth initiative. The reasons for this conclusion are quite apparent if the thinking behind this phase is scrutinised. It 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 is 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 his 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 some of 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. To address these new initiatives the organisational structure was adapted once again (see figure 4).

Figure 4

SSSA's organisational structure (January, 2003)



Two very important events occurred during 2002:

- Sasol bought the remaining shares from Hans-Otto Schümann and Schümann-Sasol (Pty) Ltd became Sasol Wax (Pty) Ltd on July 1,2002.
- Dr Hans Barth of the Management Board introduced the concept of global business units. This intervention came as a result of poor communication between business units worldwide and the resultant loss of business opportunities. A global matrix structure was created. SSSA was now entering a wave of change. As a result of this move only Hard Waxes (the A & C Business Unit) remained part of SSSA; the Paraffin and Medium Wax business units, as well as new emerging businesses also became part of the global business units.

Despite changes such as the reintroduction into the Sasol corporate environment, revenue by June 2003 had leaped from R1086m to R1300m. EBIT had increased from R165.88m to R187.7m.

12 A business case for an entrepreneurial company

On August 06, 2002, the Business Services Manager, Tony Olivier, approached the Sep Serfontein Consulting Group to develop a strategy for the survival of the *"…Schümann-Sasol Magic"* after the Sasol take-over. Olivier motivated his request by drawing a distinction between two types of organisations:

- the typical corporate business unit characterised by managing cost, managing the budget, improving efficiencies, producing volumes and managing through command and control; and
- the entrepreneurial organisation where the emphasis is on value-adding, satisfaction of customer needs and where management is marginal.

With Sasol now being the sole shareholder, his concern was that the entrepreneurial flame that had been created and fueled in SSSA, could be extinguished and replaced by a bureaucratic type of corporate culture.

The request to the consulting firm was to prepare a business case and to substantiate the case with data from a survey amongst SSSA staff members.

The re-integration of Schümann-Sasol (Pty) Ltd into the Sasol corporate environment, which commenced later in 2003, falls outside the scope of this case study. The preparation of the business case, however, was relevant at the time because it offered the company's leadership the opportunity to assess what had been achieved over the previous five years. The business case was developed within the following parameters:

- SSSA's changing business environment;
- requirements for a company like SSSA to grow market position and strengthen competitive advantage;
- characteristics of an entrepreneurial business: a best fit for meeting the requirements of market growth and the strengthening of competitive advantage;
- the entrepreneurial characteristics featuring in SSSA;
- evidence of SSSA is success as an entrepreneurial business.

For the purpose of this case study it would suffice to only report on three sections of the business case:

- the entrepreneurial characteristics which featured in SSSA;
- evidence of SSSA's success as an entrepreneurial business; and
- how SSSA as an entrepreneurial business was experienced by employees.

12.1 Entrepreneurial characteristics of the company

Vision and Strategy. The company had a market-led vision: "*We care to be the globally respected leader in the high value wax and related businesses*". Over a five-year period SSSA had changed strategy from marketing products to marketing applications, resulting in a market-focused structure, allowing global business units to become effective. This structure was flexible to allow a strategy to be implemented optimally. The company's strategy, as well as strategic drivers and enablers, were understood by all staff members.

Structure. Base Wax was a separate business unit that supplied inputs to other value chains. The other value chains were: Paraffins, Candle Wax (Medium Wax), Hard Wax and New Business Development. Each value chain was a business unit that added value. Technical processes, structures, people, hardware and information systems were aligned to the business value chains. Value chains were customer -driven and optimised. Staff were empowered through membership of self-managed teams within business units. Business units were aligned and they developed their own unique market-driven strategies. Self-managed teams performed whole-tasks and took full accountability for their results. Business units and teams were given the required decision-making authority.

Management. SSSA received a mandate from Schümann-Sasol AG to introduce new products autonomously. They also exercised the following discretionary powers:

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

Systems. Systems were upgraded, customised and adapted to support structures and to aid daily decision-making at various levels. These systems were also very cost effective. Twelve days after year end, the system enabled audited results to be available. End-of-the-month-results could be predicted with 95% accuracy.

Human Resources. HR formed an integral part of the business strategy. The development of teams and team leaders were given high priority and competencies were assessed and enhanced at every level. Mentorship programmes existed and the psychological and personal wellbeing of staff was supported. The company had a powerful training and development policy; 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.

Culture. SSSA's five core values were understood and the associated behaviours well-entrenched. Other characteristics of the culture included ownership of business results, personal accountability, freedom of decision making (empowerment) and discipline at all levels.

Rewards and remuneration. The company could boast a non-cap incentive scheme, based on EBIT and safety modifiers. Performance-related incentives, measured against EBIT, existed at leadership levels. The fixed cost component was decreased and the risk component increased. The credibility of this system was proved by the leaders' decision to discontinue the Sasol share options.

Leadership. The MD, his management team and other leaders personally modeled the company's core values and other cultural norms. As visionary leaders, they demonstrated hope and confidence under difficult circumstances by inspiring others and visualizing successful outcomes.

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. Individual performance made provision for an assessment of a persons competencies and the degree to which a person lived the company's values. Throughout the principle of self-management was nurtured.

12.2 Evidence of SSSA's success as an entrepreneurial business

Tolerance for high risks. The company took high risks with the design of it's process (value chain) -driven structure, the empowerment of employees at lower levels and it's remuneration system. A high tolerance for risk was also visible in the selection of markets and the development of products. New businesses were initiated in health, cosmetics and candles. They took the risk of enforcing discipline in the pricing strategy within the candle industry. Technological changes also involved risks (e.g. the Slurry Bed). Outsourcing per se involved a certain level of risk.

Challenging procedures, systems and methods. SSSA challenged these elements, which often controlled activities within bureaucracies, by applying the principle of doing only the things that added value and contributed to strategy. Sasol's remuneration system was found inadequate and the company introduced it's own system of remuneration and incentives. People-development was handled with more freedom and staff was allowed to attend what they believed they needed. Sasol corporate group meetings were often ignored when they were perceived as not adding value.

Challenging competitors or market leadership. By entering the cosmetics and health industries SSSA was challenging the existing leaders in these fields. In a similar vein Chinese waxes in Africa and South America were challenged. In regard to service levels they outperformed EXXON in Australia in certain markets.

Changes in strategy rather then changes in tactics. Designing a structure around the value chain because it was required by the company's strategy, was a bold decision. Switching strategy from production to marketing was a major change; shifting from the commodity market to the consumer market, was a quantum leap. Downward integration into higher value concepts was another example of a long-term goal of SSSA. Strategy to build capacity through people materialised in higher productivity, higher staff loyalty and improved results. What is amazing about these strategic actions, is the fact that these new alternatives were successfully performed without capital investment.

New products to markets. SSSA never solely relied on research. 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 responses, they entered these new markets with their new products with relative ease. Examples of such new products and markets include:

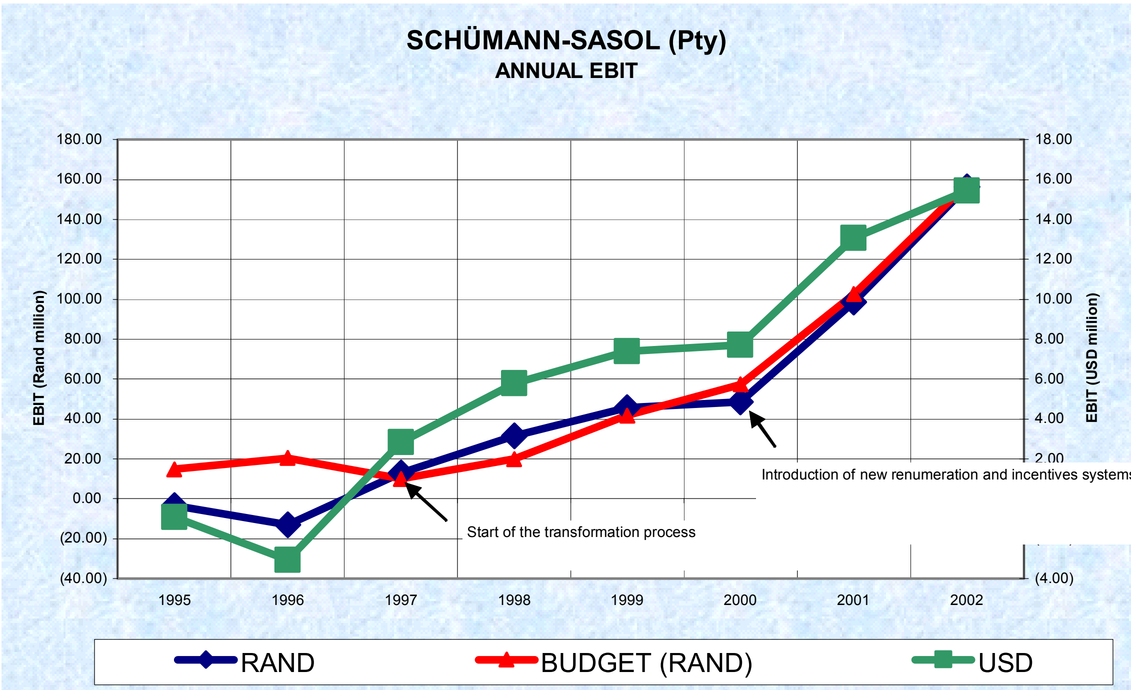
- semi-refined wax;

- production of 15 000 tons of drilling fluid with improved value applications;
- the offer of an unique raw material to the cosmetic industry;
- introduction of innovative products, such as:
  - a mosquito net with slow release repellent;
  - products in the health sector;
  - FT exfoliating beads.

Business results. Business results over the five years reflected the effect of change from a traditional to an entrepreneurial organisation. In November 1997 a target of 15% Net EBIT by 2003 was set (see figure 5). This target was achieved well ahead of schedule (June 2002). This was an exceptional achievement in the business environment in which SSSA operated.

Figure 5

Growth in EBIT from December 1995 to June 2002



12.3 The entrepreneurial business as experienced by employees

The survey. A survey was conducted amongst SSA employees to obtain more evidence supporting the business case and to assess employees' perceptions, feelings and expectations with regard to the integration into the larger Sasol corporate environment. For the purpose of this case study only the results pertaining to SSSA as an entrepreneurial company, are discussed. Themes included characteristics of the business, remuneration, leadership and motivation. A questionnaire was used and administered to a sample of 304 respondents (86% of the total staff complement).

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 people 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 where 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 pay linked to performance. Almost the total sample (97%) agreed that performance-related pay does stimulate high performance.

Leadership. The MD's behaviour was described as: *"…modeling the company's core values, acting as the company's visionary, providing strategic direction and inspiring and motivating staff*". Other responses confirm an alignment between the MD and an employee's "*immediate leader*".

Motivation. More than 80% the of the respondents were aware of several self-development opportunities that existed. Employees felt proud about SSSA and what it had achieved. Strong identification with the company occurred: employees felt part of a family, and because the company was financially successful, they were given recognition through incentives and profit-sharing, and they were given the opportunity to be creative. Other motivational factors which were clearly present in the work environment, were:

- 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
- being part of a warm and friendly work environment.

13 Sustainability

A frequent question in the realm of organisational transformation is how sustainable the change is. The same question was raised when Sasol Ltd bought the remaining shares and re-introduced Schümann-Sasol into the Sasol Corporate fold. On July 1, 2002, the company's identity changed to Sasol Wax, but it was allowed to manage itself fairly independently for another year, until the end of the financial year, on June 30, 2003.

During this final year of self-management, circumstances started to change. The company was obliged to switch to the SAP system and standardise it's branding according to Sasol's rules. Some standardization in the HR and Information Management Functions also occurred. The Hay Job Evaluation system had to be introduced and Sasol's promotional policy (MBK's) had to be adhered to. The incentive system was capped at 30%, although profit-sharing was still allowed until the end of the financial year (June 2003).

More radical changes were expected after June 2003. Sasol Wax's Management was concerned about the possible impact of these changes on staff. The loyalty of individual staff members could, for instance, be affected, and that could result in a higher staff turnover. Other concerns expressed were:

- the value of *creativity and individual ability* (as core values) could come under pressure as a result of standardization and corporate governance;
- learning, which had been promoted relentlessly at individual-, team- and organisational levels, could loose momentum;
- quick responses and quick results, which had become the norm in the business units, could be suppressed by long drawn-out processes, tedious channels of communication and acceptance of less accurate results.
- Sasol's philosophy of strong corporate governance and more centralised decision-making, could constrain the sense of ownership and the feeling of empowerment as practised in Sasol Wax.

The sustainability of the Sasol Wax culture became the focus of attention. The question was asked whether the entrepreneurial spirit had been entrenched sufficiently to withstand the impact of the larger Sasol culture.

The Sep Serfontein Consulting Group was mandated once again to conduct a climate survey. The purpose of the survey was three-fold:

- to understand the current climate and the factors contributing;
- to anticipate the possible impact of the current climate on the performance of individuals and teams;
- to decide on intervention strategies in order to pro-actively plan for changes that might be required.

For the purpose of the survey, climate was defined as *a molar, synthetic or changeable construct, which can be more easily changed by changing circumstances than, for example, culture* (Burke & Litwin, 1989).

Enduring group norms and values do have an impact on climate, but in general climate can be described as the current collective impressions, expectations and feelings of the members of a work unit.

Climate is strongly influenced by the behaviour of leaders and the introduction of new systems and structures. Climate affects staff member relations with one another, with their leaders and with other units (Burke & Litwin, 1989).

The sample. A sample of 266 employees (82% of the permanent staff population) evenly distributed per job level, business unit/group, age, gender, years of service, ethnic group and educational level, was drawn.

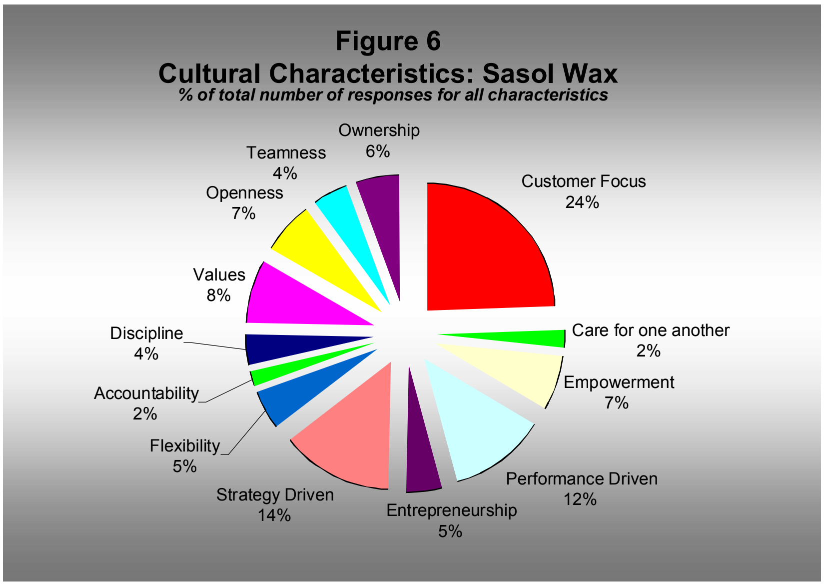
A questionnaire was designed to measure the climate. The following constructs were selected:

- the cultural characteristics of Sasol Wax;
- relationship with leaders, team members and members from other teams;
- freedom to influence and change the work environment;
- team spirit;
- leadership;
- the work environment;
- career-commitment to Sasol Wax;

- diversity.

For the purpose of this case study the results of the survey are discussed only selectively.

Cultural characteristics. Culture, and the specific cultural characteristics of an organisation invariably influence the climate at a particular point. Respondents had to indicate three characteristics (from a list of thirteen), which best described the Sasol Wax culture. The results for all respondents, expressed in % terms, are depicted in figure 6.



Smaller differences were observed between levels as well as between business units/groups. In general a clear picture emerged. **Customer focus** was perceived as the most outstanding cultural characteristic, followed by an urge to be **strategy-driven, performance-driven** and **values-driven**.

Relationship with leaders, team members and members from other teams. In the work environment the relationship with one's leader, fellow members and members of other teams, are of special significance, particularly when addressing change.

Table 1:

Relationships with significant others, expressed per level

SIGNIFICANT OTHERS	NATURE OF THE RELATIONSHIP											
	Inspirational			Supportive			Uninvolved			Destructive		
	L8-12	L7-6C	L5B-3	L8-12	L7-6C	L5B-3	L8-12	L7-6C	L5B-3	L8-12	L7-6C	L5B-3
Your leader	27%	53%	49%	57%	41%	44%	11%	6%	5%	5%	0%	2%
Your own team members	17%	10%	20%	76%	88%	78%	7%	2%	2%	0%	0%	0%
Members of other teams	8%	8%	29%	67%	61%	63%	23%	29%	22%	2%	2%	3%

The picture that emerges from Table 1, conveys a positive message. The relationship between leaders varied between inspirational and supportive. At lower levels (L8-12) relationships were more supportive and at a high level (L5B-3), more inspirational. At all levels fellow team members were perceived as supportive. Even members of **other** teams were by all levels experienced as supportive.

Freedom to influence and change the work environment. Staff in an empowered work environment need to feel free to initiate new processes, approaches and procedures; they have to feel free to add value where they can, and they have to feel unrestricted to make decisions. The picture that emerges from the data captured in Table 2 reflects this premise.

Table 2:

Perceived freedom to influence and change one's working environment expressed per level (% "*always*" and "*often*" responses)

Levels	FORMS OF FREEDOM			
	Initiate and/or implement something completely new	Change or modify the way things are done	Constantly seeking ways of adding more value	Make decisions for which you take full responsibility
L12-8	57%	48%	75%	76%
L7-6C	88%	81%	96%	86%
L5-B3	92%	90%	92%	97%

What was particularly striking was the high percentages on all freedom options at levels 12-8. It also seemed logical for levels 5b-3 and 7-6C (higher levels) to have more freedom to influence and change their working environment. The conclusion is that Sasol Wax was a highly empowered organisation.

Team spirit. A healthy team spirit is a pre-requisite for an entrepreneurial company, but also an extremely helpful factor when engaging change. Several reasons were selected to provide respondents with options to define what a healthy team spirit really meant to them. Figure 7 depicts the situation in the company as a whole. Table 3 portrays the different sets of reasons at business unit/group level.

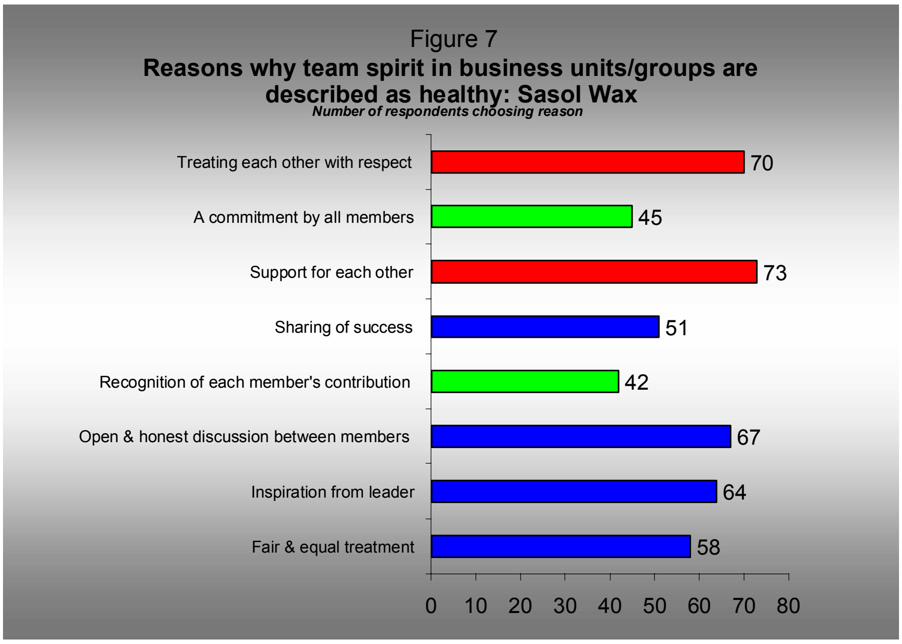


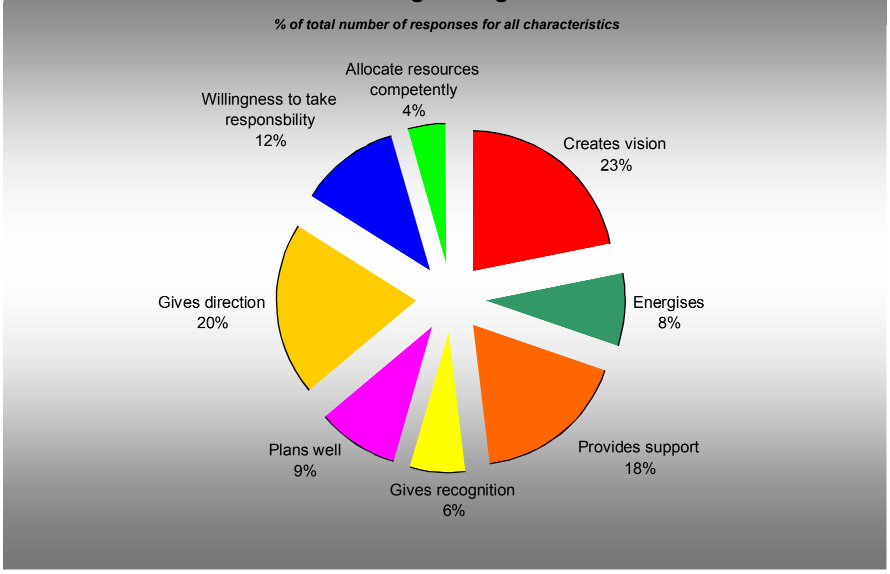
Table 3
Reasons why the team spirit in business units/groups are described as healthy, expressed as preferences 1-4

BUSINESS UNITS / GROUPS	Fair & equal treatment	Leader inspiration	Open and honest discussion / members	Recognition of each member's contribution	Sharing of success	Supporting each other	Commit ment to all	Treating each other with respect
Paraffins	1	4	2			2		
Services		4	2	2		1	2	
Financial		4		4		1		2
Health & Beauty	4	1		4			3	1
CWA Durban	4	2	1			3		4
CWA Sasolburg		1			2	1	2	2
Catalyst	2		2			4		1
Solidification		4	4	2	1	2		
SSBP	2	2					1	2
Logistics	4	4			1	1		3
Fixed Bed Synthesis	2	1	4					2
New Bus Dev		4	1			2	2	4
Wax Work-up	1	4				4		2
Other		2	4			1	4	2

For Sasol Wax as a whole, it appeared as if a healthy team spirit was nourished by the support and respect that people showed towards one another, open and honest discussions and the inspiration coming form the leader. At business unit/group level the differences were more noticeable and could be attributed to the uniqueness of the team spirit in each business unit/group.

Leadership characteristics. Organisations require inspirational leadership to manage and survive change. Several factors were offered to be assessed, particularly those which were more commonly associated with visionary leaders.

Figure 8
Characteristics distinguishing Sasol Wax leaders



People's responses to this question would obviously be influenced by the behaviour of their direct leader, as well as other leaders in the company, including the MD. The most distinguishable characteristics observed in all leaders appeared to be:

- creating a vision;
- providing support;
- giving direction;
- willingness to take responsibility.

Legacy of the MD. Because of his vital role in the transformation and the fact that he had announced his resignation before the survey commenced, people's impressions of him were studied. What emerged was a picture of a typical entrepreneurial leader (Eggers & Leahy, 1995).

Figure 9
Legacy of the current MD

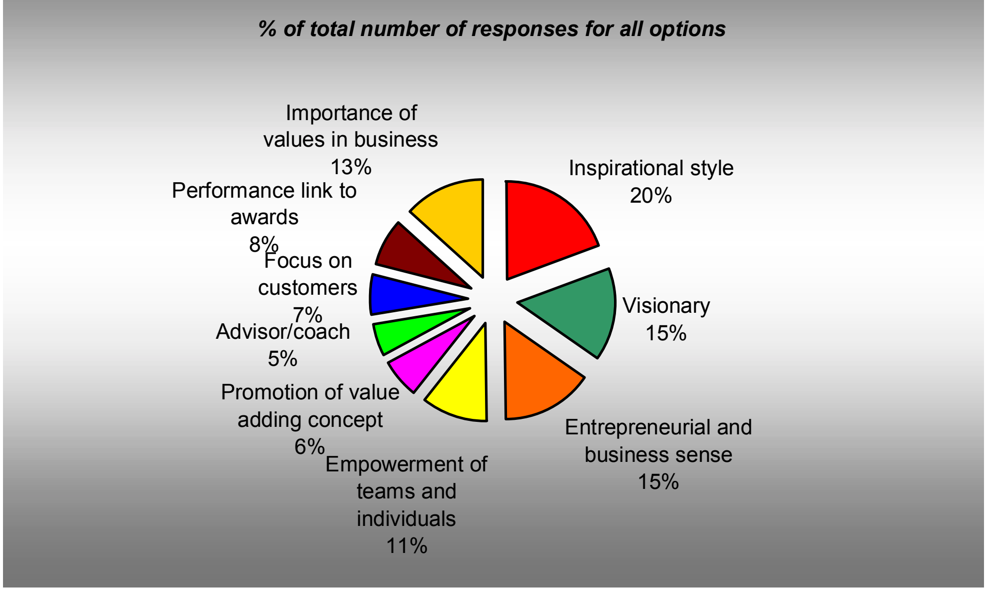


Figure 9 portrays his most outstanding characteristics as:

- his inspirational style;
- a visionary;
- his entrepreneurial and business sense;
- his emphasis on the importance of values in business.

In interviews conducted by the Consultant with five members of the Sasol Wax Executive Team, several characters were highlighted (see Table 4). Some overlapped with the results in Figure 9, (e.g. visionary and business understanding). Some characteristics, however, were unique, probably as a result of the unique relationship with the MD at executive level (e.g. influence/manipulation).

Table 4:

MD's *most outstanding* characteristics (as rated by own staff)

Characteristic	Frequency
o Ability to turn company around	1
o Persistence	1
o Influence / Manipulation (Positive and Negative)	3
o Business understanding / focus	4
o Courage	2
o Discipline in strategy implementation	3
o Entrenching values	2
o Allowing people freedom (accountability)	2
o Strategic thinking (visionary)	4
o Drive	1
o Ability to challenge	2
o Entrepreneurship	3

Using Eggers & Leahy's (1995) characteristics of an entrepreneurial leader, the five executive managers were requested to rate each of the characteristics. The results are depicted in Table 5.

Table 5:

Rating of MD by own staff as entrepreneurial leader

Entrepreneurial Leader	Manager 1	Manager 2	Manager 3	Manager 4	Manager 5
o Visionary	1	1	1	1	1
o Ability to motivate	2	2	2	4	3
o Ability to communicate	3	6	4	5	7
o Persistence	4	7	5	3	5
o Risk-taking	5	3	6	2	2
o Creativity	6	4	7	6	4
o Flexibility	7	5	3	7	6

Work environment. The work environment can have a strong impact on the climate in an organisation at any particular point in time. Work climate could address basic needs such as security or affiliation with others, but could also address the higher level needs, which are usually more motivational in character.

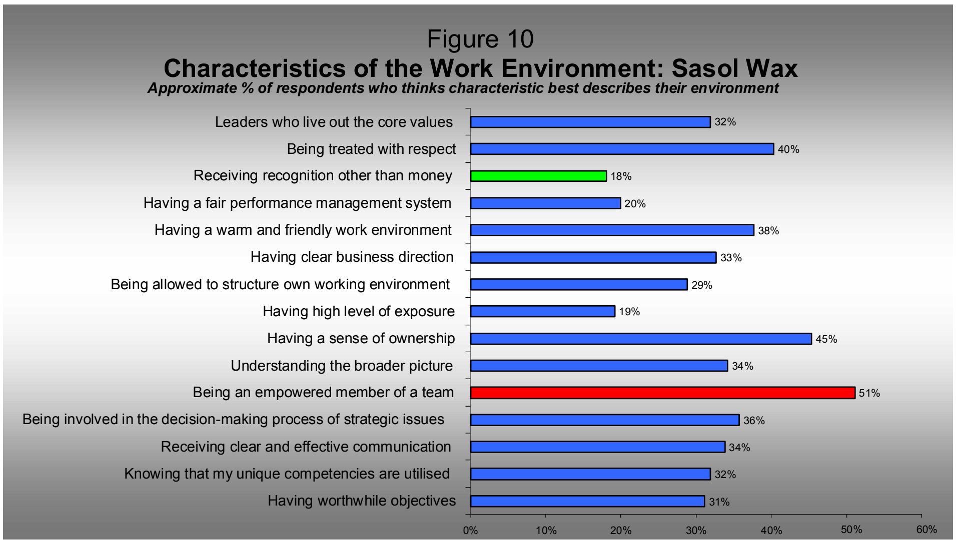


Figure 10
Characteristics of the Work Environment: Sasol Wax
Approximate % of respondents who thinks characteristic best describes their environment

Figure 10 shows that all the characteristics selected were recognised by respondents, but for the staff as a whole the most outstanding characteristics of the work environment were:

- being an empowered member of a team;
- having a sense of ownership;
- being treated with respect;
- working in a warm and friendly environment.

Making a long-term career commitment. For Sasol Wax to sustain it's competitive advantage, it had to ensure a stable and competent work force (amongst other factors). One way to ensure manpower stability is to be aware of, and to address the needs of individual employees.

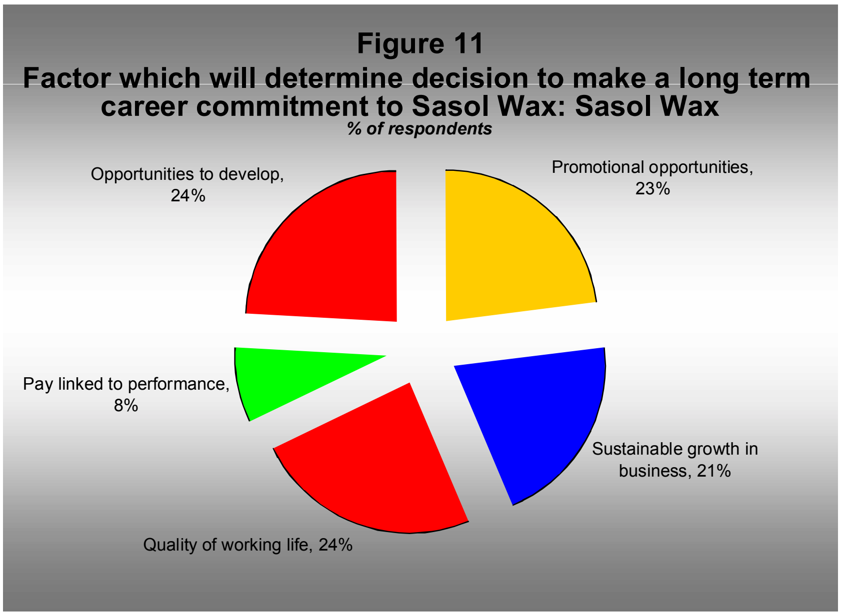


Figure 11 portrays the factors for the total group. It is interesting to note that opportunities to develop and the quality of working life was rated much higher than pay linked to performance.

Table 6:

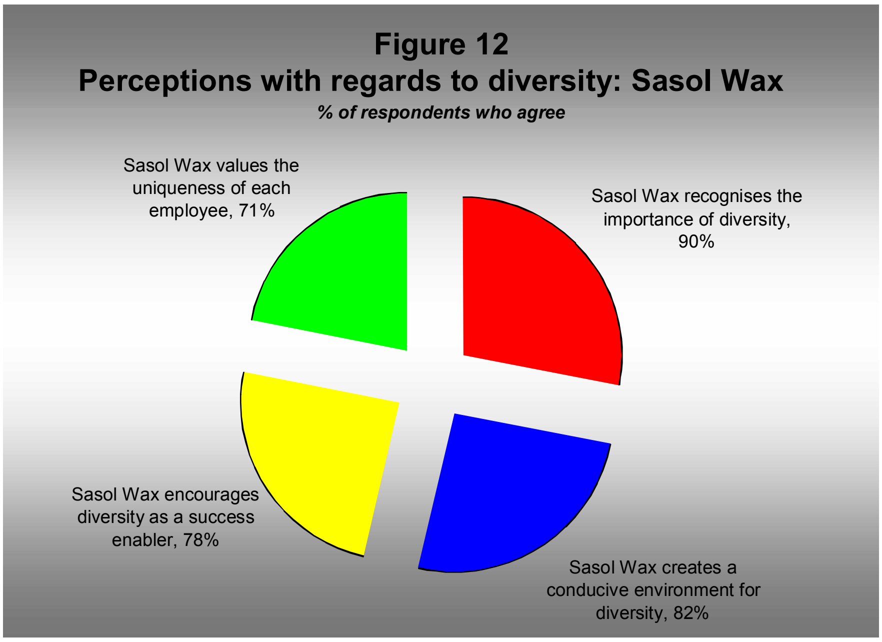
Factors which will determine the decision to make a long-term career commitment to Sasol Wax, expressed per level

	Promotional opportunities	Sustainable growth in business	Quality of working life	Pay linked to performance	Opportunities to develop
L12-8	23%	21%	20%	8%	**29%**
L7-6C	**31%**	20%	**31%**	8%	10%
L5B-3	17%	20%	**32%**	10%	22%

Table 6 provides a fairly clear picture of what was required by staff at different levels to make a long-term commitment to Sasol Wax. The following need to be observed:

- staff at lower levels (levels 12-8) were looking for **opportunities to develop** and to **be promoted**;
- staff at levels 7-6C were looking for **promotional opportunities** and **quality of working life**;
- staff at levels 5B-3 were clearly more influenced by the **quality of working life**.

Perception with regard to diversity. Diversity cannot be ignored in South African organisations. If recognised, companies could do as little as possible and only follow legal requirements. Companies could however embrace diversity as a potential asset as long as they manage it effectively.



The results depicted in figure 12 suggests that diversity was generally viewed very positively. Not only was the uniqueness of each employee respected, but employees perceived diversity as important and as a success enabler. This positive picture surfaced at all levels. The conclusion is that diversity was not only valued, but actively managed as a competitive advantage.

Conclusions

There was sufficient evidence from the survey to conclude that the entrepreneurial character of the company had been properly established. Given the survey results, it was difficult to imagine that characteristics such as customer focus, a drive towards strategy, empowerment and a performance orientation could suddenly disappear. On the contrary, it appeared as if these characteristics were so strongly entrenched that the executive and leaders of groups and teams could utilise it effectively to deal with the coming changes. This conclusion was supported by other survey results, which indicated that the majority of people in the business units were not adversely motivated or worried; there was enough intrinsic motivation, excitement, self-confidence and a willingness to take up challenges to face the inevitable changes associated with the reintegration into Sasol.

The company was fortunate to have an exceptional leader in the person of the MD. His profile matches that of the entrepreneurial leader in almost every respect. His competence to create a business sense and customer focus at all levels, his visionary qualities, his inspirational style and his drive to make values part of the business, became a legacy other leaders could successfully build on.

The company's success in establishing strong leadership at all levels, served as a building block for the future. The data suggested that the company could indeed claim strong leadership at all levels, characterised by:

- a passion to drive strategy;
- the ability to give direction;
- the willingness to provide support; and
- the willingness to take responsibility.

From the survey it appeared that much progress had been made in establishing diversity in the work environment, and this picture remained positive across business units and all levels. It was also quite clear that the company had cultivated a work environment to keep staff motivated and willing to invest in a career in Sasol Wax. So positive were the circumstances that had been created, that rewards and recognition appeared to be less important.

The conclusion of Management after they had studied the survey results, was unanimous: Sasol Wax could sustain it's current performance levels and entrepreneurial character in the corporate environment.

14 Closing Note

At the end of June 2003 the company had achieved all the objectives it had hoped for. It controlled only 30% of Sasol Wax International's assets and used only 28% manpower of the group but contributed almost 80% to the group's profits. Over a five-year period many strategic objectives were achieved and the 15% EBIT was attained almost a year early. Capital of more than R300m was generated. An impeccable safety record was maintained, which manifested in results like the following during the 2003/2004 financial year:

- Sasol Wax was the recipient of it's second NOSA CMB253 5-star platinum grading;
- Sasol Wax achieved a two years Lost Work Day Case free days on April 12, 2004, with a 24 month moving average of 0.00;
- the company recorded the lowest recordable injury rate of 0.23.

On analysis it appears that, although an entrepreneurial business was established and extraordinary business results were achieved, technology development and R&D might have been neglected. Technology problems have since occurred. It forced Management to investigate and eventually they had to spend significant amounts to upgrade and improve in order to sustain the existing levels of performance. This may be an obstruction, should the company decide to engage in another S-cure.

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