CHAPTER XI

THE DIAGNOSTIC PROCESS IN THE ORGANIZATION

11.1   **INTRODUCTION**

This chapter provides more background to the organization where the research was
conducted and explains the unfolding of another one of the change stages as discussed in
Chapter VI. In this chapter the external-internal consulting team, the external consultant's
evaluation, the readiness of the organization for transformation, the consultative diagnostic
process, the new vision, mission and values and a critical review of the diagnostic approach
are discussed.

11.2   **THE EXTERNAL-INTERNAL CONSULTING TEAM**

The implementation of a largescale change programme is almost impossible without the
involvement of all levels and elements of the organization. The approach adopted by the
organization to create a climate of change, utilized team(s) formed of different external
consultants working directly with different internal consulting teams to initiate and facilitate
change programmes.

Harvey and Brown (1996:93-94) emphasize the advantages of a collaborative relationship
between internal and external consultants, viz. it provides an integration of abilities, skills,
and resources, and it serves as a role model for the rest of the organization, where the
relationship displays such qualities as trust, respect, honesty, confrontation, and collaboration.
A collaborative relationship also improves the objectivity, focus, and appropriateness of the
change initiatives, it ensures greater continuity over the entire change process and it provides
the stimulation and motivation needed to keep the change programme moving during periods
of resistance.

With the use of different change teams for different change initiatives, the roles and
responsibilities were not very clear to everyone in the organization. The successes of the
consulting teams were hampered by the lack of trust between members of the team(s), and
the competencies of the internal consulting team members. The majority of the members of
the internal consulting team(s) were fairly new to the organization with limited knowledge
of the structure, work processes and culture of the organization. The integration of change
efforts of the different teams was not very successful. Many of the strategic, operational,

and cultural concerns were not identified or managed through an integrated and aligned change effort.

11.3   AN EVALUATION FROM AN EXTERNAL CONSULTANT

The external evaluation took account of the organization's business figures, markets, productivity, capability, human resources capacity, capacity for teamwork and management's commitment to the transformation process. The main points favouring the organization are its financial and business strength, its high proportion of young staff and its high potential for working at a provincial level. Problems included the lack of market awareness and marketing activity, outdated systems, the inward looking culture and the lack of urgency about change. The external consultant concluded that most staff saw change at the organization as politically motivated and failed to understand the business imperative for change. Consequently, a need was identified to transmit to employees a sense of urgency, informing them about the financial reasons demanding transformation for the organization to survive in its environment. This could be related to increasing deregulation in the banking environment, the influence of globalization, which together opened the way to local and international competition. These trends favour general banks at the expense of specialist banks. Internationally, the specialist banks that are surviving are those that moves quickly to broaden their product lines and markets (Land Bank Prospectus, 1998:7).

Although the initial evaluation of the external consultant was spot on, few of the important issues were addressed with effective strategies and action plans. The external consultant had an analytic style, which placed great emphasis on efficiency with little emphasis on relationships and morale. It seems that the consultant had felt comfortable with a rational assessment of problems and assumed that the facts would lead to a solution when he left after the diagnosis.

11.4   THE READINESS OF THE ORGANIZATION FOR TRANSFORMATION

The initial contact with the organization by the external consultant was a message to the members of the organization that the organization was under scrutiny and that new and more effective ways of doing things are being sought. The need for change was communicated to everyone in the organization by means of business communications. "The Board of Directors decided on ten transformation principles, namely:

-        Vision-led transformation, including the development of a shared vision;

- Thorough Consultation, including key internal and external stakeholder interest groups;
- Sustainable transformation, including capacity building of competencies required for the new organization;
- Transparency. An 'open' transformation process and culture with transparency and accountability;
- Personal Choice. Democratic principles and personal choice to underpin transformation;
- Fairness and Justice;
- Gender Affirmation. Women to be enabled to be involved in and inform the transformation process and participate in the design of the new Land Bank;
- Affirmative Action. Special focus on targeted and historically disadvantaged groups including young managers;
- Involvement and participation. A process of high-involvement which encourages maximum levels of involvement of internal and external stakeholders; and
- Empowerment" (Land Bank Prospectus, 1998:8).

The consultant faced many difficult situations when intervening in the organization, viz. the support from the change sponsors and the change team, leadership competencies and objectivity, and resistance to change. There are issues that the consultant team seemed to underestimate, viz. the involvement of key people (senior managers of the old Land Bank) in the organization from the start, the preparation and orientation of all employees towards the new vision, transformation principles and initiatives, transparency, and the culture-strategy alignment. The assessment of the above-mentioned issues hampered the optimal creation of a climate for change within the organization.
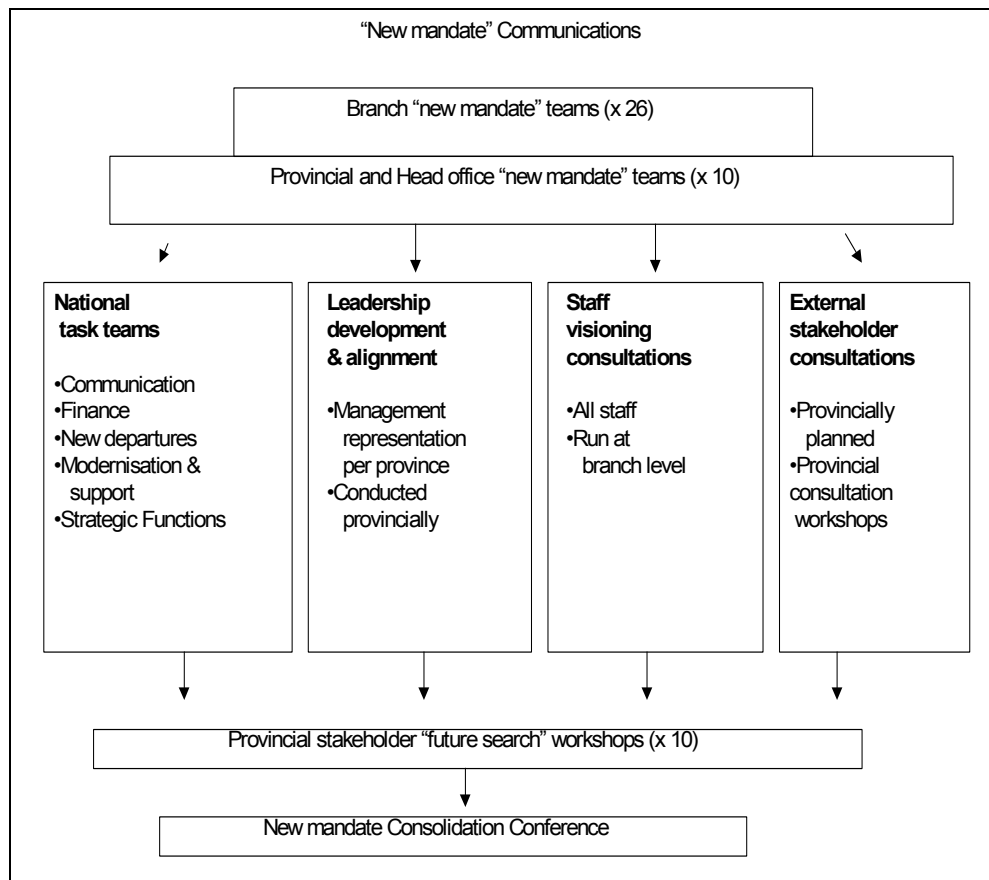
11.5   **THE CONSULTATIVE DIAGNOSTIC PROCESS**

Organization diagnosis is aimed at providing a rigorous and systematic analysis of data on the structure, administration, procedures, relationships and behaviours, products, services and other essential elements of the client system that impact on organizational performance and effectiveness. The diagnosis, then, provides a basis for an integrated approach of structural, behavioural, or technical interventions to improve organization effectiveness (Harvey and Brown, 1996:47). The design workshop to establish the transformation principles was the first stage in a consultative process aimed at achieving maximum participation by staff and stakeholders in transformation (Land Bank Prospectus, 1998:10).

It brought together a wide group of staff members to reach agreement on a common framework for transformation. The process they mapped out had a number of elements, including:

-       Five technical task teams investigated the critical transformation issues that were discussed in paragraph 11.5.1;

-       Communications consultants worked with a team of staff to hold transformation workshops with Head Office and all the Branches;

-       Branches nominated four colleagues to become their new mandate team to organize and facilitate consultative workshops with both branch staff and external stakeholders;

-       Leadership alignment and development (LAD) workshops in each province were held to bring on board a wider and deeper layer of senior managers, women and black employees. The aim of the workshops was to achieve a critical review of the bureaucratic management style and to consider alternative approaches;

-       Inputs from the mandate workshops and the LADs were presented at provincial future search workshops. Here each province came up with a three year "high-level" plan, a draft vision, a draft mission statement, and a statement on desired organizational culture; and

-       The nine provincial inputs in addition to the output of the Head Office search were pooled to from the basis of deliberation at a three-day national consolidation conference (Land Bank Prospectus, 1998:10).

The diagnostic process is summarized in Figure 11.1.

FIGURE 11.1: <u>THE DIAGNOSTIC PROCESS: FIRST PHASE</u>.

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│                      "New mandate" Communications                         │
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│         ┌─────────────────────────────────────────────────┐               │
│         │        Branch "new mandate" teams (x 26)         │               │
│     ┌───┴─────────────────────────────────────────────────┴──────┐        │
│     │     Provincial and Head office "new mandate" teams (x 10)   │        │
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│  │ National     │  │ Leadership   │  │ Staff        │  │ External     │   │
│  │ task teams   │  │ development  │  │ visioning    │  │ stakeholder  │   │
│  │              │  │ & alignment  │  │ consultations│  │ consultations│   │
│  │ •Communication│ │              │  │              │  │              │   │
│  │ •Finance     │  │ •Management  │  │ •All staff   │  │ •Provincially│   │
│  │ •New departures│ │  representation│ │ •Run at     │  │  planned     │   │
│  │ •Modernisation &│ │  per province│  │  branch level│ │ •Provincial │   │
│  │  support     │  │ •Conducted   │  │              │  │  consultation│   │
│  │ •Strategic Functions│ provincially│ │             │  │  workshops   │   │
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│       │  Provincial stakeholder "future search" workshops (x 10)│          │
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│           ┌────────────────────────────────────────────┐                  │
│           │     New mandate Consolidation Conference     │                  │
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(Source: Unpublished staff communication dated 1998-08-14)

A new practice for the organization and a very strong feature of the transformation process was participation by external stakeholders. At branch level the new mandate teams held a series of workshops with stakeholders, and stakeholder representatives took part in the provincial workshops and the national conference (Land Bank Prospectus, 1998:10). Apart from their contribution to the overall outcome of the transformation process, external stakeholders made a specific contribution in the form of an external stakeholder scorecard with ratings on: Client service, range of products, quality of information, marketing, and flexibility (Land Bank Prospectus, 1998:11). This scorecard will enable the organization to continually assess its performance and service based on client views (Land Bank Prospectus, 1998:11). Stakeholder inputs were so valuable that the conference discussed ways to establish an ongoing formal relationship. This led to the decision to set up provincial advisory forums. The Board has allocated a member to each forum to develop a close connection and feedback channel (Land Bank Prospectus, 1998:11).

The technical task teams investigated critical transformation issues that are discussed next.

11.5.1   THE TASK TEAMS

Key employees were identified to participate in the task teams, and there was an open invitation for everyone to make a contribution. There were several management members involved in each group, who responded to the stressful challenges, producing high quality outputs. The areas covered by the teams are mentioned below.

11.5.1.1 NEW DEPARTURES

The new departures team is tasked to propose new banking products and services for new entry and high-risk clients; to segment clientele and design different products appropriately; to design a new pricing policy, new partnerships, and possible new projects, and to set criteria for selection of new financial intermediaries (Land Bank Prospectus, 1998:11).

11.5.1.2 REVIEW OF HEAD OFFICE SUPPORT SERVICES

The review of Head Office support services team is tasked to do an audit of information technology; to review the support services business process; and to review facilities and functions including property management, printing, catering, and legal services (Land Bank Prospectus, 1998:11).

11.5.1.3 REVIEW OF STRATEGIC FUNCTIONS AND MANAGEMENT REPORTING

The review of strategic functions and management reporting team is tasked to do an assessment of strategic functions; to identify the strategic management positions and its operational terms of reference; to identify the senior management reporting lines at Head Office and in the provinces; to analyze the current business situation, and to introduce a business planning cycle (Land Bank Prospectus, 1998:12).

11.5.1.4 HUMAN RESOURCES

The human resources task team is tasked to do a review of the HR systems, policies, procedures; to analyze and propose a new job-grading system; to research and propose a new reward strategy, and to review workplace processes (Land Bank Prospectus, 1998:12).

11.5.1.5 COMMUNICATION

The communication task team is tasked to act as a watchdog for a participatory transformation process; to design and propose a communication strategy specifically for the

transformation process; to manage the communication process within Head Office and the Branch network; to compile, document and distribute information to employees through newsletters, in - house video productions; managing the newly established "rumour hotline"; to review the current corporate image and propose amendments thereof, and development of a new logo and advocacy strategy (Land Bank Prospectus, 1998:12).

The National Consolidation Conference completed the first phase of the diagnostic process and guided the strategic plan for transformation. Provincial and Head Office staff, some directors and many stakeholders made up a group of 145 delegates. Four working groups were formed and mandated to consolidate an integrated working document for the consideration of the Board of Directors. Participant consensus was achieved on the following:

-        Vision, mission, and desired organizational culture;
-        New products and partnerships;
-        Strategic issues for human resources development; and
-        Commitment to the organizational redesign of the work process.

Based on the inputs for the national consolidation conference the Board of the organization developed a new vision, mission and values statement.

11.6   THE NEW VISION, MISSION AND VALUES OF THE ORGANIZATION
The new vision, mission, and values of the organization are covered next.

11.6.1 THE VISION
"A provider of world class, quality finance for sustainable agriculture and agri-business through creative flair and compassion for agricultural entrepreneurial development by wealth-creation for social upliftment in Southern Africa" (Land Bank Prospectus, 1998:14).

11.6.2 THE MISSION
"The organization is a statutory development financial institution that provides retail and wholesale finance in accordance with sound business principles in order to:
-        Finance all agricultural producers and agri-business;
-        Be flexible, innovative and deliver cost-effective products in response to clients' needs;

- Deliver competitive service backed by a highly visible marketing strategy and financial customer service;
- Render efficient and transparent processes using modern and streamlined technologies;
- Have a client focused professional workforce which reflects the customer base; and
- Accept social responsibility by contributing to financial, employment and environmental stability and encouraging good labour practices" (Land Bank Prospectus, 1998:14).

To achieve the above the organization will monitor and evaluate the social, political and economic environment that governs the business. It will also continuously adapt its services and products to achieve social upliftment and wealth creation in Southern Africa (Land Bank Prospectus, 1998:14).

11.6.3 CULTURE

The culture will focus on:
- Effective two way communication;
- Understanding and empathy for cultural diversity;
- Multiskilling through training, knowledge and empowerment;
- A team-based approach to focus on and motivate staff and maximize potential; and
- Professionalism based on pride and integrity (Land Bank Prospectus, 1998:14).

11.6.4 LEADERSHIP PRINCIPLES

Leadership in the organization will be:
- People-centred, emphasizing reliability, empowerment, teamwork, accessibility and transparency;
- By example, demonstrating integrity, confidentiality, participation and determination;
- Visionary, pioneering, dynamic, innovative and open minded;
- Customer focused, characterized by two-way feedback, accessibility, flexibility, adaptability and market responsiveness; and
- Professional, driven by results, continuous improvement, a business orientation and accountability (Land Bank Prospectus, 1998:14).

Figure 11.2 summarizes the major influences on the new organization. The effectiveness of the new organization will depend on an integrated transformation process that includes all variables of influence.

FIGURE 11.2: <u>MAJOR INFLUENCES ON THE NEW ORGANIZATION</u>.
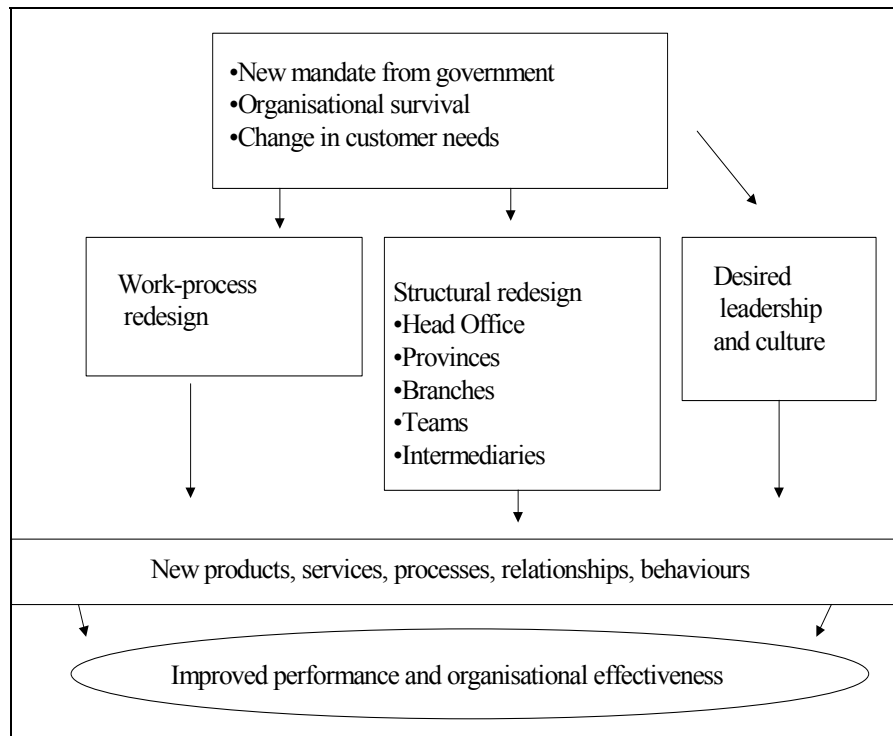
(Source: Aligned with Harvey and Brown's change model, 1996:209)

From Figure 11.2 it is evident that the organization intended to follow an integrated change strategy to address all the influences on the organization and to implement new products, services, and work processes, to establish new relationships, and to establish a new culture for the new organization.

11.7   **CRITICAL REVIEW OF THE DIAGNOSTIC PROCESS**

Certain factors that need to be explored in order to drive the diagnostic phase were disregarded because of preconceived ideas, viz. the way the organization members think/feel/talk/behave, the capacity of the organization to change, the barriers to change, the power dynamics and the decision-making process, the communication process, the strengths and development areas of the employees, and how conflict is managed.

The employees were not adequately prepared and oriented to transformation or to participate meaningfully in the diagnostic phase. The need for change and the totality of the transformation process and principles were not communicated effectively to all employees - this is especially true of the Branch network. A transparent, educational philosophy about transformation was not always followed.

Different change teams for different change initiatives were used, but their roles and responsibilities were not very clear to all in the organization. The success of these teams was hampered by the lack of trust between members of the team(s), the competencies of the internal consulting team members, and the integration of change efforts of the different teams. Many of the strategic, operational, and cultural concerns were not identified, or not dealt with appropriately.

The information gathered in the diagnostic phase was not always presented in terms of criteria that reflect organizational effectiveness. Measurable outcomes such as client service, product satisfaction, work efficiency, decision-making, cost to income ratio and other financial variables must be linked to changes in competencies, attitudes, behaviour, processes and structures needed.

The acknowledgement of organizational problems by key people including some Branch Directors and senior personnel in Head Office created more resistance to change. Some influential managers of the old organization saw the transformation process as a political initiative with various hidden agendas. Many rumours were spread regarding affirmative action and retrenchments that had a negative influence on morale and staff turnover.

The diagnostic process focused on dysfunctional aspects in the organization but limited acknowledgement for previous good practice was recognized. This lead to frustration and resentment of many managers of the "old" organization who then influenced their subordinates negatively. Good participation was achieved from staff at various levels in the organization, but the diagnosis and recommendations made from that were not used with a sense of urgency in the change process. This left participants feeling that their inputs were not valid or that they were involved only for the sake of involving everyone - to make it look like a participative approach.

A new Human Resources department was created with four external affirmative action appointments that replaced the previous HR management structure. This created great resistance to change from within the HR team which then struggled to function as a team. The active involvement of the Human Resources department throughout transformation and their contribution to the success of diagnostic phase were hampered by alleged incompetence, negative relations with the unions, limited trust and information sharing with line management, limited knowledge about the existing personnel policies and practices, limited knowledge about the business, and limited people power within the Human Resources department. No early successes for the Human Resources department were accomplished and the Human Resources Director was dismissed due to alleged misconduct. The state of affairs within the Human Resources department had a negative influence on the early successes of transformation and effective management of morale and stress.

11.8   **CONCLUSION**

This chapter provided more background to the organization where the research was conducted and explained the unfolding of the diagnostic process (one of the change stages as discussed in Chapter VI). The diagnostic stage was discussed with specific emphasis on the effectiveness or ineffectiveness of the process. From the discussion it is evident that certain critical elements or conditions have to be present for optimal success of the transformation process.

The following critical conditions hampered the effectiveness of the diagnostic process:
-       The lack of trust, experience and competencies of the internal consulting team members;
-       Limited knowledge of the activities and culture of the organization by newly appointed strategic managers and Board members;
-       The external consultant's analyzing style which placed great emphasis on efficiency with little emphasis on relationships and morale;
-       An ineffective creation of a climate for change within the organization;
-       The ineffective communication strategy regarding the transformation principles and process;
-       Specific information about critical factors that drive the diagnostic phase were not scrutinized, viz. the barriers to change, and the power dynamics;
-       Unclear roles and responsibilities of the different change teams and team leadership;

- The information gathered in the diagnostic phase was not always presented in terms of criteria that reflect organizational effectiveness;
- The non-perception of the change initiative by key people which negatively influenced others;
- The limited acknowledgement to previous good practice;
- Many of the strategic, operational, and cultural concerns were not identified; and
- Ineffective management of Human Resources related issues, including communication, stress and conflict management, morale, affirmative action issues, and employee relations.