CHAPTER 1: BACKGROUND AND SETTING THE SCENE

1.1 INTRODUCTION

In this chapter I set out the context of the study. I discuss the environmental context, my personal context and the academic context. Based on these contexts, I explain the rationale and anticipated contributions of the study. Finally, I indicate the scope and provide an outline of the study.

1.2 ENVIRONMENTAL CONTEXT

> *The global economy is in a severe recession inflicted by a massive financial crisis and acute loss of confidence. While the rate of contraction should moderate from the second quarter onward, world output is projected to decline by 1.3 percent in 2009 as a whole and to recover gradually in 2010…*
>
> (International Monetary Fund, 2009:xv)

When the global crisis unfolded during 2008, at first, it seemed that South Africa and other emerging market economies would be relatively unaffected. South Africa's banking system, according to the Head of Research and Policy Development at the South African Reserve Bank, 'was only marginally exposed to the sublime assets that initiated the crisis' (Kahn, 2009:22), with the result that commodity prices still increased in the first half of 2008.
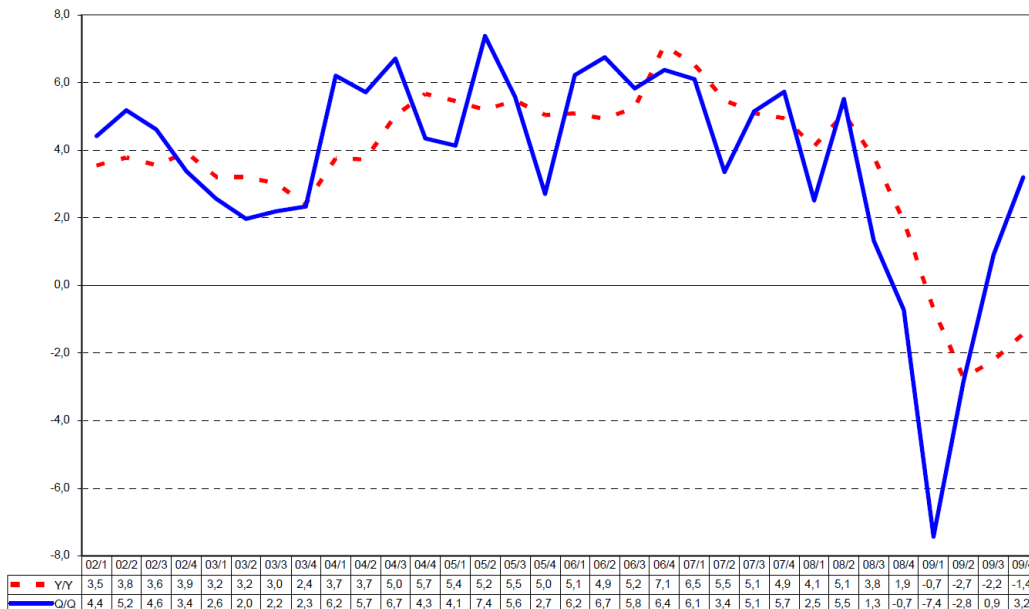
This situation changed dramatically after September 2008, following the demise of Lehman Brothers,[1] which led to a collapse in global confidence, drastically decreasing the capital available to emerging markets, coupled with a dramatic decline in commodity prices and a plunge in the demand for exports, particularly of commodities, from emerging markets (Kahn, 2009:22). However, until well into 2009, business and political

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[1] Lehman Brothers is a New York-based investment banker. On 14 September 2008, it was announced that Lehman Brothers was filing for liquidation after huge losses in the mortgage market (*New York Times*, 2010)

leaders in South Africa seemed to 'languish in a state of denial', according to Marais (2010:s.p.), and continued to predict positive economic growth.

Nevertheless, South Africa experienced its first official recession[2] in 17 years in the first quarter of 2009, with a drop of 7.4%[3] in the country's gross domestic product (GDP) (Statistics South Africa, 2009:4). The GDP continued its negative growth in the second quarter, contracting at a rate of 2.8%, after which it recovered marginally to show a very slight positive growth rate of 0.9% in the third quarter of 2009 (Statistics South Africa, 2010a). As shown in Figure 1 below, this positive growth rate continued in the fourth quarter of 2009.

Figure 1:   Growth in GDP, year-on-year (Y/Y) and quarter-on-quarter seasonally adjusted and annualised (Q/Q)

|	02/1	02/2	02/3	02/4	03/1	03/2	03/3	03/4	04/1	04/2	04/3	04/4	05/1	05/2	05/3	05/4	06/1	06/2	06/3	06/4	07/1	07/2	07/3	07/4	08/1	08/2	08/3	08/4	09/1	09/2	09/3	09/4
Y/Y	3,5	3,8	3,6	3,9	3,2	3,2	3,0	2,4	3,7	3,7	5,0	5,7	5,4	5,2	5,5	5,0	5,1	4,9	5,2	7,1	6,5	5,5	5,1	4,9	4,1	5,1	3,8	1,9	-0,7	-2,7	-2,2	-1,4
Q/Q	4,4	5,2	4,6	3,4	2,6	2,0	2,2	2,3	6,2	5,7	6,7	4,3	4,1	7,4	5,6	2,7	6,2	6,7	5,8	6,4	6,1	3,4	5,1	5,7	2,5	5,5	1,3	-0,7	-7,4	-2,8	0,9	3,2

Source: Statistics South Africa (2010b:4)

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[2] A recession is defined as two consecutive quarters of a negative growth rate in the GDP (Mohr & Fourie, 1996). The negative GDP growth rate of 7.4% in the first quarter of 2009 followed a negative GDP growth rate of 0.7% in the last quarter of 2008 (Statistics South Africa, 2010a).
[3] All figures are seasonally adjusted real annualised changes from the previous quarter.

The South African mining industry, which is responsible for more than half of the country's export earnings, was under particularly severe strain, according to Ms Susan Shabangu (2009:s.p.), Minister of Mineral Resources. After a worldwide commodity price boom from 2003 to 2007, commodity prices declined drastically. This can be explained by commodities' role as a production input, as well as a financial asset. A slowdown in global economic activities and the demand for commodities for production purposes, coupled with an increase in supply capacity, led prices to decrease. The financial crisis also contributed to the downward price momentum, as investors reduced their holdings of commodity assets (Southern African Resource Watch, 2009:4).
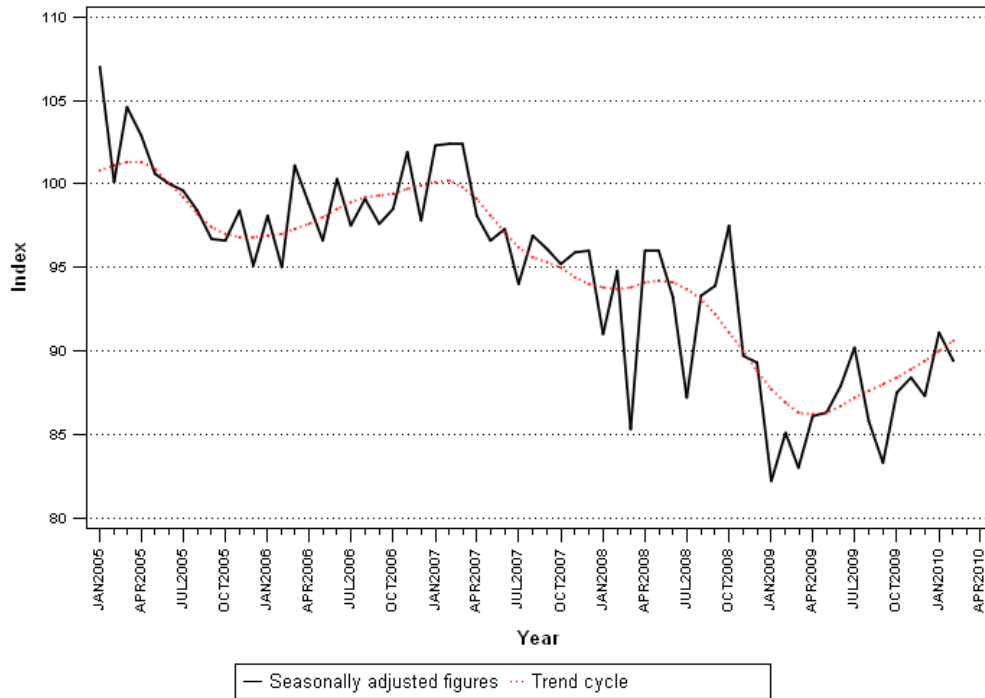
On the back of the drastic commodity price drop and the reduced value of mineral sales (see Figure 2), mining houses reduced production, as indicated in Figure 3 (overleaf).

Figure 2:   Total value of mineral sales
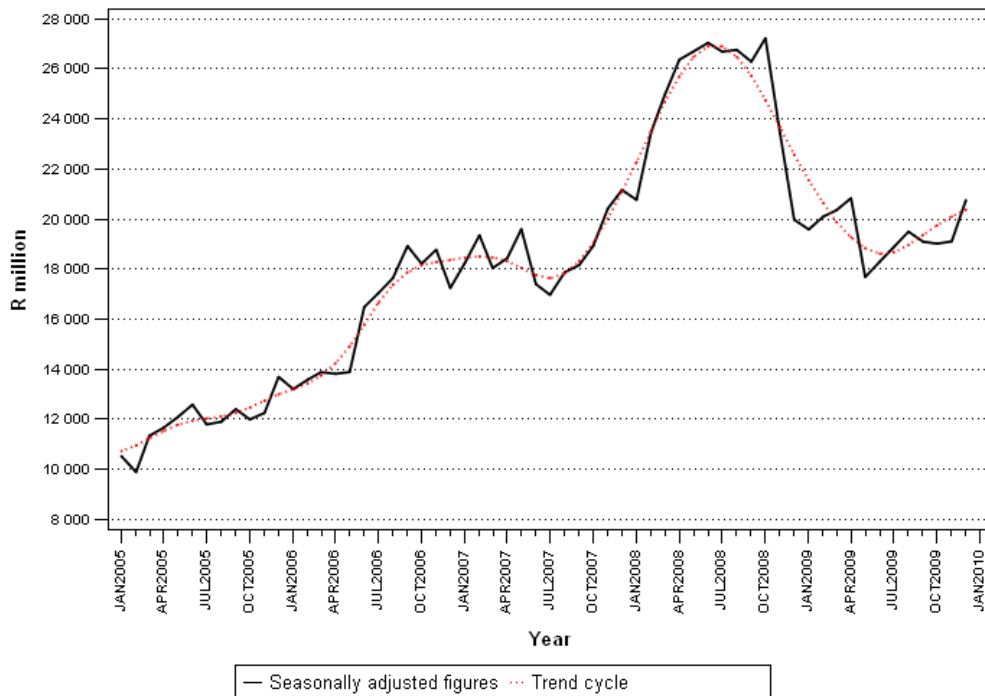
Source: Statistics South Africa (2010c:5)

Figure 3:   Monthly indices of physical volume of total mining production (Base: 2005=100)

Source: Statistics South Africa (2010c:3)

Mining is cyclical by nature and mining companies take a long-term view of their operations. However, historical evidence shows that when a downturn looms, the first reaction of mining companies to reduce costs is to retrench workers. This also proved true during the downturn in 2009, when several mining organisations retrenched workers, as shown in Table 1 (overleaf).

Table 1:   **Estimated current and potential job losses in South Africa in 2009**

Number of job losses	Status	Company	Source
10,000	Confirmed	Anglo Platinum	Reuters (11 February 2009)
9,000	Confirmed	Anglo American (across South Africa, Australia and South America)	BBC (20 February 2009)
5,500	Confirmed	Lonmin	Mining Weekly (24 February 2009)
1,950	Confirmed	Aquerius Platinum	Mining Weekly (15 December 2009)
1,500	Confirmed	Goldfields	Mining Weekly (30 January 2009)
1,400	Confirmed	Murray & Roberts Cementation	Solidarity (18 March 2009)
1,013	Confirmed	Uranium One	Solidarity (18 March 2009)
900	Confirmed	Samancor Chrome	Mining Weekly (10 March 2009)
800	Confirmed	De Beers	Solidarity (18 March 2009)
319	Confirmed	BRC DiamondCore	Solidarity (18 March 2009)
143	Confirmed	Rockwell Diamonds	Solidarity (18 March 2009)
59	Confirmed	Kudu Granite Operations	Solidarity (18 March 2009)
56	Confirmed	Albidon	Solidarity (18 March 2009)
5 (and 57 contracted staff)	Confirmed	Simmer & Jack	Solidarity (18 March 2009)
3,500	Pending	De Beers	Mining Weekly (9 February 2009)
1,700	Pending	DRDGold	Chamber of Mines (December 2008/January 2009)
1,600	Pending	Lonmin	Mining Weekly (16 January 2009)
582	Pending	International Ferro Metal	Solidarity (18 March 2009)
530	Pending	Petra Diamonds	Chamber of Mines (December 2008/January 2009)
390 (contracted staff)	Pending	Xstrata and Merafe	Solidarity (18 March 2009)
8,200	Unconfirmed	Various brick-makers	Solidarity (18 March 2009)
3,200	Unconfirmed	Goldfields	Reuters (11 February 2009)
355	Unconfirmed	Namakwa Diamonds	Solidarity (18 March 2009)

Source: Southern African Resource Watch (2009:21)

With the mining sector declining by 32.8%, the worst state of the industry since 1967 (Statistics South Africa, 2009:1), leaders in this industry faced a daunting challenge: how would they themselves and their company weather the downturn? Mining houses around South Africa were cutting production, cutting capital spending, retrenching employees, and restructuring, putting pressure on the morale across their organisations, including executives.

With uncertainty about the depth, severity and duration of the downturn and its outcome, the mining industry and its leaders came under severe strain. An economic downturn not only has a severe impact on consumers, but also has a profound and far-reaching impact on the workplace. Morale typically goes into a downward spiral in response to the bombardment of negative information, job losses, fear and insecurity. Increased work demands compete for the attention of a distracted workforce; and managers who are grappling with the same pressures as their staff must somehow

motivate people, not only do their own jobs, but also often to take on the responsibilities of former co-workers (Naiman, 2009:49).

Various articles were published during this downturn (as in previous downturns) intended to assist managers and leaders to steer their organisations through troubled times (for example, Bidwell, Francis, Johnson, Otuteye & Powell, 2009; David, 2001; Nadler & Spencer, 2009; Sarros & Santora, 1994; Sutton, 2009). Very few of these articles, however, are based on empirical data, widening the chasm between the popular authors' rather simplistic, prescriptive solutions, for example, the 'seven guiding principles' in Nadler and Spencer (2009:16) and the '10 rules of the road' offered by Gandossy, Donohue and Fourmy (2009), and organisational behaviour scholars' sophisticated theory/research-driven quest for understanding. In addition, these articles focus on organisational action and tend to neglect the role of and the effect of the downturn on the individual.

1.3 PERSONAL CONTEXT

In this section I attempt to describe the aspects of my background that are relevant to the study and how my interest in the topic arose.

I have been working in the mining industry since 2005; and I currently work as a principal mining business consultant for a company specializing in mine technical systems. In an industry known for its highly hierarchical structure (mainly for safety purposes), I have worked with mining employees from across the range – from managers at the executive level to 'miners' actually working at the rock face (see Figure 4, overleaf, for a picture of me with an extraction crew before a night shift on a coal mine in Mpumalanga, South Africa, and on the right, a picture of a shift boss explaining the underground working process to me at a platinum mine near Rustenburg, South Africa).

Figure 4: *Left*: **An extraction crew with me before a night shift on a coal mine in Mpumalanga, South Africa**
Right: **A shift boss explains the underground working process to me at a platinum mine near Rustenburg, South Africa**

Since I started working in this industry, as a consultant and as an employee on a mine, I have constantly been amazed by this complex, dynamic and in many ways unique industry. When I decided to embark on my PhD journey, it was almost a natural decision for me to do my research within the industry that I find so consistently intriguing. In addition, I wanted to make a contribution to the mining industry from which I had learned so much in the last five years. When the mining industry's profits plunged during the last part of 2008 and the official economic recession was announced after the first quarter of 2009, I was in the midst of the storm. Not only was the company I worked for affected by the economic downturn and particularly the decline in the mining industry, but I also worked with various mining clients who were extremely hard hit by this turn of events. My interest in the specific topic *Coping strategies for leaders during an economic downturn* emerged during this time, when I observed the severe strain that mining leaders in particular were under as a result of the economic downturn.

When I undertook a preliminary literature review on coping strategies in general, I found a multitude of studies that focus on the psychological aspects of coping, but very few that focus on the organisational behaviour aspects of coping. A potential research problem thus emerged in view of the conceptual and methodological critique discussed in the next section.

1.4 ACADEMIC CONTEXT

In this section, I first discuss coping, and coping research in general, to provide a backdrop for the focus of my study, 'nesting' the research problem[4] in the context of current coping research. I then proceed to a discussion of organisational behaviour, the perspective that I used to study the coping strategies that leaders use during an economic downturn.

1.4.1 Coping and coping research

Lazarus and Folkman (1984) define coping as 'thoughts and behaviours that people use to manage the internal and external demands of situations that are appraised as stressful'. According to Folkman and Moskowitz (2004:746), a large amount of coping research is based on Richard Lazarus's 1966 book *Psychological stress and the coping process*. Coping as a distinct field of psychology emerged during the 1970s and 1980s (Folkman & Moskowitz, 2004:746); and coping research was greatly stimulated by the development of the 'Ways of coping checklist' developed by Folkman and Lazarus (1980, in Somerfield & McCrea, 2000:621). Hobfoll, Schwarzer and Chon (1998:181) argue that stress and coping are the most widely studied phenomena in psychology, identifying over 29 000 research articles on stress and coping over the period from 1984 to 1998. A more conservative search by Somerfield and McCrae (2000:621), focusing primarily on coping behaviour spanning the period from 1967 to 1999, still produced 13 744 records.

Coyne and Racioppo (2000:655) divide coping literature into two distinct areas. Firstly, there is a body of literature that is basic and descriptive, organised around theory and research concerning the role of coping in adaption to stress. Secondly, there is literature that focuses on applied theory and is concerned with psychotherapeutic and behavioural medicine interventions aimed at improving adaptation by enhancing coping.

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[4] 'Nesting' is a term used by Walcott (1990:17, cited in Silverman, 2005:299), which is helpful in contextualising my study to argue a case, and in identifying a niche which my research can fill, as suggested by Henning (2004:27).

Conversely, there is abundant criticism of coping research – see Somerfield and McCrae (2000:621) for a review. Most of these critiques point out conceptual and methodological issues. In particular, measures to assess coping, particularly by means of checklists, are criticised; narrative approaches are suggested as an alternative to checklist approaches (Lazarus, 2000:666; Folkman & Moskowitz, 2004:750) to gain a deeper understanding of what a person is coping with, especially when the stressful event is not a single event, such as coping with an examination. Narrative approaches are also useful in identifying and studying ways of coping that are not included in existing inventories (Folkman & Moskowitz, 2004:751).

Coping is a process that unfolds in the context of a situation (Lazarus & Folkman, 1984). Somerfield and McCrae (2000:624) appeal to researchers to focus on coping responses to specific situations within a specific context instead of general coping strategies.

Folkman and Moskowitz (2004:768) suggest that new methodologies and new ways of thinking about coping within a specific context will assist this field of study to mature, as the field holds great potential to help explain who flourishes under stress and who does not, and it continues to have potential for interventions to help people cope with stress.

Current coping research and the proposed future direction of coping research (more context-specific research, using new, more narrative methodologies) therefore supported the choice of research problem in this study and informed the research methodology that was selected.

1.4.2 Organisational behaviour

Although coping originally emerged as a field of psychology, this study is undertaken within the multidisciplinary field of Organisational Behaviour (OB). In this section I start by defining Organisational Behaviour; and then I discuss the five recognised anchors of Organisational Behaviour and their relevance to this study.

1.4.2.1. Defining Organisational Behaviour

Organisational Behaviour emerged as a distinct field around the 1940s (McShane & Von Glinow, 2005:4) during the Behavioural era. However, the earliest evidence of concern about managing workers' behaviour already appears in accounts by the Chinese and Mesopotamians between 3 000 and 4 000 BC. These accounts relate to the importance of labour specialization and the authority hierarchy (Vecchio, 1995:9).

Organisational Behaviour has been variously defined as

- a 'field that seeks enhanced knowledge of behavior in organizational settings through the scientific study of individual, group and organizational processes, the goal of such knowledge being the enhancement of both organizational effectiveness and individual wellbeing' (Baron, 1986:9);
- 'a field of study that investigates the impact that individuals, groups and structure have on behavior within organizations for the purpose of applying such knowledge toward improving an organization's effectiveness' (Robbins, 2001:6);
- 'the study and application of knowledge about how people – as individuals and groups – act within organizations' (Newstrom & Davis, 2002:4);
- 'the study of what people think, feel and do in and around organizations' (McShane & Von Glinow, 2005:4); and
- 'an interdisciplinary field dedicated to better understanding and managing people at work' (Kreitner & Kinicki, 2007:5).

Shani and Lau (2000:15) point out that definitions of Organisational Behaviour vary greatly because of the parallel evolution of the field in the social sciences, the behavioural sciences, and management and human relations courses, as taught in business schools.

An integrated definition of Organisational Behaviour, a combination of definitions by Baron (1986:9), Kreitner (2004:55), Kreitner and Kinicki (2007:5), McShane and Von Glinow (2005:4), Newstrom and Davis (2002:4) and Robbins (2001:6) is proposed for the purposes of this study: **Organisational Behaviour is the interdisciplinary field dedicated to the study and application of knowledge about the impact that individuals, groups and structure have on what people think, feel and do in and around organisations for the purpose of managers applying such knowledge toward improving an organisation's effectiveness and individual wellbeing.**

This definition captures both the academic perspective and the managerial application of Organisational Behaviour, together with its focus (individuals, groups and structure) and goal (organisational effectiveness and individual wellbeing).

1.4.2.2.   Five anchors of Organisational Behaviour

1.4.2.2.1.   Multiple levels of analysis anchor

One of the continuing challenges of Organisational Behaviour, according to Newstrom and Davis (2002:20), is its lack of a single definition, particularly a lack of consensus regarding its unit of analysis. This argument differs from that of several other leading authors in Organisational Behaviour (Greenberg & Baron, 2008:7; Kreitner & Kinicki, 2007:24; McShane & Von Glinow, 2005:21; Robbins, 2001:22-23), who argue that, in order to comprehend the complex dynamics of behaviour in organisations fully, one must recognise three distinct levels of analysis: individuals, groups and organisations. I developed the model of organisational behaviour depicted in Figure 5 (overleaf) on the basis of these three levels.

Figure 5:   A model of Organisational Behaviour
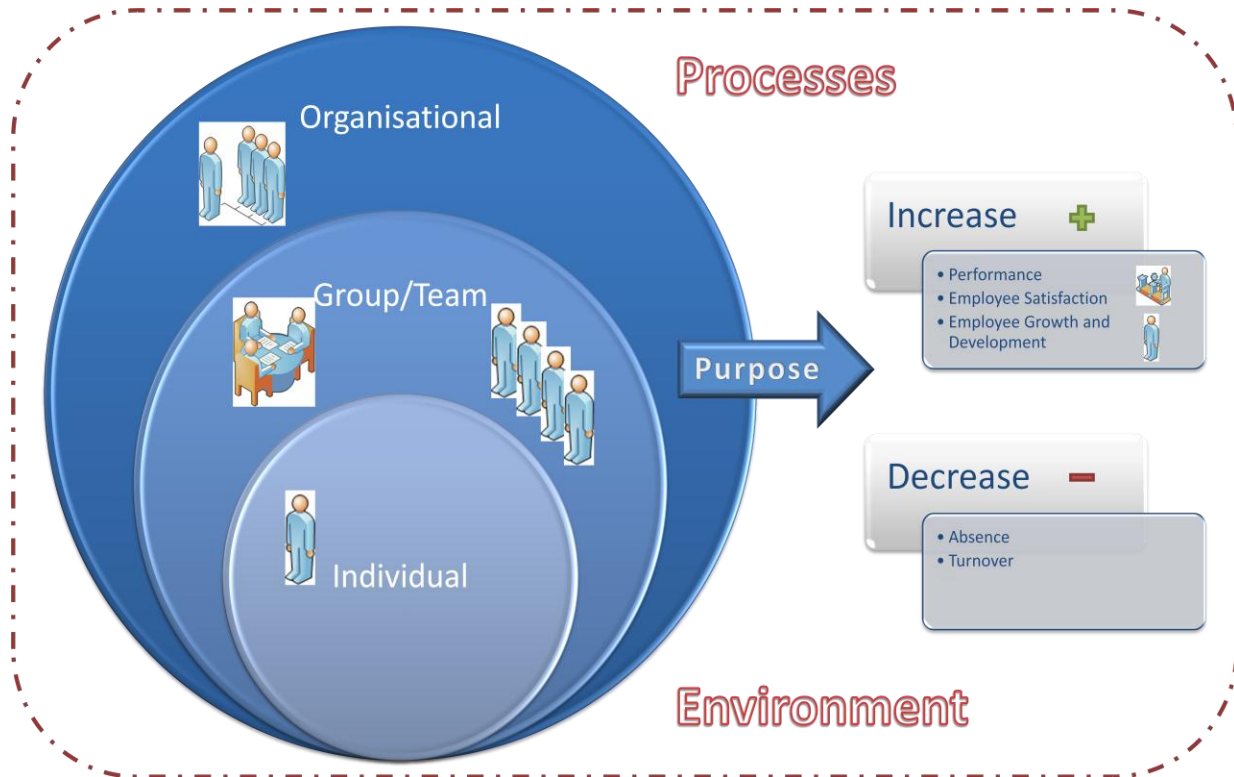
On the basis of this model, in this study, coping is studied on multiple levels. Although individual leaders are the focus of the research, they are viewed within the context of the group or team in which they function, the organisation and, finally, the external environment represented by the open systems anchor, which is discussed next.

1.4.2.2.2.   Open systems anchor

When one considers the three levels of analysis (individual, group and organisation), it is important to note that Organisational Behaviour is not only concerned with the behaviour of people, but also with the nature of organisations. Organisational Behaviour researchers and practitioners use the modern view of an organisation as an open system as a base assumption, rendering the traditional closed systems perspectives

(for example, the notion of scientific management) inappropriate in a rapidly changing and intensely competitive environment.

An open system is 'a self-sustaining system that transforms input from the external environment into output, which the system then returns to the environment' (Greenberg & Baron, 2008:11). Systems thinking is rooted in Ludwig von Bertalanffy's interdisciplinary *General Systems Theory* (Von Bertalanffy, 1950:20). The most influential views on how an organisation is affected by its external environment were developed by Katz, Kahn and Thompson in the 1960s (Jones & George, 2003:61). These theorists stressed the need to adopt a systems approach to Organisational Behaviour in order to understand its complexity more fully (Lyden, 1969:215).

By emphasising this open systems anchor of Organisational Behaviour, McShane and Von Glinow (2005:23) suggest that an organisation should develop a dynamic capability to remain aligned with the external environment, but that an organisation consists of many sub-systems that need to be continually aligned with one another.

Similarly, the impact of the external environment, particularly the economic environment, and its impact on the organisation and its subsystems is taken into account in this study.

1.4.2.2.3.   Multidisciplinary anchor

As the field of Organisational Behaviour developed, it borrowed heavily from other disciplines (Greenberg & Baron, 2008:7; Kreitner & Kinicki, 2007:5; McShane & Von Glinow, 2005:19; Robbins 2001:9-11), with the result that it became a field that relies on knowledge in other disciplines and not just on its own research base. McShane and Von Glinow (2005:19) summarise the most prominent disciplines that influenced the field, namely psychology, sociology, political science, economics, anthropology, and industrial engineering. Of these, psychology is the most prominent. To this list of more traditional disciplines, they add some emerging disciplines, such as communication, information

systems, marketing and women's studies. However, Organisational Behaviour is unique in its goal of integrating the diverse insights of these traditional and emerging disciplines and applying them to real word problems and opportunities (Schermerhorn, Osborn & Hunt, 2005:4).

Although in this study coping is researched in the context of Organisational Behaviour, I also draw on other disciplines in an attempt to gain a full view of the research problem.

1.4.2.2.4.   Systematic research anchor

Organisational Behaviour is studied in a systematic way, looking at relationships, endeavouring to identify causes and effects and drawing conclusions based on scientific evidence and moving away from intuition, which is often used when gauging behaviour (Robbins, 2001:8). Traditionally, Organisational Behaviour scholars have relied on scientific methods in their research. They typically relied on quantitative data and statistical procedures in order to minimize personal biases and distortions of organisational events. More recently, Organisational Behaviour scholars have also adopted a grounded theory approach to developing knowledge in the field, allowing for observation, participation and other qualitative methods in the data collection process (McShane & Von Glinow, 2005:20).

1.4.2.2.5.   Contingency anchor

This anchor, a hallmark of modern Organisational Behaviour, recognises that behaviour in work settings is the complex result of many interacting forces (Greenberg & Baron, 2008:12). Newstrom and Davis (2002:14) argue that the strength of this approach is that it encourages analysis of each situation prior to action, while it discourages habitual practice based on universal assumptions about people.

McShane and Von Glinow (2005:20) concede that this approach may seem elusive but a more comprehensive and systematic understanding is desirable and possible by

developing an integrated understanding through a working knowledge of Organisational Behaviour theory, research and practice (Kreitner & Kinicki, 2007:21), as indicated in Figure 6.

Figure 6:   **Learning about Organisational Behaviour through a combination of theory, research and practice**
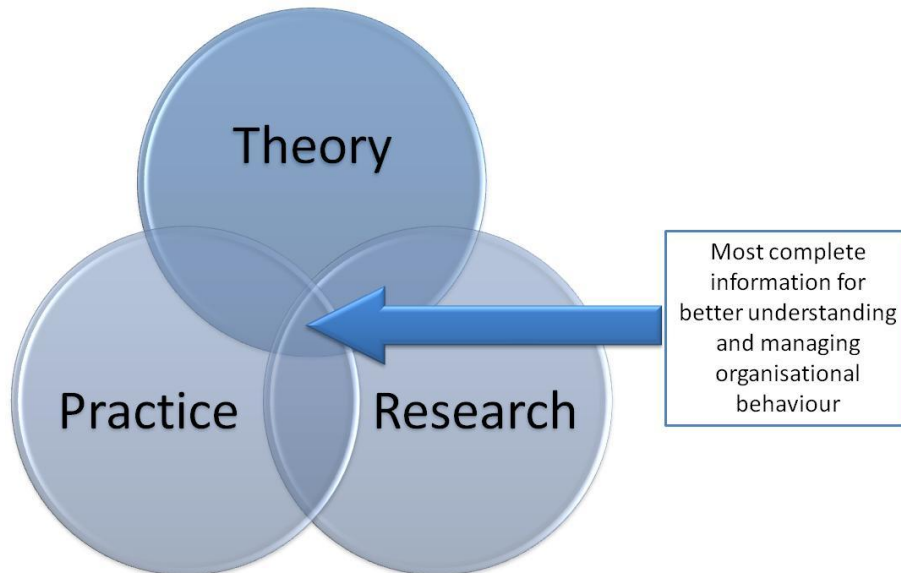
Source: Kreitner and Kinicki (2007:21)

Through this study I hope to contribute to the body of knowledge of Organisational Behaviour, and to make a theoretical contribution through a proposed conceptual framework on the coping strategies of leaders during an economic downturn. I also attempt to make a practical contribution by making suggestions on how organisations could assist leaders in this process.

1.5   RATIONALE FOR AND ANTICIPATED CONTRIBUTIONS OF THE STUDY

Recently, several studies have convincingly shown that understanding, managing and potentially developing effective coping strategies can make a unique contribution to

explaining variance in organisational outcomes, especially negative outcomes (Bakker & Schaufeli, 2008:149).

From this theoretical perspective, this study contributes to the body of Organisational Behaviour knowledge by investigating coping phenomena to develop a new perspective of leadership behaviour in an adverse (negative) organisational environment, and more specifically an economic downturn.

From a practical perspective, this study provides an approach for understanding leaders' coping behaviour in an economic downturn. Furthermore, it provides a potential opportunity to lessen the impact of such a downturn on leaders and their organisations. Coping as a concept is not merely explanatory in terms of different behavioural responses, but, according to Folkman and Moskowitz (2004:746), it also serves as a portal for interventions.

1.6   RESEARCH QUESTIONS

Based on the preliminary literature study, the following primary research questions were formulated:

- **How do South African mining leaders cope during an economic downturn?**
- **How can organisations assist South African leaders to cope better during an economic downturn?**
- **What does a strategic coping framework for South African leaders consist of?**

The main objective of the research was to develop a guiding framework that South African leaders can use to cope with adverse conditions, such as an economic downturn.

1.7 SCOPE OF THE STUDY

This study's guiding interest is coping at the micro (individual) level of organisational behaviour, but, in line with the multiple levels of analysis of Organisational Behaviour, the study also focuses on the team or group and the organisation. The focus of this study takes into account the context of the economic situation evident in South Africa at the time of the research, particularly within the mining industry. The target population was mining leaders within the stated context. A sample was selected from individual employees (mining leaders), who formed both the sampling units and the units of analysis. The scope of the research is illustrated in Figure 7.

Figure 7:   Scope of the research
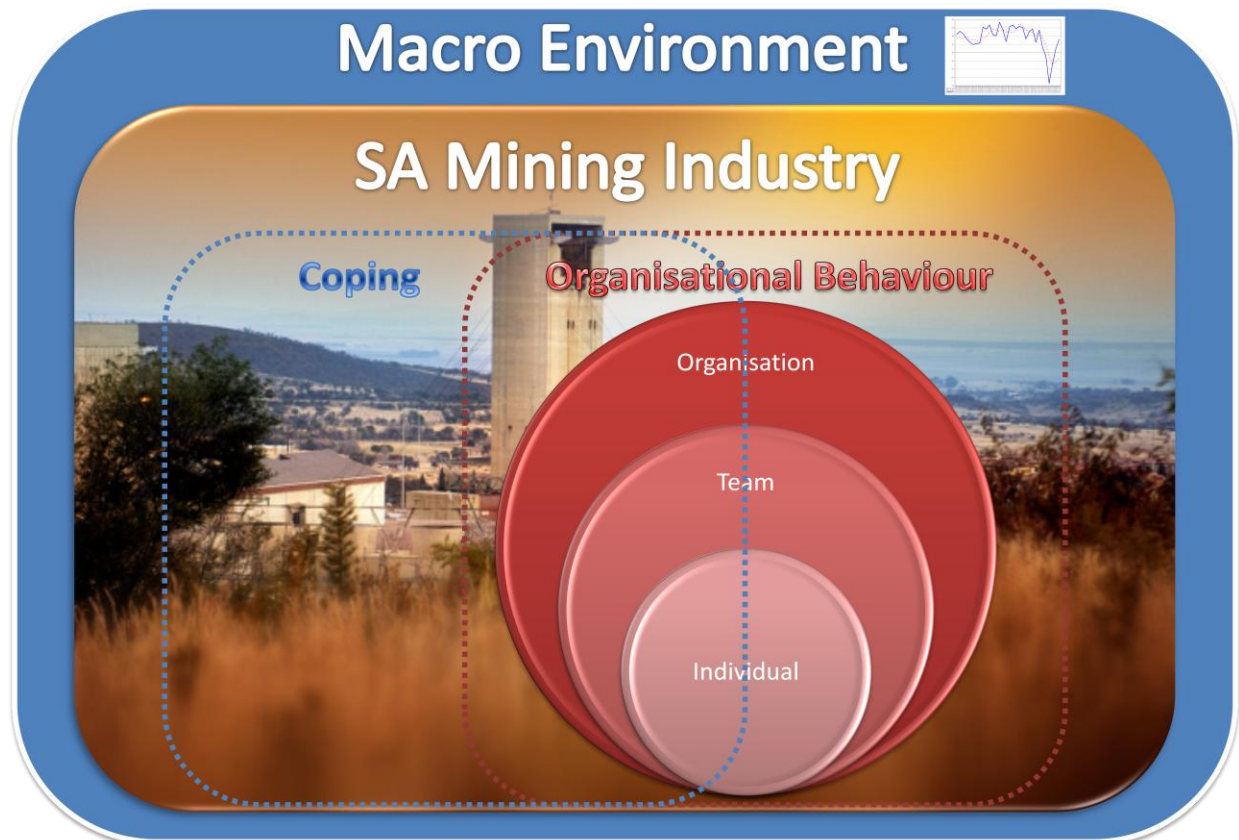
1.8 OUTLINE OF THE STUDY

In this section, I provide a brief outline of the study, as illustrated in Figure 8.

Figure 8: Outline of the study

Chapter 1	• Background and setting the scene
Chapter 2	• Research design
Chapter 3	• My research journey
Chapter 4	• Results – Initial coding
Chapter 5	• Results – A framework of coping strategies for leaders during an economic downturn
Chapter 6	• Conclusion and recommendations

In Chapter 1, I have provided information on the background to the study, describing the environmental, personal and academic context against which this study should be viewed. In addition, I indicated the rationale for and anticipated contributions of the study, followed by the research questions and the scope of the study.

Chapter 2 provides a theoretical account of the research design of the study, focusing on the research paradigm used, as well as on qualitative research, and more specifically on the grounded theory that was applied in the research. I also discuss the research methodology used and conclude this chapter with a discussion on the quality of and ethical considerations applicable to the research.

I provide a more personal account of what I refer to as my research journey in Chapter 3, starting with the initialization of my studies and ending with the submission of my thesis.

In Chapter 4, I discuss the first step of grounded theory analysis, namely open coding, as an initial coding practice to conceptualise data and form concepts, citing examples of responses gained from interviews *verbatim*.

This is followed by focused coding in Chapter 5, indicating axial and selective codes to form a conceptual framework of coping strategies for leaders during an economic downturn. In addition, I link the existing literature to my conceptual framework.

Finally, I conclude with Chapter 6, highlighting the most prominent contributions and recommendations of the study. In addition, I indicate the limitations of the study and make some suggestions for future research.