

**Infamy or transition to Glory? An analysis of “Change”
Management at Telkom South Africa**

By

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DECLARATION

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed..........

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STATEMENT

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ABSTRACT

At some time or other all organisations must undergo transition. And given today's realities, this transition must focus on the internal and external environment. The purpose of this paper is to assess how the South African telecommunications company, Telkom, handled transformation, given that dramatic changes in African economies influence the ability of an organisation to adapt to these changes in the environment, achieve better performance and pursue aggressive competitive strategies. Thus, we want to see what change management literature says about how change is managed. We will then examine or assess Telkom as a case and draw lessons from that.

The results of this study reveal certain characteristics about change in organisations and the manner in which such change is implemented. Also, the findings have implications for theoretical issues such as slow and fast change and transition, strategic choice versus strategic implementation, organisational culture, and ownership. It is further hoped that the current study would bridge a gap between the management and the economic versions of institutional theory, and thus, provide a platform for a better understanding of the intricacies of organisations experiencing drastic changes in their institutional structure.

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LIST OF ACRONYMS

1. African National Congress	- ANC
2. Business Process Re-engineering	- BPR
3. Congress of South African Trade Unions	- COSATU
4. Conservative Party	- CP
5. Chief Executive Officer	- CEO
6. Foreign Direct Investment	- FDI
7. Growth, Employment and Redistribution	- GEAR
8. Minister of Posts, Broadcasting and Telecommunications	- MOPBT
9. Posts, Telegraphs and Telephones	- PTT
10. Posts and Telecommunications Workers Association	- POTWA
11. Public Enterprises	- PEs
12. Republic of South Africa	- SA
13. State-owned Enterprise	- SOE
14. Resource-based view of the firm	- RBV
15. South African telecommunications company Telkom	- TKG
16. The Government of South Africa	- Government
17. United States of America	- USA
18. World Trade Organisation	- WTO

CHAPTER 1

INTRODUCTION

1.1 Introduction

Evolution is important in biological games of survival, as it is in the economic arena. Part of the study of evolution is aimed at understanding the adaptive behavior of both organisms and organisations. Species have to adapt because their environment is constantly under threat from external forces. Analogously, businesses seek to adapt because of changes in both its internal and external environments. Those businesses that fail to adapt face an unrelenting lesson from market forces. Even in the public domain, governments and politicians that fail to respond to the changing needs of their polity face extinction. No sphere of socio-economic activity is insulated from these survival imperatives and this fact is generally well appreciated or so it seems. This paper represents one study of such an adaptive behavior

It was not long ago that competition occurred in somewhat predictable economic environments or in those where major changes occurred infrequently. Market were stable, many industries insulated from brutal competition, and strategising was not considered a *sine qua non*. In contrast, pervasive changes are now a striking feature as a dynamic, complex and unpredictable environment places many demands on a number of organisations to rethink and review their way of thinking and devise new ways of acting. Because of this paradigm shift, new organisations are emerging that are more responsive to both their internal and external environment. The market forces of competition and change will trap organisations unwilling to adapt, in a spiral of decline and disarray. Organisations are forced to face the challenges of increasingly dynamic circumstances.

Thus, organisations need not only be adaptive but also proactive to change. The challenge facing these organisations is to adapt to the new conditions or face extinction. The need to devise survival strategies, which will enable them to adapt and respond to the internal and external environment, is therefore ever more important. Many organisations in South Africa have experienced change and managed the change process. However, none has been more

prominent and profound in its reach as that of Telkom South Africa. If restructuring of state owned enterprises can be considered an economic quake in South Africa, then Telkom restructuring stands at the epicentre of that quake. This formerly beleaguered state owned and operated utility transformed itself from a “fiscal drag” to a corporation of international repute. No other major (i.e., strategic) state owned enterprise in South Africa has undergone anything close to this degree of change. In the annals of pre and post-privatisation analysis and counterfactuals that are being written as part of the evaluation of the privatisation ideology, the case study of Telkom has only just begun. Therefore, a careful study of how this process was managed can provide valuable lessons for the handling of future transformations set to occur within the public enterprise sector of South Africa.

Specifically, this study investigates the driving forces of change and how these have impacted on the organisation, together with the opportunities and constraints presented by change, and how the constraint were overcome, if indeed.

1.2 Profile of Telkom South Africa

According to operating revenue and asset figures, Telkom SA Limited is the largest communications services provider on the African continent¹. It offers a wide range of services and products, including fixed-line voice services and fixed-line data services to business, residential and payphone customers. Telkom SA was formerly a wholly owned state enterprise monopoly in telecommunication services. Currently, a consortium of SBC Communications Inc and Telkom Malaysia, operating through a USA limited liability company, Thintana Communications, owns 30 percent of the equity shares. A further 27.7 percent is free floating while 3 percent is owned by Ucingo Investments (Pty) Limited. Ucingo is a broad based consortium of black empowerment investors. Black empowerment is a program of affirmative action in business, designed to extend ownership of the capitalist economy of South Africa to historically disadvantaged racial groups. The Government still holds the majority share at 39.3 percent.

¹ <http://www.telkom.co.za/business/government>.

The restructuring, commercialisation and “reinvention” of the organisation began in 1997 with the separation of telecommunications from posts as well as an establishment of a regulatory body. Subsequent to the restructuring strategy, the Telecommunications Policy became the responsibility of the Department of Communications, while regulatory responsibility passed to the newly-formed Independent Communication Authority of South Africa (ICASA). ICASA is the sole regulator for telecommunications and broadcasting, that was created from the merger of South African Telecommunications Regulatory Authority (SATRA) and the Independent Broadcasting Authority (IBA).

1.2.1 Change Agent

Telecommunications is the centrepiece of the information technology revolution and the basis for digital communication. This strategic importance is propelled by diverse drivers; increased competition through global deregulation, globalisation and the demands from new products and services being created due to the rapid pace of technological change. Like many companies but even more so, Telkom operates in an industry that has and continues to change considerably. The forces of change have resulted in a fundamental restructure of the industry. Increased pressure from technological advances has demanded changes in Telkom’s structure and strategy in order to fully address emerging needs in technical and human resources.

Telkom embarked on a “turnaround” strategy due to, among other reasons, production inefficiencies, expensive telephone services that were inaccessible for most South Africans, globalisation, institutional reorganisation, innovative breakthroughs by competitors and most importantly, the need for the socio-economic development gap to be addressed. Expensive telephone services meant that equity issues and the objectives of the Growth, Employment and Redistribution (GEAR) strategy could not be met. The impact of globalisation is part of the external forces to which most countries are now inescapably part of. In terms of that membership, certain commitments became inevitable such as liberalisation of trade in both goods and services under the WTO commitments. Institutional reorganisation is a consequence of a paradigm shift, rightly or not, in the form of the privatisation ideology that is preached by the Bretton Woods Institutions as part of the rethink of the appropriate role of the state and the market in economic development in the millennium. Innovative breakthroughs by competitors refer to the forces of competition unleashed by advances in

microwave technology and wireless communications that have changed the traditional view of telecommunication industry as a natural monopoly. In terms of closing the socio-economic gap through growth and employment, a great deal of faith is being placed in the IT revolution and the promises of the digital age in poverty alleviation. It follows, therefore, that transforming the telecommunications industry in South Africa is critical in order to exploit the promised benefits of the “new economy”. Finally, ending the “fiscal drag” from operational inefficiencies will save the state substantial resources.

In addition to the external forces of change, numerous internal inconsistencies hampered real progress of the firm. These problems could not be quickly confronted and resolved. In this context, it was easy to understand why Government, having the most to lose, would generally be predisposed at this point to manufacture crisis in order to reposition the firm for internal reorganization. Still, once these changes got underway, they had to be successfully managed to materialise the expected goals. Some of the internal problems included:

- questions of governance i.e., how and who will decide on central policy issues were not settled;
- agency problems where the bona fide board of directors were kept in the dark by Telkom management;
- governmental interference in Telkom’s operations such as forcing it to undertake non-commercial or social services for which they are not paid;
- heavy debt burdens;
- over-staffed workforce radically divided by rank and skill;
- a corporate culture still tied to old ways;

Perhaps overwhelmed by the scope of the problems, Government ultimately took the decision to commercialise and later privatise Telkom. From the perspective of change, this shift in thinking constituted a sufficient crisis-precipitation. It is important to note that the change management is occurring under an external binding constraint. Under the terms of its license, Telkom committed to install 3 million telephone lines within its 5-year exclusivity period. The main targets for these lines are under-serviced and disadvantaged areas as well as

providing telephone services that will meet the needs of the disabled. If Telkom achieves 90% of its total line target and 80% of its target for installing lines in under-serviced areas by year four of its five-year exclusivity period, it will be eligible for an extra year of exclusivity. This will be extended by another year if Telkom meets government's network rollout service targets.

To place this trade off in context, South Africa's telecommunications industry was worth approximately R45-billion in 1997, in terms of services and equipment, of which 53% consisted of telecommunications services and equipment and 47% of information technology (IT). In 1998, the industry generated revenue of R56-billion (USD 9.3-billion), made up of 55% telecommunications services and equipment, and 45% IT. Industry sources believe that after liberalization, the market will double or even treble in ten years².

1.3 Motivation for the research

It is important to make a clear business justification for the proper management of change processes, particularly by using models that may be (closely) related to the African context. Proper management of change must make a difference to the whole organisation. It must make the business processes more efficient and more effective. Given that in reality, numerous organisations fail to effectively manage change this paper seeks to identify some of the factors that make for a successful change and those that may impede the process; in all, to advance our understanding of this new tool for business survival in dynamic environment. In addition, businesses are becoming increasingly aware of the importance of managing change by not only supporting, but also enabling business operations. The business world now finds itself confronted with new challenges such as 'the networked economy' and liberalisation that for example, determine investments and a shift in the demand for quality.

² <http://www.telkom.co.za/business/government>.

1.4 Value of the company in industry

South African telecommunications company, Telkom, is the only utility to undergo major changes from a financially subsidised, complete state-ownership to commercialisation and finally to public listing, nationally and internationally. The 30 percent equity stake sold to Thintana Communications for R5.8 billion is perhaps the single largest foreign direct investment in the country since democratization in 1994. Telkom is now successfully listed on both the Johannesburg and the New York Stock Exchange. The restructuring of Telkom has opened up great opportunities and challenges. Thus, lessons can be learnt from the success story of how Telkom managed change.

1.5 Problem statement

Organisations need to devise survival strategies during a time of fundamental transition. How, why and when these strategies are implemented, and in what context, remains a question to be explored as organisations and their internal and external environments are both dynamic and unique.

Most of the tools prescribed by change management literature have been found to be inappropriate in answering those questions of why, when and how change is managed in a transitional economy such as South Africa, where changes may be big or small, rapid or slow and where change is most often multidimensional, occurring alongside ideological, political and economic dimensions.

Given these shortfalls in change management literature the question then is “How has Telkom managed change during its transition?” given the major institutional changes in its socio-political and economic environment.

1.6 Objective of the study

The purpose of this paper is to assess how dramatic changes in African economies influence the ability of an organisation to adapt to changes in the environment, achieve better performance and pursue aggressive competitive strategies. This research seeks to investigate

and analyse various characteristics of organisations and their behaviour after change, within the constraints of its environment. Keeping this broad objective in mind, the study investigates and analyses:

- a) The process of and the factors involved in change management in organisations undergoing transition;
- b) The changes in their survival strategy due to changes in the internal and external environment;

More specifically, the research seeks to

1. investigate the objectives of change,
2. determine the drivers of change,
3. analyse how change is approached in general,
4. what kind of changes there are,
5. what a change is,
6. factors that constrain change and survival strategies,
7. the possible benefits of change to organisations in order to:
 - assess
 - devise new strategies (if necessary) to deal with the changes brought about by privatisation and other driving forces in the industry.
8. determine how outcomes are measured or judged

Hypothesis. This study is not aimed at testing a hypothesis. Actually, its objective is to discover the relevant variables and the relationships among them so that a hypothesis can be generated.

1.7 Research methodology

Case studies are a qualitative form of research strategy. They comprise a single unit of analysis that is both holistic and exhaustive, and which retains the meaningful characteristics of realistic events. Thus, a case study is defined as an empirical inquiry that:

- investigates a contemporary phenomenon within its real real-life context; especially when
- the boundaries between the phenomenon and context are not clearly evident (Nelson and Dowling 1998, pp. 481)

Accordingly, the technique that was used for analysing this case study involves an eclectic approach, whereby contributions from various authors are used to analyse change management in Telkom. This approach is useful as it draws from various sources or models - decisions are thus made on the basis of what seems best and most appropriate instead of following a single model. The approach is also useful given the paucity of literature on appropriate models for African countries (see limitations).

1.7.1 Literature search and review

Documentary evidence was gathered from several sources. The data collection process used the project's objectives, scope and limitations to guide the literature search and review. This step was conducted with the aim of reviewing and collecting best-practice case studies, reports and examples. The time and scope of the project did not allow for the collection of original data.

1.7.2 Data for this study

Data and information were obtained from various stakeholders as well as from other sources cited and listed in the bibliography.

Primary data for this study was collected using e-government websites, and telephonic interviews, which were either semi-structured or unstructured. These interviews were aimed at ascertaining the views of managers with regard to what they perceived to be the major changes within Telkom and the consequent effects on the organisation and its employees. Interviewees were asked core questions with a series of follow-up probing questions. The core questions covered the perceived changes, which had taken place, the timing of the changes, reasons for the changes and their effects on the organisation and its employees. The interviews were intended to provide a context for the analysis of the case of Telkom South Africa, a public enterprise that has undergone material transformation.

Secondary data was collected principally from the following sources;

- a) University of Natal Library – professional journals, quarterly and annual reports, and newsletters relevant to the problem, textbooks and other published material directly or indirectly related to the problem area

- b) Internet
- c) Corporate Communications, Telkom SA
- d) E-mail
- e) Ministry of Communication, and Ministry of Public Enterprises
- f) COSATU Communications Department

1.8 Limitations of the study

Change is a dynamic phenomenon and cannot be fully analysed in this paper. Thus, only that aspect of change concerning the transition to commercialisation and privatisation has been analysed, but not in depth. Privatisation is also a broad topic and therefore cannot be completely covered in this paper. The literature, therefore, will concentrate on that notion of privatisation that is concerned with the change of ownership of an enterprise from the public to the private sector, its organisational implications from a human resource perspective and its associated incentive questions.

Data - The data may contain “noise.” However, attempts were made to reduce this “noise” to a minimum by using probing questions, interviewing more than one executive where possible, and by using multiple sources where possible.

Sampling methodology - The choice of company was not random. Therefore, the findings may not be representative of the population of privatised enterprises. However, care has been taken to include a company that has undergone or is undergoing change in the form of privatisation.

Another limitation is that most studies have focused on strategic choices in relatively stable institutional environments. Studies that have focused on how organisations respond to transitions, have typically concentrated on changes in one industry while the overall institutional framework of the country remains mostly unchanged. Unfortunately, little is known about how organisations make strategic choices when confronting far reaching institutional changes. Therefore, the literature drawn upon and the scope of application of suitable models will be constrained by the unavailability of a suitable body of knowledge.

In addition, there have been well-documented studies on private versus public sector efficiency, how change is processed, other related reforms and how these factors could substantially improve enterprise performance. Specific examples of countries that have privatised and their successes and failures are well documented, as well as the benefits and costs involved. These studies have been used to generalise findings to public enterprises and very few have focused on specific public enterprise industries in developing countries, particularly in Africa. This research limitation is related to the absence of any generally accepted, positive theory on PEs, such as might bear comparison with, say, textbook models of privately owned, profit-maximising enterprises. Mindful of this shortcoming, the study will try to make the necessary comparisons between private and public enterprises to the extent possible. However, a comparison of successful and unsuccessful PEs may be limited by the shortage of relevant literature.

Some of the issues have not been empirically investigated sufficiently, while others have not been explored empirically. Given the potential effects of privatised firms on national economies, a better understanding of these aspects is urgently needed.

In addition, a number of studies show how organisations go through a transition, but fail to provide benchmarks. That is, the realisation that what worked last year may not be the right strategy for today. Thus the results, though valid at a particular point in time, may not hold in the long run since, for example, relationships inside the organisation change as it grows in size and becomes older. The concept of an organisation life cycle can be exploited to solve this problem.

Any reference to the aims of privatisation is made only to bring to light the expectations and prospects of privatisation. In its own right, it is hoped that the results of the study will make a modest contribution in revealing certain characteristics about the transformation of organisations and the manner in which such transformation is implemented. The study also has implications for theoretical issues such as slow and fast transformation, strategic choice versus strategic implementation and organisational culture and ownership. It is further hoped that the current study would bridge a gap between the management and economic versions of

the institutional theory, and thus provide a platform for better understanding the intricacies of organisations experiencing drastic changes.

1.9 Definition of terms

In this study and in popular usage, a number of words have been used to describe public enterprises. These are state-owned enterprises (SOEs), government-owned enterprises, parastatals and public sector and public corporations.

To clarify the discussion, the terms used in the study are defined as follows;

Active ownership means that the principal (government) sets the output target and observes costs (Willner and Parker 2000, pp.10)

Adaptability indicates a manager's (or management team's) willingness to adjust a firm's original structure and systems to changes in the environment. Adaptability also reflects a manager's willingness to take risks, a willingness to be proactive in competing with other firms, and the willingness to innovate. (Arens and Brouthers, 2001)

External factors are those which are not within the control of the enterprises but which it cannot ignore. (Rosete, 1981:77)

Internal factors are those factors that enterprises are in a position to change and make decisions on. (Rosete, 1981:77)

Privatisation can be used to refer to a change in the ownership of an enterprise (or part of an enterprise) from the public to the private sector. It can also involve the liberalisation, or deregulation, of entry into activities previously restricted to public sector enterprises. The removal of restrictions on market entry is intended to increase the role of competition, and to the extent that private enterprises are successful in entering the hitherto protected markets, a variant of privatisation will have occurred, even though no transfer of ownership of assets has been involved. Lastly, privatisation has been used where the provision of a good or service is

transferred from the public to the private sector, while government retains the ultimate responsibility of supplying the service. Examples of this form of privatisation include franchising, contracting-out and the leasing of public assets to the private sector. (Cook and Kirkpatrick, 1988: pp. 3-4).

The private sector is individuals, organisations and companies that are operating outside the realm of government bureaucracy and red tape. These entities have complete financial and fiscal autonomy.

Three “Pillars”: regulative, normative and cognitive. Regulative pillar focuses on the formal rule systems and enforcement mechanisms sanctioned by the state. Normative pillar defines legitimate means to pursue valued ends and finally, the cognitive pillar refers to taken-for-granted beliefs and values that are imposed on, or internalised by social actors. (Peng 2003, pp.276).

Passive ownership means that the principal (government) only observes performance in terms of, for example, profits, but delegates the output decisions to the manager, who also decides about inputs (Willner and Parker 2000, pp.10).

Public enterprises are organisations established to undertake commercial or business types of economic activities although in some instances, they may be created for non-commercial purposes, that is, to provide public services.

Role models are people whose core competencies, individually and jointly, will attract customers and distinguish the firm from competitors (Vandermerwe 1996, pp.86).

1.10 Structure of the study

This paper is organised in five chapters. Chapter One introduces the theoretical framework and the problem under review. It also presents the limits of the problem area so that what is included and what is not is clearly mentioned. The method of data collection is also presented.

Chapter Two reviews some of the relevant and available literature. The section examines recent and historically significant research studies that act as a basis for this study. The discussion moves from a comprehensive perspective to more specific studies that are associated with the problem statement. From this review, a summary of the important aspects is made and interpreted in terms of the problem.

Chapter Three highlights the change process that forms the case study for this research. An examination and assessment of the change management is the focus of Chapter Four, with an emphasis on the change models used by the parastatal during its period of transition. The problems and challenges are presented and analysed with an emphasis on how effectively these issues were handled.

Finally, Chapter Five summarises the salient point of the study and makes recommendations for enhancing the management of change, particularly at a time of increasing pressure for far-reaching reforms in South Africa's socio-political and economic systems.

1.11 Summary

Organisations the world over are faced with pervasive changes which place many demands on them to rethink their way of thinking and to devise new ways of acting. The need to devise survival strategies, which will enable them to adapt and respond to the internal and external changes, is therefore, evermore important.

Telkom South Africa, is one such organisation which has been exposed to the merciless forces of the internal and external environment. These forces include among others, agency problems where the bona fide board of directors were kept in the dark by Telkom management; governmental interference in Telkom's operations such as forcing it to undertake non-commercial or social services for which they are not paid; and heavy debt burdens. Perhaps overwhelmed by the scope of the problems, Government ultimately took the decision to commercialise and later privatise Telkom.

While many organisations in South Africa have experienced change and managed the change process, none has been more prominent and profound in its reach as that of Telkom. This

organisation has undergone material transformation. If restructuring of state owned enterprises can be considered an economic quake in South Africa, then Telkom restructuring stands at the epicentre of that quake. The restructuring of Telkom has opened up great opportunities and challenges. Thus, lessons can be learnt from the success story of how Telkom managed change. A careful study of how this process was managed can also provide valuable lessons for the handling of future transformations set to occur within the public enterprise sector of South Africa.

Specifically, this study investigates the driving forces of change and how these have impacted on the organisation, together with the opportunities and constraints presented by change, and how the constraint were overcome, if indeed.

Accordingly, the technique that was used for analysing this case study involves an eclectic approach, whereby contributions from various authors are used to analyse change management in Telkom. This approach is useful as it draws from various sources or models - decisions are thus made on the basis of what seems best and most appropriate instead of following a single model. Primary data for this study was collected using e-government websites, and telephonic interviews, which were either semi-structured or unstructured. The interviews were intended to provide a context for the analysis of the case of Telkom South Africa. Secondary data was collected principally from, among others, the University of Natal Library; Corporate Communications, Telkom SA; Ministry of Communication, and Ministry of Public Enterprises and COSATU Communications Department.

A number of limitations are discussed including possible measures to try to minimise their effects on the study.

Finally the structure of the study is presented which leads to Chapter Two where a general discussion on the different ways in which the literature has approached the nature of changes is presented. The various kind of changes, the definition of change and what a change is, is also discussed to verify if indeed these are the issues that have occupied scholars. From this sub theme, a discussion is made on what the literature has to say about the drivers of changes and how outcomes are measured or judged.

CHAPTER 2

MANAGING THE CHANGE MANAGEMENT PROCESS

2.1 Introduction

Organisations need to make strategic choices during a time of fundamental transition. Information examining why, how, and when organisations transit and adapt to change has accumulated. Most of these studies focus on strategic choices in relatively stable environments, typical of developed countries. For example, Michael E. Porter presents a Five Forces Model where suppositions have to be made that it applies only in a stable environment (Lynch 2000, pp. 124-132). Stable environments can be defined as those that are unlikely to change, fall or overturn and whose currency is resistant to sudden change or deterioration (Random House Webster's College Dictionary 2000, pp.1274). The Penguin Concise Thesaurus (2002, pp. 753) states that an economy is in a stable condition when it is constant, unchanging, steady, regular or uniform. Both these definitions are useful in understanding the nature of changes encountered by developing countries, contrary to those experienced by their Western counterparts.

According to Cummings and Brocklesby (1997, pp. 90) change requires stability. These authors argue, "if we are able to recognise something as having changed, then something about it or what it does must have remained the same". Given this prognosis, the question then is, "are developing countries that are relatively unstable (given the definition of a stable environment) unlikely to achieve change"? Thus, choice models that assume stable environments by their nature raise questions of appropriateness for the analysis of change in developing countries. Models of change from developed countries have been imposed on developing countries and yet these have been seen to be inappropriate. For example, Arens and Brouthers (2001, pp. 377) state that Western advisors were encouraging organisations based on the transitional economies of Central and Eastern Europe to privatise and follow the Western model of private ownership. Questions arise because in developing countries change is most often than not multidimensional, occurring along ideological, political and economic dimensions.

There are grounds for resisting overgeneralisations about whether models of change in developing countries are feasible, and whether change measures or models can be effectively executed. Heald (1990) acknowledges the difference in context between developed and developing countries and the inherent differences to the developing world. According to Bayliss (2000, pp.1), “critics have pointed out the weak empirical and theoretical foundations of privatisation policy (as a change process) generally, and more specifically because several problems emerge when the policy is applied in developing countries”. Bayliss (2000, pp. 3) argues further that World Bank reports often treat policies in isolation from the context in which they occur. These statements substantiate Heald’s (1990) and other commentators’ argument that models used in developed countries cannot be adapted to a developing country because of the unique circumstances that exist.

In addition, models of change have focused on rapid or fast change (Siegal *et al*, 1996; Smeds, 1994; Poulin and Diamond, 2001). This to a large extent, is a pervasive characteristic of the developed world and the models have ignored the fact that in developing countries, forces of change may more likely be from high to low and/or from low to high rather than rapid. The economies of the developing world are embedded firmly in a network of structures, which both enable it and slow it down. Peng (2003) argues to the contrary. His argument is based on the premise that as emerging economies become more competitive, networks and connections previously thought to be imperative for business success, no longer seem to be as important as before, yet what leads to the change is unclear.

Other differences between developing and developed economies are the time frames (Peng, 2003), organisational culture (Boje, 1993) and historic belief systems (Cummings and Brocklesby, 1997). Accordingly, models used by the developed world to measure the outcome of change in developing countries, has not been realistic. Thus, whatever model is applied to developing countries needs to reflect the way that the environment itself works. There are, for example, many instances in which market principles cannot help, and there are many market-appropriate areas where directive legislation will be less than helpful. So models of change that may be applicable to developing countries should consider, among others, the pace of change, the environment and how it works and how it affects the change process.

Therefore, we must be concerned, as is the case in the present study, with understanding the limitations of the current literature on the analysis of change and in particular, the extent to which the literature can be adapted to meaningfully analyse developments in the Africa region.

2.2 The nature of change

Many studies (Arens and Brouthers, 2001; Kenway *et al*, 1998), that have focused on how organisations adapt during a period of transition, have typically concentrated on changes in a specific industry, while assuming that the overall institutional framework of the country remains mostly unchanged (Peng 2003, pp.282). Unfortunately, this has led to the development of a literature that says little about how organizations manage strategic changes when the underlying institutions are also in a flux. Nonetheless, a review of how the literature has approached the analysis of the nature of change, the drivers of change, and of how outcomes can be judged, is a useful exercise in improving our perspective on how to advance this body of knowledge with regard to developing countries that have largely been under-researched.

It is important to understand the scope of change because it is one of the most used variables in literature to design change typologies. Change varies from small to great (Nelson and Dowling 1998, pp.484), and this is diversely termed as incremental or fine-tuning to transformational, radical and revolutionary (Vandermerwe, 1996; Cummings and Brocklesby, 1997; Hamel, 1995; Siegal *et al*, 1996; Hamel, 1995; Higgins, 1995). Evolutionary or incremental change is gradual change that alters certain small aspects in an attempt to improve the present situation, but keeps the general framework functioning. Evolutionary change “permits the possibility of massive change, but over an extended time frame whereas it might have been assumed that massive change was necessary over only a short time frame” (Nelson and Dowling 1998, pp. 485).

The second type of change is convergent and rapid change, which is strategic, transformational and revolutionary. This type of change brings about a radical transformation during which the organisation essentially changes its entire framework, affecting all parts of the organisation simultaneously (Nelson and Dowling 1998), generally looks for a new

competitive advantage (Higgins, 1995) and affects the basic capabilities of the organisation (Jadivan 1998).

2.3 Patterns in the change process

A number of authors agree with the need for redirection and focus in change management literature and the context in which it is applied. “ In 1985, an Academy of Management symposium on organisational change stated that: (1) organisational change and redirection, the process of making and keeping organisations in changing environments, is an important topic; (2) many executives were wrestling with just these issues, and had some interesting insights to share and, most importantly, (3) an examination of what these executives and their organisations were doing would probably reveal that, in fact, many of the things being tried were consistent with research and theory in organisational behaviour” (Cummings and Brocklesby 1997, pp. 75). According to Boje (1993, pp. 3) some organisations are battling to be humble and back off from the outsider-knows-best, expert knowledge-provider role, to a more inside-out and hands-on partnership with the people. The author is in fact substantiating the point that the models of “outsiders” are inappropriate since it is the “insiders” who know the issues well. Boje (1993) states that the move in change management is more towards developing a grounded understanding of the economic and cultural systems of an organisation to which an alternative, often Western framework is being applied.

Not surprisingly, waves of new approaches to change have been proposed to address multiple pitfalls of change management models that have been seen to be too slow and too static (Collis and Montgomery, 1995). In particular the outside-in approaches to change management have been criticised. These approaches have been replaced by inside-out approaches such as Business Process Re-engineering (BPR) (Higgins, 1995), Total Quality Management (TQM), innovation (Hamel 1998; Korpi-Filppula *et al*, 2002), core competence (Higgins 1995; Javidan, 1998), competing on capabilities (Javidan, 1998), and the learning organisation. Nelson and Dowling (1998, pp.486) divert by saying that it is not just whether the source of change is external or internal, but the extent to which the organisation itself is able to exercise control over the sources of change. The core competence approach, for

example, has focused on how the resources of companies drive their performance in a competitive environment. This has been called the Resource-Based View of the firm (RBV) (Collis and Montgomery 1995, pp. 119). This inside-out approach to strategy combines internal and external perspectives, which are important to understanding change, rather than the one-sided outside-in approaches of strategic management.

According to Collis and Montgomery (1995), the RBV approach views companies as very different collections of physical and intangible assets and capabilities. “No two companies are alike because no two companies have had the same set of experiences, acquired the same assets and skills, or built the same organisational cultures” (Collis and Montgomery 1995, pp.119). These are the contextualists who argue that because each organisation is unique, interventions must be handcrafted. These inside-out approaches provide some very useful insight into how assets and resources, both tangible and intangible, (such as brand names, know-how) can give an organisation a competitive edge. This view requires a continuous evaluation of resources, given that resources cannot be evaluated in isolation, and their value is determined according to the interplay of market forces. Thus, this notion acknowledges the importance of company-specific resources and competencies, yet it does so in the context of the competitive environment. This view provides some useful insight for the study, particularly, by emphasising the importance of evaluating resources relative to the environment. However, it focuses specifically on an industry and overlooks the whole institutional make-up of a country.

A number of studies have emerged which view change efforts as a holistic approach and not just attending to one area in isolation (Duck, 1993; White, 2000; Siegal, 1996). They view change management as balancing a mobile. Duck (1993, pp. 109) sees as critical the task of understanding how pieces balance off one another, how one element changes the rest, how sequencing and pace affect the whole structure. “One tool that has been used to provide that critical balance is the Transition Management Team, a group of company leaders, reporting to the CEO, who commit all their time and energy to managing the change process (Duck 1993, pp. 110). Duck views change management as a process that a) manages the conversation between the people leading the change effort and those who are expected to implement the new strategies, b) manages the organisational context in which change can occur, and c) manages the emotional connections that are essential for any transformation.

2.4 Managing change in the mainstream

Cummings and Brocklesby (1997, pp. 75) review the works of Kotter (1995) who outlines eight steps to be followed for successful corporate transformation. These are: establishing a sense of urgency; forming a powerful guiding coalition; creating a vision; communicating the vision; empowering others to act on the vision; planning for and creating short-term wins; consolidating improvements and producing still more change; and institutionalising new approaches. These steps have been advocated by other commentators in various ways such as creating an “awakening”, and effectively communicating and empowering others to work towards a vision of a future organisational state (Siegal *et al* 1996, pp. 59). The importance of being aware of the politics at work within an organisation and externally, is also emphasised by Nelson and Dowling (1998).

2.5 Definition of change management

Change means movement. Movement means friction. Only in the frictionless vacuum of a non-existent abstract world can movement or change occur without that abrasive friction of conflict. Saul Alinsky.

(<http://www.stud.ntnu.no/~stornes/mtm/semesteroppgave-v2003.doc>).

From this definition, we see that change is brought about by some discomfort, which requires some modification, breaking, transformation, adjustment or amendment, that is, movement towards any of these directions because the present state is agitating (South African Pocket Oxford Dictionary 2000, pp. 147).

2.5.1 Change and transition are not the same

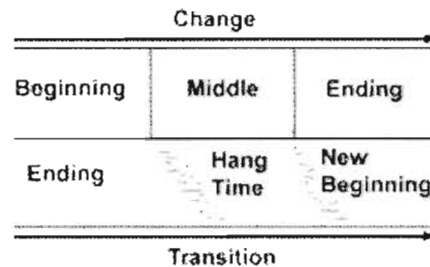


Figure 2.1: Difference between change and transition

“Change focuses on beginnings: beginning a new process, a new system, a new way of doing things. Transition starts with endings: ending a job, an office move, a way of doing things. Even "good" changes have endings and losses. The largest single problem that organisations in transition face, is the failure to identify and reconcile the endings and losses that change produces” (http://www.workinfo.co.za/Sub/Sub_for_hr/HR/topic/hrmodels.htm). Thus from this definition, change is viewed as a discontinuous process, which comes to an end at some point.

For purposes of this discussion, change and transition will be used interchangeably as they are processes that basically seek an improvement in performance or to increase an organisation’s competitiveness (Korpi-Filppula *et al*, (2002). Change management aims to facilitate and guarantee the success of change efforts, and the intended business benefits for an organisation in transition.

2.6 Drivers of change (change agents)

By making reference to the aforementioned definition of change and Vandermerwe (1996, pp.83), we can deduce that change is brought about by a “crisis”, agitation or strategic discomfort. Unless things turn bad, organisations are unlikely to undergo any change. Vandermerwe (1996, pp.80) argues that there are critical moments of transformation that will

force any firm to undergo change. Most organisations, however, tend to be reactive (wait until the signals are clearer) than anticipatory. This is because a reactionary mode is usually much easier than anticipating the future. Others are however somewhere between anticipation and reaction before commencing the change process (Vandermerwe 1996, pp.83).

According to White (2000) and Vandermerwe (1996), change or a crisis is brought about by both internal and external triggers. Technological breakthroughs (Heald, 1990, Higgins, 1995), unpleasant budget realities, information and communication systems, have been identified by Siegal *et al* (1996), Collis and Montgomery (1995), White (2000), Smeds (1994) and Schweikhardt and Whipple (2002) as drivers of change. Threatened by smaller, less hierarchical competitors, some organisations have undergone dramatic transformation, introduced new programs and implemented internal reorganisation (Collis and Montgomery 1995, pp. 118). The consequences of these changes are shifts and changes in, among others: (1) the socio-political and economic environment (e.g. privatisation, new policies, changing consumer demands) (Arens and Brouthers, 2001; White 2000) (2) the concept of management (Smeds 1994; White 2000), (3) relationships (Schweikhardt and Whipple, 2002) (4) the structure of organisations and thinking and acting strategically (White, 2000).

In addition, companies the world over have been faced with globalisation pressures (Schweikhardt and Whipple, 2002). These pressures force them to look at survival strategies that will enable them to be responsive to change. For a number of local companies, the influx of foreign companies into their economies or regions, is regarded as a death sentence. Having been accustomed to dominant positions in protected markets (Arens and Brouthers 2001, pp. 380), they suddenly face foreign rivals wielding an intimidating array of advantages such as substantial financial resources, advanced technology, superior products, powerful brands and experienced marketing and management skills. By examining a large number of companies from over a dozen emerging markets (Latin America, Eastern Europe and Asia), Dawar and Frost (1999) have learnt lessons from companies that have succeeded in competing with multinationals. The authors propose that emerging markets decide on a strategy through careful assessment of the nature of their industry and their own key competitive assets. Based on this analysis, Dawar and Frost (1999) suggest four broad competitive positions: Dodger, Defender, Extender, and Contender.

A Dodger is the term used to describe a company that, when faced with strong globalisation pressures, must confront the fact that its assets work only at home. Its survival will depend on its ability to dodge direct competition from new rivals by restructuring itself around the value of these local assets and using them as a competitive advantage. Dodging may be the most difficult of the four strategies to execute because it requires a company to revamp major aspects of its strategy by focusing on carefully selected niches. In so doing, a dodger can use its local assets to establish a viable position.

Emerging markets that already possess defensible local assets are called Defenders, according to the framework proposed by Dawar and Frost. These companies erect barriers to international entry by serving the needs of local competitors better than the international players can. Thus, a defender's key success factor lies in its ability to concentrate on the advantages they enjoy in their home market. In the face of aggressive and well-endowed foreign competitors, they frequently need to fine-tune their products and services to the particular and often unique needs of their customers. Successful defenders focus on customers who appreciate the local touch and ignore those who favour global brands.

In some cases, companies in local industries can go beyond defending their existing markets. These companies are called Extenders. Extenders can leverage their assets most effectively by seeking analogous markets – markets that are similar to their home base in terms of consumer preferences, geographic proximity, distribution channels or government regulations. Most Extenders are in commodity industries where plentiful natural resources or labour gives them a low-cost advantage. Success may also hinge on finding a market niche that is distinct and defensible.

Dawar and Frost (1999) further contend that liberalisation is another change agent that is now making the structure of many industries much more fluid. Managers exposed to new kinds of competitors need to realise that they can respond by positioning their companies in a variety of ways. By better understanding the relationship between their company's assets and the particular characteristics of their industry, emerging markets can position themselves to successfully compete in a new, liberalised market. With advantages such as familiarity with cultural preferences and practices, well-established relationships with suppliers, government

officials and buyers, and strong local distribution networks, emerging markets no longer have to see themselves as David against a formidable giant.

2.7 The successes and failures of change management

For any change process, resistance is a natural part of the process, especially for companies which have been in regulated or captive-customer situations (Vandermerwe 1996, pp.87). According to White (2000, pp.163), change is often accompanied by anxiety which looms large in managers' minds due to uncertainty and fear of change. Siegal *et al* (1996, pp.55) attributes resistance to poor management of the change process.

Vandermerwe (1996, pp.83) attributes resistance to change to organisational culture. She argues that in most organisations, a dominant culture develops over time and people behave accordingly. The longer the firm goes without rejuvenation, the harder it is to break the culture. And it is easier to learn new habits than to unlearn the old. Part of the transformation process involves giving people time to unlearn (mourn) and help them with this unlearning (Vandermerwe 1996, pp.83). Smith (2000, pp.153) states that change is seen to be resisted by individuals whose existing values are threatened or disturbed by the proposed change. Thus, middle managers, who have a vested interest in the status quo, experience the most difficulty in change, and hence must be at the focus of any effective change programme (Smith 2000, pp.153). However, employees have perceived culture as an illusive concept, at worse, used by management to disguise the real intentions behind high-sounding but empty value statements.

Siegal *et al* (1996, pp. 54) states that a survey of 300 electronics companies has revealed that many change programmes, even those undertaken in good faith, are often destined to fail at some point in their implementation (63 percent of the companies surveyed, failed to yield improvements in their level of product defects and only 10 percent of these initiatives were successful). Failures and successes can be attributed to a number of factors, including "inappropriately conceived future states, resistance by organisational members, faulty implementation strategies during transition periods, or simply a lack of knowledge regarding important aspects of change management on the part of managers and executives" (Siegal *et al* 1996, pp. 55). The author sees the management of the process of change as vital for successful change management. Some authors have noted that in many contemporary change

management theories and practices, a lack of attention has been given to human systems (Nelson and Dowling, 1998; Duck, 1993; Siegal *et al*, 1996).

According to Kenway *et al* (1998), lessons on privatisation show that better performance can be achieved through a set of changes in the culture and control mechanisms. What has really mattered has been the revival of management autonomy, associated with a framework in which accountability is for results rather than for process. Campbell and Yeung (1991, pp. 10) view the inadequate thought given to a business's purpose and mission, as an important cause for business frustration and failure.

The consequences of change cannot be ignored, as these impact on organisational survival (Cummings and Brocklesby 1997, pp 90). Changes can affect the structure of both the environment in which the organisation "lives" and the organisation itself, "it's life". The increased use of contracting and vertical integration, for example, could be a result of, amongst others, changes in consumer demands and technology (Schweikhardt and Whipple, 2002). Another consequence is the increase in the diversity of industries where industries range from large to small. Such diversity will make a one-size-fits all approach increasingly outdated and ill-suited to address the diversity of issues facing industries (Schweikhardt and Whipple, 2002)

2.8 Models of change management

Organisational processes are usually difficult, time-consuming and expensive for organisations and their personnel. To manage and facilitate change processes in organisations, different approaches, methods and tools have been developed. They include participatory methods for design and implementation of organisational changes, social simulation games for teaching and simulating new processes and methods to manage change processes. These will be discussed in depth below.

Some authors see all organisation theory, throughout the classical, human relations and contingency periods, as being connected with the aspect of change which is connected with open systems in which learning occurs and where the stable state is described as a myth

(Nelson and Dowling 1998, pp. 484). Static models of organisational change are being replaced by dynamic models, which reflect the discontinuous nature of organisational change. “Periods of incremental change, sandwiched between more violent periods, contributed to the illusion of stability once taken for granted” (Nelson and Dowling 1998, pp. 485). Thus, more dynamic models have been developed by various authors, suggesting that there are limitations to the contingency approach. These models carry the assumptions of static change models in a complex and dynamic process. Some of these more dynamic models are discussed as follows;

2.8.1 Replacing old for new: or is it both?

According to Cummings and Brocklesby (1997, pp.90), in managing change many organisations may overlook the notion of approaching change as a matter of replacing the old with the new, always asking: “how will we change?” but rarely asking: “how will we stay the same”? According to management theory, this is “discontinuous thinking,” where everything is started on a clean slate, a rhetoric of business process re-engineering (Higgins 1995, pp. 47).

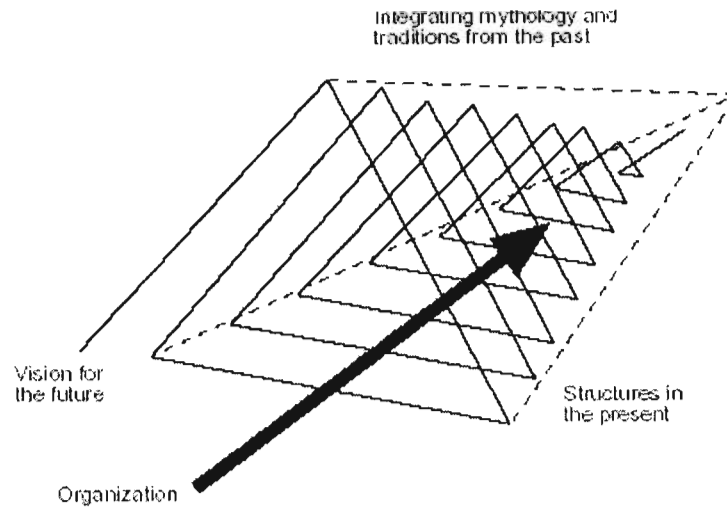
Managing change is not a simple process (Heald, 1990; Cummings and Brocklesby, 1997; Duck 1993). Organisations have a culture, norms, values, beliefs and it is difficult to force people to forget such things and disregarding them may be dangerous (Cummings and Brocklesby 1997, pp.90). Thus, White (2000, pp.165) states that some organisations try to cope with the challenges of change by strengthening their organisational structures which counteracts what Duck (1993) argued against, that “mechanistic models, first applied to managing physical work, are being superimposed onto the new mental models of today’s knowledge organisations.”

Given this realisation, Cummings and Brocklesby contend that it may be more fruitful to attempt to work with, rather than against the past, as many “old aspects of changing organisations are often not consistent with the achievement of ‘new’ ideals.” Instead of tossing away the old, they advocate the identification and promotion of the existing structures and systems.

The Hamel (1995) concurs with the authors by stating that continuous improvements and radical innovations are mutually exclusive, so they must be placed side by side. Cummings & Brocklesby's model of change management focuses on this thought that organisations and humans are victims/prisoners of their pasts. These authors (Cummings & Brocklesby 1997; Siegal *et al* 1996; Higgins 1995; Nelson & Dowling 1998 and Smeds 1994) thus advocate for more emergent approaches to change management. Higgins (1995), for example, finds that the prescriptive approach of following the old routine solution paths, and using the standard formulas recommended by experts, are dangerously predictive of a firm's next move. Thus, he finds a solution only in "innovating or evaporate". Most PEs may have more experience with continuous improvement than with radical innovation, thus pursuing the former is probably a safer bet. Radical innovation and incrementalism must go hand in hand, as each is valuable in its own right. Hamel states that a company should simultaneously abandon and exploit the past.

The model encourages questions on how the past has shaped the future thus enabling change agents greater freedom. In combining the elements described here, the model for managing change is represented in Figure 2.2, where the arrow towards the future depicts the organization "being and becoming". If an organization is to continue to exist, it must keep something of its "self" as it develops. (Kleisthenes was careful to identify, and then worked hard to promote, those aspects within Athens' mythical-religious framework, and traditional sociopolitical structure – aspects of the organization that could be linked to the values and behavior required in the changing corporation, which reinforced his vision).

Figure 2.2 An ancient/systemic approach to change management



Adapted from Cummings and Brocklesby 1997, pp.71

2.8.2 “Whole – system” approach

White (2000) and Duck (1993) see a legacy in the works of Frederick Winslow Taylor on the topic of scientific management. They state that organisations need to be broken into pieces and then the pieces have to be managed. They view change management as a process occurring within the dynamics of an organisation. By taking into consideration the complexities of organisations, they recommend that complex solutions are required where a “whole system,” affected by the uncertainty, need to be involved in the change process. The “whole system” approach for dealing with change, is therefore advocated (Siegal *et al* 1996; Duck 1993).

Duck (1993) sees the goal of change as “teaching thousands of people how to think strategically, recognise patterns, and anticipate problems and opportunities as they occur.” The model explored by White (2000) considers the fact that in some cases reforms demand that organisations move towards closer ties with their constituents as a way to democratise organisational life, or to improve efficiency and effectiveness. Thus, White (2000) views the “whole systems” approach as a promising avenue to address current public sector organisational dilemmas. White (2000) sees many management models such as team-building, conflict resolution and creative problem solving as limited in their use of dealing

with a system as complex as public sector organisations. Smeds (1994, pp. 71) has a different belief in that he advocates a hologram structure where the “whole” is divided into parts and where there is a creative interaction between a group of individuals with the “requisite variety”. “Participation is seen as the main principle to create temporary, parallel, hologram structures of change” (Smeds 1994, pp. 71).

White (2000) & Smeds (1994) state that in order to ensure commitment to change, it is necessary that participative management workshops and seminars be conducted. Smeds states that each employee should be trained in multiple skills and possess redundant capabilities. The contents of the individual tasks should be enlarged and enriched, and continuous improvement of the tasks should be an important aspect of work. Taking a system’s perspective and attempting to change the whole system, seems to be useful in moving entire organisations and communities towards a common cause and building on it.

Three important features emerge from his model;

1. building on diversity
2. allowing for emergence; and
3. building confidence in others.

White (2000) sees a top-down approach to change as usually effective when operating in a stable environment and so advocates a bottom-up approach in a turbulent environment as the change is so “widespread that it is routed round any autonomy.” Managing via the bottom-up approach, organisations acknowledge the variety that exists in the system and therefore allow for more possibilities, new perspectives and new possibilities for action.

Finally, White (2000) argues that a “holistic approach widens the authority’s understanding of public involvement, and that change events can happen simultaneously and in a self-organising way. The lesson learnt from his model was that the change needed to transform an organisation can be achieved through an adaptive process and that after such a change, the organisation may never be the same again.

2.8.3 Market-driven transformation

Vandermerwe (1996, pp.79) presents a model that outlines the process of market-driven transformation. According to Vandermerwe (1996, pp.90), “market driven transformation entails making fundamental changes in the way people think about and handle the challenges of satisfying customers.” In this model she shows how, although the ideal is for a corporation to move rapidly, it is, strangely enough, easier to encourage people to undergo change when things begin to deteriorate. That is, “at all levels of the organisation - starting with the board - it is often easier to convince people to change when things are not going well, than to get them to throw away what is working” (Vandermerwe 1996, pp.80). How to handle this involves finding triggers to create “strategic discomfort” and then use new sets of tools and mechanisms, which have the power to force people to think differently and build new capabilities and market-driven practices. Because people take on change at different rates, pockets of the organisation will be operating at different speeds during the transformation - those out in front will act as role models for the rest, so that new ways of working can become entrenched in the institution.

The three major components of the model are:

- The ‘Sigmoid Curve’ and the need to move early on in the cycle;
- The essential stages of transformation and what needs to be done at each stage to activate, drive, and implement transformation.
- Managing resistance using product diffusion so as to navigate the process through these various stages.

Examples from industry are used to illustrate these points, drawing from firms who either have or are successfully going through market-driven change.

This model demonstrates how organisations can identify triggers for change and how people in an organisation take on change at different levels, emphasising the need for a role model to drive the process. A number of empirical studies on organisational change show that the role model or change champion, is a prerequisite for the success of a change project. This change driver should be a member of the organisation, who acts enthusiastically in order ensure the idea is implemented (Smeds, 1994). Smeds (1994, pp. 71-72) states that these champions

build supportive networks for change as they possess the power to voice their ideas within the organisation. Smeds (1994) also views top management support as a requirement for the successful management of change.

IOMA (2002, pp.6) contends that the CEO and the senior management team need to establish the context for change. This will provide strategic direction for the organisation, necessary during the change, but will also assist them in understanding the scope and extent of change, which is essential. The scope of change should not be undermined or underestimated as it has increased with globalisation and technological changes.

Thus, Gwyne (2002, pp.19) states that retaining top executives can improve the performance of acquired companies, as long as they are the right executives. His argument is based on the premise that during acquisitions or takeovers, managers of acquired firms choose to leave even if their jobs are not threatened, because they feel marginalized in the new corporate culture. However, empirical evidence shows that their departure does not improve the performance of acquired companies. It has also been shown that the outcome of the acquired company is affected by which employees are retained. According to Gwyne (2002, pp.19), the primary argument is that uncertainty carries risks that need to be managed effectively. In these conditions, the experiences and knowledge base of long-standing organisational employees seem to offer benefits that exceed those of the less tenured executives.

2.8.4 Determinants of change model

This is another change model developed by Nelson and Dowling (1998, pp, 486). These authors also see strategic change as emergent and adaptive. They view organisations as purposive, thus causing management to exercise a level of control and direction over change. According to the model, change is controlled both internally and externally. Although there seem to be no universally accepted classification of change theories, there are areas of general similarity (see section on patterns of change methods discussed in the chapter). Nelson and Dowling (1998, pp.486) adopt a holistic approach by stating that “strategic change processes need to be understood in terms of content, context and processes, but not as the rational linear model often assumed due to a myriad of other social and political variables which impact on change strategies but which are overlooked”.

Further, it is argued that there should be causal loops, not a straight line causation. Taking this a stage further could be the need not just to use the contextualist's methodology in analysing change, but also to apply it as a map in implementing change. The contextualist framework permits change to be visualised as dynamic rather than static, to be seen as having a temporal setting and which has multiple causes acting as loops rather than simple lines. This enables change to be understood as a discontinuous phenomenon having the benefits, without the limitations, of rational contingency models.

- *The substance of change.* This can be thought of as the content or the 'what' of change. This can be represented by the attempts of governments to reform an industry.
- *The politics of change.* This refers to the exercise of power over and within the organisation. It includes activities such as consultation, negotiation, conflict and resistance. The sources may be external or internal.
- *The context of change.* This involves links between temporal variables in the external and internal environment.

2.8.5 Institutions, organisations and strategic choices

Peng (2003, pp. 276) explores a model on institutions, organisations and strategic choices. The author argues that institutional transitions throughout emerging economies affect strategic choices as they move towards more market competition. Recent theories on change management speculate that in emerging economies, institutional theory which focuses on inter-organisational relationships, may first become most relevant (White 2000, pp.163), and then, later on, resources-based theory, centering on firm-specific capabilities (Collis and Montgomery, 1995; Javidan, 1998), is likely to be more relevant (Peng (2003). Peng (2003) developed a two-phase model of market-oriented institutions, focusing on the longitudinal process which moves from a relationship-based, personalised transaction structure calling for a network-centred strategy, to a rule-based, impersonal exchange regime suggesting a market-centred strategy. His focus follows from the findings that, as some emerging economies become competitive, networks and connections, previously thought to be imperative for business success, no longer seem as important as before. Thus, Peng (2003) identifies the

points of reflection of institutional transitions, predicts different strategic choices, and delineates their performance implications.

The author's thesis represents a departure from the existing literature as it firstly highlights the context of fundamental institutional change. In particular, it integrates the work of various authors, in a dynamic setting, by drawing on the explication of the three institutional "pillars". The author also analyses intra-organisational changes by covering both intra-organisational changes (e.g., internal resource building) and inter-organisational solutions (e.g., interfirm networks). Secondly, Peng (2003) develops a two-phase model of institutional transition by explicating the important, but often missed turning points of these transitions. Finally he extends his previous work on an institution-based view of strategy that stems from research on a broad range of emerging economies. This is a strategy which organisational scholars can no longer afford to ignore.

The model has not been empirically tested, as it is fairly new. It recognises, however, the effects of institutional changes in emerging economies on strategic choices, which is the foundation of this study.

2.8.6 Process-orientated change model

Siegal *et al* (1996, pp. 55) note that managers and consultants draw their knowledge of the process of change in organisations from a number of theoretical perspectives. Siegal *et al's* (1996) perspective is process-orientated, addressing the changes within organisations' cultural and human systems, using techniques grounded in theories from the behavioural sciences. His presentation is different from the strategic planning models (PIMS, Porter's Five Forces, Portfolio planning) that are frequently the primary, if not the only focus of many organisations' change efforts. These models are viewed by Collis and Montgomery (1995, pp. 118) as too static and too slow.

Siegal *et al's* (1996) model is developed from a contribution from various authors such as Lewin (1958), Tichy *et al.*, (1977), Katz & Kahn (1978) and Schein (1987). In the model by Lewin (1958), change is typified by certain patterns that affect organisations similarly. Lewin

presents a fundamental description of change that has been incorporated into many organisational consultants' and managers' emergent models of organisations in their attempt to understand and direct the process of systematic change. Lewin (1958) presents a fundamental description of change that has been incorporated into many organizational consultants' and managers' emergent models (Tichy *et al.*, 1977) of organizations in their attempts to understand and direct the process of systemic change. The first step involves unfreezing the present level of behaviour. An example of this unfreezing would be a series of management training sessions in which the need for change is incontrovertibly revealed. The second step is called movement and involves taking action to change the organization's social system (Katz and Kahn, 1978) from its original level of behaviour or operation to a new level. Finally, the third step is called refreezing. This involves establishing a process that ensures the new levels of behaviour will be relatively secure and unlikely to revert to prior modes of operation.

Siegal's Model is summarized as follows;

Model orientation	Primary theorists	Basic description
Patterns in the change process	Lewin (1958); Schein (1987)	Three stage general systemic model of change processes in organizations: unfreezing present level of behaviour, movement from the present to the future state and refreezing the new set of behaviours, systems and processes
Changes to organization identity	Beckhard and Harris (1987); Duck (1993)	Focuses on management of the transition state. Use of transition management teams and senior management to help move forward and engage in activity planning. Highlights the importance of communication, leadership and emotional components of change
Effects on individuals	Lick (1990); Bridges (1986)	Reflects concerns and experiences of individuals in the change process. Personal transition stages – letting go of individual identity, ambiguity, and establishing a new beginning

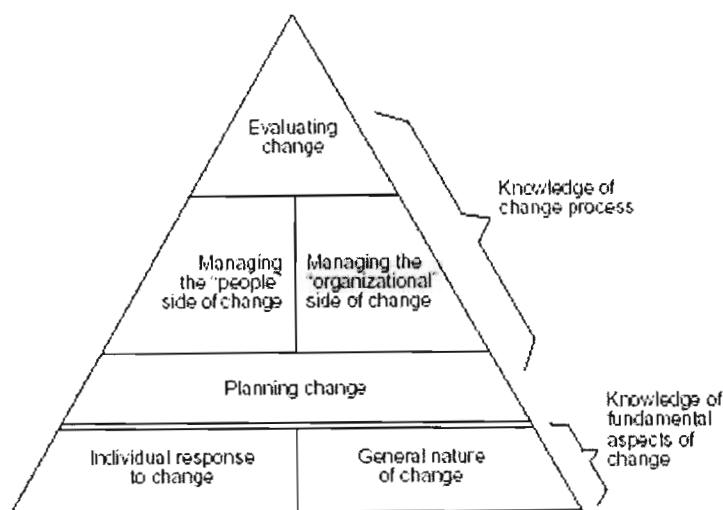


Figure 2.3 Siegal's Managing Change Model.

Adapted from Siegal (1996, pp. 59)

- *Managing the people side of change*: concerning how, when and how much to communicate about change within the organization, and the psychological issues related to transition.
- *Managing the organizational side of change*: concerning the design and structural issues of systemic and long-term change efforts.
- *Evaluating the change effort*: concerning the indicators of a change effort's effectiveness.

Siegel integrates the patterns in the change process model by Lewin (1958) and Schein (1987), changes to organization identity by Beckhard and Harris (1987) and Duck (1993), and the model orientation of effects on individuals. He sees the three perspectives, taken alone or together, as not providing a comprehensive or integrated understanding of the organisational

process that is useful for managers who find themselves in the position of planning or implementing change.

2.9 Critical success factors needed for change

Studies on organisational change have identified critical success factors that need to be taken into account for the implementation of change. Management literature advocates the need for flexible, flatter and adaptive structures for organisations. Restructuring and privatisation are change processes that involve internal and external changes. Robbins and Decenzo (2001) see an organic organisation as highly adaptive, loose and flexible and they recommend that these factors are necessary for the successful transition of organisations. Change processes, thus, involve internal and external changes in the structures of organisations so that they are adaptive. These changes involve, among others, breaking the organisation into functional units and restructuring these units so that they are “loose”.

Korpi-Filppula *et al* (2002) through empirical research, identify a number of key success factors necessary for the management of change. These are ranked in order with the most important being planning, goal setting and monitoring, training and competence, understanding the need for change, leadership and motivation and commitment. In a separate survey, the factors were divided into categories and ranked accordingly with the highest being motivation, commitment and participation followed by leadership, planning, goal setting and monitoring, understanding the need for change and finally support. The identified success factors are fairly similar for both the surveys.

2.9.1 Organisational structure and strategy

Cummings and Brocklesby (1997, pp. 80) find it important that structures be developed to empower organisational members towards a vision that consolidates and institutionalises the types of behaviour required throughout the reorientation of the organisation. The structure should also enable “short-term wins’ along the way towards the achievement of the vision. According to Arens and Brouthers (2001) and Thompson and Strickland (2003), the ability of

an organisation to adapt to changes in the environment is a critical issue in strategic management, given that strategic management scholars have found that when firms align their strategy and organisational structure with the level of environmental turbulence, performance is optimised. These scholars contend that a strategic “fit” between strategy, structure and environment is a key determinant of organisational performance, even though the concept of strategic fit between structure and strategy does not claim to be conclusive but provides another way of examining the relationship between the structure and strategy (Lynch 2000, pp.734). Cummings & Brocklesby (1997, pp.80) state that as the organisation’s vision for the future changes, so too must its form in the present be altered. This is advocated because in the real world no organisation is immune to market forces. Any organisation can be “voted off” the island. Thus, survival is the name of the game in the economy.

Some strategies have nevertheless, increased companies’ chances of survival through change and the realisation that what worked last year may not be the right strategy for today. The concept of strategic fit, however, depends on how structure and environment are defined, because some organisations have defined them too narrowly. This problem indicates that a broad definition is needed to guide strategy options open to the organisation. Some PEs are already set up in corporate form, thus the extent of restructuring will depend on how the enterprise was set up originally.

Arens and Brouthers (2001, pp. 377) further contend that organisations that are more adaptable have been shown to have a greater capacity to achieve this strategic “fit”; adaptability means that the organisation can make the changes necessary to modify their organisational structure and processes when environmental demands change. The implication of this structure is that it must be in line with the new strategy that the firm has adopted due to the change. Given that a number of organisations, particularly PEs, have grown immensely and require more complex organisational structures because of increased bureaucracy, management literature stipulates that an organisation should diversify its products or markets, and that there is a greater need for modification of their organisational structure and processes in line with change (lean structure and right sizing.) In essence, organisations need to adopt an internal consistent set of practices in order to undertake the proposed strategy effectively. Such practices include (among others), not only an efficient organisational structure, but also a strategic planning process, recruitment and training and a reward system for employees and

managers (Lynch 2000, pp.738). However, Arens and Brouthers (2001) note that there is little empirical evidence to support the Western contention that, through private ownership, firms become more adaptive, gain control over their strategy choices and can more easily achieve strategic fit.

Arens and Brouthers (2001) use the Key Stakeholder Theory to explore the effects of ownership and determine (1) whether privatised formerly state-owned firms (SOEs hereafter) in transitional economies are more adaptable, (2) have a greater ability to select their strategies and, (3) perform better than SOEs. Specifically, the authors set out to examine the impact of ownership structure on the ability of a firm to achieve adaptability, select appropriate strategies and improve performance. If ownership structure influences these three factors, then steps can be taken to provide the most advantageous ownership structure, given environmental conditions. Key Stakeholder Theory explains the impact of governmental agencies on state-owned and formerly SOEs in the transitional economies of Central and Eastern Europe, and China. The theory posits that an asymmetric power exchange exists between the key stakeholder (government) and the recipient firm (SOE). Researchers have shown that key stakeholders have a direct and indirect influence on managers, though the theory has not yet examined the effect of ownership on adaptability and performance.

An interesting aspect of the theory is that it notes that in transitional economies, achieving adaptability may be difficult to achieve thus privatised enterprises need to:

1. bring in a new management so as not to perpetuate the non-adaptive mentality that existed in the past.
2. pursue aggressive, offensive and risky strategies to match the more aggressive environment in which they find themselves without government protection, privatised enterprises will need to try new marketing techniques, develop new products and services, and utilise their limited resources to purchase and develop new technologies.
3. pursue proactive strategies in order to compete with their Western competitors.

With respect to ownership structure and performance, the Key Stakeholder Theory suggests that privatised firms will perform better than SOEs because privatised firms are free to pursue economically efficient operations by reducing costs and improving and adopting other

operational incentives. Some theoretical and empirical studies have, however, questioned whether privatisation will necessarily lead to an improvement in efficiency. Thus, the impact of ownership on efficiency has been assessed to determine whether ownership is sensitive to passive or active owners³ (Willner and Parker 2000, pp.2). The conclusion from the study has revealed that the best way to improve an inefficient enterprise is not necessarily to change its ownership, but to identify the mechanisms behind excessive costs (Willner and Parker 2000, pp.2). Vernon-Wortzel and Wortzel (1989) and Ramamurti (1987) state that the problems of PEs are not caused by their state ownership, but they that are a consequence of how their owners have exercised the rights and privileges of ownership. Presumably, a privatised enterprise would not suffer from these impediments.

The Key Stakeholder Theory is particularly important in developing countries, where decisions on change (specifically privatisation), are a pressing issue. The theory acknowledges the influence of key stakeholders in transitional economies.

Management literature is inconclusive about what comes first, structure or strategy (since structures may be rigid and hierarchical) or whether they are interlinked. Robbins & Decenzo (2001) and Smeds (1994), argue that organisational structure should follow strategy because it may not be optimal to develop structure after strategy.

2.9.2. Innovation management

Korpi-Filppula *et al*, (2002) compare the characteristics of business process development tools and methods⁴ with change management and innovations management. They define innovation as “the effort to create a purposeful, focused change in an enterprise’s economic or social potential. The authors identify some key determinants that have either a negative or positive influence on the innovation management literature. These are flexibility and decentralisation; climate and value fit: multiple approaches, connections to the strategy, vision and needs; key roles and persons; the role of managers, long-term planning and slack resources; and finally, efficient communication. These factors can either contribute to the success or failure of innovation in an organisation. For example, with respect to value fit and

³ For definitions of active and passive ownership, see Definition of Terms in Chapter One.

⁴ “Business process development tools and methods are “vehicles” that support the management and implementation of organisational change” Korpi-Filppula *et al* (2002).

climate, the success of innovation is seen to be dependent on; a) the extent to which the “innovation manager” is able to fit the organisation of the innovation process to the characteristics of the innovation process and b) the levels of uncertainty, complexity, diversity, and interdependence. Thus, this model aims to promote the creation, adaptation and the diffusion of different kinds of innovations in an organisation. It is important to note that both change management and innovation management can be seen as managerial efforts to manage organisational renewal and development.

Korpi-Filppula *et al* (2002), identify four central problems to managing innovation: the human problem, the process problem, the structural problem, and the strategic problem. For example, the structural problem is seen to emanate from multiple functions, resources and disciplines, which are needed to transform an innovative idea into a concrete reality.

2.9.3 Company mission

Campbell and Yeung (1991, pp.10) see a company’s mission as answering two fundamental questions: “what is our business and what should it be?” Mission statements have been seen to be defined too narrowly by businesses and it has been argued that managers should spend time carefully defining their business so that they can focus on customer need rather than on production technology. Thus a strong mission is believed to exist when purpose, strategy, behaviour standards and values link tightly together, all resonating and reinforcing each other. (Campbell and Yeung 1991, pp.12).

2.9.4 Culture

Management theory during the 1980s underwent huge change as it realised that an understanding of an organization's culture(s) could be a major step on the road to changing or controlling the direction of that organization.

According to Smith (2000, pp.153) and management literature, culture centres on notions of shared values and beliefs within organisations undergoing or seeking to undergo cultural change. Driscoll and Morris (2001, pp.803) argue that culture can be a source of competitive advantage and is perceived as an alternative method to the control of traditional and technocratic forms of management. Culture can be manipulated in such a way as to ensure

that employees are enthusiastic and committed to organisational objectives. Thus literature views culture as a system that can be managed and thus directed and controlled. Since culture is seen to reside in the organisation's objects, systems and structures, so will change arise in new objects, new functions, and in the adoption of new operational mechanisms in response to this changed reality (Smith 2000, pp.154). This means that culture has to be integrated into the interactions between individuals and their working life, and should be understood in terms of the decisions, choices, options and explanations concerning behaviour norms and practice. Secondly, the focus of change must concern the creation of new objects, interactions and relationships, as these will lead individuals to seek new understandings and create the new practices and mechanisms demanded by the new environment.

From empirical evidence, Smith (2000, pp.154) concludes that culture is wholly integrated with practice as reflected by organisational structures, mechanisms and practices. It is argued that if the organisation wants to maximize its ability to attain its strategic objectives, it must be sure that the prevailing culture supports and drives the actions necessary to achieve these strategic goals. Culture assessment can enable a company to analyse the gap between the current and desired culture.

Vernon-Wortzel and Wortzel (1989, pp.637) argue that a strong organisation culture is vital if an organisation is to meet its goals and objectives, but it cannot emerge unless those goals and objectives are clear and unambiguous. Thus, culture can be seen to be an important part of transitional change and for employees to behave and be committed to the organisation, they need clear goals and objectives to guide them. The author sees culture as a variable that can be strengthened, unified, even changed by first developing and then promulgating a clear, explicit set of goals and objectives, developing and implementing a specific plan for introducing behaviour change into the organisation, and then providing motivation for behaviour change in supporting it with appropriate control and reward systems.

Culture is believed to provide the key to a commitment to excellence from which will follow organisational success, survival and profit (Driscoll and Morris 2001, pp.804). Thus, "privatisation as a change process can be seen as problematic or unsustainable unless the underlying values and belief systems of the organisational members (i.e. the culture) undergo

a similar change. As organisations change to become more customer- and service -focused, there is a need for a more flexible culture. Public sector organisations have to shift from bureaucratic-hierarchy cultures to a more fluid customer-oriented one, to enable an organisation to transit smoothly into the new phase. In other words, new objects create new issues and problems which current mechanisms cannot handle. The new objects must be accompanied by new mechanisms which can handle them” (Smith 2000, pp.154).

2.9.5 Environment

Governments must create a conducive environment in order to manage a successful privatisation programme. According to a presentation made by the Honourable M. Tumubweinee at the Pan African Privatisation Conference in Ghana in 1999, “the economy must be liberalised with competitive markets, an appropriate legal and regulatory framework, allow unrestricted participation by foreign and local investors, let the market set the price, restructure the PEs to keep them lean in terms of capital projects, debt and human resources, etc”. Thus, privatisation should be about designing an optimal mix of ownership and regulation to achieve the best outcome for society. Peng (2003, pp. 287) states that there may be some moderate regulative pressures (formal rule systems and enforcement mechanisms sanctioned by the state) for foreign entrants to engage in more rule-based exchange.

2.9.6 Human Resources

According to IOMA’s Pay for Performance Report (2003), the “people equation” is crucial to a company’s survival. The Human Resources (HR) team should be at the heart of the change process by being intimately familiar with the company’s strategy and goals as defined in the strategic plans of the organisation, the line of business, and the human resources. The reason is that HR should, among others; communicate the benefits for change to the individual and the organisation. The HR is also expected to induce change in employee mentality, focus leadership in a highly complex environment and establish single voice communication. The role of HR is important in that as the environment changes, people have to change and embrace the changes

To manage this transition effectively, Beckhard and Harris recommend the creation of a transition management team (TMT) composed of leaders who are respected by the

organization and who have wisdom, objectivity and effective interpersonal skills. This team must also have the resources and clout to manage the change process. Duck (1993) expands on Beckhard and Harris' approach, highlighting the dynamic nature of change and the importance of an effective transition management team composed of people who report directly to the CEO and who can commit all their time and effort to managing the change process. From Duck's perspective, for successful change to occur, it is critical for the TMT to manage the "dynamic" aspects of change, not just the individual pieces. The cornerstone of this process is to effectively communicate throughout the whole organization, the new work processes that will define the changed organization.

2.9.7 Management and incentives

Organisational success is often attributed to the presence of a "good manager" Vernon-Wortzel and Wortzel (1989, pp.633) and Lynch (2000, pp.727). They contend that an appropriate culture of hiring the right managers and ensuring that there are appropriate control and motivation mechanisms in place to properly guide behaviour, as very important. Some critics of ownership see culture, control and motivation as essential for an organisation's success or failure. The critics believe that these factors are sadly lacking or badly cultivated in PEs, thus resulting in their downturn. In addition, competent staff are essential for any efficient enterprise. These staff need incentives to attract and motivate them, and the power to be effective (Cook and Kirkpatrick 2000, pp. 83). Vernon-Wortzel and Wortzel (1989, pp.637) explicitly emphasise the importance of providing motivation for behaviour change by supporting it with appropriate control and reward systems.

Management theory stipulates that incentives need to be linked to results and increased results can be achieved through an effective reward system. Some of the most effective rewards include recognition, greater responsibility, promotion, and national honours. Autonomy can also be a strong incentive for managers. Managers need to know that they face penalties for poor performance, such as losing their jobs.

According to the IOMA (2002, pp.6), incentive plans generally fail, not because of poor plan design, but because they are poorly implemented. Advocates of the incentive scheme advise

that the change effort should be matched to the job and there should be communication strategies.

2.10 Summary

The literature presents a general discussion on the different ways in which the processes of change are managed. The discussion begins with the limitations of change management literature in addressing the questions of how, why and when organisations transit and adapt to change, specifically in the African context. It is acknowledged that these approaches apply to relatively stable environments, typical of developed countries. The approaches also overlook the differences between developing and developed economies in terms of time frames and organisational culture, among others. Thus, whatever model is applied to developing countries needs to reflect the way that the environment itself works. There are, for example, many instances in which market principles cannot help, and there are many market-appropriate areas where directive legislation will be less than helpful. So models of change that may be applicable to developing countries should consider, among others, the pace of change, the environment and how it works and how it affects the change process.

Therefore, the main concern in the present study, is understanding the limitations of the current literature on the analysis of change and in particular, the extent to which the literature can be adapted to meaningfully analyse developments in the Africa region.

The importance of understanding the scope of change is also emphasised as it is one of the most used variables in literature to design change typologies. Various authors discussed the nature and range of change in terms of transformational, radical and revolutionary, evolutionary or incremental change and how this varied scope is approached.

A number of authors agree with the need for redirection and focus in change management literature and the context in which it is applied. These authors are in fact substantiating the point that the models of “outsiders” are inappropriate since it is the “insiders” who know the

issues well and acknowledge the need to move more towards developing a grounded understanding of the economic and cultural systems of an organisation.

To address multiple pitfalls of change management models that have been seen to be too slow and too static, waves of new approaches to change have been proposed. In particular the outside-in approaches to change management have been criticised and these have been replaced by inside-out approaches. One of the arguments levelled against outside-in approaches is the uniqueness that requires interventions to be handcrafted. Thus, inside-out approaches are seen to acknowledge the importance of company-specific resources and competencies, yet it does so in the context of the competitive environment. This view provides some useful insight for the study, particularly, by emphasising the importance of evaluating resources relative to the environment. However, it focuses specifically on an industry and overlooks the whole institutional make-up of a country.

The literature identifies the differences between change and transition, and the difficulty organisations in transition face by failing to identify and reconcile the endings and losses that change produces. Change management is viewed as aiming to facilitate and guarantee the success of change efforts, and the intended business benefits for an organisation in transition.

Change agents are discussed and the effect they have on organisations. It is acknowledged that organisations tend to be reactive than anticipatory to changes because a reactionary mode is usually much easier than anticipating the future, while others are somewhere between anticipation and reaction before commencing the change process.

According to the discussion, change or a crisis is brought about by both internal and external triggers which include technological breakthroughs, unpleasant budget realities, information and communication systems. The consequences of these changes are shifts and changes in, among others: (1) the socio-political and economic environment, (2) the concept of management, (3) relationships, and (4) the structure of organisations and thinking and acting strategically.

Furthermore, the factors that contribute to the successes and failures of change management are identified to be, firstly, resistance to change. Various authors advocate for the proper management of the change process to overcome this problem. Another factor is organisational

culture. The argument is that in most organisations, a dominant culture develops over time and people behave accordingly. It is stated that those who have a vested interest in the status quo, experience the most difficulty in change, and hence must be at the focus of any effective change programme.

Other factors that contribute to failures and successes include resistance by organisational members, faulty implementation strategies during transition periods, or simply a lack of knowledge regarding important aspects of change management on the part of managers and executives. The author sees paying attention to human systems, culture and control mechanisms through the revival of management autonomy, associated with a framework in which accountability is for results rather than for process, as vital for successful change management. Other authors view the inadequate thought given to a business's purpose and mission, as an important cause for business frustration and failure.

Moreover, different approaches, methods and tools are discussed on how to manage and facilitate change processes in organisations. These include participatory methods for design and implementation of organisational changes, social simulation games for teaching and simulating new processes and methods to manage change processes.

Static models of organisational change are being replaced by dynamic models, which reflect the discontinuous nature of organisational change. For example, the model of "Replacing old for new: or is it both?" encourages questions on how the past has shaped the future thus enabling change agents greater freedom. Other models, although providing some useful insight on the effects of institutional changes in emerging economies on strategic choices, which is the foundation of this study, have not been empirically tested.

Finally, the key critical success factors needed for change are presented. These include planning, goal setting and monitoring, training and competence, understanding the need for change, leadership and motivation and commitment.

In the Chapter Three, we will discuss the narrative process of change in Telkom South Africa, by taking into account the factors identified and discussed in this Chapter.

CHAPTER 3

BACKGROUND OF THE REASERCH AREA

3.1 Introduction

Following the literature review, an overview of Telkom and a narrative of the change process is discussed in this chapter. The narrative is presented and organised around the factors described in the literature review as crucial in determining the outcome of the change.

Much of the information in this chapter has been obtained from authoritative sources such as the e-government websites, (www.doc.gov.za/docs/strategy/chap01.html, www.doc.gov.za/department/units/comms/share.html and www.doc.gov.za/docs/strategy/partners.html). Other relevant information was obtained through telephonic interviews and other sources, principally Horwitz (2001), an outstanding narrative of the post reform of the South Africa Communications sector.

3.2 Overview of Telkom South Africa Limited

- * Telkom was formed in 1991 when the Department of Posts and Telecommunications was transformed into two companies, Telkom SA and the SA Post Office. Thereafter, the Telecommunications Green Paper (July 1995) and the White Paper (March 1996), led to the passing of the Telecommunications Act in November 1996. This act has fundamentally transformed the sector by setting the scene for structural change. Consequently, the telecommunications industry has undergone fundamental reform in order to meet the challenges of globalisation, new technologies, institutional reorganisation and most importantly, the challenge of addressing the socio-economic development gap. ➔

The government of South Africa has even had to reverse its earlier ruling that many state enterprises might not be privatised. Telkom was “commercialized” after the newly unbanned ANC’s opposition to privatisation was effected. Thus, commercialisation assumed an important substitute for privatisation (Horwitz 2001, pp.190).

The result of the process of transformation was;

- the achievement, for the first time, of a three-tier separation of power with the Government as policymaker, the introduction of a regulator in the form of the South African Telecommunications Regulatory Authority, and Telkom assuming the role of operator.
- the establishment of the Universal Service Agency. The formation of the agency is a critical step towards ensuring universal service and access.

3.2.1 History

Stofberg *et al*, (2003, pp. 9) summarise the history of Telkom as follows;



In 1996 the the New Telecommunications Act No 103 of 1996 came into effect. In turn, the Department of Posts and Telecommunications changed its name in 1997 to the Department of Communications on 7 April. Telkom was a State-owned enterprise until 14 May, when a 30% equity stake was sold to a Strategic Equity Partner, (Thintana) the consortium of SBC (USA) and Telekom Malaysia Berhad.

In 1998, Sizwe Nxasana becomes first black CEO on 1 April. In addition. telephones were deregulated. For the first time customers of Telkom have to buy their own telephone instruments as Telkom no longer rented out telephone instruments since 1 April. From 2000 onwards, Telkom’s new National Network Operations Centre (NNOC) opened co-ordinating all network operations countrywide from a central point. Telkom listed on the Johannesburg stock exchange as a private company and on the New York exchange on 4 March.

3.2.2 Changes in the external environment

The Coopers and Lybrand report released in August 1992, found that although telephone penetration was increasing, the money spent on infrastructure roll-out was dropping in real terms. Also, the number of business lines was growing at a faster rate than residential penetration. Although overall telephone penetration, at 9%, was relatively high by African standards, it masked the vast disparity between services available to the white and the black communities (Horwitz 2001, pp. 179).

In the late 1980s, the Government acknowledged the inability of the present PTT to meet the needs of the modern community. Thus, it began to investigate the option of managing the national posts and telecommunications enterprises as commercial undertakings. The government enquiry into the policy, strategy, control structure and organization of the Department of Posts and Telecommunications resulted in several recommended changes. In summary, the terms of reference were to examine the department from the perspective of a profit-seeking business. The end process was to prepare the telephone business for privatisation.

The recommendations which were reported in 1989, were partially acted on by Government and led to the Post Office Amendment Act of 1990. The amendment provided for the separation and incorporation of postal and telecommunications functions into state-owned limited liability companies, namely the Post Office and Telkom SA respectively. It also provided for a two-tier management structure which left Government in control of policy and regulatory issues, and management in charge of operations to give effect to policy. The Government also imposed restrictions on the authority of management to change prices, conditions of service, employment practices, and products and services provided (Horwitz, 2001). Following the passing of the amendment, Telkom was incorporated on 1 October 1990.

* Telkom remained a SOE - its main shareholder being the state - but was overseen by a board of directors responsible for the strategic direction and policy. In 1991, Telkom became a company under the Company's Act law. It became more oriented towards making profits, responsible for paying taxes and dividends, securing its own financing, and taking care of its pension plan.^x "It was obliged to contribute millions of rands to the postal deficit and to fully

fund the Pension Fund shortfall of R1.59 billion” (Horwitz 2001, pp.192). A few months after the dissolution of the South African Posts and Telecommunications (SAPT), Telkom signed an interim recognition agreement with major staff associations, which for the first time included telecommunications workers under the ambit of the Labour Relations Act (Haffajee, 1992)⁵.

“Although commercialisation succeeded in separating telecommunications from posts and transforming the previous ministerial communications functions into a public corporation, legislation did not quickly succeed in transforming parastatal culture” (Horwitz 2001, pp. 193). Vandermerwe (1996, pp. 83) argues that in most organisations, a dominant culture develops over time and people behave accordingly. The longer the firm goes without rejuvenating, the harder it is to break the culture. Brian Clark (1996) states that, “ the SA telecommunications industry could be disabled by the non-cooperation of 200 technical people” (Horwitz 2001, pp.193). Thus, during any transformation of an SOE, the “traditional” nature is still inherent in its systems and processes.

In its post-commercialisation era, Telkom’s culture persisted at managerial level where people continued to be promoted according to sub rosa networks of ethnicity and personal loyalty. Competent managers seeing their chances for advancement, enjoyed no success and opted to leave the company (Bester, 1995a; Klok, 1997).^{*} In addition, the board of directors of the Universal Service Agency established in 1991, was often kept in the dark by Telkom management. As some of the board members were from the private sector (e.g. Board Chairman, Jack Clarke), it appeared that they did not clearly understand parastatal culture^{*} (Horwitz 2001).

These problems were exacerbated by the interventionist stance of the then Minister of Transport and Posts and Telecommunications, Piet Welgemoed, who did nothing to encourage a new culture at Telkom. The presence of the Minister presumably conveyed the impression that it was still business as usual. The Government was still very much in the show.

⁵ see Horwitz 2001, pp.192

Moreover, “questions of governance, that is, how and who should decide the central policy matters, were also not finalised. The 1991 act was vague and contradictory with regard to the structure of post-SAPT telecommunications. And the authority of the Postmaster General vis-à-vis Telkom was at best unclear and at worst minimal as the Post Office Amendment Act left a number of pertinent questions unaddressed and an effective vacuum of direction”. (Horwitz 2001, pp.194).

The policy tool used during the early transition of Telkom can be viewed as incomplete, underdeveloped and inappropriate. According to analysts, it was “unrealistic to expect that a technically complex sector like telecommunications could be restructured in specific ways by a general legislative body such as parliament. The legislation accomplished a major structural task that would create a legal structure and establish a regulatory apparatus, and now it was the job of “bureaucracy” to work on the finer details that would provide form and rule for the newly transformed sector. This understanding led government to investigate other avenues for the transformation of Telkom into a viable business organisation.

Theories of organisational change have criticised the use of consultants for the change process (e.g. Duck, 1993). According to Covin and Kilmann (1998, pp. 60), “while the role of external consultants is often emphasized in the planned change literature, many have questioned the degree of control consultants should have over the change process. For example, Pettigrew (1985) found that when a consultant takes greater control of the change process than does management, or when the consultant has a highly visible role, the change process meets management resistance”. Thus, management literature finds manager’s leadership and not consultants, central to the management of major cultural transformations.

An example of the problem of consultants noted above is in a flaw made by the Minister for Transport and Posts and Telecommunications, Piet Welgenoe, when he endeavored to revamp the structure and governance of the telecommunications sector on his own (thus reaping the political benefits of fostering new telecommunications services). This he did by appointing Pierre Pretorius, a South African Transport services attorney, to write new communication legislation. At the same time, he contracted Coopers and Lybrand, the international accounting and research firm, to recommend policy direction for an analysis of

Telkom and the South African telecommunications sector. Both moves were set in motion without engaging other stakeholders such as the ANC alliance, in any meaningful consultation. Other analysts outside the change literature have also viewed the lack of consultation and participation as guaranteeing literally that any changes made in the sector were doomed to fail (Horwitz, 2001, for example). As predicted, the ANC retaliated by branding the Coopers and Lybrand report as flawed. Not only did the ANC reject the consultant report, but it thereby refused to identify with the Government's vision to restructure the telecommunications industry.

Following from, among others, the discord between government and labour, the restructuring of Telkom could be viewed as a complex political process that required a good deal of commitment, political capital and will, both internally in the organisation and externally in parliament

3.2.3 Further discussion on change agents in the external environment

A number of challenges faced the department of communications namely institutional and sector re-organisation, empowering historically disadvantaged people, mobilising the necessary financing to enable modernisation, addressing the development gap in basic and in advanced services and accessing new technologies and dealing with the convergence of technologies.

Given both internal and external pressures, the government adopted the commercialisation strategy in an effort to make the enterprise more effective and efficient. Given its monopoly status, Telkom was still in bad shape, "saddled with a heavy debt burden, a bloated workforce radically divided by skill and rank, militant unions, a corporate culture still tied to the old ways, largely underfunded pension liabilities, and very little ability to borrow according to the data in its annual report, (in 1993 Telkom had a workforce of about 65, 000, total fixed assets of R13.8 billion, and a gross long-term debt of R10.3 billion)" (Horwitz 2001, pp. 204).

At the operational level, Telkom faced the difficulties of a monopoly whose control was eroding as well as competition from prospective new entrants who, towards the end of the decade, were deploying new technologies. Its most lucrative services were under threat from private networks, resellers, and international call-back operators whose rates were at least 30 percent below Telkom's. Telkom's main competitors were public enterprises such as Transtel and ESKOM that operate large private telephony networks. These public enterprises were able to participate in all sectors of the telecommunications industry as they had the capacity to provide alternative networks.

Following SA's acceptance by the international community after the country's first successful general election in 1994, new challenges appeared on the horizon and new responsibilities were taken on in terms of telecommunications. SA faced pressures from the WTO for it to lower tariffs for international communication and to liberalise access to local markets. In return, SA made an offer to the WTO's Group on Basic Telecommunications that Telkom's monopoly on public switched telecommunications services would end no later than 31 December 2003. In addition, SA offered to explore the feasibility of licensing two more public network operators after 2003. The offer, which was accepted in full, commits the government to a time frame for introducing competition to Telkom in different categories of service. These commitments can be seen in historical context as complicating the forces of change already set in motion inside Telkom.

To summarise, the exogenous factors constituted partially the necessary conditions for the transformation of SA's telecommunications sector discussed here as they created indirect pressures to liberalise and privatise. Although external agents such as the WTO and World Bank could play a role in orchestrating the reform and privatisation process, local political imperatives played a crucial role in the transformation of SA telecommunications.

In terms of the broad based coalition necessary to move things forward after 1994, three events were germane: First, the formation of the National Telecommunications Forum (NTF), a broad-based consultative forum on the reform of the telecommunications sector engaged government, business, labour, user groups and civic organizations in the consultative

processes that stakeholders in other sectors had established years earlier, Reconstruction and Development Programme (RDP) placed the proposed reform in the context of a broader plan to revamp the reborn nation. At the same time, the ANC's macroeconomic policy plan set goals for development. Therefore, there was a chorus of works. Joining the tune, the (ANC) Minister for Posts, Telecommunications and Broadcasting in the government of National Unity, Pallo Jordan, initiated changes in Telkom management and set in motion a Green Paper/ White Paper process to develop the telecommunications policy.

3.3 Key success factors

Consensus with stakeholders is a critical factor for success in any restructuring programme. The labour movement is one such stakeholder whose co-operation has been critical to the success of the Telkom Strategic Equity Partner process and indeed the long-term development and expansion of the telecommunications sector.

It all began, at least publicly, with government announcing a framework for the restructuring of state assets in December 1995. The restructuring of the telecommunications sector was negotiated with seven trade unions, some representing workers in the sector, while others represented employees. The restructuring process had at its core the need to safeguard job security, training, the teaching of multiple skills, implementation of transformation, affirmative action, and respect for labour standards.

Contrary to the strategy adopted by the Minister for Transport and Posts and Telecommunications, Piet Welgenood⁶, "Minister Jordan initiated a Green Paper/ White Paper process *outside* his ministry by involving the various stakeholders in continued dialogue and participation using the National Telecommunications Forum (NTF). This tied the politics of telecommunication reform to the forum structures generally and the consultative mechanisms of the NTF in particular" Horwitz (2001, pp. 210).

⁶ The Minister for Transport and Posts and Telecommunications, Piet Welgenood, used consultants in the change process who did not consult any of the stakeholders, in particular the trade unions.

According to one interpretation, the route taken by Jordan did not follow traditional methods as Jordan “did not trust the old guard of his own Department of Posts and Telecommunications.” He felt that the “old guard” could sabotage transformation. Therefore, he preferred the Green Paper/ White Paper model where consultations and participation were possible. Accordingly, he established the National Telecommunication Policy Project (NTPP) to manage the policy reform process. According to an account of the event, the NTPP convened a “Technical Task Team of local, knowledgeable people broadly representative of the main players in the sector, assisted at punctuated intervals by a small internal group and led by a trusted political player, Willie Currie” (Horwitz, 2001). The NTPP Task Team put together the Green Paper, which was written in the spirit of consultation that had become the hallmark of the stakeholder forums. The process entailed visits by the Task Team to various key stakeholders.

The Green Paper was eventually published in July 1995 in four languages and published on the Web. It was hailed as pragmatic and conscious, sensitive to language (replacing the word privatisation with a more neutral term), and was seen to be written in a direct and relatively simple manner. Privatisation was clearly a very controversial item for the trade unions. COSATU was suspicious, if not outrightly opposed, to privatisation the shareholder forum was very instrumental in diffusing this opposition since it promoted a culture of consultation and transparency and was politically advantageous as blacks gained access to policy-making arenas. The forums also functioned as a mechanism to vet government actions during the transition period. Minister Jordan expressed great satisfaction that there was sufficient consensus on the Green Paper submissions. Judging by the way the minister managed issues, the change process can be seen as embodying compromise, an important factor in conflict resolution.

3.4 Changes in business environment

Given Telkom’s declining profitability was decreasing, its prospects of raising funds for network expansion were dim. To fill the gap in the sector’s investment requirements and to increase Telkom’s capacity, government had to allow for the retrenchment of staff, real

increases in tariffs, the funding of Post Office deficit, and favourable long-term contracts with local suppliers, among others.

A new market structure was considered necessary for the telecommunications sector in order to orientate it towards accelerated development and universal service as well as to take into account international trends. The framework entailed a period of exclusivity for Telkom, after which various telecommunications market segments would be liberalized through a phased process put into motion and overseen by the Regulator.

The regulatory regime created by the Telecommunications Act (No. 103 of 1996), embodies the policy objectives set forth in the Green and White Papers in a concrete and enduring form. It is a regulatory framework that heralded the transition from a market currently dependent on a monopoly provider of essential telecommunications services, to one in which there is robust competition among a variety of service providers.

3.4.1 Who determines that the change process is needed?

As noted previously, the Ministry for Posts, Telecommunications and Broadcasting in 1995, undertook a broad consultative process which culminated in the publication of a White Paper on telecommunications policy in March 1996. That process fundamentally changed the course of telecommunications development in SA. One of the critical factors driving the telecommunications sector reform is the belief that it is a strategic sector for economic growth and socio-economic upliftment. This view has been rapidly gaining ground as the old view that telecommunications is the consequence of development, has given way to the view that telecommunications is a precondition for its success.

3.5 A new regulatory regime

The White Paper provided for specific measures to promote economic empowerment, including broadening equity ownership, creating opportunities for meaningful employment and management, the effective promotion of entrepreneurship, licensing opportunities, procurement and set-aside policies. The White Paper also provided for the development of a strong telecommunications equipment industry in order to respond effectively to the

development needs of the country, attract investment and generate employment and greater economic activity. In addition, the White Paper provided for the development of human resources for the sector, regional and international co-operation and legislative reforms.

On 15 November 1996, the Telecommunications Act 103 of 1996 was promulgated as a law. The law safeguards the interests of business and residential customers, especially the underserved. Most importantly, the licence limits Telkom's monopoly of providing fixed wire telecommunications services to a maximum of five years. It further allows for an additional year should there be a commitment to a roll-out of three million lines.

Telkom reconstituted a Board of Directors which comprised eight members from Telkom and five from the private sector (Thintana). The composition of this board was such that the day-to-day operations were handled by a five-member operating committee which consisted of two appointments by Telkom and three by Thintana. This meant that the private sector had more control over the operations of Telkom than government. Thintana retained the right to appoint the chief operating officer, the chief financial officer, and the chief strategy officer, thus, as is the case now, the private sector held the commanding heights.

Telkom has a vision which strives towards making the company internationally competitive. This necessitated a transformation in the way Telkom presented itself, and was the chief reason for accepting Thintana as the strategic equity partner. Telkom hoped to gain from the transfer of skills and a new business culture, among others, thus, Telkom had to have the requisite framework in place to effect these gains. First, Telkom had to become customer-focused. It needed to develop corporate goals which gave the highest priority to meeting and exceeding customer expectations and to devoting management attention to activities which continuously demonstrate its commitment to the workforce. Second, in order for the transformation to occur, Telkom has to be employee-oriented by more than doubling the budget for training and development. One of Telkom's targets is to spend R2,315 million on training over the next five years, allocating almost 60% of it on literacy, sales and service skills, particularly among the disadvantaged groups employed by Telkom. This will help to create a management team, at least 35% of whom come from disadvantaged backgrounds.

3.6 Internal issues

Theoretical and empirical evidence has shown that the “people equation” is crucial to a company’s survival. A suitably equipped personnel corps is essential to serve as a driving force to develop an equitable resources strategy and in particular, ensure that training, skills development, research, etc. are effective. In the absence thereof, other efforts would be of little relevance.

The sale of 30% of Telkom's equity to Thintana in 1997 was sufficient to generate the internal commotion needed for the new management team to institute large-scale organisational changes to create a competitive, customer-focused and performance-driven employee culture. This went hand in hand with the streamlining of service benefits and conditions to achieve greater efficiencies and reduce employee expenses.

3.6.1 Human resources

When Telkom was transformed into two companies in 1991 it inherited 67,667 employees. With the affirmative action policy implemented on October 1, 1993, 46% of the employees were black (30% was African, 13% was Coloured and 3% was Indian). The majority of African personnel were employed in unskilled or semi-skilled work functions, with fewer than 0.25% in first-level management positions and none in top management. Women comprised 19% of the total staff complement. According to Telkom account, by the year ending March 31, 2003, the number of fixed-line employees, excluding subsidiaries, had been reduced by 10.4% to 35,361 employees. Natural attrition accounted for 52.3% of total employee losses for the year ending March 31, 2003. Company-initiated losses represented 47.7% of employee losses and involuntary reductions represented 4.9% of total employee losses (<http://www.telkom.co.za/business/government>).

A crucial point was that the Strategic Equity Partnership deal was structured to not involve involuntary staff cuts, but as part of a genuine transformation of the company. Furthermore, one of the reasons for even reaching the deal is that it includes comprehensive training programmes, network expansion and a plan to increase Telkom’s productivity, not even staff retrenchment. Therefore, it was a win situation for all parties. It was also agreed that the staff

profile should reflect the demographic profile of the country, and that to accelerate this an affirmative action programme with a clear timetable and an annual review, should be part of the deal.

Given SA's wide disparity in income inequality, access to jobs and the sensitivity of the entire issue of the status quo, Telkom's new partners acknowledged that full corporate transformation will require a complete philosophical mindset change by all Telkom employees, if Telkom is to achieve world class status. This can be achieved through detailed programmes with specific objectives for training.

3.6.1.1 Alternative strategies to minimise job losses

Telkom established a 'Social Plan' to assist employees whose jobs were at risk. By implementing this plan, the company acknowledged the need to develop a more comprehensive approach to managing its labour force rationalisation programme. Although previous programmes were effective, they were reactive and had a negative impact on employee morale due to decreased job security. In response to this, the company developed a proactive, long-term strategy called 'alternative strategies to minimise job losses and create new career opportunities for Telkom employees'.

Within the various programmes aimed rationalizing the workforce employee numbers, Telkom sought to improve its the company focused on improving its affirmative action profile. Thus, after using skills and LIFO (Last In, First Out) as initial selection criteria, the company applied a race and gender correction as a final criterion. Telkom consulted extensively with the unions before applying the selection criteria, again displaying a high degree of sensitivity to human resources implications of the transformation process.

An internal career management centre, the Agency for Career Opportunities, was established for those employees who wanted to opt for voluntary separation or an early retirement package, or to be linked to an internal career management centre. The agency seeks to retrain and place the employees in permanent positions within Telkom or externally in the Information, Communication and Technology (ICT) sector.

The agency was established in October 2002 to implement Telkom's alternative strategy for minimising job losses and to underpin the agreement reached at the ICT Job Summit. Staffed by career specialists based in major centres around South Africa, the agency formally opened on November 27, 2002 with an initial intake of 37 managers whose positions had become redundant. 463 bargaining unit employees joined the agency during January and February 2003. A target was set for the internal placement of at least 50% of these employees. 222 bargaining unit employees and 21 managers had been placed in positions inside and outside the company as at March 31, 2003. At year-end 244 employees remained in the agency. In cases where, after the allotted period with the agency, employees cannot be redeployed, their services are terminated. While linked to the agency, individual employees can request trauma counselling for themselves and their families at any time.

3.6.2 The training imperative

As part of the human resources development strategy and skills transfer programme, the Strategic Equity Partner seconded 75 top managers to Telkom to engage in executive, management and technical skills transfer. This formed part of the acceleration of skills upliftment in the company within the first five years from 1997. Before designing the programme, Telkom set up an ad hoc Joint Training Analysis team to assist with the comprehensive assessment of training needs and priorities. The team included representatives of the consortium, Telkom and local labour unions.

3.6.3 Affirmative action

Affirmative action is a necessary means for ensuring the corporate transformation of Telkom. This programme is also an integral part of the overall training programme. Key features of the programme include a monitoring programme aimed at key executive and middle management positions, a management development programme for lower-level managers and supervisors and a training centre which is a priority for affirmative action candidates. The programme is supported by a range of measures including company-wide communication exercises and the granting of voluntary redundancy packages where employees are suitably trained.

3.6.4 Remuneration and benefits

Management theory stipulates that incentives need to be linked to results and that increased results can be achieved through an effective reward system. Telkom claims that the purpose of its remuneration and reward strategy is to attract, retain and motivate employees. In pursuit thereof, fixed remuneration is reviewed once a year to ensure that employees who contribute to the success of the company are remunerated competitively. The company rewards performance through a number of variable remuneration plans, and intends to increase the variable component of remuneration in the future. Remuneration is a large cost component of the company and optimising remuneration costs remains a focus area.

3.7 Results of the change process

In 1998, for the first time, customers of Telkom had to buy their own telephone instruments as Telkom no longer rented out telephone instruments. In the same year, the first Digital Enhanced Cordless Telecommunications (DECT) system was opened in Sandfontein. Signaling transfer points were also installed.

3.7.1 Substantive negotiations

In 2000, a long-term substantive agreement between Telkom and organised labour was negotiated, aimed at ensuring labour stability for the company and salary certainty for employees. This three-year agreement expired on March 31, 2003. Telkom reached a new three-year substantive agreement with the unions in June 2003. Currently (September 2003), the war wagons are circling among Telkom - the unions, and Ministry of Labour over labour force rationalisation. There are concerns that under pressure to achieve further reduction in the workforces, Telkom may resort to unconventional tactics (see for instance COSATU, 2003).

3.7.2 Strategic services agreement

Pursuant to a strategic services agreement, Thintana Communications was entitled and obliged, with the right to request others, including SBC Management and Telekom Management and their affiliates, to provide personnel to Telkom. Pursuant to the agreement, the two entities provided personnel to Telkom, as requested by Thintana Communications.

These personnel filled certain key managerial positions, such as the Chief Operating Officer and the Chief Strategic Officer, thus providing strategic services for Telkom. Until recently, a member of SBC Communications held the position of Chief Financial Officer. Telkom now has the power to appoint the Chief Financial Officer.

When the original strategic services agreement commenced, approximately 75 managerial positions were filled by personnel provided by SBC Management and Telekom management, pursuant to the agreement. As of March 31, 2003, that number had been reduced to approximately 32 such positions. Since May 7, 2002, Thintana Communications has been obliged to make all reasonable efforts to fill any of the managerial positions which it is entitled to fill, with members of South African groups historically discriminated against on the grounds of race, colour, origin or gender.

Telkom, and the other parties to the original strategic services agreement, executed a new strategic services agreement on January 16, 2003, effective immediately. Under this agreement, Thintana Communications continues to be entitled to and obliged to provide personnel to Telkom. However, the number of employees to be provided is scheduled to decrease over the next two years. Thintana is entitled to appoint the Chief Operating Officer, Chief Strategic Officer and Financial Controller for the duration of the agreement. As and when vacancies occur in those positions, personnel will be selected by Thintana Communications and provided to Telkom, for appointment by Telkom to fill the vacancies, in accordance with the requirements of the new strategic services agreement. These requirements include a consultative process between Telkom and Thintana Communications for the appointments.

3.7.3 Training programmes

Telkom has established a Centre For Learning (CFI), which provides continuous learning for all employees. Several multimedia courses have been introduced as well as interactive distance learning facilities. In addition, various study schemes are administered to support further skills development of employees in relevant fields. A number of training programmes have been launched to provide a pool of diverse, multi-skilled employees. These include

using the Individual Development Programme (IDP), the Targeted Development Initiative, the Technology and Human Resources for Industry Programme, technical training programmes, gradual development schemes and excellence programmes, among others.

3.7.4 Telkom networks

Telkom is currently supported by the following industrial partners who provide additional funding: Berdare Fibre Optic Cables; Alcatel; ATC; Cisco Systems; Comparex Africa; Ericsson; Grintek Telecoms; Letlapa Mobile Solution; Marconi Communications; MarPless Communication Technologies; Molapo Technologies; Siemens; Sun Microsystems and Tellabs.

3.8 Summary

The National Telecommunications Policy Project guided the telecommunications reform process through the complex process of change. Negotiations among virtually all of the stakeholders resulted in a set of compromises on market structure, ownership, commitment to universal service and independent regulation, and so forth, all of which were embodied in a technically detailed White Paper considered a triumph by almost everyone (Horwitz 2001, pp.255). The White Paper is a product of an open, transparent and rigorous process to develop a new policy and regulatory framework (Jordan, 1996). It presented a reasonable compromise between state control and international and domestic competitive pressures, and plotted a gradual, timed liberalisation. The White Paper granted Telkom a period of exclusivity, but created mechanisms for contestability to push the parastatal to become more responsive and more efficient. The commitment to expand the network massively was designed to marry the imperatives of redistribution and development. Network expansion for universal services was also expected to alleviate the problem of labour retrenchments, inasmuch as such expansion would require considerable manpower, at least in the medium term (Horwitz 2001).

What was innovative about SA's change was the process. It was different from the non-participative, elite-driven restructurings in most countries - the SA telecommunications Green Paper/ White Paper process constructed a genuine public forum in which all relevant parties had access and the ability to participate in ongoing discussions and negotiation in substantive,

rather than merely symbolic ways. The process was substantially open and transparent and subject to various kinds of input at various levels and periods during the course of the NTPP (Horwitz 2001).

3.8.1 Who has defined the change?

By his own acknowledgements, the then Minister of Posts, Telecommunications and Broadcasting, Jay Naidoo, named the former President, Nelson Mandela, the Deputy President, Thabo Mbeki and the Cabinet as having played a crucial role in supporting and encouraging the change initiative. This would indeed by any standard represent one of the heaviest support of the initiative. Other players were the Board of Directors of Telkom, especially the Chairman, former Managing Director as well as the members of staff. The Board of Directors and executive management were diligent in ensuring that the complex process kept pace with the rigorous timetable. The importance of the involvement of the trade union movement and the leaders of the individual sector unions, is also recognised.

Organised labour played a constructive role in paving the way for a smooth transition toward the restructured shareholding of Telkom. The two spots reserved for organised labour on Telkom's reconstituted Board of Directors, are a clear indication of the value that the shareholders in Telkom attach to the role of labour in assuring the company's future.

3.8.2 Who has controlled the change process and by what means?

As a global company, SBC International Management Services Inc. has accumulated a lot of experience and expertise and has become a global success based on its reliable and innovative technology, efficient operations and, above all, close and consistent attention to customer needs. The company takes an active hands-on approach to international investments, working to share and transfer its expertise to international partners. In addition to building network infrastructures and serving customers, SBCI knows how to transform organizations into assets that continually create value and support job retention and creation.

3.8.3 In whose interest was the change, who stands to benefit and who stands to lose?

The government's decision to sell a minority of government-owned equity in Telkom SA Ltd to a foreign strategic equity partner, is based on its vision to improve the quality of life of all the people, make SA a knowledge-based society, and help create an information economy.

Through the sale of the 30% stake in Telkom, government aimed to expand telephone services to all people, especially to those communities who previously lacked opportunities for development and were disadvantaged by apartheid. Considering the skills and resources that the consortium was bringing to SA, the telecommunications service delivery and network expansion would be raised to unprecedented levels over the next five years and beyond.

The strategic partner's commitment to support a five-year training budget of E2.3 billion, which is R1.38 billion more than Telkom's original budget, further underlines the depth of its intentions to build a long-term relationships with SA, to the benefit of the economy and the labour market.

CHAPTER FOUR

ANALYSIS OF THE CHANGE MANAGEMENT

4.1 Introduction

The literature identifies several factors that underpin the successful management of change. These factors emanate from either the internal or external environment of an organisation (Cummings & Brocklesby, 1997; Arens & Brouthers, 2001; Korpi-Filppula *et al*, 2002; Campbell & Yeung, 1991; Siegal *et al*, 1996; Vandermerwe, 1996; Nelson & Dowling, 1998; White, 2000; and Duck, 1993).

In this chapter, we examine the role of some of these elements in the specific context of Telkom SA. The lessons learnt can advance our understanding of change management by elaborating on the relevance of these factors across environments in which change occurs.

Some of the key factors in successful change management are as follows;

- the context of change: past, present and future (external context, internal context of change: human resources, administrative and management structures, history and culture); the substance and change (type and scale) and the politics of change (internal and external political activity), (adapted from Dawson 1996, pp.65, see Nelson & Dowling 1998, pp.486).
- taking into consideration the complexities of an organisation. This requires a “whole system” approach where those affected by the uncertainty need to be involved in the change process (Siegal *et al*, 1996; Covin & Kilmann, 1988; Duck, 1993; White, 1993). For the purposes of this study, “holistic change” will be defined as any planned effort designed to improve the long-term performance of an entire organisation.

These factors, therefore, will be used in this Chapter for assessing the process of change within the Telkom organisation.

4.2 Presentation of the change process

In analysing this case ahistorically, deregulation and the separation of duties could be seen as the starting point, but this could divorce events from their contextual realities. The preceding years should not be ignored because of the controversy and changes which they precipitated. Whilst the focus of this paper is on the change processes known as commercialisation and privatisation, the case study illustrates how strategies need to be handcrafted and adjusted as change processes unfold.

As stated in our introductory chapters, the environment in which change occurs is unique to each organisation. A large section of the SA telecommunications story reads differently to those of other countries (Horwitz 2001, pp.178). Thus, an eclectic approach will be used in the analysis of change management at Telkom, taking into account the fact that all these factors interact holistically. By combining the approaches of the different learning theories discussed in Chapter Two, the author advocates not to choose one particular learning theory, but rather to adapt the eclectic approach. This approach which will be discussed under the following headings: the substance of change, the politics of change and the context of change. This method demonstrates the flexibility and adaptability of the learning object approach, especially in the African context where the environment is relatively unstable and is characterised by a number of institutional changes that exist simultaneously with the change process

4.3 The model for change management

Nelson and Dowling (1998, pp.486) adopt a holistic approach by stating that “strategic change processes need to be understood in terms of content, context and processes and not as the rational linear model often assumed due to a myriad other social and political variables which impact on change strategies”.

- *The substance of change.* This can be thought of as the content or the what of change. In the present paper this is represented by the actions of the government to reform the telecommunications industry.

- *The politics of change.* This refers to the exercise of power over and within the organisation. It includes activities such as consultation, negotiation, conflict and resistance. The sources may be external or internal.
- *The context of change.* This involves linkages between temporal variables in the external and internal environment.

4.3.1 The substance of change

Nelson & Dowling (1998) and Vandermerwe (1996) see change as varying from small to great change, evolutionary to revolutionary change, or vice versa. The change process at Telkom has varied widely where gradual change has been evidenced in the smooth transition towards the restructured shareholding of Telkom and where broad consultative processes, which culminated in a White Paper on the telecommunications policy, have been conducted. Change was more radical during the conclusion of the Strategic Equity Partnership with Thintana Communications and during the amendment and separation of the Postal and Telecommunications functions. These amendments provided for a two-tier management structure that left government in control of policy and regulatory issues and management in charge of operations in order to effect the policy.

These changes have been occurring concurrently with major institutional changes in the environment. According to Horwitz (2001, pp.259), the most consequential events in the telecommunications White Paper process occurred outside of it namely: a Cabinet shake-up, the finalisation of the Constitution, the replacement of the Reconstruction and Development Programme with the Growth, Employment and Redistribution strategy, and the withdrawal of the National Party from the Government of National Unity. A number of significant players departed during the process: Pallo Jordan, Minister of Posts, Telecommunications and Broadcasting, and Saki Macozoma⁷ dropped out of the process. These interrelated events had both a direct and indirect impact on the telecommunications reform process and they occurred at the same time as the telecommunications White Paper was being translated into draft

⁷ Saki Macozoma, who was chair of the Parliamentary Portfolio Committee on communications, left to take up the post of managing director of Transnet. He had been at the forefront of United Democratic Front leadership and his knowledge of communications issues was expected to guide the legislative process (Horwitz 2001, pp. 261-262).

legislation (Horwitz 2001, pp.259). As predicted by Peng (2003), major institutional changes were occurring concurrently with the transformation process at Telkom.

In fact, indirect pressures were relatively constant throughout the change process. For example, in the first draft of the Southern Africa Transport and Communication Commission (SATCC) Protocol on Transport, Communication and Meteorology, which was circulated through various government circles, the authors sought to develop natural telecommunications networks by the “liberalisation of telecommunication” (Horwitz 2001, pp.234).

Accordingly, White (2000) and Duck (1993) view change management as occurring within a dynamic environment. By taking into consideration the complexities of organisations, they recommend that complex solutions are required where the “whole system” affected by the uncertainty needs to be involved in the change process. “Participation is seen as a main principle to create temporary, parallel hologram structures of change” (Smeds 1994, pp. 71). In this regard, a change management team was established along with a series of transition teams to assist in the transformation. At the same time, change processes which included restructuring, commercialisation and privatisation, were commenced to spearhead change. The result of this process led to amongst others, a number of redundancies which emanated from factors such as technological changes. Displaced employees were offered voluntary early retirement and/or voluntary separation packages. The thrust and focus of change was to establish and work towards commercial goals, as expressed in Telkom’s mission statement:

“Our mission is to strive towards universal service to enable ordinary people to have access, not only to traditional media, but also to have the convenience of information technology. These will include services that will create a flourishing information society such as tele-medicine, tele-education and other convenience measures that will improve the way people work, live and play, while contributing to the economic growth of our country”.

The substance of change thus represented a major challenge the players to co-ordinate and therefore to control, a number of strategies at the same time. Importantly, to think of commercialisation as a single cause in isolation from the multiple causation of past events, is to underestimate the complexity of the task facing management. To succeed in commercialisation changes, therefore, Telkom needed to take into account the causal convergence of both present and historical factors.

In this respect, Telkom seems to have initially used the reactionary mode during transformation, thereafter moving to more anticipatory modes as the market was liberalized. For example, the strategies devised by Telkom to minimise job losses were reactive and had a negative impact on employee morale due to decreased job security. In response, Telkom developed a proactive, long-term strategy called “Alternative Strategies to Minimize Job Losses” in order to create new career opportunities for Telkom employees. An early warning system is used to identify new growth areas and emerging competencies, as well as those areas where business is slowing down or current competencies are redundant due to technological changes.

4.3.2 The politics of change

In the 1980's, for political reasons relating to the environment, the direction of Telkom was transformed. The general forces underlying the transformation process were, amongst others: production inefficiencies, expensive telephone services that were inaccessible for most South Africans, globalisation, institutional re-organisation, innovative breakthroughs by competitors and most importantly, the need for the socio-economic development gap to be addressed. Expensive telephone services meant that equity issues and the objectives of the GEAR strategy could not be met. In addition, the impact of globalisation is one of the external forces which most countries now inescapably face. In terms of that membership, certain commitments became inevitable, for instance the liberalisation of trade in both goods and services under the WTO commitments. These environmental influences were change triggers in the case of Telkom.

In this respect, Vandermerwe (1996, pp.80) states that “unless things turn bad, organisations are unlikely to undergo any change”. The author argues that there are critical moments for transformation that will force any firm to undergo change. As the government grappled with swiftly-moving global trends and market forces, Telkom entered a period of uncertainty. In this climate, the government, as owner of Telkom, had to increase returns on investment, particularly in view of the large debts incurred through prior loans for infrastructure expansion.

At the time of the initiation of the change process, the task was difficult, as many parliamentarians did not understand what separation entailed, and many did not welcome it - especially if it seemed that it would cost money. The Conservative Party opposed commercialisation because it believed the policy would jeopardize job security and the provision of cheap communication services to its traditional and rural Afrikaner constituencies (Horwitz 2001, pp. 191). POTWA, a powerful black Post and Telecommunications Workers Association, lobbied against commercialisation because it felt that labour had not been properly consulted. Further, it harboured serious concerns about the likely retrenchments and the doubling of the new company's commitment to expanding services to disadvantaged communities (Horwitz 2001, pp.191-192).

Thus, the reasons for resisting the programme of change were based on fact and the legacy of apartheid. Some employees of the organisation felt that the public could never fully understand the complex work of the authority (e.g. technocrats). There was also a feeling of mistrust between the organisation and some stakeholders. According to Duck (1993, pp.112), "trust at a time of change is based on two things - predictability and capability. People want to know what to expect".

In short, the main barrier to change was the fear of the unknown and the high cost of change, given the short-term benefits. These problems are not uncommon. Indeed, (Van Der Merwe, 1996; White, 2000 and Siegal 1996) found that there are often difficulties associated with change as there are anxieties which loom large in the minds of those affected by change due to uncertainty and fear of change.

Regardless of all these fears, commercialisation was effected and 67000 former employees were transferred into the new company (Horwitz, 2001). Management literature argues that this leads to a disruptive culture for change in the long-term. The fact that such a large number of existing employees were still employed after commercialisation, suggests that management would not achieve a re-orientation to business values by changing people instead of changing the culture. Gwyne (2002, pp.12) argues on the contrary by stating that the retention of top executives can improve the performance of companies as long as they are the

right executives. However, this statement is only theoretical and has not been empirically tested.

Consistent with Gwyne's (2002) prediction, however, long-serving SAPT manager, Danie du Toit, was brought in as Telkom's first managing director to effect the transition because he was seen as "old boy" enough to pull the "old guard" along Horwitz (2001, pp.193). Telkom was of the view that because most of the employees were transferred into the new company, a former employee would be the best choice since he knew the rules of the game well. What Telkom failed to realize was that even though there were a number of "traditionalists" in the organisation, there were also modernists who were being frustrated by the old mode of management. Bester (1995)⁸ and Klok (1997)⁹ contend that at the managerial level, people continued to be promoted according to a *sub rosa* network of ethnicity and personal loyalty. Competent managers, seeing their chances of advancement blocked, left the company.

Even though Telkom was now operating in a new political environment, Minister for Transport and Posts and Telecommunications, Piet Welgenoe¹⁰, continued to interfere in the day-to-day operations of Telkom, and did nothing to encourage a new culture (Horwitz 2001, pp.194). He lacked the political will and commitment to move the process forward and as a result, institutions and regulatory frameworks were inadequate and inappropriate. Moreover, questions of governance, that is, how and who would decide on central policy matters, were also not settled. The 1991 Act was vague and contradictory with regard to the structure of Posts – SAPT telecommunications (Horwitz 2001, pp.194).

Some of these problems have persisted even to this present time. According to Bidoli (2001), the three main obstacles to the listing of Telkom were: the "lack of a clear regulatory and policy framework which made it impossible to value Telkom accurately. With the regulator weak and the rules of the game unclear, Telkom has adopted bullying tactics which have done

⁸ Bester, Alan 1995 National Telecommunications Manager, ESKOM. Interviewed by Horwitz, 2001. Johannesburg, December 4.

⁹ Klok, J.C. 1997. Senior Manager of Communication Policy, Department of Posts & Telecommunications. Interviewed by Horwitz, 2001. Johannesburg, October 27.

¹⁰ Minister for Transport and Posts and Telecommunications, Piet Welgemoed, become Minister when SAPT was commercialised.

little for competitive bandwidth prices”. The aforementioned clearly indicates that there is a need for adaptation and strategic direction whenever change occurs. Bodoli further stated that “unless government puts the policy and regulatory building blocks in place, the Initial Public Offering will be a nonstarter”.

Theoretical and empirical evidence reveals that the success of any change process is dependent on strong commitment and political will (Korpi-Filippula *et al*, 2002). As predicted by the literature, Horwitz (2001, pp.195) states that after the 1991 Act and the creation of Telkom, SA’s telecommunications policy stalled.

In addition, Welgemoed adopted a prescriptive approach to change when he contracted the services of consultants to conduct a study of SA telecommunications. This approach is disputed by a number of authors ie Cummings and Brocklesby (1997), Siegal *et al* (1996), Higgins (1995), and Nelson and Dowling (1998). For example, Higgins (1995) finds that the prescriptive approach of following the old routine solution paths, and using the standard formulas recommended by experts, can be dangerous for the change process.

Theories of organisational change are critical of the use of consultants for the change process (e.g. Duck, 1993). According to Covin and Kilmann (1998, pp. 60), “while the role of external consultants is often emphasized in the planned change literature, many have questioned the degree of control that consultants should have over the change process. For example, Pettigrew (1985), found that when a consultant takes greater control of the change process than does management, or when the consultant has a highly visible role, the change process meets management resistance”. Thus, management literature finds that manager’s leadership, not consultants, should be central to the management of major cultural transformations.

A typical flaw was made when the Minister for Transport and Posts and Telecommunications, Piet Welgemoed, endeavored to revamp the structure and governance of the telecommunications sector on his own (thus reaping the political benefits of fostering a new telecommunications services). He appointed Pierre Pretorius, a South African Transport services attorney, and at the same time, he contracted Coopers and Lybrand, the international

accounting and research firm, the former to write new communication legislation, and the latter to recommend policy directions for an analysis of Telkom and the South African telecommunications sector (Horwitz 2001). Both moves were set in motion without engaging other stakeholders such as the ANC alliance, in any meaningful consultation. The lack of consultation and participation meant that any change in the sector was doomed to fail (Horwitz 2001). As expected, the ANC retaliated by branding the Coopers and Lybrand report as flawed and refused to own it, thus denouncing government's efforts and determination to restructure the telecommunications industry. Hostility and suspicion surrounded the change initiative due to the lack of consultation.

Management literature emphasises the need for public sector organisations to consult and involve all stakeholders at every stage of the decision-making cycle, in particular the employees and the unions (White, 2000). A variety of approaches and strategies for public involvement have been developed. They involve a combination of: information dissemination, dialogue, consultation and participation in decision-making and feed-back, and some have attempted to not see consultation exercises as a "one-off", but as a continuing dialogue with the public and employees.

The model explored by White (2000) considers the fact that in some cases reforms demand that organisations move towards closer ties with their constituents as a way to democratise organisational life, or to improve efficiency and effectiveness. Thus, White (2000) views the "whole systems" approach as a promising avenue to address current public sector organisational dilemmas.

Given this background, a case was made to establish a change team called the National Telecommunications Policy Project (NTPP) which finally "engaged government, business, labour, user groups, and civic organisations in the consultative processes" (Horwitz 2001, pp.208). In accordance with theories of organisational change (e.g. Duck, 1993; Siegal *et al*, 1996 and White, 2000), it is argued that the team provides a critical balance during the change process as it "manages the conversation between stakeholders". This team was established by the new (ANC) Minister for Posts, Telecommunications and Broadcasting in the Government of National Unity, Z Pallo Jordan. The members were selected by the minister in consultation

with the National Telecommunications Forum (NTF) executive and a steering committee appointed by the minister. Its mandate was to manage the policy reform process.

This was a strong sign that the change process was headed in the right direction and that the parastatal was beginning to take the issue of public involvement and employee partnership seriously. As argued by Cummings and Brocklesby (1997), an organisation must keep something of its “self” as it develops. By having a minister from the ruling political party at the helm, change was facilitated, as the ANC and the unions were able to identify with him, trust him and were more receptive to any change efforts.

Another analysis of the “self” concept at Telkom was illustrated by the appointment of Minister Jay Naidoo as Minister for Posts, Broadcasting and Telecommunications (MOPBT). As trade unions in SA play a very crucial role to change management, they can be either a catalyst to change or a restraint. Since Naidoo was a former COSATU general secretary, he could sell the concept of a strategic equity partner to the unions, thus there was a potential upside to his appointment.

Often in organisational change, un-anticipated external and internal events intervene. A review of theoretical literature (Smeds, 1994; Cummings & Brocklesby, 1997; Siegal, 1996; Higgins, 1995; and Nelson & Dowling, 1998) shows that emergent approaches to change management are advocated. Although many of the changes at Telkom were in line with the changes that were being contemplated throughout the public enterprise sector, the approach adopted by Minister Z. P. Jordan to change was bottom-up, and focused on the basis of structural and system changes. “Unlike other countries such as South Korea or Singapore, telecommunications reform in South Africa was taking place within a radical democratic revolution wherein there is a premium on consultation and a search for consensus.”

Following the public presentation of the Green Paper reports, Minister Jordan, in consultation with the National Telecommunications Forum executive, invited key representative stakeholders including business, labour, black economic empowerment groups, relevant government departments, user groups and civic organisations, to a national colloquium at the Mount Grace Hotel. Thus “a bottom-up approach to reform was embraced” (Horwitz 2001,

pp. 238). Where change has been top-down, it was to provide vision and direction to the change process.

In addition, NTPP, the “Technical Task Team” comprising knowledgeable people broadly representative of the main players in the sector, was assisted at intervals by a small international group and led by a trusted political player (Horwitz 2001, pp.211). This team had a diverse composition, was credible, were problem solvers and had to be accountable, which was crucial for the success of the change process. This has resulted in an open, transparent and rigorous consultative process with various stakeholders.

The team experienced conflict when some of the black members of the NTF indicated that the process was biased towards privatisation and thus considered the Green Paper illegitimate. It was only after a long meeting between some members of the NTPP team and the National Labour and Economic Development Institute (NALEDI - a COSATU-aligned research unit at COSATU House), that matters were resolved (Horwitz 2001, pp.212). In short, it can be seen that some of the members, even though they were in the forefront of the change, were themselves sceptical of the programme and that the main barrier to change was the high cost of change given the low short-term benefits. These difficulties are not uncommon. Smith (2000, pp.153) states that change is seen to be resisted by individuals whose existing values are threatened or disturbed by the proposed change.

One strand of the holistic approach to change management is based on accountability, transparency and the re-building of confidence in Telkom. The NTF understood that it could not tackle the issue of involvement nor implement some of the elements of reform, without the public’s involvement. The forum also understood that not all outcomes could be planned. Thus, the team advocated for a process that allowed emergence and self-organisation. White (2000) & Smeds (1994) state that in order to inculcate commitment to change, it is necessary that participative management workshops and seminars be conducted.

In addition, the NTF understood the importance of consulting and involving all stakeholders at every stage of the decision-making cycle. Thus, mechanisms have been developed by the NTF to involve stakeholders in the decision-making process. One of these is the bottom-up

approach to change instead of the top-down approach. This bottom-up approach was very useful since the operating environment was unstable. Since in the “whole system” approach it would be difficult to determine from the start exactly at which point the process will end, a lot of unanticipated outcomes are experienced, most of which are unplanned for. Thus top-down approaches cannot be applied in the South African context as they are usually effective only in a stable environment.

By managing bottom-up there is an acknowledgement that variety exists in the system. The Forum recognised the value of having a diversity of views and people involved in the change process. Each person opened the door to many more possibilities, new perspectives and new possibilities for action.

Furthermore, privatisation consisted of a number of programmes: downsizing, empowerment and a number of restructurings. All this is being conducted in a climate of political sensitivity. In the meantime, within Telkom, staff were grappling with the issue of whether to embrace change and to try to survive during the period of upheaval and sustained downsizing, even if it meant turning their backs on the heritage that they had nurtured for some years. Horwitz (2001, pp. 259) states that after the privatisation process, former employees of Telkom attempted to secure their jobs in the new dispensation; thus the White Paper permitted a “transfer” of department staff to the regulator. In the department’s view, “transfer” would be automatic, a matter of the decision of the employee. Thus, some employees could not adjust to the change in direction and chose early retirement or redundancy. It is this group, (the “transferred” employees), that presents management problems during transitions. It is easy to believe that Telkom could have been better off letting these people go, however, a widespread view of management today is that many of these people may have skills and qualifications that should have been retained. This may however, not be the case in the SA context.

Building on this point is the fact that a number of people used the period of flux to bolster their own situation by maneuvering for the best positions in the new Telkom. For some, commercialization and privatization provided a lifeboat for survival, while the real issues of change were ignored as much as possible.

During the change management process at Telkom, consensus with stakeholders was viewed as a critical factor for success in restructuring the parastatal. When the government announced a framework for the restructuring of state assets in 1995, the labour movement expressed deep reservations; the government consequently undertook to engage in negotiations with labour. This extremely successful process resulted in the National Framework Agreement between government and labour with regard to the restructuring of state assets. The framework provided a forum for consensus-seeking, with clearly defined sectors and mechanisms for dispute resolution. Thus, the restructuring of the telecommunications sector was negotiated with seven trade unions, some representing workers in the sector, while others represented enterprise employees.

As a result, the stakeholder forums were viewed as a legacy of the participatory consultative politics, a forum of which most of the ANC members have been deprived. Government accepted this culture, as it was a means for blacks to gain access to the policy-making arenas. It also functioned as a mechanism to vet government actions during the transition period. Thus this strategy was accommodated as it encouraged a participatory culture.

A number of empirical studies on organisational change show that a prerequisite for the success of a change project is the existence of a change champion, a member of the organisation, who acts enthusiastically to have the idea implemented. A number of change champions have existed during the change process at Telkom. ANC Minister for Posts, Telecommunications and Broadcasting in the Government of National Unity, Z. Pallo Jordan, played a very pivotal role in the transition process in pushing the Green Paper forward. "According to Brian Clark (1996)¹¹, who was Telkom CEO and managing director from 1995-1997, W.J. de Villiers drove the political side of the process in his capacity as the Minister of Administration and Economic Coordination"(Horwitz 2001, pp. 191). However, he met a great deal of resistance to the task from outside the organisation.

¹¹ Brian Clark, 1996 Chief Executive and Managing Director, Telkom. Interview by author. Cape Town, March 28

To summarise, the politics of change in Telkom can be assessed using Korpi-Filppula *et al's* (2002) model. The authors state that for the change management process to succeed, there needs to be: flexibility and decentralisation, climate and value fit, multiple approaches, connections to the strategy, vision and needs, key roles and persons, clearly defined managers' roles, a long-term plan and finally, efficient communication. To a great extent Telkom has complied with most of these requirements, thus, in this context, its change management process can be viewed as a success.

Finally, White (2000) argues that a "holistic approach widens the authority's understanding of public involvement, and that change events can happen simultaneously and in a self-organising way. The lesson learnt from his model was that the change needed to transform an organisation can be achieved through an adaptive process and that after such a change, the organisation may never be the same again.

4.3.3. The context of change

The stimulus for change had come from two different sources, one internal and one external. The dominant external change agent was government, whose aim it was to: institutionalise and re-organise the telecommunications sector, empower historically-disadvantaged people, mobilise the necessary financing to enable modernisation and address the development gap in basic and in advanced services, among others. These changes were not imposed on Telkom.

The initial triggers of change came from both the internal and external environment. Threatened by, amongst others, more flexible competitors, Telkom has undergone dramatic transformation, instituted programmes and internally reorganised itself. The consequences of these changes have been shifts and changes in: the socio-political and economic environment (e.g. partial privatization and new policies), the concept of management, relationships, the structure of organisations and thinking and acting strategically as predicted by Smeds (1994), White (2000), Schweikhardt and Whipple (2002) and Arens & Brouthers (2001).

Change management literature advocates for flexible, flatter and adaptive structures (Robbins and Decenzo, 2001; Cummings and Brocklesby, 1997, Arens and Brouthers 2001; Thompson and Strickland, 2003; and Lynch, 2000) as a tool for the successful transition of organisations.

They advocate for a structure that is lean and flexible, and that “fits” in the environment for performance to be optimised.

Like many public sector organisations, the structural arrangements within Telkom previously resembled the traditional bureaucracy that was characterised by many hierarchical levels, clearly-defined boundaries and a high level of job specialisation. Telkom had a high degree of formalisation and standardization and work activities were governed by procedures, rules and regulations together with job descriptions allocated to posts with commensurate authority and positional power. Up to 1997, Telkom had a structure that was virtually unchanged. The external changes which had impacted on the organisation created a need for a much more flexible structure, designed to cope with, and adapt to, constant change. Telkom had to shift from this bureaucratic-hierarchy culture to a more fluid customer-oriented one to enable the organisation to transit well into the new phase. That is, new objects create new issues and problems that current mechanisms cannot handle. Simultaneously with the new objects must come the new mechanisms for handling them” (Smith 2000, pp.154).

Restructuring and privatisation are change processes that involve internal changes in the structure of an organisation. The traditional procedures are gradually changing as SBCI, the Strategic Equity Partnership of Telkom, continues to pay attention to customer needs by emphasising the use of technology and efficient operations. In addition, the new structures imposed by SEP are leading to a depletion in staff numbers. Telkom has in the past three years shed more than 20 000 jobs and has declared that more than a thousand workers are redundant and may face retrenchment (Business Day, 2003). Telkom group human resources executive said about 1235 positions - mainly on the technical side of the business, have been found to be redundant.

Moreover, Telkom has been exposed to “new managerialism” and the enterprise culture as part of a drive of efficiency and effectiveness, is changing. Along with a range of changes to structures and systems and attempts to change the culture, the organisation is gradually shifting towards a more flexible, organic structure and a more customer-oriented enterprise.

Aspects of the cultural change which have been put in place at Telkom include: human resource management (HRM) developments, such as empowerment, individual performance-

related pay (linked to staff appraisal), and changes in work processes. To support the culture change at management level, the Leadership Model, a 360° leadership assessment process, is used to measure leadership roles, capabilities and competencies. This process assists leaders to identify their strengths and development areas so that they can optimize their leadership potential. Non-learning approaches have also been implemented in sales and marketing where interventions such as human performance improvement (HPI) initiatives, performance assessment and evaluation and consultation services, have been implemented.

In addition, through telephonic interviews and authoritative government sources, it was revealed that Telkom was essentially adaptive and organic and was becoming flexible and commercially oriented. The Leadership Model, for example, was used to specify the roles, capabilities and competencies of leaders in the organisation. This model was in line with the company's changing environment. The Model seeks to enable leaders in the company to enhance and develop their leadership competencies in order to meet the challenges of a competitive environment.

According to the Business Day, August 2003, Telkom's CEO Sizwe Nxasana, writing in the group's annual report on Telkom's readiness to embrace competition, said that wide-reaching efforts to achieve greater operational and capital efficiencies were yielding results, and that the company was well placed to increase profitability and maximize cash flows. "All things considered, we believe that our ability to compete is stronger than ever before and we welcome the chance to measure ourselves against our new competitors".

Telkom has several programmes including training affirmative action and worker participation. These have been central to transformation.

4.3.3.1 Training programmes

Korpi-Filippula *et al* (2002) view training and competence as the key means to understand the need for change. Given the diversity of the changes to which Telkom has been subjected, the introduction of various programmes (eg. training, empowerment), seems commendable and eminently suitable. However, for the people who had worked within the traditional bureaucracy for a very long time, adapting to this change in culture was difficult. For

example, the majority of employees had not previously found themselves in a situation where their views on how the organisation should operate, were actively sought. Thus, they were sceptical as a result of the externally imposed changes, which subsequently increased their workloads, and resulted in job losses and the creation of a leaner organisation.

The primary internal change agent was provided by the Centre for Learning (CFL) using the Individual Development Programme (IDP), the Targeted Development Initiative, the Technology and Human Resource for Industry Programmes, technical training programmes and gradual development schemes, among others. These training programmes were established to achieve various objectives, with their main function being to achieve major changes in Telkom's organisational culture, and to move away from the traditional hierarchical structure to a more participative and interactive culture. Training functions were centralised in the Centre for Learning, which provided for continuous learning for all employees. These training programmes, in particular the IDP, emphasised the need to create effective leadership and management at all levels, thereby facilitating teamwork, personal and organisational learning and a quality service. Assessment of the effectiveness of these training programmes is judged by line managers within the organisation.

4.3.3.2 Culture change management at Telkom

A change in culture and structure is necessary to meet the demands of transformation. For the analysis of the culture change at Telkom, it was necessary to use interviews and secondary data. Telkom has achieved some changes in areas such as delayering and empowerment.

4.3.3.3. Empowerment

According to Duck (1993), empowerment does not mean abandonment. Setting the context for change means preparing the players, understanding what they do and don't know, working with them, watching their performance, giving them feedback and creating an ongoing dialogue with them. One of the consequences of moving away from the traditional hierarchical structures to a flatter form is a change in work processes associated with the empowerment of individuals and departments. Telkom is providing adequate training and new job skills to empower employees.

4.3.3.4 Role of the HR in culture change

The training function at Telkom since previous years, has changed significantly. Not only has there been considerable money spent on the training and development of previously disadvantaged groups (a sum of R2,3 billion over five years - an increase of R1,388 million - 150% - over Telkom's current training budget), but there is evidence of "new blood" in senior management posts. This has made the Human Resources Development section at Telkom a much more dynamic operation and one which sees itself as quite separate and distinct from the personnel management section. It has become a strategic element of the SA telecommunications vision. It propagates a specialised social responsibility programme in which industry contributes to a government-administered fund. The attempt to change culture through the various training programmes can therefore be attributed to the positive contribution by the HRD.

4.3.3.5 The role of personnel management in culture change

Evidence from management literature suggests that unless personnel policies and procedures are assessed and reviewed at the outset of a culture change programme, the personnel function itself risks becoming the guardian of an outdated culture by reinforcing the very behaviours which the organisation seeks to change.

4.3.3.6 Middle managers

The extent to which middle management are being used to transform culture should not be underestimated. The Affirmative Action Programme adopted by Telkom targets this group as the key change agents and they in turn are expected to help their staff acquire new skills, new attitudes and deliver increased efficiency. This requires the commitment of middle managers and the harnessing of their capabilities in a new direction – to manage and not just administer.

As an organisation whose employees have viewed job security as a key employment benefit, Telkom has managed to transit well. Even though job security has been traded for an increased commercial focus, employees are being rewarded accordingly. Thus, we are of the presumption that employee morale has increased. In Telkom's case, change occurred specifically to meet a strategic need and not merely to cut costs – a point which was well

understood by the stakeholders. Prospects for promotion have greatly increased as employees are groomed for positions within the organisation.

4.3.3.7 Remuneration and reward

Telkom's remuneration and reward strategy aims at attracting, retaining and motivating employees. The company rewards performance through a number of variable remuneration plans, and intends to increase the variable component in the future. Individual performance-related pay is not contentious and is subjectively assessed as this is conducted by independent remuneration consultants who advise the Remunerations Committee of the Board of Directors on the remuneration of executive management. A remuneration level is determined and benchmarked against those of peer groups in the market.

4.3.3.8 Telkom networks

Peng (2003) developed a two-phase model of market-oriented institutions, focusing on the longitudinal process to move from a relationship-based, personalised transaction structure calling for a network-centered strategy to a rule-based, impersonal exchange regime suggesting a market-centered strategy. His focus resonates from recent findings that, as some emerging economies become competitive, networks and connections, previously thought to be imperative for business success, no longer seem as important as before. Telkom is currently supported by the following industrial partners who provide additional funding: Berdare Fibre Optic Cables; Alcatel; ATC; Cisco Systems; Comparex Africa; Ericsson; Grintek Telecoms; Letlapa Mobile Solution; Marconi Communications; MarPless Communication Technologies; Molapo Technologies; Siemens; Sun Microsystems and Tellabs. Thus, contrary to Peng's (2003) prediction, relationships are still important and so are strategic partners.

4.4 Exclusivity of Telkom

Telkom proposed a fairly long period of exclusive concession and advocated that it be permitted to take on strategic equity partners. The NTPP Task Team argued that setting fixed dates for the transition was necessary in order to build in certainty for all players in the liberalisation process. Fixed dates would enable potential entrants to plan their investments and would put pressure on Telkom to make changes in its behaviour. The colloquium had

agreed in principle, so as per the consensus from the colloquium, the team designated a period of three years, after which the private parties of telecommunications could resell, and five years for Telkom's exclusivity.

In our introductory chapters the differences in the time frames for change between developing and developed economies was emphasised (Peng 2003). Cummings and Brocklesby (1997) contended that the models used by the developed world on developing countries to measure the outcome of change were not realistic as they did not take this variable into account. Models of change that may be applicable to developing countries should consider, among others, the pace of change, the environment and how it works and how it affects the change process.

As Telkom took into account the time frame needed for the change process, the Chairman's Report in the Annual Report of 1999/2000 stated accordingly that Telkom's current exclusivity had facilitated major achievements by modernising the network, increasing bandwidth availability and improving the competitiveness of our pricing. This has enabled us to meet some of the more sophisticated needs of South African businesses as well as bringing millions more South Africans into the connected world.

The general reaction of the business community to the White Paper was to applaud the policy reform process and the proposals to liberalise but it strongly criticised the length of Telkom's period of exclusivity (e.g. Business Day, 1996a). The final version was then published in the Government Gazette on March 13, 1996 (Horwitz (2001, pp. 252).

4.5 Research findings

There seems to be an intimate connectedness between the different aspects of a transition programme. The change programme achieves some progress whenever stakeholders, in particular, political parties or unions, could identify with the change. Thus, Telkom has in some cases achieved a "level of congruence and appreciation of the interconnectedness of all things that many modern organisations have not achieved, and have, as a result, suffered" (Cummings and Brocklesby 1997, pp.88). In our introductory chapters, it was argued by some authors that "if we are able to recognise something as having changed, then something about what it does must have remained the same. In this case the concept of being able to identify

with “self” has remained unchanged in the SA context of change” (Cummings and Brocklesby 1997, pp.90).

The results of the study suggest that several variables impact on the ultimate success of change programmes. Some of these variables that have a favourable impact are: the active communication of programme expectations to stakeholders, the inclusion of employees and external stakeholders as participants in the process and the flexibility in programme planning and control. Relying heavily on political figure(s) and top management for program implementation, aligning policies and procedures to be consistent with the goals of the change effort, and including external stakeholders in various phases of the program, had also had a positive impact. On the other hand, unrealistic time frames, and allowing outside consultants to assume a high level of responsibility for the effort, were factors which would have a negative impact on the ultimate success of most change efforts.

The analysis also suggests that the context in which the organisation is embedded and the characteristics of the particular change programme, will impact on the outcome of dynamic change efforts. The results of this research seem to support the contention that several specific organisational-level variables will impact on a given change programme.

The shortage of tools in analysing industry specific changes has resulted in limited findings on how institutions make strategic choices when they are faced with massive institutional changes. In this case, a number of institutional changes were identified during the transition process and indeed these had an indirect or direct effect on Telkom’s strategy. Thus, by committing government to a time frame for introducing competition in Telkom, played an important role in preparing the organisation for the successful transition of Telkom since some changes at that period will have normalised. As argued in this paper, one of the significant differences between developing and developed economies is the time frame (Peng 2003). Accordingly, models used by the developed world on developing countries to measure the outcome of change have not been realistic as they do not reflect the way that the environment itself works.

The findings of the research are also consistent with research which suggests that the impetus for major organisational change comes mostly from outside the organisation and that change

is more readily accepted by organisation members when performance is viewed as poor or deteriorating (Vandermerwe, 1996).

While it was revealed that a high reliance on external consultancy resources might negatively impact on the change process, it is not clear whether outside consultants are or are not needed in order to implement successful change programmes. One conclusion might be that outside consultants should not become so involved in programme activities so as to diminish the participation of stakeholders who are one way or another affected by the programme results.

A programme has significance when stakeholders are involved in the programme activities. The change process at Telkom involved all stakeholders, thus the process can be viewed as a success. These results are consistent with the views of Smeds (1994) and Cummings and Brocklesby (1997), who view participation as a holistic approach that leads to the acceptance of policy decisions.

The research also reveals the importance of strong leadership throughout the change process. According to Smith (2000), middle managers who have a vested interest in the status quo, experience the most difficulty in change, and hence must be the focus of any effective change programme. Thus, middle managers play an extremely important role in change efforts, and the lack of support and commitment of middle managers has an extremely negative impact on the success of a change programme. One of the key features in the affirmative action programme at Telkom included a monitoring programme aimed at key executive middle management positions. This turns the role of middle managers into one of skilled leadership, not passive commitment.

There was also a clear and compelling need to commence the change programme. Stakeholders, including unions and employees, could identify with this need even though they were resistant at the initial stages of the process. Thus, this programme fitted well with the needs of society (e.g. training) and those of the organisation (e.g. financial resources and skill transfer).

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The case analysed in this study has sought to make two major contributions to the existing body of knowledge in business studies. On the one hand, it adds to the privatisation literature through providing valuable lessons for the handling of future transformations set to occur within the public enterprise sector of South Africa. It provides empirical evidence to the otherwise largely theoretical discourse on the applicability to developing countries, of change models constructed to handle changes in relatively “stable” environments more typical of developed countries. The case study focused on Telkom SA, one of the “big four”—Telkom (telecommunications), Eskom (power), Transnet (transportation), and Denel (defence).⁹ Of the big four, Telkom has been the only public enterprise to achieve full privatization. Therefore, it presented a tempting opportunity to enrich the literature on business studies in general and strategic management in particular.

The paper began by reviewing the voluminous literature on the variety of models developed to understand the management of the change process. Besides the traditional role of literature review in placing a study’s contribution in perspective, the additional goal of the review was to understand the limitations on the analysis of change, when applied to developing countries where changes may be multidimensional and the environment anything but stable. The review was organised thematically covering the nature of change (and the reaction it induces from the affected organisations), patterns in the change process, drivers of change, successes and failures of change management, and models of change management. In reviewing models of change, two particular methods were underscored because of their contrasting implications for the organisation under study; participatory methods and market-driven transformation. One

⁹ The post-apartheid government inherited over 300 state-owned enterprises, of which the big four accounted for 86 percent of aggregate turnover, 94 percent of total income, 77 percent of all employment, and 91 percent of total assets (RSA, 2000).

appeared to be descriptive of the path taken by Telkom while the other was completely non-descriptive. The contrast can be viewed as useful in dramatising the relevance of the literature to the understanding and characterising of change processes.

5.2 Summary and Conclusion

Overall, the literature identifies factors that can either contribute to the success or failure of change management. Some of these factors include flexibility and decentralization, long-term planning, mission and vision, resistance by organisational members, efficient communication, faulty implementation strategies during transition periods or simply a lack of knowledge by managers and executives regarding important aspects of change management.

Following the literature review was an overview of Telkom and a narrative of the change process. The narrative was presented and organized around the factors described in the literature review as crucial in determining the outcome of the change. Subsequent analysis of the process described in the narrative lead to the following conclusions about the handling of the change process at Telkom SA.

Many of the factors hypothesised to be of importance in stable environments appeared robust to applications in changing environments also. In particular, flexibility, nature of change, and broad participation were canonical. The study attributes the importance of these factors to the ongoing socio-political changes (unstable environment) within which the change process was happening. The managers of the change understood that they had to be sufficiently flexible to accommodate the concerns of those threatened by the change, affected by the change and oppose the change on any number of reasons. In the present case, it would appear that the gradual process of the change was a positive factor as it allowed some of the concerns to be addressed without jeopardizing or derailing the process. It was also clear that broad participation was critical, particularly the role of the National Telecommunications Forum, the cooptation of the labour union, and the early and unequivocal commitment by the national leadership to the program, without stifling opposition and dissent, instead preferring to engage dissenting voices. This was essence of the White Paper process that produced an acceptable legislation that institutionalized the process and provided additional momentum to continue with the change. At the minimum, it signalled a process that had reached a point at which

reversal became a more difficult alternative. A parallel lesson is that by focusing on the “people” dimension of the change, it carried the technological plank along.

This analysis highlights as well, the importance of the ongoing environment to the way the process is managed. It would have been self-defeating to fail to reckon with the ongoing racial reconciliation that was predominant at the time that the change and the probable skewed impact of any retrenchments. The political ramifications driving from that would have been sufficient to kill the change or rendered unsuitable a change model that emphasized a different set of variables than human resource, or that was not participatory or involved efficient communication. Keeping concerned constituencies in the dark would only, as the literature predicts, have generated speculation that can lead to behaviour patterns that were inconsistent with the organisational goals. In an interview with Telkom, they acknowledged that one of their strengths was in their internal communication policy that could be described as very much open.¹⁰ Information was constantly being disseminated about the strategic direction of the organization.

Given where Telkom is at the moment, and where its vision and mission, as well as Government’s intention in pursuing the restructuring program, it is safe to say that the change process was a success and that there can be no doubt about the new identity of Telkom. It has established itself beyond doubt as a major commercial concern.

5.3 A counter point: Glory or infamy?

Of recent, Telkom has come under severe criticism over its labour practices and as showing bad faith under the agreement reached with the Communication Workers Union (CWU), the umbrella trade union for telecommunication workers. In contention is Telkom’s long term strategy for the continued rationalisation of its labour force, and at stake is its future profitability given the relentless market pressure to which it has become subject. The union alleges that not only has the company abandoned the spirit of the human resource management strategy promised under the process described in this study but it has added a twist to its new approach by using dodgy tactics (COSATU, 2003). The Union has also called

¹⁰ Transcript of Interview with Van Der Westhuizen, 2003-09-11

for an evaluation of Telkom's achievement under the skill's transfer component of the management contract with the strategic equity partner.

5.4 Recommendations

At least three serious issues follow from this turn of events. The first implication is that if Telkom has abandoned faith in the compact, such time-inconsistency has serious implications for future negotiations around the rest of the state-owned enterprises that at some point will be under going similar change processes in the future. It can complicate matters for those charged with such future endeavours. On this score, the issue needs to be seriously confronted and resolved, and the outcome widely disseminated in order to create an unbiased constituency for future reform programmes in South Africa and elsewhere in the region where state-enterprise restructuring is still a business waiting to begin.

The other implication is if indeed skills transfer has not proceeded as envisaged, the reason for such performance variance merits an equally serious investigation because one of the objectives for the privatization and taking on technical partners is technology and managerial skill transfer and development. Too often, aid agencies in Africa whether deliberate or otherwise fall into the category of creating a co-dependency regime whereby both the donor and recipient are locked into a perpetual relationship that creates "aid junkies" throughout the continent. The risk of such technological dependency looms large here and cannot be ignored. It is certainly not in the interest of foreign partners to deliver on this aspect of the agreement and so they may have to be coerced under some form of credible threat, presumably already specified in the contract. However, somebody had to "blow the whistle" and the job rationalization using "unclean" tactics may just be the trigger mechanism required to focus on the related issue of technological transfer through foreign direct investment. In terms of judging the outcome of the reform, if the skill transfer is key goal but is not happening, then the success of the reform is procedural but not substantive. Such an outcome challenges the strategic management literature to produce a more discerning test of success in change management.

The third implication raises the question of whether Telkom would have reached its goal under market-driven transformation, given the ongoing environment within which the change process was occurring. Presumably, the pressure to rationalize further, its work force is market-driven. If it were not arriving much later in the process, how much would that have jeopardized the process either through delay or termination? Lessons from this case study suggests that not only would it have been dangerous for the process to move rapidly as required under the market-driven model, but that to create a “strategic discomfort” to speed up the process would have been untenable. Under this model, Telkom’s envisaged rationalization over 9 years of 26,000 workers would have had to occur on a much more compressed time scale in a country with massive unemployment, one of the highest in the world (COSATU, 2003, p.1). That would not only be a political suicide but a social catastrophe. Thus, we see one more reason why context is important and why models cast to explain events in developed countries must be applied with caution to developing countries.

Telkom’s strategy as it opens up to competition should be that of an Extender and a Dodger (Dawer & Frost, 1999). In the former, Telkom’s strategy will focus on leveraging its assets most effectively by seeking analogous markets – those similar to their home base in terms of consumer preferences, geographic proximity, distribution channels or government regulations. This more proactive strategy is advocated by Arens and Brouthers (2001) so that Telkom is able to compete with Western competitors. They argue that that an organisation like Telkom should pursue aggressive, offensive and risky strategies to match the more aggressive environment in which it now operates in without government protection. Telkom will need new marketing techniques, develop new products and services, and utilise their limited resources to purchase and develop new technologies. Since it is faced with strong globalisation pressures its survival will depend on the ability to dodge direct competition from new rivals by restructuring around the value of these local assets and using them as a competitive advantage. Dodging requires Telkom to revamp major aspects of strategy by focusing on carefully selected niches, thus it is difficult to execute.

5.5 Future research recommendations

The findings and limitations of this research provide opportunities for further research in the area of change management, given dynamic institutional changes in the environment. Below is a discussion of some possible research.

A large sample was desirable but unrealistic with regard to the time and money available for this study. Given the limitations of a single case study, the issues raised here could be examined further using cross-sectional data, perhaps focusing on a particular industry such as manufacturing, finance and banking or transportation. Alternatively, change management in state-owned enterprises across the region could also be pursued to learn of common factors that endure across environments and problems that are cross-cutting as well.

It is further recommended that the provision of information through dialogue, although a necessary step in managing change is in itself insufficient; it is equally important to engage in adequate and realistic planning for the process. During the change process in the organisation referred to in this paper, the length for exclusivity was five years. This length was realistic for adequately preparing the organisation for future competition in the industry.

In addition, it is suggested that many of the issues highlighted by the study are related to the emergent approaches to change management, thus, the success has been heavily attributable to the high level of political will and commitment. The organisation has done much to address the enormous challenges of change within its operating environment by embarking on various programmes. Subsequently, it is suggested that emergent approaches are ideal mechanisms for enabling organisations faced with dynamic institutional changes and challenges to achieve required levels of performance. In this respect, progress should be continuously monitored by listening and observing and the realisation that if it is not working then the process needs to be adjusted.

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APPENDIX 1

SEMI-STRUCTURED INTERVIEW QUESTIONS

1. The structure of Telkom is of interest.
 - a. Has workflow changed because people must learn new ways of doing things?
 - b. Is there scope for personal initiative in the work?
 - c. Would you say that union-management dialogue has increased, decreased or remained the same?
 - d. In what kind of issues does the union intervene?
2. Has the training programme been modified or remained the same with regards to the objectives and /or structure? Please comment as appropriate.
3. Which areas were most affected and which were minimally affected by change?
4. Were there any strong union objections to the change in your HR Policy?
5. Were employees generally aware of the increased productivity that their jobs entailed?
6. How fast did workers catch up in new jobs?
7. Did middle managers receive the greater proportion of the training?