# A systemic approach to culture change in distressed organisations in South Africa

**Garrath Rosslee**

**Submitted in partial fulfilment of the requirements for the degree of Master of Commerce in the field of Strategy and Organisation Dynamics at the Leadership Centre in the Faculty of Management Studies**

**University of Kwazulu-Natal**

**2006**

# Abstract

The research undertaken explores how the culture of a business can be changed when in distress. Because of the intangible nature of culture and culture change, the research firstly identified what culture is and how it is represented within organisations before exploring how culture could be changed while a firm is in crisis. A number of pragmatic and practical ways of changing culture were identified.

## Acknowledgements

I would like to thank the following;

- My supervisor, Shamim Bodhanya, for his assistance, time and guidance throughout this study;
- The interviewees who participated in the study;
- Albert Stevens for transcribing my interviewees, typing the manuscript and editing;
- My wife, Diane and children Benjamin, Adam and Isabella who gave me time each week to learn and to generate knowledge.

# Declaration

I, Garrath James Rosslee, declare that this research is an original work and any other similar work has been appropriately referenced.

**Garrath Rosslee**

# Table of Contents

# Table of figures

**Pg**

# Chapter One

## 1.   Introduction and background to the problem

### 1.1.   Introduction

In this chapter, the researcher will outline the reasons for undertaking the research. The rationale and problem statement will be defined, the aims and objectives described and the research design, method, and approach discussed.

### 1.2.   Rationale and background to the problem

Research into distressed organisations that require turnaround expertise is relatively new.   Pandit (2000) notes that enquiry into turnarounds started in the late 1970's and that "our understanding of the phenomenon is very incomplete" (p.31).   Even less research has been completed in South Africa according to Turnaround South Africa (www.turnaroundsa.co.za).

Strategy researchers have not provided much assistance for those who lead turnaround efforts either and Arogyaswamy, Barker and Yasai-Ardenkani (1995) contend that "there are many unanswered questions about what characteristics set turnaround firms apart from firms which continue to decline and eventually fail" (p.43).

A basic literature review indicates that businesses who become distressed seem to be unaware or unable to act on the warning signals that are evident beforehand. Slatter and Lovett (1999) show that businesses begin to show warning signals through symptoms such as increased customer complaints, the loss of talent through voluntary resignations, sagging morale and reduced capex, among other

dimensions. Reynolds (2000) makes the point that "long before a business starts to decline, warning signals start flashing, but managers often . . . ignore them" (p.1).

In attempting to make sense of this, the literature indicates that the prevailing culture of the distressed business is usually characterized by blame, apathy, inertia or internal competition. The literature however shows that although "culture" is seen as one of the key causes of distress, there seems to be no evidence that culture is deliberately addressed or changed during turnaround efforts. At best, culture change is seen as a by-product of other changes.

When it comes to change within the turnaround context, research shows that the content approach is the most frequently adopted with contextual and process considerations almost non-existent (Pandit, 2000). Turnaround practitioners do not seem to adopt a systems approach either. They rather tend to stabilize the business, restore stakeholder support, "fix" through critical content improvements, secure funding through financial restructuring, and then exit. Again, it seems as if one of the chief causes of distress, namely the "culture" of the business receives little attention. A systems approach to cultural change is also not evidently adopted (Pandit, 2000).

Turnaround environments are characterised by crisis management. In such cases distressed business can exploit either (a) economic factors such as cheaper labour, distribution channels and product quality; (b) organisational factors such as the quality and expertise of management, and its ability to implement strategy; and (c) political and legal factors such as interventions from government (Slatter and Lovett, 1999, p.4). The researcher is interested in how organisational factors can be leveraged and how utility can be gained from the inherent characteristics and attributes within the business. The research will consider how the intrinsic company culture can be changed and utilised within distressed businesses.

According to Richard Koch (2000) culture is the "personality and character of the company, derived from generations of people and experience and leading people inside a form to behave in characteristic ways without thinking about it" (p.203). Culture can therefore be considered a psychological or unconscious process.

Taylor (2000) notes that culture is "what is created from the messages that are received about how people are expected to behave" (p.5) and "what is really valued in organisations" (p.7).

Koch (2000) highlights the point that no culture is the same and goes on to say that it is "impossible to succeed in a corporate transformation without radical culture change" (p.204).

Of relevance is Stacey's (2004) perspective who contends that the culture of a business needs to follow the set business strategy (p.651). This implies that a fit between strategy and culture should exist. This perspective is supported by Koch (2000) and Taylor (2005).

It therefore seems that the vision and strategy of the business should determine the "type" of culture which in turn drives behaviour and influences performance.

This approach makes logical sense but does not seem to be deliberately leveraged by managers and practitioners (Taylor, 2005). This suggests that the strategy adopted by a firm needs to be accompanied by a strategy-specific culture change programme in order to ensure alignment. Whether this exists or not will be examined by the research.

The approach and findings will be critiqued from a systems perspective.

In summary then, the headline purpose and objective of the research will be to explore the relationship between culture and business failure and to examine culture change from a systems perspective.

## 1.3.    Problem statement

The principle aim of this study is to determine practical and pragmatic ways of fundamentally altering and changing the culture of business. Businesses that are in crisis or in a turnaround or transformation will be considered as reference points.

For this, a number of objectives are outlined:

- To complete a literature review on strategy and culture change in turnaround situations, and to critique these from a systems / complexity perspective.
- To consider whether or not there is a type of culture that is more likely to aid the organisation in its slide towards distress / crisis.
- If this is so, how does that type of culture manifest? To identify what the signals are and to identify the lead indicators in such cultures?
- Once in a crisis / turnaround situation:
  o Identify "what" needs to change in order to alter the culture?
  o Assess how turnaround in culture should be performed? What actions have to be taken to identify the "how" of culture change?
- Consider ways in which one would measure and gauge whether the adopted approach actually works?
- Explore what the appropriate approach to strategy change is implied through this?
- To list the implications for strategy, change management and leadership in turnaround environments?
- To develop a conceptual framework and guidelines to make recommendations for further research within the fields of systems theory / complexity, strategy and culture change.
- To then identify practical ways of expediting culture change.

## 1.4. Defining terminology

Five focus areas are considered in the paper and are defined for reference purposes:

### 1.5.1 Turnaround situations

Slatter and Lovett (1999) define a turnaround situation as a "company whose financial performance indicates that the firm will fail in the foreseeable future unless short term corrective action is taken" (p.1).

### 1.5.2 Culture

Culture is defined as "what" is typical of the organisation, the habits, the prevailing attitudes, the grown-up pattern of accepted and expected behaviour" (Drennan in Senior, 1997, p.124).

### 1.5.3 Change

For the purpose of the research the variety of change referred to will be "discontinuous change" where change "is marked by rapid shifts in either strategy, structure or culture, on in all three" (Grundy in Senior, 1997, pp. 38-39).

### 1.5.4 Systems theory

A systems perspective assumes that "everything is or can be connected to everything else" (Luckett, 2004, p.1).

### 1.5.5 Strategy

While the field of strategy is extensive, the definition of Wright et al (1992) in Mintzburg, Ahlstrand and Lampel (2005) will be adopted and states that strategy is "top management's plans to attain outcomes consistent with the organisation's missions and goals" (p.9).

## 1.5. Programme of investigation

### Chapter One: Introduction and background

The opening chapter serves as an introduction to the study and provides the statement of the problem, its aims and objectives, basic terminology and what will be referred to throughout the dissertation.

### Chapter Two: Research method

The second chapter outlines the research approach adopted by the researcher. The research design, paradigms and methods used will be set out.

### Chapter Three: Literature review

The first part of the triangulation approach adopted in the research is to review available literature on strategy, culture change and turnarounds. These will be critiqued from a systems / complexity perspective. The literature review will assist in formulating the research questions that will be used when interviewing.

### Chapter Four: Interviews and validation including preliminary findings

Semi-structured interviews will be held with fifteen practitioners and consultants in the field and this chapter will summarise the data. A content and thematic analysis will identify trends and patterns.

### Chapter Five: Narratives

Three cases on turnaround situations in South Africa will be examined with a similar thematic analysis undertaken. One of these will be as a "participant in process" as

the author of this dissertation is currently completing a turnaround assignment in South Africa.

**Chapter Six: Conclusion and insights**

The findings from the literature, interviews and cases will be compared and synthesized in chapter six. These will be consolidated into a conceptual framework and the researcher will concentrate on developing guidelines which can be utilized by practitioners or used for further research.

# Chapter Two

## 2. Research Method

### 2.1 Introduction

The aim of this chapter is to describe how the research will be conducted and how data will be collected, transcribed, analysed and synthesised into a set of findings, insights and recommendations.

### 2.2 Research design

Research of this nature is new and seemingly untested in South Africa, and for this reason a flexible research design is expected. While the notion of "culture" is well known, as is general management theory, little is known about culture change in distressed organisations.

This means that the available literature needs to be tested and then built on. Various role-players have therefore been identified as resources in order to develop a point-of-view. The views will then be considered from a qualitative research perspective using a phenomenological framework.

### 2.3 Paradigm and approach

There are generally three approaches to research.

Denzin and Lincoln (1994) refer to the qualitative, quantitative and critical approaches. The quantitative research perspective highlights the measurement and analysis of causal variables while Cresswell (1994) shows that qualitative research is useful in understanding how things occur, and how meaning is derived from phenomena. Leedy (2001) makes the point that

qualitative research is better suited to understanding complex situations and typically use their observations to build theory from the ground up.

The critical approach to research attempts to overcome domination and is therefore emancipatory in nature. It attempts to deconstruct the status quo and concerns itself with power relationships and has tended to cover areas related to race, gender and age issues (course notes, 2006). This will not be used in the research undertaken.

The qualitative approach will be adopted as it will examine the constraints as experienced in the "real world", i.e., the natural setting in which it occurs. The topic under discussion has also not been researched before in South Africa and so will require an open mind and will need to be engaged with thorough and close interaction with respondents in order to process information on attitudes, opinions and experience into meaningful themes, patterns and perspectives.

## 2.4    Methodology

Because the relationship between culture and distressed organisations, and between culture and strategic fit is vague, and with limited local research on culture change, an exploratory research perspective will be adopted. A combination of a literature review, interviews and cases will be employed. This method of triangulation should suffice in order to yield reliable and valid findings.

## 2.5    Methods and data collection

The research will begin with a review of applicable content and literature in the areas of strategy, culture, change, turnarounds and strategic fit. The literature study will show findings from both successful and failed organisations for illustrative purposes. The relevance of culture and the case for strategic fit and change will be made.

Semi-structured interviews will be held with experienced and suitably qualified consultants, researchers and business leaders. This is performed in order to identify the applicable content and process considerations required for the successful implementation of a strategic fit and culture change programme in distressed businesses.

The sample has been selected in order to provide a mix of perspectives from those who are practicing through full-time involvement in the management of firms and so can be considered "content" experts; from those who have consulted to and advised organisations and who can therefore be considered "process-experiential" experts, and from selected business and research analysts from reputable research houses in South Africa. Many investment professionals refer to culture when considering investment opportunities.

The latter have been included in order to provide input from "a distance". This implies that they have not been involved in change efforts (whereas the two above will have) but whose occupation it is to make investment decisions based on observation and research into such companies.

These investment professionals furthermore place emphasis on contextual issues such as macro-economics, industry effects, historical strategies and Board / Stakeholder influence when considering companies and as such will provide alternate views. They can be considered "context – experts".

This approach will ensure that each of the change categories mentioned earlier will be championed.

It is expected that fifteen interviews in total will be conducted. The interviewees will all have at least ten years business experience, will be over thirty five years of age and will be in possession of at least a postgraduate degree in business. This will be done to ensure that an experienced and mature perspective is gained.

The findings from the literature review and the content and process findings yielded from interviews will be compared with three cases expressed as narratives. Two local cases on the turnaround of distressed businesses will be examined from a systemic and cultural change perspective. The approach adopted, the process followed and the content employed by the turnaround practitioners will be considered against that generated from the literature review and interviews conducted.

An additional case will be examined through the researcher reflecting and then commenting on his experience as a consultant in a turnaround case. The researcher will therefore take the role of a "participant observer".

Each of the narratives will be gained from an experienced turnaround practitioner who has successfully managed the turnaround of a distressed business in South Africa in the last five years. This has been proposed in order to keep the findings as "current" as possible. The turnaround practitioner will need to be a member of the regulatory body in South Africa in order to ensure credibility while the case will need to be acknowledged as a success through the same body.

## 2.6    Data analysis

As noted earlier, a phenomenological approach will be adopted.

According to Barrett (1986, p.18) the intention of research using the phenomenological framework is to "try and go to the heart of the matter by looking for meaningful themes that lie in the unexamined events . . . to find meaningful, shared themes in different people's description of common experiences".

To this end, the following steps were used in order to solicit data:

Step 1: An independent typist transcribed the data from audiotapes recorded during the interviews and narratives. The interviews preceded the narratives and personal reflection / participant observer notes.

The interview protocol comprised twelve questions. The questions posed were developed once the literature review was completed and covered the content areas of:

a. A working definition of culture.
b. "Types" of culture.
c. Warning signals within culture.
d. Approaches to culture change.
e. Culture / strategy "fit".
f. Role of leadership.
g. Characteristics and attitudes of turnaround managers.
h. Other.

A pilot was conducted in order to assess the relevance of questions, interview format and timing. The pilot was conducted with a practitioner in the field of culture change in South Africa.

Step 2: The researcher read the transcriptions twice and meaning units were identified and categorised.

Step 3: Respondents were presented with categories from the research and asked to validate the preliminary categories and to add or to eliminate as required.

Step 4: Themes and patterns were derived from the categories. The researcher placed the ideas that fit most appropriately and best substantiated the category. The transcription was then taken to an independent decoder to ensure the validity and then given the protocols and original transcriptions in order to finalise the data.

Step 5: A comparison between the themes and the literature was held together with appropriate quotes that support the themes. Insights and findings where then discussed before recommendations are made.

# Chapter Three

## 3. Literature Review

### 3.1 Introduction

The purpose of chapter three is to explore available literature on turnarounds, strategy, change and corporate culture. These are then critiqued from a systems perspective. The findings will assist in developing the interview format and questions posed to interviewees.

### 3.2 Turnaround Management

#### 3.2.1 Why turnaround management?

The definition of a turnaround is straightforward. According to Pandit (2000) "a corporate turnaround may be defined simply as the recovery of a firm's economic performance following existence-threatening decline" (p.32). The acknowledged leaders in turnaround research and practice, Slatter and Lovett (1999) do not however restrict turnarounds to only "cash-crises" as they point out that turnarounds may be required in organisations that do not have cash or economic problems. They may experience a growth crisis, for example.

Turnarounds may be required at any stage of an organisation's life cycle and not be restricted to those who are coming to the "end". Turnarounds however tend to be most commonly undertaken at points 1-4 as indicated below where firms are in a decline of some sort.

**Figure 1: A corporate life-cycle**



Source: Adapted from Slatter and Lovett (1999, p.2)
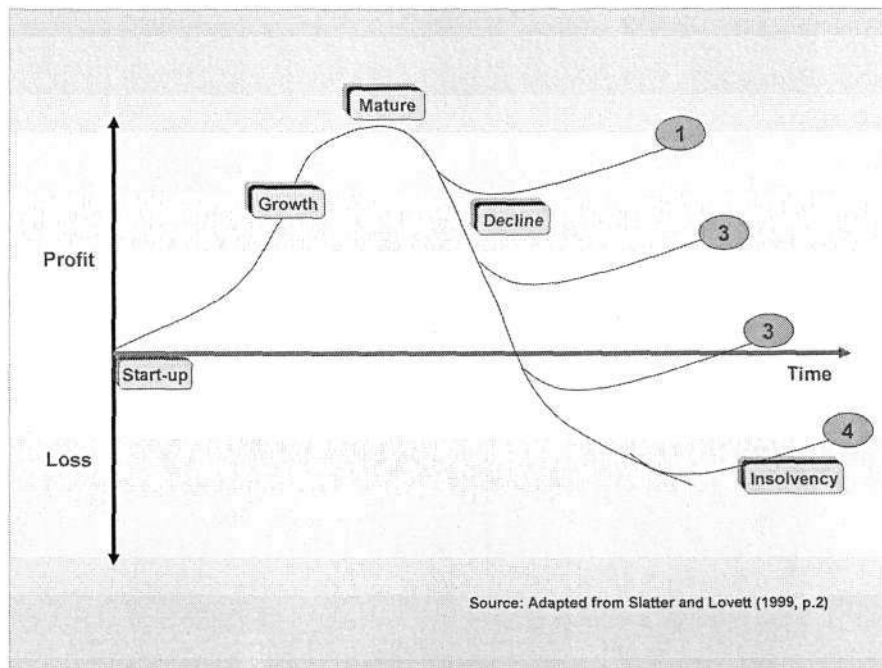
### 3.2.2 The seeds of decline

Most sources on turnarounds highlight common concepts and characteristics. They refer to the fact that "firms often exhibit symptoms of failure long before any crisis begins" (Slatter and Lovett, 1999, p.1). Auchterlonie (2002) notes that "every company has a life-cycle, and at some point, crises of financial distress should be expected. Recognising early warning signals of distress increases the likelihood that immediate corrective action be implemented" (pp. 18-19).

Bordreau (2004) points out that the signs of a company in distress are often multidimensional and not only in financial performance. He argues that signs are usually seen in declining profit, increasing debt, but also in other trends such as "increasing customer complaints, key employee turnover, declining equipment maintenance and reduced

capex". These signs, if not acted on, become a crisis and "creditors call in loans and finally liquidation or bankruptcy" (Marrinan, 2004, p.1).

Another common characteristic of an organisation in decline is that management usually reacts by "utilising a passive strategy and hoping things will turn around or even worse . . . misdiagnoses . . . and reacts by implementing an ineffective strategy" (pp.1-2).

Organisations in decline therefore seem to ignore the symptoms and either do nothing or tend to adopt reactive or inappropriate strategies, and hope for the best. Senge's (1992) idea of a "fixation on events" comes to mind.

### 3.2.3 Approaches to Turnaround management

Four phases to turnarounds is evident in the literature. These are summarised into the analysis, emergency, strategic change and growth phases. The broad objectives of these are to:

- manage the immediate crisis through stabilisation.
- restore stakeholder support by leaving stakeholders secure that the situation is being properly managed.
- fix the business through focus, change and critical improvements.
- secure future funding through financial restructuring.

(Adapted from Slatter and Lovett (1999); Boudreau (2004); Marais (2003); Reynolds (2005); Auchterlonie (2002)).

While Slatter and Lovett (1999, p.5) refer to the "holistic" nature of the approach, few others seem to. Since the nature of turnaround management implies change, it is necessary to consider the point made by Pandit (2000) on the "simplistic" nature of findings when research has been conducted into such situations.

### 3.2.4 Criticism

It therefore seems as if practitioners adopt a linear approach to turnarounds. Turnaround managers seem to each arrive with a "100-day" plan with each day carefully planned and orchestrated. A recent article in "The Weekender" (July 8-9, 2006) refers to the three turnarounds that have taken place at South African Airways in the last decade. The first "turnaround" under Coleman Andrews, a "specialist" turnaround practitioner failed; the second approach under Andre Viljoen was "perfecting the basics" and also failed when the local Treasury had to bail it out of trouble by providing guarantees totalling R7 billion; now the third "turnaround" is underway with Khaya Ngqula. It too seems destined to fail as the airline recently reported a R65 million loss, R100 million penalties, a 20% loss in domestic market share and 11 of 18 senior managers either leaving, not having contracts renewed or being fired. The business continues to draw symptoms of distress.

Turnarounds are clearly difficult to properly navigate and seem less linear than outlined in points 1-4 above.

An article in the Financial Mail (June 9, 2006) reporting on the turnaround at Nedbank in South Africa shows that businesses are "turned around" by fundamental issues like improving staff morale, staff dissatisfaction, reward systems, retention and skills – all of which are complex – or described as "messy" by complexity theorists.

Lane (2000) distinguishes between a "difficulty" and a "mess". A "mess" is usually bounded, difficult to articulate, not easy to disengage from the system and influence, has no priorities, feeds uncertainty, is mostly about ego's, emotions and the like, and where no immediate solution is evident. It furthermore carries application across the

business system, impacts everyone across the system and is vague and confusing (p.29).

## 3.3    Organisation change

Pandit (2000, pp. 36-38) refers to work of Pettigrew (1987) on change who considers change from a content, context or process perspective. Content refers to the "what"; context to the "why" and process to the "how" and goes on to outline published research related to turnarounds against each of the categories. He reports that 30% of the research considers the content of turnarounds; 21% the context and 15% the process of turnaround interventions.

The only research that seems to cover all three is that of Slatter (1984). One can therefore agree with the rudimentary, simplistic or one-dimensional assertion of Pandit (2000) as pointed out earlier. The findings of the research on change and turnarounds suggest that the content, context and process dimensions all need to be considered (Pandit, 2000, pp. 39-42). These are listed below.

**Figure 2: A summary of change categories in turnarounds**

| Context | Content | Process |
|---|---|---|
| **Inner Context**<br><br>• The cause of decline<br>• Severity of crisis<br>• Attitude of stakeholders<br><br><br>**Outer Context**<br><br>• Historical strategies<br>• Industry effects<br>• Time-scale (venture, growth, development, mature, decline)<br>• Macro economics | • Rapid growth<br>• Deal structures<br>• System conversions<br>• Ineffective management<br>• Low margin distribution channels<br>• Lack of controls<br>• Precarious customer base<br>• Family business<br>• Delay on accurate data and availability | • The characteristiccs of successful turnaround managers<br>• The "mindsets" of senior management that seek to prolong crisis situations is scant<br>• Stages of crisis development<br>• Triggers for change<br>• Sequence of recovery actions |

*Source: Pandit, 2000, pp. 39-42*

While the inner and outer context, content and process research findings are useful in that they offer preliminary pointers, "they fail to properly address . . . the identification and testing of links between the content turnaround strategies, the context in which they occur, and the process by which they are implemented" (Pandit, 2000, p.42). Pandit (2000) again quotes Pettigrew (1987) who argues "research on strategic change should involve the continuous interplay among ideas about the context, the process and content of change with skill in regulating the relations among the three" (in Pandit, 2000, p.42).

Pandit (2000) and Pettigrew (1987) seem to be advocating the use of systems theory, its terms and concepts in order to deepen understanding and knowledge of turnarounds and turnaround management. Content, context and process are generally viewed separately; systems research and thinking attempts to integrate these.

Findings from exploratory research in South Africa shows that a successful turnaround in South Africa will include:

a. An appreciation of what the causes of the decline were. This may include product issues, cash-flows or people considerations.

b. A general approach to project managing the turnaround. The steps include stabilising the business, maintenance, preparation for sale and continuity phases.

c. Emphasis being placed on the management of "tangibles" such as finance, operations, cash flow, distribution and sales. The most reported issues – people – are seemingly addressed by bringing new people in.

d. Management of Stakeholders and communication. Stakeholders play an important part in restoring confidence and include funders who could exit at any time.

e. Immediate actions and a short-term perspective. Daily and weekly targets are part of everyday life.

f. Attention and focus slanted inward. The thinking seems to be one "clearing up internally" before concerning itself with external issues like advertising, marketing, and sales. Operational distribution and cash-flow considerations enjoy priority.

Other observations include the following:

- *Once the business has been stabilised and set on a path to recovery, turnaround practitioners then typically leave for the next assignment. It is not known whether deeper endemic problems are properly addressed.*

- *While questions of leadership style and management are reported as being significant, the common approach taken by turnaround professionals is to retrench or dismiss middle and senior managers who are considered poor performers or surplus resources. Often they are replaced by outsiders but it is not known whether this approach works either as (old) dysfunctional patterns of behaviour are not directly addressed by turnaround practitioners.*

- *The term "culture" is considered very important but is also not addressed directly by practitioners.  The researcher found that the prevailing culture at the time of turnaround is typically characterised by finger-pointing, turf protection, inertia, blame, immobility and internal competition.  Little or no evidence was found where the dynamics mentioned above were deliberately addressed and changed.  Culture change in turnarounds seems therefore to be a case of "throw and hope for the best".*

- *Systems thinking is not evidently part of a turnaround managers repertoire.*

Rosslee, 2005a, pp. 4-9

### 3.3.1  Criticism

The chief criticism from a systemic perspective levelled at the general approach to change is that change efforts ignore process and systemic considerations.  The literature review and preliminary findings indicate that turnaround managers are generally ignorant on systems and complexity theory and its applications.  This is probably because turnaround managers are in all likelihood either trained in the accounting, engineering or business sciences and generally adopt reductionistic approaches.  The writers' personal experience when engaging formally and informally with turnaround practitioners (and with most middle and senior managers for that matter) show that they (managers) are oblivious to complexity theory, systemic thinking and complex adaptive systems.

## 3.4  Culture

### 3.4.1  Introduction

'Culture' is becoming more and more important to organisations (Ulrich and Brocklebank, 2005). One of the reasons for the increased focus on

culture is because it often acts as a "lead" indicator in business (Norton and Kaplan, 2004) and because it is often a hidden aspect of organisational functioning.

### 3.4.2  Dimensions and levels

The culture of a business exists on two levels; one which is visible and the other which is further from conscious awareness.  The conscious aspect is closer to awareness and is usually easy to identify as it refers to how people engage with one another, and it refers to company-specific terminology, and characterised by symbols and rituals (Kotter and Heskett, 1992).  Examples of these include jargon and terms used, dress-codes and behaviours.

At a deeper, less visible level, culture refers to values that people share "that tend to persist over time even when group membership changes" (Kotter and Heskett, 1992, p.4). It is at this level where change is most difficult to manage.  This is because people are not aware of what the real values are that hold them in place.

## Figure 3: The organisational iceberg

Formal organisation /
Rational forces / Visible

Goals

Strategy

Structure

Systems, Processes and Policies

Products and Services

Financial Resources

Management

Informal organisation /
irrational forces / invisible

Values, Attitudes and Believes

Leadership Style and Behaviour

Organisational Culture and Norms of Behaviour and
Influence patters

Informal Groupings

Feelings and Emotions

Interpersonal relations

Individual Needs

Source: Adapted from Senior, 1997, p.123; de Vries, 2001, p.44

The iceberg referred to likens culture to personality. It was Sigmund Freud who first used the iceberg analogy when demonstrating this theory of personality in the latter part of the 1800's (Edwards in Tyson ed, 1986, pp. 270-291).

Kets de Vries (2001) points out that managers most often concern themselves with the formal organisation and therefore "study manifest phenomena such as vision, mission, goals, strategies, tasks . . . roles and reward systems". He goes on to point out that they are important but so too are the irrational / less visible forces that drive visible behaviours. These variables include such factors as corporate culture, power and influence patterns, group dynamics, interpersonal relations and stress reactions and core beliefs which are formed very early on in the employment relationship (p.44).

While not stating it explicitly, de Vries (2001) seems to be pointing out a fact that psychologists and other social scientists have known for some time; that observed behaviour is often a result of deeper held beliefs,

values, assumptions and attitudes. It is at this level where visible behaviour is changed and therefore also at this level in organisations where culture is fundamentally altered.

The diagram below illustrates the point:

**Figure 4: Schein's model of organisation culture**



Level I. Artefacts & creations
- Technology
- Art
- Visible and audible behaviour patters

Visible but not often decipherable

Examples of cultural attributes
- Documents
- Physical layouts
- Furnishings
- Language
- Jargon
- Work ethic and practice
- Fair day's work for a fair day's pay
- Loyalty
- Commitment
- Helping others
- Performance leads to rewards
- Management equity
- Comeptency counts

Level II. Values
- Testable in the physical environment
- Testable only by social consensus

Greater level of awareness

Level III. Basic assumptions
- Relationship to environment
- Nature of reality, time and space
- Nature of human nature
- Nature of human activity
- Nature of human relations

Taken for granted invisible preconscious

Source: Adapted from Schein. In Gibson, Ivancevich and Donnelly (1997, p.30)

The 'visible-less-visible' theme is evident in Schein's framework. Level one is easy to notice because it refers to the tangible, observable and concrete objects and practices including behaviours.

Level two refers to values which are "part of the cognitive sub-structure of organisational culture as values are intimately connected with moral and ethical codes and determine what people think ought to be done (Brown, 1995, p.21). Although values are known, they remain less visible than level one "creations" and therefore require ceremonies, functions and other methods of reinforcement to keep them and make

them more visible. They should also become part of organisation processes and evaluation systems (Taylor, 2005, pp. 36-81).

Layer three refers to the basic assumptions people have of other people. Beliefs usually taken for granted and are an unconscious process.

Brown (1995) distinguishes between ordinary beliefs and basic assumptions:

a. Beliefs are consciously held and easy to decipher; basic assumptions are held unconsciously and very difficult to surface.

b. Beliefs can be confronted, talked about and therefore easier to change but assumptions are far more difficult to confront nor are they easily debateable.

c. Beliefs are simple cognitions while basic assumptions are more complex as they include beliefs, emotions and values – which de Vries (2001) argues often gives rise to irrational dynamics.

### 3.4.3 Types of culture

The discussion so far has outlined the levels and dimensions of culture. Harrison (1972) developed a "typology" of cultures where he identified four main types. These are the power, role, task / achievement and person types.

A power culture is one where decision-making rests with one or two people. It is essentially an autocratic environment where individual achievement is usually motivated from a sense of loyalty or by fear.

A role culture is characterised by practices and processes and is bound by "logic, rationality, and achievement of maximum efficiency" (Cartwright and Cooper, 1992, p.67). Such organisations are usually

bureaucratic with formal procedures, policies and guidelines regulating behaviour. Power generally rests with those higher up the hierarchy.

Task / achievement cultures emphasize "what is achieved more than how it is achieved" (Cartwright and Cooper, 1992, p.68). Content knowledge and task expertise is emphasized. Such cultures often generate commitment, energy and passion but more often than not lead to disillusionment over time as individual expectations increase with time and often leave people "burnt out". Such organisations are often characterised by blame – which inevitably becomes apathy. Cartwright and Cooper (1992) make the point that task cultures can be found in specific areas of a company and are usually found in start ups.

In person / support cultures the emphasis is placed on the growth and development of people. Collective decision-making and a free-flow of information characterises these firms.

### 3.4.4 Culture attributes

Business literature shows that organisations were historically able to compete in a number of markets, whereas they now need to focus on very specific markets – or niches within markets (Collins and Porras, 1994; Ries, 2004). Ulrich and Brocklebank (2005) state that as a result of specialisation and increased focus that "companies have been becoming more sophisticated about culture definition . . . they have come to recognise that they can't try to do everything" (p.163). As a result, successful organisations are best off with a couple of "cultural targets or pillars". This is performed in order to minimise confusion, ensure consistency and avoid double-messages.

The same authors go on to cite examples of "attributes and culture words" on how organisations define cultural attributes. A few examples are listed below:

a. Disciplined risk taking (Deutsche Bank).

b. Restless creativity (Unilever).

c. Teams passionate about winning (Astra Zeneca).

d. Resourceful agility (BAE Systems).

e. Customer-focused innovation (Texas Instruments).

From: Ulrich and Brocklebank, 2005, p.164.

## Figure 5: A glossary of culture terms and definitions

| Adaptable | Cost- | Multidisciplined | Passionate | Risk-inclined |
|---|---|---|---|---|
| Aggressive | conscious | Nimble | Proactive | Sensitive |
| Agile | Courageous | Individualistic | Prompt | Simple |
| Alert | Creative | Ingenious | Rapid | Smart |
| Assertive | Decisive | Initiating | Reactive | Stylish |
| Bold | Disciplined | Innovative | Reality- | Team-based |
| Bright | Driven | Integrated | based | Tenacious |
| Brilliant | Efficient | Intimate | Receptive | Thoughtful |
| Clever | Fast | Inventive | Relational | Tough |
| Collaborative | Flexible | Lean | Relentless | Unencumbered |
| Commercial | Focused | Opportunistic | Resourceful | |
| | Friendly | | Responsive | |

*Source: Ulrich and Brocklebank, 2005, p.164.*

### 3.4.5  Culture in South African organisations

The concept of culture is relatively new in academic terms. It was initially examined in an organisation context in the 1980's after research into Japanese organisations.

Culture is not a new concept. It is the central concept in anthropology. Anthropology examines how groups communicate, how they live their

lives and what makes groups unique and different. The same applies to the culture of a business. It is the most pervasive differentiator. Culture is the single attribute all organisations have and therefore is about what makes them unique and different to their competitors. It is an opportunity for leverage in all firms (Mintzberg, Ahlstrand and Lampel, 1998, p.264).

South African organisations have recognised the importance of culture and realise it's influence on business – especially the role that it plays in building and maintaining the "psychological contract" that exists between staff and a company. Research shows that organisations who concentrate on strengthening the "contract" between itself and staff tend not be subject to issues and challenges such as attrition and retention problems, workplace crime, productivity issues, communication and improving performance as organisations who pay little or no attention to the 'contract' (Makin, Cooper and Cox, 1996).

The importance of culture is emphasised by practices that gauge and measure the impact of cultural and organisational behaviour. Tools like culture audits are used and measure their progress through disciplines such as the Balanced Scorecard, company dashboard and Performance Management.

Evidence of the increasing and growing emphasis of culture is also found in company assessments completed by analysts at firms such as Asset managers who prepare opinions on the status of organisations they want to invest in (Stanlib, personal correspondence, March 2006); by business consultants who prepare perspectives on improvement opportunities (Gemini Consulting, personal correspondence, March 2006) and by journalists who provide opinions to the public at large (Independent Newspapers, personal correspondence, March 2006). The impact and significance of corporate culture has grown to such an extent that it is now one of the top six criteria examined by a team of

researchers who determine "The Best Companies to work for in South Africa" (Corporate Research Foundation, 2006).

### 3.4.6 The roots of culture and the role of leadership

The previous section on culture in South Africa has raised the question of national culture and its impact on organisation culture. A nations' "character is rooted in its culture" (de Vries, op cit, p.228). Like most values, culture is learned and shared between generations which means they are very difficult to change. This adds to the complexity of the "cultural question". The dimensions of national culture are illustrated below.

**Figure 6: The wheel of culture**



Source: de Vries, op cit, p.231
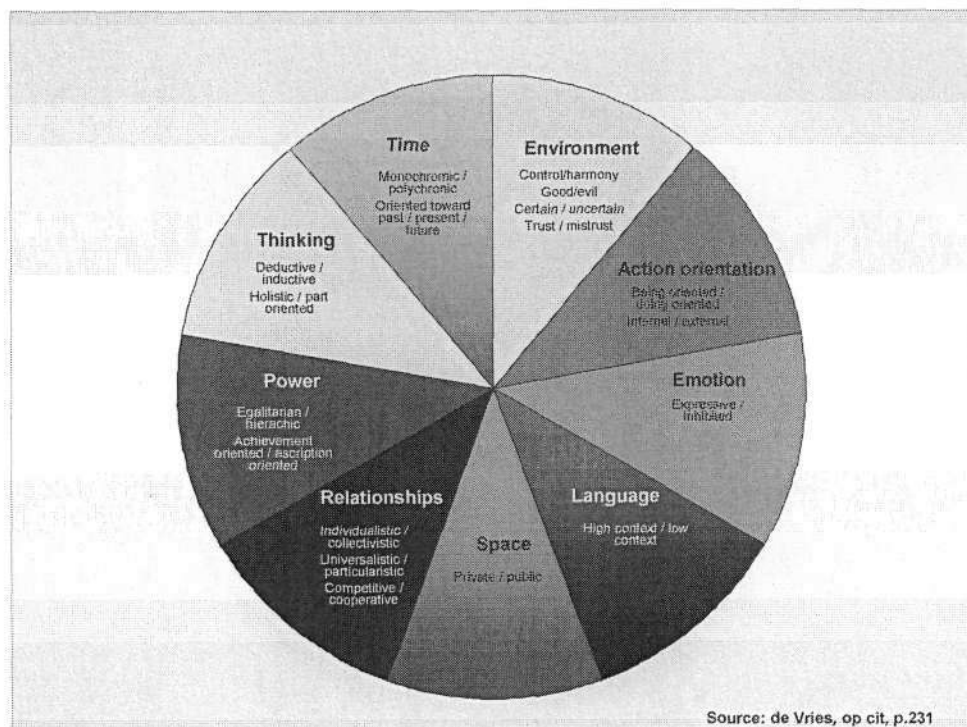
National culture is therefore expressed in organisations and is manifested in a number of ways. Local culture still emphasises the "elder as more important" (although some may believe it is changing) and South Africa remains a patriarchical and hierarchical society. This

means that power is centralised at the top of the hierarchy with clear structures thereafter. Decision-making power and authority therefore rests with one's position on the corporate ladder. As a result, those whose position is higher up the ladder are generally considered more important.

Because of this, staff tend to model the behaviours of senior people. This is why the general approach to people, the leadership style and – by implication – corporate culture is crafted, set and demonstrated by senior people in organisations. Staff "learn" the culture by consciously and unconsciously adopting the prevalent values, attitudes, behaviours and assumptions of the business. The section on "complex adaptive theory" presented later in Section 5.3 expands on this.

Leadership is therefore central in crafting of changing the culture of a business. It is the role of leadership to establish culture in the business and to then reinforce it through formal programmes and informal processes in order to embed, reinforce and maintain. A key point here is that culture development and maintenance is a deliberate effort.

### 3.4.7 Criticism

The preceding section has shown that although culture is in some ways difficult to articulate and therefore to understand, it is gaining prominence and importance. Culture is intuitively obvious but different to quantify and thus far has evidently not been quantified.

The literature review has not yet yielded an index or indices of "organisation culture" which would indicate its specific dimensions and attributes. Perhaps developing an instrument to measure and report on culture could be one of the outcomes of this research. This might be of little application though as the instrument would then assume that a

cause-and-effect relationship would exist between the instrument dimensions and culture.

Despite this shortcoming and with the continued inability of researchers to fully and adequately explain culture, it may well be a very good idea to develop an approach to culture change using applicable change management methodology and practices. The literature findings indicate that many organisations are now attempting to match culture, strategy and people which implies some kind of "fit" between core organisation processes.

## 3.5 Business strategy

### 3.5.1 Introduction

In this section the term "strategy" will be introduced and explored. As strategy is often used in literature and practice, it seems to have many definitions, interpretations and applications. The outcome of this section will be to outline how strategy will be used and defined in the context of the research undertaken.

### 3.5.2 History

It was probably Peter Drucker who initiated an academic review of strategy when he published "Concepts of the Corporation" in 1946. His view was that organisations need to excel at goal setting and so the idea that strategy is about achieving specific objectives was established.

In the 60's the work by Theodore Levitt and Igor Ansoff's titled "Corporate Strategy" (1965) was published and it built on the notion of

strategy as planning objectives, expansion plans, product and market positions and allocations.

The late 60's through to the early 80's saw consulting firms begin advising on strategy with most notably the Boston Consulting Group who developed tools such as the "Experience Curve" and the "Growth / Share" matrix. Writers who rose to prominence during this time were Mintzberg who wrote "Strategic Management" (1979), Michael Porter who wrote "Competitive Advantage: Techniques for Analysing Industries and Competitors" (1980) and Ohmae who wrote "The Mind of the Strategist: The Art of Japanese Business" (1982).

Most of the thinking in these texts suggests that strategy is about ensuring "FIT" where the organisation places itself at a specific position in a particular industry. Strategy for these writers is therefore about identifying opportunities, positioning the company in line with that opportunity and then delivering within that position. These are often referred to as the "Hard Strategists" (Koch, 2000, pp. 4-8).

Other writers such as Charles Handy (1982), Tom Peters (1982), Rosabeth Moss Kanter (1990) and Mintzberg (1979) have however favoured qualitative or "soft" inputs rather than the data driven, quantitative methods employed by Porter and others.

Writing on strategy in the 90's was greeted with work by Gary Hamel and C.K. Prahalad who argued that skills and capabilities (core competencies), a firms ambitions, purpose and its ability to learn and change are relevant to its business strategy (Koch, 2000).

### 3.5.3 Approaches to strategy

A synopsis of strategy by Mintzberg et al (1998) identified ten "schools" of strategy. These are set out in the table below with a brief description of each and examples of well-known proponents.

## Figure 7: Schools of strategy

| School | Description and Features | Proponents |
| --- | --- | --- |
| The Design School | Strategy as a process of conception and where position is sought and where 'structure' follows. | Chandler (1962) Porter (1980) |
| The Planning School | Strategy as a formal process of planning, scheduling, organising and control including internal and external audits. Scenario planning is included here. | Goold & Campbell (1987) Wade (1985) |
| The Positioning School | Strategy formation as an analytical process using data and analysis. | Boston Consulting Group McKinsey & Company |
| The Entrepreneurial School | Strategy formation as a visionary process where personality characteristics of leaders are important and where strategy is essentially about identifying opportunities. | Drucker (1946) Welsh (2002) |
| The Cognitive School | Strategy formation as a mental process including decision-making, information processing and interpretations from objective and / or subjective perspectives. | Weick (1995) Smircich & Stuggart (1985) |
| The Learning School | Strategy formulation as an emergent process where questions are asked about how strategies actually form within organisations. | Quinn (1980 a,b) Weick (1979) Senge (1990) Hamel & Prahalad (1990, 1993, 1994) |
| The Power School | Strategy formulation as a process of negotiation where variables of power, politics and manoeuvring influence direction. Includes concepts like strategic alliances and strategic sourcing. | Fombrun & Astley (1983) Pekar & Allio (1994) |
| The Cultural School | Strategy formulation as a collective process where strategy is developed through social interaction based on shared values, beliefs and assumptions. | Feldman (1986) Peters & Wateman (1982) Firsirofu (1985) Reiger (1987) |
| The Environmental School | Strategy as a reactive process where organisations react to forces outside the organisation. | Ohmae (1991) Taylor (1982) |
| The Configuration School | Strategy as a process of transformation from periods of stability to periods of strategic change. | Miller (1982) Hurst (1995) |

Source: Adapted from Mintzberg, et al, 1998, pp. 4-347.

### 3.5.3 Synthesis

After considering the various approaches to strategy, it should be clear that it is a wide and varied topic. It has also developed into a robust discipline as it is taught at virtually all business schools around the world.

The various schools all enjoy attention as the graphs show.

**Figure 8: Evolution of ten schools**
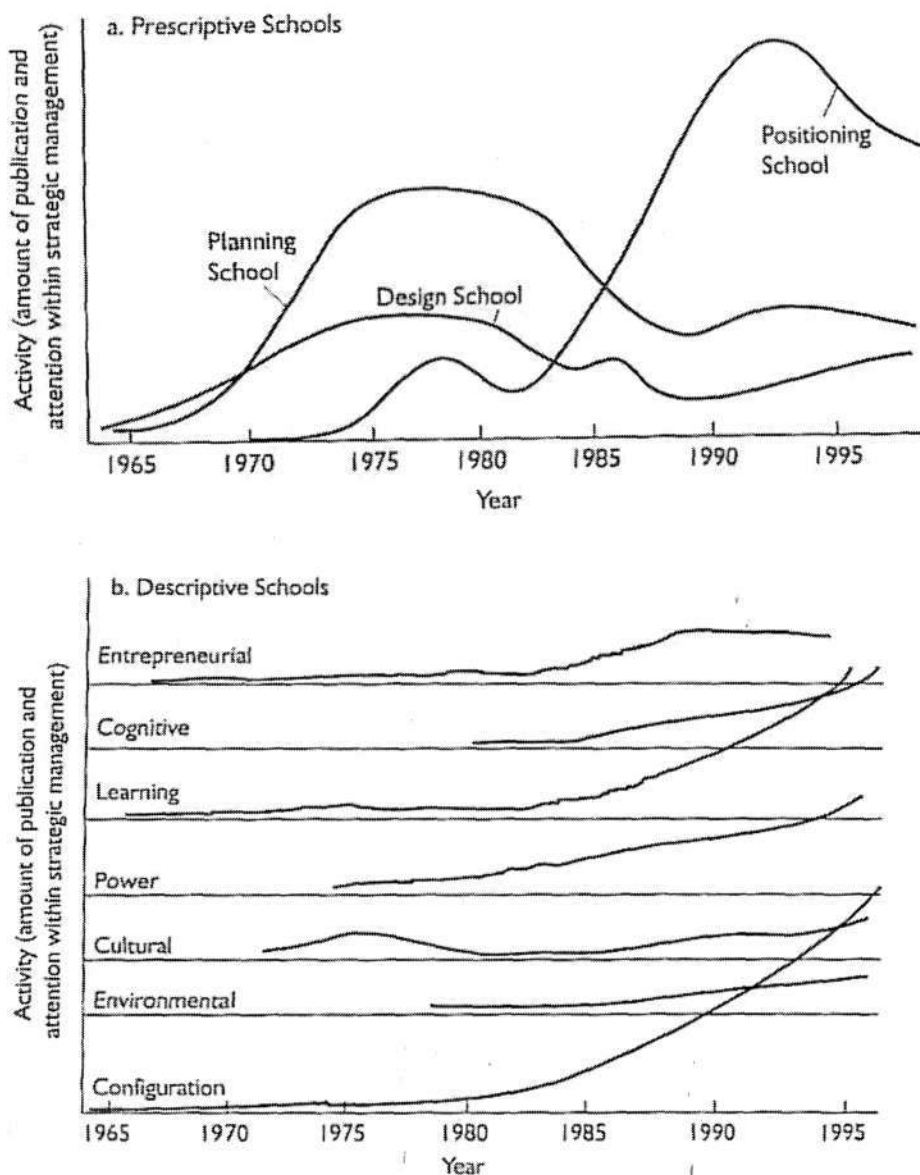


Source: Mintzberg et al, 1998, p.353

The illustration shows the categories of prescription and description which can also be termed categories of deliberateness vs. emergence. As Mintzberg et al(1998) point out over and over "strategy is a concept rooted in stability, not change . . . (but that) . . . organisations need strategic change too – they have to discard their established directions in response to a changed environment" (p.364).

Approaches to strategy therefore imply change although some place more emphasis on change. Even the planning and positioning approaches suggest that organisations will periodically re-position themselves and develop plans and objectives. The learning, environmental, power and cognitive approaches see change as ongoing – perhaps never-ending. The approach of the configuration school sees change as constant. For them, strategy is less a question of content (i.e. what) but more so, one of process (i.e. how). The theme of change is especially prevalent to them. For the configuration approach, strategy and change could be one and the same.

The work of Mintzberg et al (1998) can be summarised by the map outlined below where they illustrate the "space" of strategy formation. What is important for the purposes of this paper is the vertical and horizontal axis. The vertical axis moves from the comprehensible, controllable, and predictable approaches of the positioning, design, and entrepreneurial schools to the unpredictable and emergent, approaches adopted by the environmental, cognitive and learning schools. Systems and complexity theory, which will be examined later in, this paper-concentrate on the latter while traditional mechanistic thinking sits with the former. The horizontal axis confirms this as it sees how strategy can be viewed as a rational to a natural process.

## Figure 9: The 'map' of strategy formation
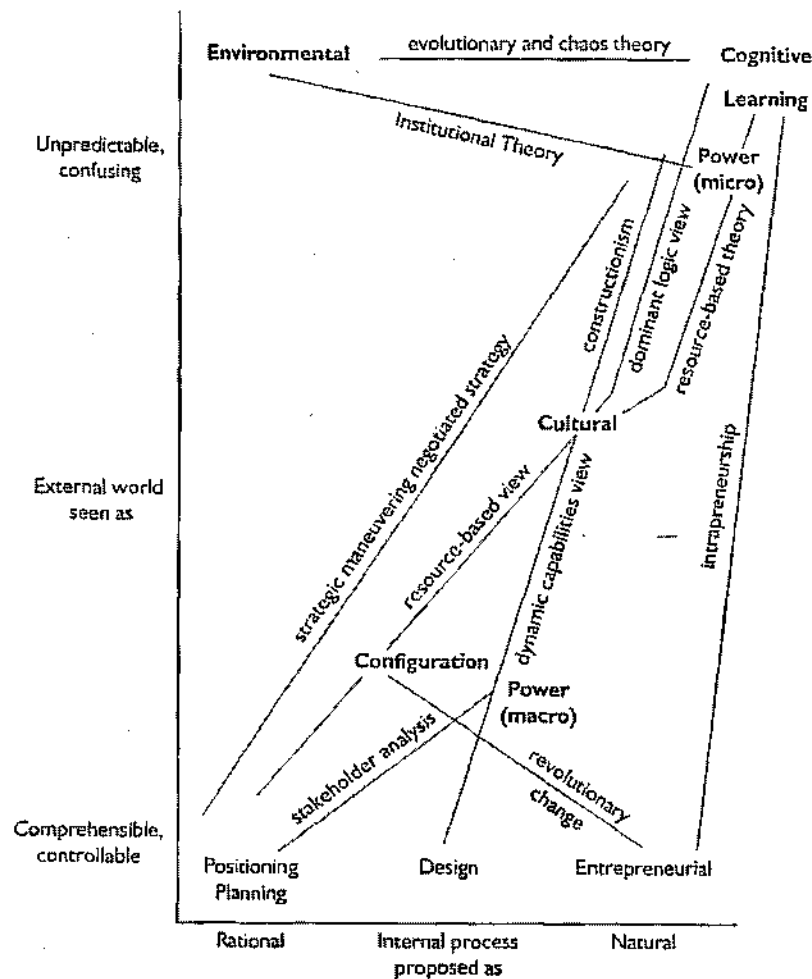


Source: Mintzberg et al, 1998, p.363

## 3.6    Culture and strategy integration

The preceding literature shows that strategy is influenced by culture. The fact that it is one of the schools / approaches to strategy formulation is evidence of this. The figure above also points out that it is situated at the centre and is neither a controllable, rational process nor is it an unpredictable, emergent process.

This has important implications for the research as it may well offer an opportunity for a "both / and" rather than the restrictive "either/or"

dichotomy often found in academic literature and in common business practises (Collins & Porras, 1994).

Despite the nebulous nature of culture (as outlined in section 3.4) it is ironic that it may offer a bridge between the predictable and deliberate approach of the "rationale school" while simultaneously appealing to the complexity theorists who favour strategy as emergence – and one that cannot be managed or controlled.

Both sections on culture and strategy have confirmed the point that culture change is the most difficult. That is the prize of the research undertaken as the more difficult it is, the more relevant it will be. Regardless of which school or approach to strategy one prefers, the fact that strategy is to a lesser or greater degree also about change, then the question of the prevailing culture becomes even more relevant and important. All change processes need to recognise the culture of the business (Kotter, 1995). Insights into culture change will help better understand organisation change in general. By virtue of the fact that cultural change is the deepest, most complex type of change that can be undertaken suggests that turnarounds offer perhaps the best opportunity to consider how and if at all cultural change is possible in ways other than 5-10 year programmes as is the conventional wisdom and prevailing literature suggests.

### 3.6.1 Culture Change

Kotter (1995) identified not anchoring change to a firm's culture as one of the eight errors of any change process. Kets de Vries (2001) notes "an insensitivity to the companies varying corporate culture(s) can have disastrous results" (pp.42 -43). It is therefore the entrenched and deeply held beliefs and assumptions that act as perceptual filters and obstacles to change.

Various defences are prevalent in organisations. These defences often complicate matters further. Organisational defences are "actions or policies that prevent individuals or segments of the organisation from experiencing embarrassment or threat" (Argyris, 1993, p.25).

Defences are adopted by staff and become part of the prevailing culture and although they are frequently used, they are never discussed. In time they become norms and consequently habitual but because they are never discussed, they proliferate. Senge in "The Dance of Change" (1999) confirms this by illustrating how organisations generally develop a facade of harmony where the principle of "don't rock the boat" prevails. The consequence of these defences and dynamics – in the context of the research undertaken in this paper – results in crisis situations that often call for turnaround expertise.

Resistance to change is a natural phenomenon as it requires one to move from familiarity to uncertainty. People respond by initial denial, resistance, some exploration with eventual commitment occurring later (Kets de Vries, 2001, pp. 177-198). It is also acknowledged that internal resistance occurs because it surfaces past experiences of change which may have been unpleasant. Because it was unpleasant previously, people believe it will be unpleasant in the present. This is termed "transference" (Duborsky, 1998).

The internal anxiety experienced by employees during change will invariably be diverted onto others and will be manifested through blaming others – usually those attempting to manage the change. This is termed projection by de Vries (2001). Any cultural change programme will need to recognise these and provide a platform for them to be acknowledged and addressed. Leadership should play a central role during this.

### 3.6.2 Tactics

Tactics to overcome resistance and to facilitate change given the nature of this research have been identified.

### 3.6.2.1 Decision-making and authority

Because culture refers to the deeply held beliefs – most of which are not conscious and taken for granted, it is important that these receive attention and are not overlooked. Mintzberg et al (1998) favours highlighting the decision-making processes underway in organisations. They argue that decisions act as the interpretative wing...in the collective world of organisation"(p.269) and argue "an organisation develops a dominant logic that acts as an information filter" (p.269). It is the "information" filter that influences perceptions. Changing decision processes within a firm alters that filter. The question of authority and decisions within a turnaround context will be researched as the literature and practice indicates that decisions are quickly centralised within the turnaround team.

### 3.6.2.2 Overcoming resistance

Platforms for dialogue need to be established where conversations about the business should to be held. These dialogue sessions need to operate from the principle where employees are both actors and observers of organisation dynamics. The purpose is to debate the change, to acknowledge resistance challenges like projection and transference and to communicate challenges and plans. An additional objective is to build community around purpose. Jung argued in favour of a community ethos as an aid to change as cited in Hollis (1998). Jung says that a community is formed "when members of a society have had a common transcendent experience, one that left each

person out of his or her isolation to participate in the transformation (p.101). Exclusion from planning and process will therefore prove a significant omission. Dialogue should therefore not only be about the rational requirements but also deliberation on defensive routines so that Senge's (1999) concerns on the facade of harmony are highlighted and recognised.

The question of how these are addressed in a crisis-hit organisation will be posed to interviewees.

### 3.6.2.3 Collaboration

The absence of collaboration and cohesiveness will hamper change and turnaround efforts. The collaborative initiatives will need to be planned, be of tangible quality and be authentic. If they are perceived as unauthentic they will not be adopted.

### 3.6.2.4 Cultural Audits

An audit on the current versus the required culture should be completed in order to develop a common understanding of what needs to be changed, introduced and disregarded. Audits also provide opportunity for collaboration and dialogue.

### 3.6.2.5 Appointments, re-design and skills

The adage of structure follows strategy is well documented. Once the strategy has been determined and the required culture established, then the appropriate organisation design changes and appointments should follow. For example should a business decide to become customer-centric, then it will need a number of customer centric interventions such as a call centre or more service staff. The

appropriate competencies and skills will need to be identified and developed.

### 3.6.2.6    Values

The dominant values of the business should be re-assessed and agreed to in behavioural terms.  The values need to be consistent with the ideology / purpose of the business.  Values are principles which should apply to all staff and act as the basic ideology on which all organisational behaviour is based.  They provide the basis for all decision- making, and should guide all activities and behaviours. Values are common to all staff and help build a "community ethos" in the business.  Values are non-negotiable and provide a sense of identity and need to be consistent with the overall strategy, focus and priorities of the firm. (Taylor, 2005, pp. 60-62).

Taylor (op cit) has identified five dimensions or categories of values. Each category outlines "the fundamental thrust of ... intention" (p.62) and goes on to argue that while organisations may want to target all five dimensions – or a combination of them – they should not as this often leads to mixed and double messages, and generally adds to the confusion within businesses.  She does however note that personal values like honesty and integrity should always be included and supersede all others.

The categories of focus are outlined below. :

**Figure 10: Culture categories**

| Dimension | Other descriptions |
|---|---|
| Achievement | Performance, accountability, focus, speed, delivery, meritocracy, discipline, transparency, risk mastery |
| Customer-centric | External focus, service, responsive, community, environment, social citizen, sustainability |
| One-team | Collaboration, globalisation, internal customer, teamwork |
| Innovative | Entrepreneurial, agility, creativity, challenging status quo, learning, continuous improvement |
| People-first | Empowerment, development, safety, care |

*Source: Taylor, 2005, p.62.*

As one can see, each dimension covers any number of descriptors. These need to be developed collaboratively with behavioural indicators identified. The behaviours can be assessed through a 360° process or other feedback methods.

### 3.6.2.7 Leadership

The importance of leadership was outlined in section 3.4.6, Farquhar, Evans and Twadley (in Evans, Doz, Laurent, 1989) suggests that turnaround change is synonymous with charismatic leadership. Kets de Vries (2001) points out that effective leaders play two roles; a charismatic role and an architecture role and both are required in any change intervention.

In the charismatic role "leaders envision a better future and empower and energise their subordinates. In the architectural role, leaders address issues related to organisation design and to control and reward systems (Ketz de Vries, 2001, p.264). Both imply change. The type of leadership required to lead a successful turnaround and to facilitate cultural change will be addressed in the research.

### 3.6.2.8   Processes and Reinforcement

Norton and Kaplan (1995; 2001) argue "if something is not measured, it can then not be managed. This principle led to the development of tools such as the Balanced Scorecard.

The Balanced Scorecard views performance in lead and lag indicator terms. A lag indicator is financial performance while lead indicators are fairly accurate indicators of future performance. Lead indicators in Balanced Scorecard parlance refer to people measures – where culture, leadership and other people measures are reviewed; customer measures like customer satisfaction and service level adherence and internal process measurers like supplier support, system utilisation and productivity.

Many turnaround practitioners adopt and modify tools like the Balanced Scorecard and one often hears of a "Turnaround Scorecard" where key metrics, measures and targets are tracked and actioned daily. Such tools are very useful because they outline and communicate what the organisation is attempting to address.

Traditional performance management tools including reward mechanisms need to be used to reinforce and support the headline objectives of the strategy and change programme. The research will assess the extent to which these are used by practitioners.

### 3.6.3 General approaches to cultural change

Bate (1990) outlines four approaches to cultural change. These include the "aggressive" approach where the old culture is aggressively addressed through shock tactics like fear and disruption. It is characterised by urgency with little reference to the past of the business. This often results in alienation. This approach intuitively appeals to turnarounds however.

Other approaches include the consultative approach which is also called the "soft sell" and appeals to people as rational beings and generally avoids conflict with a gradual introduction of the new culture.

The third approach called the corrosive approach operates at a covert level using the informal power network while the fourth approach called educate approach introduces the new culture through learning and training processes.

## 3.7 Summary

The topics of strategy, culture and organisation change are complex. Culture is not easily defined as it operates at visible and less visible levels, and is influenced by nationality, leadership style and strategic-orientation. Despite the fact that all business-people know what culture is, few are able to describe culture accurately. Many practitioners in the field are beginning to articulate the exact culture in clear unambiguous terms using culture attributes and behavioural indicators.

Strategy is not easily defined either as there are a number of approaches to strategy formulation. Ten were outlined and there may well be more. The term strategy is synonymous with change which immediately raises a paradox. Strategy aims to ensure predictability yet also implies change of either an incremental or drastic nature. This

led to a discussion on change and overcoming the inevitable resistance to change. Various tactics to change were outlined. It is however clear that a specific culture is required to support the business strategy. This is confirmed by Ulrich and Brocklebank (2005) who notes that "its essential to define the culture to support and improve company results" (p.164).

The question of cultural change in turnaround environments remains elusive. It has however become clear that turnarounds offer the ideal opportunity for accelerated cultural change. This view is echoed by Mintzberg et al (1998) who notes that "cultural revolution tends to accompany strategic turnaround" (p.283).

## 3.8    Critique from a systems and complexity perspective

### 3.8.1   Introduction

Before offering a critique on the practice of turnarounds, change management, culture development and strategy formation, a brief overview of the premises of systems thinking a complexity theory will be outlined.

There are many examples of how the pace and rate of change is speeding up. The theme of this dissertation is in many ways about change. Handy (2001) points out that "we can live at least three lives in one lifetime" (p.31) which was not the case in the past. Two immediate questions then arise: what then are the consequences for organisations of constant and faster change and secondly, what does this mean for organisations that require a turnaround?

In some ways, the answer is obvious. Organisations need to evolve and change in accordance with changes in the marketplace, environment and market ecology. Systems thinking is a response to the need for workable ways of viewing and acting within organisations, societies and community (Senge, 1990).

The traditional approach to organisations has relied mostly on mechanistic thinking. Also known as "rationalism" and reductionism", mechanistic thinking claims "that all objects and events, and their properties, can be understood in terms of ultimate events" (Flood and Jackson, no date, p.3). Russel Ackoff (1993) elaborates on the consequences of analysis, cause-and-effect and "everything is understandable" as key elements of mechanistic thinking which suggests that most things (including organisation or people) are "machines", that the adherence of the environment is of no significance and that all things are pre-determined (pp.306). Man is subsequently viewed as a machine and treated as such. A multitude of practices and principles name resulted which were ably demonstrated by the works of Frederick Taylor and the Industrial Revolution.

The point is that most of the principles outlined above have continued to be applied in organisations but have been ineffective. (Rosslee, 2005a, pp.10-12).

### 3.8.2 The contribution of Systems theory

Systems theory contributes to our understanding and appreciation of organisations. As business, society and the environment becomes more complex, the reductionist view of linear cause and effect becomes almost null and void. Systems thinking offers a framework that can be used to systematically organise "conceptions of the world" (Flood and Jackson, p.5) in order to better make sense of dynamics within organisations.

Peter Senge (1990) remains one of the contemporary exponents of systems thinking although the origins of the approach can be traced back to the 1940's and 50's (Flood and Jackson, op cit). Senge (1990) emphasises the "interrelatedness and ways of making patterns of relationship clearer and the importance of feedback" (Henry, 2002, p.144). Senge (1990) says that "systems thinking is a conceptual framework, a body of knowledge and tools

that has been developed . . . to make the full patterns clearer" (p.7). The patterns he refers to are to highlight the points of relatedness and connectivity. These fundamental principles are the very basics of systems thinking.

Relatedness and connectivity are the opposite of the essential premises of mechanistic thinking. Senge in his introduction to "The Fifth Discipline" says "the ideas presented in this book are for destroying the illusion that the world is created of separate, unrelated forces" (p.3). Organisations can be better understood if the whole – rather than the parts – are considered and seen as primary. Chapter eight in his seminal text is headed "The Art of Seeing the Forest and the Trees": this provides an apt illustration of what System thinking is. Mechanistic thinking would only take notice of the trees (the parts) while Systems thinking would consider both the parts and the whole. This distinction is critical. Flood and Jackson (op cit) emphasise the importance of patterns and relationships if we are to better understand organisations. They go on to explain how relationships "from highly organised feedback loops" (p.10) which need to be considered when attempting to make sense of organisation dynamics.

Feedback systems exist in relation to one another in a dynamic way and give rise to both intended and unintended consequences. These are termed "emergent" properties (course notes).

Systems theorists examine these elements through what is termed "synthesis". As the name suggests, it is different to the analytical thinking of "analysis" and mechanistic thinking (course video: Systems Thinking and Practice, Open University). Synthesis requires one to view the entire system – not only selected bits and pieces (Rosslee, 2005b).

### 3.8.3 The contribution of Complexity and Complex Adaptive Systems

Reason (1999) argues that reductionistic thinking is limited in its application and fails to control and predict processes as it used to. He goes on to say that organisations can see how mechanistic thinking has limited growth and evolution. Complexity theory builds on the mechanistic thinking ethos and philosophy. It argues that logical, linear thinking is one way to see, live and act in the world. But is not the only way. Complexity is another.

The basic tenants of complexity theory are in some ways the antithesis of mechanistic thinking; i.e. that not all behaviour can be predicted even if the "system is casually connected in a perfectly deterministic way" (Reason, 1999, p.2).

Lorentz, researching in the 1960's was one of the early thinkers and writers on the topic. He identified what was termed a "strange attractor". This phenomenon stated that a very small change in initial conditions could lead to unintended consequences. This became known as the "butterfly effect" in which he used the metaphor of a butterfly flapping in South America leading to a change in weather conditions elsewhere in the world. Hence, miniscule disturbances (the effect of the butterfly) "can produce exponentially divergent behaviours" (Reason, 1999, p.2).

These findings led to further research and according to Prigogine and Stengeus (1985) in Ortegon – Monroy (1999) systems are:

"Continuously fluctuating . . . a result of positive feedback, these fluctuations may become so powerful that they shatter the pre-existing organisation, forcing the systems into far from equilibrium condition consequently the systems may disintegrate into irritability or threat to a new level or order or organisation; a dissipative structure" (p.77).

Findings like these led researchers to believe that the behaviour of certain non-linear complex systems could be classified into three domains: stable, unstable and something which is located in between; the "edge of chaos" as it became known. Behaviour at the edge is "unpredictable but the general structure of behaviour is predictable" (Ortegon – Monroy, 1999, p.77).

Various other properties and terms have been identified and better understood since. "Emergence" is spontaneous behaviour arising in a system that produces a new set of patterned behaviour. "Feedback loops" are inputs made into systems and processes which can be positive or negative (Ortegon – Monroy, 1999).

It is both impossible and impractical to isolate and reduce properties to one-dimensional constructs when attempting to understand complex adaptive systems. As Casti (1994) notes "complexity is really more a property of the interaction between two systems than it is an intrinsic aspect of a system taken isolation" (p.10). That is why it is important to examine and note the patterns within systems and to this end, it is required to "get outside of a system in order to really understand it" (Casti, 1994, p.17) This is difficult in some cases, especially in the managerial sciences where the subject – object dichotomy makes it near impossible for, say a manager to view dynamics in his / her department to a totally objective way (Kruger, 1982).

The issue of linkage between subject and object raises the question of relationships and "connection". Lewin and Regine (course notes) suggest that "Complex Adaptive Systems are composed of a diversity of agents that interact with each other, mutually affect each other and in so doing generate novel behaviour for the system as a whole" (p. 6). They go on to state that the behaviour of such systems is not predictable as they are influenced by the effects of the environment, which in turn impact the system which in turn adapts, and so the pattern continues. Hence the term "Complex Adaptive Systems".

Central to such systems is the concept of "relationship". Understanding complex systems will require understanding and appreciating the nature of relationships that exist between the system and its environment, and the consequent patterns of interaction and behaviours that emerge. The same writers put forward a strong case for "relationships" as in "genuine relationship based on authenticity and care" (p.8) rather than an analytical and clinical assessment of the interaction.

Relationships are therefore fundamental to understanding organisations and provide valuable clues and insights into organisations. Bossomaier and Green (1998) built on this by observing the links between people. Through this, they argue, one can begin to see what is important in that particular system. For example, if the manager determines the subordinate's bonus paid at the end of the year, then one could expect the relationship to be one of no confrontation from the subordinate upwards (as this would in all likelihood compromise the payment of the bonus). This practice may well breed a host of other actions and behaviours that in time become a natural part of the business. It soon becomes the culture which is reinforced by the system itself. It is through "culture" that the message will be conveyed and become accepted practice.

Kelly and Allison (1998) refer to the work of Richard Dawkins who identified what he called a "meme". A "meme" acts as a gene does in DNA. A "meme" is "a basic explicator of cultural ideas and norms . . . (and) ... make it possible to transmit – either consciously or unconsciously – patterns of thoughts" (no page number available). A "meme" therefore acts as a transmitter of messages and as illustrated earlier, culture in organisations is transmitted by various acts and behaviours and messages that are reinforced over time (Rosslee, 2005b).

"Memes" are ideas, concepts, beliefs, ideologies and theories that provide the foundations of social and organisational structure and "produce the content of culture, that is, the shared understanding of how things should be ... (and) ... there mechanisms are processes of mimicry, interaction, correlation, teaching

and learning through which societies and organisations imprint people with the memes of the parent culture, for example the beliefs of an organisation's father" (Stacey, 2004, pp.274-275).

Once 'memes' are transmitted into structures they become translated into behaviours and culture. Memes therefore hold some promise for leverage when changing culture.

### 3.8.4  A criticism of the literature from a systems / complexity perspective

The principle theme of the research is to consider whether or not the culture of a business can be altered or changed through a crisis.  The literature suggests that culture is perhaps the most difficult form of organisation change due to its conscious and unconscious properties but that it is indeed possible. Culture, it seems is always evolving albeit at a slow pace which is invariably not noticed consciously.  Research outlined by Mintzberg et al (1998) indicates that turnarounds offer the opportunity for a cultural "revolution".

The section on strategy pointed out that there are a number of approaches to strategic management and illustrated the value of each.  What was illuminating through this is the fact that the descriptive schools seem to be gaining prominence.  These approaches – especially the environmental, learning, cognitive and power approaches seem to emphasise systems and complexity perspectives.  The traditional prescriptive schools continue to see the world as predictable and therefore controllable.

While the literature on turnaround management indicates that companies who are 'crisis-hit' can best be returned to stability by immediate, short-term interventions that are managed by a charismatic leader. It is silent on terms like "strange attractors", "emergence" and "memes".  In other words, the literature does not note nor outline whether an organisation's return to prosperity is through, the sole actions of the turnaround practitioners or whether unlikely characters "emerge" from within the business and turn out to

become "star" performers, i.e., those who play a significant role in changing the culture of the business. The literature does however suggest that turnaround professionals fundamentally view organisations as "machines" and that a series of interventions followed in a particular sequence usually restore the business back to profitability.

In summary then, the literature review has indicated that the rational, reductionistic approach to organisation change, strategy and leadership persists and although contemporary literature and research is starting to offer alternative views (systems theory, complexity, complex adaptive systems) it is certainly not yet considered "conventional wisdom".

Koch (2000) put forward a case for viewing organisations as systems rather than machines and argues eight benefits. Below is a précis of these.

Firstly, it takes away the illusion of control as an organism can think, make decisions and judge while a machine cannot. Secondly, it stresses the role of growth and innovation. Machines can't "grow" while organisms don't do anything else otherwise they die. Organisations can be self-starting while machines are switched on or switched off. Organisms build networks and relationships and are sensitive to their environments; machines are unable to do this. Systems serve their own purpose while machines serve what their builders and owners prescribe. Organisms are able to learn and change. Machine-like organisations usually need to be replaced by other machines in order for change – which is typically not a change after all – rather a cosmetic makeover and finally, systems are distinctive and unique while machines can be replicated. (pp. 205-210)

The last point has implications for strategy, leadership and culture change for if an organisation is seen as a machine, then culture change will be difficult and probably best effected through replacing one machine with another. This is seldom, if ever, practical and possible. The very nature of "memes" proves this. Therefore it seems that culture change can take place but would need to be facilitated by considering the following:

a. Culture cannot be replicated as it is distinctive and unique; one change programme therefore cannot yield the same results if replicated elsewhere. A "packaged" solution is therefore likely to fail.

b. Culture has "emergent" properties and predicting those emergent properties are difficult to predict or determine.

c. It is however important to focus on culture and culture change during turnarounds as one of the chief reasons for a turnaround is "culture" itself. Ignoring it will yield more of the same.

d. The strategy of a business can be driven by cultural change (see the "cultural school").

e. A specific business strategy does require a specific culture. It makes no sense, for example, to develop an innovative culture when your strategy requires cost commitment.

f. Culture change needs to be "led" and not only managed. The role of leadership cannot be underestimated during change efforts.

g. Certain competencies and capabilities are required to lead culture change including complexity theory, discernment, emergence and managing resistance and awareness.

h. Systems knowledge, feedback and learning are central to culture change.

Rosslee, 2005a, pp. 13-14.

These pointers will be used during the narratives and interviews and will be validated, tested and discussed.

# Chapter Four

## 4. Description of the interview data

### 4.1 Introduction

The purpose of this chapter is to describe the findings resulting from the semi-structured interviews and cases.

The findings will be presented as meaning units or categories. Specific themes and patterns will be obtained from the meaning units. The themes and patterns will be compared with the personal experience of the author who is currently completing a turnaround assignment in South Africa.

The personal account of the author will also identify meaning units and themes. A comparison of the themes from the cases and interviews and from the personal account will be completed. The findings will be compared with the literature before closing the chapter off.

### 4.2 Decoding the data

The researcher and decoder classified the data collected from the respondents into the following units of meaning:
- Clarity on the dimensions of culture
- Certainty on a 'type' of culture that aids the slide towards crisis
- Triggers of a crisis
- Agreement on the warning signals and lead indicators of a distressed culture
- Immediate actions once in a crisis or turnaround situation
- Specific behaviours required to change the culture
- Techniques for assessing the efficiency of a turnaround assignment

- Strategies required for turnarounds
- The role of leadership during a crisis / turnaround
- Characteristics and attitudes of managers who prolong crisis
- Competencies required from turnaround managers.

## 4.3 Description of the Data and Meaning units

### 4.3.1 The dimensions of culture

Responses indicated that culture is primarily about what is considered acceptable and unacceptable in an organization. It defines this along a number of dimensions and including behaviours, values, attitudes, beliefs that are common to the majority of employees. Culture is therefore the collective experience underpinned by the type of psychological / emotional contract the company enters into with its employees.

The behaviours, actions and values referred to become the tradition or expected way of doing / acting in the business and are "in essence the manner in which things are done". Interviewees noted that culture is "learnt, socialised and reinforced in both formal and informal ways" but is more often than not spoken about.

The "formal / informal" distinction featured prominently throughout the interviews and cases. Respondents identified "formal" processes such as HR practices like selection, recruitment, performance management, compensation and benefits, measures, decision-making powers, authority structures, responsibility matrices and documents. "Informal" processes include behavioural and attitudinal dimensions such as treatment (of staff, customers, suppliers, and shareholders), the atmosphere within the firm, the mood, "vibe" and tone.

Almost all felt that interactions between people – through both formal and informal means - was crucial in understanding culture within the organisation and many mentioned that the style of leaders, especially the CEO set the tone for interactions.

Respondents felt that the overt and underlying message conveyed to staff and to customers also provided useful content in appreciating and understanding culture.

### 4.3.2 The relationship between culture and organisational distress

All respondents answered this question from an organisational effectiveness view. This suggests that responses were adopted from a change, relationship or system perspective. Each of the dimensions will now be outlined:

#### 4.3.2.1 Change

An inability or unwillingness to change was commonly cited as a key concern. Highly bureaucratic, disabling cultures where little or poor alignment between strategy and individual performance exists is seen as supporting an organisations slide to distress. A lack of common goals, targets and measures and collective responses to the goals and targets was often mentioned during the interviews. Slow, rigid businesses were seen as being vulnerable to distress. Organisations who were not focussed on customer requirements – and changing customer / market requirements were also seen as susceptible to crises. A business that is unable to continually reinvent itself is also problematic.

#### 4.3.2.2 Relationships

Little respect for one another or customers, distrust, suspicion, procrastination and self-interest were cited as symptoms of

dysfunctional cultures. Organisations filled with "yes men" were labelled as "avoidant" cultures by many respondents while interpersonal dynamics characterised by blame, apathy, audacity, helplessness are almost certainly indicative of a crisis of some sort.

An absence of conflict, conflict avoidance and little or no confrontation was seen as a sure sign of a future crisis.

### 4.3.2.3 System adherence

Organisations that are not goal orientated or where company objectives and targets are not cascaded to all levels are problematic. Worse still, where there it little or no use of strategy implementation processes such as scorecards, dashboards and performance management, respondents argued a crisis was shortly to be expected.

### 4.3.3 What triggers a crisis and lead indicators

A distinction was made between internal and external triggers and the interface between the two. Respondents however emphasised internal triggers as being far more common.

### 4.3.3.1 External triggers

Changing market dynamics, competitor moves, new entrants, business conditions and macroeconomics were viewed all potential triggers of crises.

### 4.3.3.2 Internal triggers

Sagging profits, productivity and performance were listed as problems that could trigger a crisis. Most interviewees however held the new that changes in ownership, a new CEO, Executive in-fighting and a

management group that is neither a "team" nor one which possesses confidence will in all likelihood lead to problems. Slow paced, hierarchical organisations with little or no urgency and no consequence management were also discussed. Ineffective systems and controls are indicators of future problems.

### 4.3.3.3 Interaction between internal and external domains

While both internal and external triggers were discussed it became evident that organisations that are unable to either detect or respond to external triggers are more than likely going to experience problems in the not-too distant future.

A Board that is either too weak or one that interferes with the day-to-day operations and that provide little support are good indicators of future challenges. Companies whom "chop and change" CEOs and CEOs with little "life" experience was also listed as concerns.

### 4.3.3.4 Time and locus

Interestingly – and quite unexpected – many interviewees argued that crises often begin well before people in the business acknowledge them. Symptoms of an organisation sliding towards a crisis include various short-term responses such as "emergency sales drives" and "stop-gap solutions" are illustrative of looming crises. The majority of respondents made the case that crises are as a result of senior managers ignoring "small" things like dropping morale, the loss of key staff, sagging internal service and declining customer satisfaction. Often these are preceded by problems with communication between individuals and between departments.

### 4.3.3.5 Values differentiation

While values were considered as one of the key domains of culture, respondents did not mention much about the specific 'type' of values. What was however discussed was the issue of one group in an organisation (the in-group) living one set of values and another group (the out-group) living an alternate set. This gives rise to a range of dysfunctional, non-aligned and inconsistent behaviours and actions all of which aid a business in its slide towards distress.

### 4.3.4  Actions to be taken

Respondents were unanimous on what needed to be done. All emphasised the importance of changing the CEO and most of top management while many thought it also necessary to replace Board members and chairperson and at least 40% of middle management. Very few – if any – thought it a good idea to provide the existing CEO and senior management team with support "for a second chance". The message was clear: the group that got the business into its position in the first place needs to be overhauled.

While replacing key staff and implementing a new team one needs to understand "how deep the hole really is" and needs to build a view of how severe and endemic the problems really are. This requires a thorough assessment and analysis of what caused the crisis and an acknowledgment that it was essentially due to internal rather than external reasons. Some noted that it is important to look out for blame and shirking of responsibilities as those who remain in the business may think the problems had little to do with them.

The third step would be for the revised management team or what Kotter (1995) would call a "Guiding Coalition" to agree on a short-term strategy or roadmap, and to then set targets and goals aganised key metrics. Managers would then be expected to drive those relentlessly.

Many thought that no more than 8-10 company objectives would be required, one of which should be how the prevailing culture hindered progress and what needed to be done to remedy this.

### 4.3.5 Specific behaviours and actions needed to change the culture

Again respondents felt that changing the culture and fixing the business are one and the same things. People felt that culture was changed through business improvement actions – all of which implied a change or sorts.

Replacing key personnel again featured prominently. Many reiterated the need to replace the CEO or MD while most too argued in favour of re-assessing the composition of the Board and more specifically the Chairperson. Boards were seen to be important structures but seemed to be viewed as "important fat cats who very seldom act on matters nor driving change through the business".

As a researcher, it was interesting to note how interviewees veered when pressed on how to directly change the culture. All respondents repeated comments such as "the CEO needs to go as he got you there in the first place and will in all likelihood not be able to get you out of there in the future". One respondent went as far as saying "all of senior management should go as well as half of middle management".

Following the above, interviewees therefore called for drastic and immediate actions. Many promoted the idea of assessing the extent of the severity, implementing key initiatives and actions, structuring and involving key people usually those in operations and sales. Performance management featured strongly throughout with most emphasising "consequence management". A sense of urgency – as previously mentioned – was again discussed.

Although respondents argued in favour of the interventions listed above as vehicles for culture many also suggested that the prevailing culture should be "named and shamed" and to then agree on a new culture with various ways and means of reinforcing it. The consultants interviewed were therefore arguing in favour of a company-wide mobilisation phase.

### 4.3.6 How to assess the efficiency of turnarounds

Culture need to be listed and defined as a key objective / measure just as other measures like productivity or performance and needs to be assessed at all levels in the business. A company, individual and departmental score on "culture" should therefore become part and parcel of the assessment effort and change.

Various other tangible and intangible measures were also discussed and include:

- Staff satisfaction
- Retention of talent and turnover
- Company and departmental performance
- Performance against both old and new metrics
- Financial performance
- Productivity levels
- Customer assurance
- Quality assurance
- Cashflow
- Stock and inventory
- Operational performance.

### 4.3.7 Approaches to strategy

Managing a turnaround – especially from a cultural perspective will require constant feedback and reviews on progress against defined

targets and measures. Respondents emphasised the importance of keeping the recovery or change strategy clear and unambiguous. The adage of "keep it simple stupid" (KISS) was often referred to.

Feedback loops needed to be created in the business at the start of the recovery programme with the context being acted on with urgency. The systems approach is therefore implied through this although respondents did not refer to this directly.

The need for flexibility in business plans was often mentioned while many argued in favour of constant engagement and feedback from staff at all levels. The problems of the business therefore needed to be shared from "top to bottom".

## 4.3.8 Role of Leadership

The fact that leaders are the architects and drivers of culture was a common point raised during the interviews. It was felt that leaders needed to create a sense of urgency around "an idea of the future" but should also not engage in behaviours that bring about panic and fear as this – more often than not – results in the "fight or flight" syndrome. The role of leadership is to ensure stability.

A bias for action, "get-it-done" and preference for implementation was also often discussed. For many these implied a clear, articulate, decisive character that is honest, direct and to the point. A calm personality with an even temperament was listed as a pre-requisite.

The importance of self-awareness and "congruence" was emphasised especially from the practitioners who are particularly interested in the "people" side of business. Interviewees spoke about the visibility of leaders especially the Chief Executive. An absence of visible, strong leadership was viewed as a risk.

A strong leadership team was similarly identified as critical. Excellent support staff with a similar mindset, attitude and skill-set was seen as a necessary requirement.

Somewhat surprising was the requirement of leadership to act in "ethical" ways at all times. Although unable to substantiate what this exactly meant other than through examples and anecdotes, respondents were left with little doubt that organisations slide to distress usually due to the behaviour of its senior managers. Many listed unethical practices in this regard.

### 4.3.9 Characteristics and attributes of managers who prolong crises

This question solicited the most uniform responses throughout the interviews. All interviewees spoke about managers (and organisations) who blamed or "explained" things away. Such organisations became stuck in the predictable cycle of "event – explanation – denial – avoidance". Avoidant cultures then resulted.

The lack and absence of confrontation was noted by all as indicators of "change resistance". The lack of confrontation was viewed as apathy and as one respondent noted "by failing to recognise the crisis situation, managers attempt to avoid discomfort and anxiety brought about by change".

### 4.3.10 Competencies required

Related to the role of leadership in the previous question, the following competencies were identified:

- Communication (clear, concise, direct, to-the-point, good listeners)
- Focussed and results oriented (disciplined, target orientated, fair, tough, independent, decisive)

- Supportive (ethical, caring, team players, high EQ, interpersonally oriented, passionate, sense of humour, motivational)

- Operational / Financial (knows the business, what makes money and what doesn't)

- Resilient (tenacious, thick-skinned, optimistic)

- Change Management (solutions oriented, conflict management, adaptable)

- Synthesizer (big-picture thinker, conceptual, strategic thinker)

- Awareness (market, self "knows what he doesn't know).


## 4.4    Research control

### 4.4.1   Introduction


Three major themes emanated from the interviews.    The interviews emphasised that the:


a. Organisation – especially Executives and senior managers need to recognise the position they are in before any meaningful intervention could be implemented.  The managers who got the business into its position need to take responsibility for their role as being part of the problem (as well as being potentially part of the solution).

b. Role of leadership especially the Chief Executive – is to manage and facilitate Change.  A revised business strategy including a new business plan, key measures and a revised approach to people issues would need to be implemented and managed vigorously.  Failure to do so would only serve to deepen the crisis.

c. People and culture issues were identified repeatedly as the causes of distress while also being seen as the key to future prosperity.  This implies a dual approach when responding.  Firstly, key personnel changes need to take place and these are usually at the highest level such as the CEO or MD.  New blood will need to be brought in. Secondly, a major part of turnaround efforts will need to be about

changing the attitudes and behaviours of all staff and managers. The direction of that change should be:

i.    about doing the fundamentals and basics such as improving internal and external customer service and,

ii.   introducing a culture of discipline, accountability, system implementation and values adherence. The importance of feedback and progress reviews including confronting where required is critical.

### 4.4.2   Literature control

The thematic areas identified in the interviews are consistent with the literature. Slatter and Lovett (1999) repeatedly make the point that poor management and leadership is the primary cause for distress in organisations.

It is not easy to pinpoint what makes a person a proficient leader and therefore not easy to isolate and copy such behaviours. It was once believed that one's genetic make-up made a great leader (Bass, 1981). Many also believe that leadership can be taught – witness for example the programme institution for which this degree is taught!

The interviews did not make much of the distinction between leadership and management as is common in the literature and practice nowadays.

For many years there has been an ongoing debate around what is management and what is leadership, and how they differ. It has often been pointed out that organisations often do not reach their potential because they are "over-managed and under-led" (Booysen & Van Wyk, 1994, p.22).

Management is frequently concerned with routine tasks whereas leadership involves influencing and guiding. A manager is an administrator whereas a leader is an innovator. Management focuses on systems, while leadership

focuses on people. A recent study found that South Africa does not produce as many leaders as they do managers (Booysen & Van Wyk, 1994).

In a study conducted by Tait (1996) the following qualities were identified as essential for a business leader:

The ability to make sense of complicated patterns and devise clear goals
    i.    Exceptional people skills
    ii.    Honesty and integrity
    iii.    Highly driven and ambitious.

Another study carried out by Warren Bennis (2000) looked at 100 leaders in different types of organisations in the US, and identified four leadership strategies. Leaders:
    i.    Get attention from others through vision and commitment
    ii.    Are effective communicators who make their vision 'real' for others. They are also empathetic to others' needs
    iii.    Trust others and individuals trust in them
    iv.    Have a positive self image and believe in their strengths which results in confidence.

The study also revealed that a good leader is one that creates opportunities for others (Darling, 1992).

As previously mentioned, leadership studies conducted in South Africa have found that organisations are currently over-managed and under led (Booysen and Van Wyk, 1994). Charlton (1996) suggests that it is necessary for leadership to empower and to motivate people to reach their potential in South Africa.

Many studies and reviews have viewed local organisations to be largely managed by authoritarian persons and rigid controls (Schuitema, 1998). This is hardly surprising since South African history is characterised by the use and abuse of authority. Effective leaders in South Africa are however seen to be

democratic and try to use a participative style. They are believed to be fairly charismatic but their styles are more transformational in nature, which is necessary in an environment such as South Africa where such wide-ranging diversity exists. South African leaders are also perceived to be sensitive to the needs of others and are required to act reactively and proactively depending on the situation (Booysen and Van Wyk, 1994). The same authors repeatedly note that this applies to effective leadership only, of which South Africa lacks substantial numbers.

While some of the aforementioned may be applicable to turnaround situations, it seems as if basic management disciplines and routines are often absent in organisations in distress. The lack of measures, reinforcement, and consequences were listed as potential sources of distress.

Turnaround strategies therefore require basic management skills rather than sophisticated and complicated approaches. As many interviewees noted "getting the simple things going and driving them relentlessly will go a long way in making change happen".

Contemporary turnaround managers may therefore argue that the notion of leadership as being published and discussed in the literature is flawed in that it fails to ensure that the essentials of delivery and follow-up are lacking. Leadership literature presently emphasises relatively dated concepts such as motivating others, satisfaction and building commitment and is silent on the fundamentals of management such as planning, progress reviews and implementation.

# Chapter Five

## 5 Description of Cases and Narratives

### 5.1 Introduction

The literature and interviews are compared with two cases and the researchers personal experience of a turnaround. The cases and narratives and summarised with key themes identified. These are compared when closing the chapter off.

### 5.2 Description of the data

#### 5.2.1 Case Number 1: A security Products Company

**The situation**

The business was a R100m turnover that had posted successive losses. The year the project started showed an R8million loss and the bank was about to foreclose. The bank had lost confidence in the management of the firm.

The banks and other investors decided to finance a turnaround following a diagnostic review. The review showed that the problems were due to high cost structure, poor marketing, low morale and poor leadership. The project team felt that the issues could be addressed as they were internally – and not externally oriented. While some competition was evident, the market was not that competitive.

As it was a family-oriented business, there were emotional issues at play as well. These complicated things even further. The project team felt as if the causes of distress were reversible and that the financial

crisis could be eliminated with prudent financial measures and controls. Opportunities to remove certain costs were identified while also being encouraged by the attitude of most of the stakeholders. They obviously wanted a return on their investment.

## The response

The capability of the middle-management echelon seemed adequate. The problems were clearly at the senior levels where there was too much conflict, turf protection and antagonism. The dysfunctionality within the senior levels filtered down through the rest of the business.

Efforts were subsequently duplicated; performance was not managed and because of poor controls, there were no metrics to drive activity and behaviour. Focus was therefore diluted. The business was also not structured appropriately and so it was needed to re-structure the business as well.

For the purposes of this paper, it was felt that the style and culture of the business needed work. The team needed to be reinvigorated and best way to engineer this would be to define a picture of the future through a revised vision, values and set of required behaviours. A turnaround scorecard was used to drive measures and metrics which were translated into key result areas for each departmental head. This provided the focus required. Departments were taken away for team building sessions which helped build commitment and morale.

A fair amount of time was spent on communicating to staff and investors on what was required, how delivery was expected and how progress was being made.

Certain roles in the business needed to be replaced. A turnaround practitioner held the CEO's role and placed interim managers in key delivery roles. About half a dozen consultants were used in a project

team for 12 weeks. These people were collectively the turnaround team.

Each member of the turnaround team was to: a) stabilise and then improve the area s/he were assigned to and to then b) identify and coach, i.e. set up a successor. Each manager agreed to specific deliverables, was provide with the appropriate tools and "we spent a lot of time on the people issues

In terms of people and culture, a four-pronged approach was employed. These were: a) Leadership Alignment including a new vision and values set; a clear turnaround agenda and metrics; b) Individual and team effectiveness enhanced through support and team-building. "We had to work hard on some people as some though the problems would – through some miracle – disappear;" c) Effective Management Processes through daily reviews, visual dashboards of key indicators and timelines and regular (weekly) reporting to stakeholders, and d) we developed a governance structure in order to help ensure sound corporate governance. This was essential for restoring stakeholder support".

## The results

"We implemented these with key operational and supply chain initiatives and drove them aggressively for about six months. The business became profitable and cash flow positive from the third month; the overdraft decreased by 75% in 9 months and our fees were recovered in 3 months. It was a particular satisfying assignment because 700 jobs were saved, the company was sold after one year for R45million, the bank recovered its full exposure and shareholders received R19million".

**Preliminary summary and key themes from this case include:**

- Senior management in-fighting and politics (leadership)
- Poor measurement and controls
- Structure, design and organisation
- Cultural issues.

### 5.2.2   Case Number 2: An FMCG business

**The situation**

"The problem at the FMCG business was that it had simply not made money for 8 years. We, at the parent business wanted to obviously generate a return on what we had invested over a significant period of time. We had made personnel changes but in retrospect, it was half-hearted. We needed to concentrate our energies into the business and so we called in a firm of turnaround specialists and consultants to assist us".

"I took the role of Deputy Chairman (I represented the Holding Group) and we appointed a specialist deputy MD. His role was crucial in the turnaround of the business because he needed to teach, train, coach and mentor the newly appointed MD. The new MD was an internal promotion who turned out a pretty decent MD – although he needed some work – especially on the people and culture side. We learned that the "people" basics of the business were fundamental in swinging the business and so that is where we did most of our work. We continually communicated with staff, implemented support structures for managers through providing them with feedback on their style, and had a Psychologist on board as part of the consulting team".

"We used interim managers and consultants for the first part of the project. If I recall, the consulting team was part of the business for

seven months and they fulfilled various marketing, sales, operational and support roles. They were very useful in introducing certain disciplines into the business and to help bringing stability into the operation".

**The response**

"Other than the above, we made a number of critical improvements. We closed the head-office and moved to our manufacturing and distribution facility. This was of considerable symbolic benefit. Head-offices in plush offices in fancy parks results in removal from "where the rubber" hits the road".

"The management team was reconstituted. This is a non-negotiable as the precarious nature of the business was caused – mostly by poor management in the first place. It is seldom pleasant fixing people but it had to be done. Perhaps key personnel changes needed to happen earlier".

"We undertook a thorough review of the operation and identified many cost reduction and cost containment initiatives. We implemented these and it was interesting to see how some people responded to the challenge and how others didn't. A crisis can be good for some".

"The interim marketing and sales manager reviewed our pricing models and we repriced where we needed to. We also undertook a rebranding effort, spent some money on advertising and re-did our stores. People saw progress through these activities".

**The results**

"The results achieved surpassed our expectations. We were profitable within two months. It was a R4m a month "swing" as we took the business from losing R2m per month to a R2m per month profit. The

first quarter of the project saw the business become profitable for the first time in history. Our profit improvement was substantial as we made just under R29 million in the first year; gained 10% of the market share in the first seven months and the consulting fees were recovered in four months and returned it to profitability".

Identified themes from this case included:

- Avoiding the real issues by senior managers, Executives and the Board
- Inadequate measures and controls
- Lack of strong, focussed leadership.

### 5.2.3 Personal Account: A TELCO in distress

**The situation**

"The organisation under review is a business in the telecommunications industry. It launched four years ago hoping to claim at least 25% of the market. Since its entrance, it had made something of a name for itself as it had taken on the 'big boys', laid the ground work for further competition in the industry, had established a brand presence and attracted attention in SA. The picture on the outside was at least, rosy.

On the inside, there was a different story. Morale was at its lowest as people were generally despondent and down on energy. There seemed no urgency for business – other than long-winded discussions about less important issues. No performance metrics were in place while performance management was an abysmal failure. Executives and senior managements would – in public at least – deny the severity of the issues. In private however, all would acknowledge that the business was in trouble.

Despite being EBITDA positive for the first time ever – projections indicated that it would run short of cash by the end of the current financial year. In-house analysis found the 'outsiders' view (i.e. the author) to be ill founded, inaccurate and nothing other than 'consultant' speak. The truth of the matter was that in December 2005, we predicted that by the end of F2006, the business would run short of cash. Our estimates indicated that the business would run short of about R500 million if it continued its current path. All denied this. As we speak, the business has realised that it will be R480 million short. As consultants, we have been vindicated.

Rather than dwelling on the details of the case – and more to the point of this paper, one needs to ask why and how the company found itself in such a position, what needs to be done and how its recovery needs to be orchestrated.

The narrative to follow will cover my experience of the business and its recent most attempts to recover from its position. For practical purposes, I am only able to comment on the background of the situation, my experience, and observations and some ideas on the way forward.

The business re-financed itself about 12 months ago, taking a high-yield bond. This made it public property and it could therefore not publicly share many of its challenges, issues and problems. The minute the market heard of its problems, it would see its bond repayment price under security. The business could therefore not acknowledge its position in public. If it was in trouble, then no one was saying.

**The Response**

A project was initiated as a general business improvement assignment. The project was to have about a dozen full-time consultants working with the business to realise certain quantifiable benefits. The benefits were to improve the EBITDA of the business.

The nature and terms of the project would essentially allow the project pay for itself from bottom line benefits. The project, in some ways, had no risk for the company. It was rather "sold" than bought.

While the intentions were sound, the "benefits case" approach resulted in a multitude of dysfunctional behaviours. Executives and senior managers resisted the consultants in many ways. The consultants responded by continuing to show flaws in the character and processes of the business. Protection, turf wars, avoidance, attack, blame and denial became the norm. The more the consultants shouted "danger" the more the business responded by saying "they are only after the benefits". From a cultural perspective, a number of observations were made.

**Themes Identified**

a.      No honest and direct feedback took place between staff and management which resulted in a false sense of security and no urgency. The "burning platform" was non-existent.

b.      The problems of the business were not 'appropriated' by key people in the business. Consequently, little action or support for action was forthcoming. People were complacent.

c.      People issues such as poor productivity, staff ratios, excessively high turnover, poor morale, a blame culture, adherence to values received no attention whatsoever. The executives of the Board were silent on the impact of people and culture on the bottom line.

d.  No integration between strategy and daily business activities was evident. The "formula for success" resided in numerous documents but were not driven through to divisional / departmental nor individual performance. People did not know what was expected from them. There was no consensus on what was needed, who was supposed to do what and how it was to be performed.

e.  The business lacked focus. Each executive simply followed his agenda. There was no compelling vision nor any clear direction.

f.  Most noteworthy for me, was the complete lack of confrontation. No honest performance feedback was evident as people were not disciplined for poor performance. The Human Resources department of 51 (in a headcount of over 1300) had no impact on the business whatsoever. I am still unsure of why it exists. Conflict is non-existent in the business.

g.  Each executive session resulted in little other than a vague "next step". Decisions were simply not taken and where they did take place, they seemed incoherent and at best reactive. The only aspect people seemed to focus on as a collective was the next set of results and how rating agencies would rate the business. The operation of the business received no attention. The Chief Operations Officers' contract was not renewed and the CEO ran one of the most critical areas for about 8 months while continuing other executive functions.

h.  No forums / structures were in place where critical business issues could be assessed while no system nor process (such as a Balanced Scorecard) was in place to direct activity and behaviour. Targets, measures and objectives were never referred to. There are consequently no priorities, nor roadmaps.

i.  Leadership, as can be seen from the points above, was absent Leadership made no effort to galvanise resources, focus energy and to provide direction. It rather fought fires and behaved reactively. The CEO and his Executive however worked seven days a week often up to sixteen hours a day. The CEO had a

bedroom adjacent to his office while the CFO intentionally moved to less than 1km from his office.

j.  A general sense of separateness and apartness was obvious to the outsider. The structure of the business led to 'silo' mentality and behaviour. No integration and collaboration took place. Departments never met with other departments. At best, executives or senior managers would meet to discuss trade-offs and not how they could work together. Even the buildings in which work took place were all over town. Four offices existed in Johannesburg alone – each about 20km from one another.

k.  Most surprising, the notion of customer service seemed foreign. Customers were never referred to, no customer service programme was in place nor was any executive responsibility aligned to customer service. The idea of an internal customer had to be explained over and over.

l.  Senior managers had no accountability nor could they authorise decisions as they may have pertained to them. All decisions were the CEO's and they often remained with him for months on end.

m.  As mentioned earlier, people processes were non-existent. No rigorous approach to selection and recruitment took place other than a basic interview; no psychometrics were used; career development does not exist and there was no focus on retaining talent. It remains a mystery as to why the company spends in excess of R23 million on a department which adds limited value.

No one is clear on what the HR Director does as there is no performance management administered among executives – and if it did take place, it was not properly done.

## An aside: Avoidance

The HR Director requested an assessment of the HR department from us. This was done and it (HR) was found to be of little relevance to the business, had no implementation capacity whatsoever, possessed few genuine HR processes and was found to be very short on skills. This view was presented to the CEO and CFO and was agreed with.

Both however felt it inappropriate to take action as they did not want any further pressure from Board members. The appropriate solution they felt, would be to appoint additional resources in the HR department to "protect / support" the individual concerned. Rumours of a close relationship between the Board and the HR Director have persisted.

The HR Director then began discrediting the project in various ways and has continued to sabotage all project efforts. He has since been "relieved" of his duties.

Again, the unexpected continued. Various senior managers have expressed full support for the project – especially the people / culture actions – but none are willing to announce these in public. This however changed slightly as the new CEO made it "safe" for people to have opinions.

It seems as if the local Board wields extraordinary influence in some respects. The local Board members however receive small emoluments but are shareholders (who have not made any significant return as yet). The insight is that the role of non-executive directors and shareholders need to be very carefully defined and clarified. They should indeed leave professional managers to do their job of running divisions and departments, and Board members left to fulfil Board obligations.

## The Response

The CEO was replaced halfway through the assignment. The existing CEO would take over the role of Executive Chairman while an international CEO was sourced and brought in to change the course of the business. He was essentially employed to turn the business.

The first action he took was to assess the financial status of the business. It was clear to him from day one that the business was in a complete mess from a customer, process and people / culture perspective.

The results of the assessment were as outlined earlier and within 30 days of taking office, he has needed to ensure the business has access to finance from its international parent. Should the business not receive an injection of about a billion Rand, it will quickly be up for sale – and will achieve junk bond status.

The second step taken by the new CEO was to enlist the support of the Board. The key message conveyed to the Board was to let him do what is necessary and without interference. The CEO wants to be left to turn the business around and left to do so as he would like.

Assuring key staff and key customers has also been an integral part of the CEO's first 30 days. The CEO initiated a "talent" review where each executive head needed to identify his / her top performers and put in place a mechanism to retain key staff. He also ensured that talent retention became part of review measures such as the balanced scorecard and performance management.

Key customers were met and introduced to the CEO. This was done to ensure they were left feeling safe and secure going forward.

Various structures were initiated to help introduce structure and focus. The CEO himself will chair an operational committee, which would focus on operational problems; a "cost containment" initiative managed by the strategic office and Balanced Scorecard was started. The role of Exco was also changed and now focuses on policy decisions only.

Key personnel changes were also made. The client has however requested that this detail is omitted from this paper.

## 5.3 Literature Control

### 5.3.1 The Burning Platform

The three cases indicated that change in the businesses in distress only took place when the reality of situation sunk in and people consciously and deliberately decided to take action. In all three cases, the organisations seemed to believe that some miracle would save it from its position and until them waited for some action or intervention.

### 5.3.2 The role of leadership

The action described above would only transpire when a change in leadership took place and in all three cases, the change was one of "replacing the actual person – not embarking on some consultant driven transformation project".

Slatter and Lovett (1999) cite research conducted in the UK where 100% of the companies examined made some change in the senior management team. The reasons for these changes were listed as:

- The necessity to replace poor and weak incumbent management and those who resist change
- New skills are necessary to conduct the turnaround
- Legacy issues have to be overcome
- Confidence is restored

- New management brings urgency
- A change at the top is a signal.

*(pp. 160-162)*

### 5.3.3  Measurement

The advent of the Balanced Scorecard (Norton & Kaplan, 1990) and other scorecards (Ulrich and Brocklebank, 2005) have pointed out the value of measurement and reviews.  Multiple measures tracking progress organised set objectives that are aligned to the overriding strategy of the business were identified as key requirements.  A lack of focus was repeatedly seen as a predictable indicator of future distress.

# Chapter Six

## 6   Conclusions and Recommendations

### 6.1   Introduction

The aim of this chapter is to integrate the literature and data as set out in chapters three, four and five. Findings will be consolidated through a set of quotes and implications while recommendations and guidelines will also be made. Limitations of the study will close the chapter off.

### 6.2   Overview

The researcher undertook exploratory research to understand how the culture of a business can be changed. The context of the research was within distressed or crisis-hit organisations and those that require turnaround expertise. The rationale for this question was based on the assumption that distressed organisations should offer the ideal opportunity to alter its culture. This may have implications for strategy formulation and company direction.

In chapter one the problem to be investigated was outlined. The aim and methods used were set out as were the specific research questions. Concepts, definitions and terminology were also clarified. Chapter two provided an in-depth exposition of the empirical investigation. A method of triangulation was used where a literature review was followed by fifteen in-depth interviews. The interviews were held with appropriately qualified and experienced practitioners. Two cases and a personal account were also used to obtain relevant data that would offer perspectives on the nebulous nature of "culture change".

The content yielded was summarised into themes and compared with the literature throughout to ensure validity. An independent decoder assisted by validating the themes and data in order to ensure reliability of the study.

## 6.3 Findings

### 6.3.1 General

According to Kreitner et al (1995, p.547) there are four ways to assess the effectiveness of an organisation. In the first place it can be assessed by looking at the goals accomplished by the organisation and whether is has achieved its goals. Secondly by examining the internal processes and whether the organisation functions smoothly with minimum internal strain. Thirdly, the strategic constituencies' satisfaction and whether the demands and expectations of key interest groups are at least minimally satisfied. Lastly, the resource acquisition process and whether the organisation acquires the resources it needs.

These criteria can be looked at separately and if one has not been reached it suggests that there is a problem with the overall effectiveness of the organisation. Organisational effectiveness has also been described by Kreitner et al (op cit) in the Financial Times and by Price Waterhouse Coopers as looking at the following criteria:

- Consistent growth
- Long term profitability
- Quality of staff
- Leadership
- Vision
- Customer service.

Turnarounds are required when the criteria above are absent. Organisations become distressed when the profitability of the business, its continued survival and growth opportunities are under severe threat due to poor leadership, a disjointed and / or non-aligned future orientation, poor customer service and when the quality, skills and expertise of management and staff are not where it should be.

These findings were unanimous and consistent from all respondents and from the cases and narratives. The data is furthermore consistent with the literature.

Culture was seen as the interplay between "strategy, people and customers" by some of the respondents while others saw culture as a phenomenon which "emerged" in the course of general change and everyday activities.

### 6.3.2 A "type" of culture

Various attributes were identified when discussing this question. A culture of slow and/or ineffective decision-making was the most common issue highlighted during the interviews. Many felt that slow decision-making in especially bureaucratic organisations "fed" a dysfunctional culture and in essence aided an organisation in its slide towards a crisis. Interviewees felt that the slow decision-making was more often than not "personality" driven rather than organisationally driven – other than in State run set up's where rules and regulations determined both the "how', "what" and by "when" questions.

- "Yes I do. Firstly, a highly bureaucratic culture that is unable to assert its authority effectively becoming slow or loses its ability to exert its power. Secondly, an organisation with little bureaucracy, very entrepreneurial, that grows quickly and is unable to recruit / retain / or control individuals. The decision making ability of the "in group" becomes over taxed, and disintegrates into chaos or mismanagement".

- "Most definitely. Cultures of no accountability and no decision-making; little authority to deliver / act / make decisions and where no responsibility for action / non-action takes place. You can "see" a dysfunctional culture a mile off. People will not be acting in goal directed ways; by avoiding, covering up; leaving early; "blaming" the system. You will also probably find little confrontation. On closer

inspection, the organisation systems and processes like performance management, strategy implementation tools etc will be either broken or not used".

- "Yes, if the existing culture is not aligned to the strategy of the organisation, it will undermine what the business is trying to achieve and will therefore thwart organisational performance. It is not so much the type of culture in existence but the degree to which that 'type' is aligned to the organisation strategy and the strength of that culture. The stronger the misaligned culture type, the more distress there will be".

### 6.3.3   How dysfunctional cultures manifest?

A number of signals were listed and discussed by respondents. The content yielded was less about "pure business concerns" like the operation of the business or productivity concerns but more likely from signals related to people issues and so included internal "people and morale" issues and external "customer service and satisfaction" measures. The summary point was that a dysfunctional culture can be seen by the way in which it (mis) treats is customers, suppliers and staff. This gives rise to a turnover of staff, managers, suppliers and customers.

The operative word in the identification of a dysfunctional culture was treatment of others who are related to the business in some way or other.

- "Rapid acquisitions with little, if any, ability to welcome new company components and integrate cultures".
- "Short duration of CEO's and sudden resignations due to "health", family matters etc".
- "Excessive departure of senior staff, particularly executive levels (e.g. over 15-30% turnover a year)".
- "Arrogance".

- "Dropping rates in terms of measures such as employer satisfaction and customer service".
- "Chopping heads at any opportunity".
- "I would say a key indicator to look for is an overbearing CEO and a weak Board. Look at the chairman too. Was he/she the previous CEO? That is never a perfect solution especially if the rest of the Board members are relatively weak, e.g. Name omitted at X company".
- "Breakdown in the ethics of respectful behaviour towards each other".

The "treatment" point was explored and many felt that certain "lead" indicators would identify the looming crisis, and dysfunctional business. Respondents were of the view that if one were oblivious to the financial status of the business, then one could assess how senior people in the business treated their staff and customers in order to identify the health of the business.

- "Divisive breaks in the "group" that leads to entrenched conflict over differences".
- "Withholding of information or other resources to benefit the few and potentially harm the whole group".
- "Static and no healthy change in ethics, behaviour and customs over time to enable adapting to changed environments and people".
- "Exclusion of large segments of the group".
- "Warning signals would include values that are not lived out i.e. different set of values are played out in the organisation than those which are communicated as the organisations values. The message conveyed about how people are expected to behave is therefore inconsistent. Behaviours displayed don't support the values. Those behaviours which are manifested thereby create an underlying and opposing set of values for the organisation. These don't support the organisations strategy and undermine performance. Leadership not 'walking the talk' is a strong lead indicator of a culture under distress

and a misalignment between behaviours and symbols and systems and values".

### 6.3.4 What actions need to be taken once in a turnaround?

Respondents were unanimous on ridding the business of ineffectual leaders, reviewing the composition of the Board and soliciting support for a turn around strategy. What was noteworthy for the researcher was the fact that no respondents nor in any of the cases was a view held that the current team in place would be able to "get the business out of the hole". Terms like "cleaning out" and "ridding" were common and so the notion of using the same team to drive a turnaround was quickly dispelled. The view was that a new team needed to replace the existing one – and quickly! The new team then needed to identify its priorities and to then drive performance against these.

- "If there is a crisis you need to get rid of the CEO. He is the custodian of the culture. But there is also a lot to be said about the Chairman and the rest of the Board. If the Board was under the influence of the CEO you need to look carefully at the members and make changes here too – more difficult because shareholders need to act here and they are often not close enough to know if there is a problem".

- "A lot. The new CEO needs to champion it tirelessly. The HR team has to buy in and sell the changes. You might need to retrench people who perpetuate the old culture. It takes a very long time for corporate memory to forget the old culture so the new culture, its ideals, ethos etc needs to be driven hard, hard, hard over many years to effectively embed it in the organisation".

- "Key antagonists need to be fired and quickly replaced".

- "HR department must be 100% behind CEO".

- "The Board must back the CEO".

- "Constant and consistent internal communication".

- "See how deep the hole is an inform the business. Create the crisis. Examine the composition of the top and middle management team and restructure as required. Re-structure the business needed. Begin holding individuals accountable for performance and measure / review weekly. Performance management is critical – as it always is. Performance measures used to be simple and clear. The CEO is in charge and this needs to be demonstrated. Review the interactions and messages that people receive and get people talking about the problems the business faces and what they need to do about that. As the CEO, conduct one-on-ones and team sessions. Get teams / groups / departments to work on immediate problems so that immediate solutions are found. You want to create and need to restore confidence in people as they have often been battered. Leadership – strong and visible – needs to be evident. Feedback is very important so that people can see where they are achieving and where not. Give the good news and the bad. See how the plan towards prosperity is being both co-created and co-crafted. You don't want complacency nor do you want people to think that the plan alone is enough. Your key customers and the market in general need to know that problems are being addressed. I make sure that I stick to the 80/20 principle. I look after the 20% who give me 80% by implementing key initiatives. I stay on very good terms with my investors and banks".

- "Build a single view of financial performance across the business (Baseline and Benchmark). Reach consensus and commitment across leadership team in position of the business and planning forward".

- "Develop clear and concise communication plan for all stakeholders (shareholders, staff, public) that incorporate "only" appropriate levels of information to share the gravity of the situation, yet not panic people, rather carve positive behaviour as an outcome. Lock down the cheque book for the entire business with cash in and out managed by a few people".

- "Hold daily Plan-Do-Review meetings outside business hours against a dashboard and objectives".

- "To change the culture you have to first recognise and identify the culture currently at play in the organisation. You need to have a compelling vision for the organisation and a strategy for reaching this vision. Culture must support this – to shift the culture you need to understand where you are going, the process for change, what kind of culture is needed, how long it will take and what is required from people in the organisation and leadership. Check that values support the vision / strategy and that the correct behaviours are clearly linked to values. Reinforce the correct behaviours through linking these to all organisational practices and performance measures".

### 6.3.5 Measuring the effectiveness of change

While the conversations held during the interviews were essentially about culture change, respondents nearly always referred to business issues as they related to people concerns. Turnover of staff and customers was the most often spoken about and mentioned topic.

- "Staff satisfaction (is it going up or coming down?)".
- "Staff turnover".
- "Performance of the organisation (e.g. sales increasing)".
- "Identify 3-5 behaviours which characterised the "old" culture and assess their prevalence every 3 months until they are no longer visible
- "Behaviours can be measured by being linked to all performance measures, at a company, departmental and individual level through a Balanced Scorecard, through performance reviews, development plans, recognition and reward programmes etc. In this way values are 'checked' in terms of how they are lived out through behaviours. Values are also played out through the symbols and systems of an organisation so their need to be checks in place to ensure that there is consistency here too. A regular review and feedback loop is critical to test the degree to which values support the strategy / vision of the

organisation. Values are often tested during a time of crisis i.e. the degree to which these are adhered to in a crisis".

### 6.3.6 Approach to strategy change

Respondents generally battled with this but what was evident were comments such as "shared", "aligned" and "common". This suggests s commonality of purpose, clarity or direction with clear and unambiguous messages.

### 6.3.7 Implications

The findings suggest that culture is often labeled as one of the causes of distress in a business. It also is very difficult to name and discuss as it is neither concrete nor specific in nature.

Leadership style, measurement and reviews including feedback loops were seen as the "keys of culture". An ineffective leadership style coupled with limited feedback and no reinforcement from a management system perspective were seen as the causes of distress but were obviously also seen as the vehicles for successful rehabilitation and change.

Culture was shown to be about "what is done and how things are done" and results from the interplay between people, processes and customers. It is both a formal and informal process that can be strategised on, designed and implemented but not necessarily predicted. The research however indicated that much can be done to shape culture and that this should be deliberate effort. Failing to do so was found to be risky proposition.

### 6.3.8 Guidelines and Recommendations

Culture was listed by respondents to be the cause for distress by interviewees, in the cases and in the literature. In no instance was culture change the driver of strategic change. Changing the culture was however seen as a necessary pre-requisite and should therefore be a well thought – out and deliberate effort.

It is therefore recommended that culture becomes a portfolio and that appointments are made and structures implemented to support this. A "Chief Cultural Officer" should be appointed just as one would have a "Chief Financial Officer"; that specific culture - oriented competencies are identified for selection and development purposes and that performance metrics and key result areas should track culture change and that forums for debating culture are created. This is suggested in order to help people make sense of how culture impacts and influences the business and the path it takes into the future.

In terms of guidelines for practitioners, the following "High – Risk Register" could be used to help identify organizations who may be sliding towards a crisis. Key questions to be marked in a potential inventory could include the following:

1. Do stakeholders (staff, suppliers, key customers) have confidence in the Chief Executive as a *character*? Do they believe he has the required *competencies* to lead the business?

2. Is the *senior leadership team* (EXCO and direct reports) fully behind and supportive of the CEO, or is the group *split into* various "camps?"

3. Do *Board* members become *excessively involved* in the business? Or are *they absent and "weak?"*

4.  Is the *business strategy and business plan well – known and driven throughout the entire business?* Are about half a dozen objectives part of all senior managers' performance agreements and other measurement processes, and are they followed up?

5.  Are there measures for all objectives, and are they easily understood? Does the business know what it needs to do to remain viable? Is there *focus?*

6.  Does the firm have a *change management* competency? Can it implement even the basics or is it caught up in its own cycle of "talk, blame, explain … and stay the same?"

7.  A *sense of urgency* or a "burning platform" is at the center of all dialogue, conversations and processes?

8.  People take customers and *customer service seriously?*

9.  The business understands the importance of people and culture as a differentiator, and knows full well that the *intangibles* give rise to the tangible results in the future? Values are not just stuck on a wall but are followed through?

10. Finally, is the culture characterized by *discipline, accountability and a bias towards implementation?*

While the checklist above could serve as pointers for future research, it should suffice as a barometer of organisation health vis-à-vis distress.

The checklist may also be of application to those involved in risk assessment and risk management. Many internal audit and risk departments now complete what is termed a "People Risk Assessment" and the pointers raised above could contribute to the content of such assessments.

The challenge would be to quantify the above in both tangible and intangible measures.

# 7   Limitations of the study

As with any study, there are limitations. This is no exception.   The most common in the research undertaken was the profile and background of the interviews.   Most were consultants or analysts and so tended to be "onlookers" in the main.   The perceptions of senior managers and executives were intentionally not sought and so the views obtained were mostly those who implementation and change oriented.

Finally, the chief purpose of the study was to understand how the culture of a business could be altered while in distress, and to identify practical ways of doing so.

To this end, relevant theory and literature was reviewed and interviews were supplemented by two case studies and a personal account.   The interviews and cases were largely silent on the systemic nature of organisations.   Most interviewees were ignorant about complexity theory, complex adaptive systems and systems theory in general.   The respondents – without fail – adopted a linear, reductionistic approach to culture change.   This meant that the researcher was unable to refer to these topics at length during the interviews and discussions.

# Chapter Seven

## 7 References

### 7.1 Texts and Journal articles

| | | |
|---|---|---|
| Ackoff, R. | (1993) | From a Mechanistic to Social System Thinking. A digest of a talk by Russel L. Ackoff. In Innovations in Management Series. Pegasus. Cambridge. |
| Argyris, C. | (1995) | Knowledge for Action: A guide to overcoming Barriers to Organisational Change. San Francisco Jossey-Bass. |
| Arogyaswamy, K. | (1995) | Firms turnarounds: An integrative two stage model. Journal of Management Studies. Vol 13. |
| Auchterlonie, D.L. | (2000) | Lessons learned from Research on Restructured firms. The RMA Journal. June 2002. |
| Bass, B. | (1981) | Stodgills Handbook of Leadership Theory. The Free Press. New York. |
| Bate, P. | (1990) | Strategies for Cultural Change. Butterworth Oxford. |
| Bossomaeier, T and Green, D. | (1988) | Patterns in the Sand. Allen and Wurth. Australia. |
| Boosen, A.E and Van Wyk, M.W. | (1994) | Globe – Research First Qualitative Report. March 1994. UNISA. Midrand. |
| Boudreau, M. | (2004) | Turnaround consulting – Overview of the Process. www.highbeamresearch.com. |
| Brown, A. | (1995) | Organisational Culture. Pitman. London. |

| Cartwright, S and Cooper, C.C. | (1993) | The role of culture computalising in successful organisational marriage. Academy of Management Executive, Vol 7. No 2. |
|---|---|---|
| Collins, J.C. and Porras, J.I. | (1994) | Built to Last. Successful habits of visionary companies. Harper Business. New York. |
| Cresswell, J.W. | 1998 | Qualitative Enquiry and Research Design. Choosing among five traditions. Sage. London. |
| Darling, J.R. | (1992) | Total Quality Management. The Key role of Leadership Strategy. Leadership and Organisation Development Journal. 13.4. |
| De Vries, K. | (2001) | The Leadership Mystique. Prentice-Hall. Great Britain. |
| Denzin, N.K – Lincoln, Y.S. | (1994) | Handbook of Qualitative Research. Sage. London. |
| Duborsky, L. | (1998) | Understanding Transference. The Core Conflictual Relationship Method. American Psychological Association. Washington. |
| Edwards, D. | (1986) | In Tyson, GA (ed) Introduction to Psychology. A South African Perspective, Westro. Greenside. |
| Farquhar, A. Evans, Pad Tawadey, K. | (1989) | "Lessons from Practice in Managing Organisational Change". In Evans, P; Doz, Y and Laurent, A. (eds). Human Resource Management in International Firms: Change Globalisation, Innovation McMillan. London. |
| Harrison, R. | (1972) | "Understanding your Organisations characters". Harvard Business Review. May-June. |
| Hollis, R. | (1998) | The Eden Project. Inner City Books. Canada. |

| Kelly, S and Allison, M.A. | (1998) | The Complexity Advantage. Business Week Books. McGraw Hill, United Kingdom. |
|---|---|---|
| Koch, R. | (2000) | The Financial Times Guide to Strategy. Prentice Hall. United Kingdom. |
| Kotter, J and Heskett, J.L. | (1992) | Corporate Culture and Performance. Free Press. New York. |
| Kotter, J. | (1995) | Leading Change: Why transformation efforts fail. Harvard Business Review. March – April. |
| Kreitner, R; Kinicke, A and Bueleus, M. | (1999) | Organisation Behaviour. McGraw. London. |
| Kruger, D. | (1982) | A First encounter with Psychology. Academia. Cape Town. |
| Lane, A. | (2000) | Systems thinking and practice. A Primer the Open University. Buckingham. Philadelphia. |
| Leedy, P.D. | (2001) | Practical Research (7$^{th}$ ed). Prentice-Hall. USA |
| Lewin, R and Regine, B. | (No date) | Weaving Complexity and Business Relationships: The bottom line in business. London. (course notes). |
| Makin, P; Cooper, C and Cox, C. | (1996) | Organisations and the Psychological Contract. Praeger. USA. |
| Mintzberg, H; Ahlstrand, B and Lampel, J. | (1998) | Strategy Safari. Pearson. USA. |
| Norton, D.P and Kaplan, R.S. | (1995) | The Balanced Scorecard. Harvard. USA. |
| Norton, D.P. and Kaplan, R.S. | (2004) | Strategy Maps. Harvard. USA. |

| Ortegon-Monroy, R. | (1999) | Chaos and Complexity Theory: A Review of its status, perspectives and implications for management. University of Lincolnshire and Humberside. United Kingdom. |
| --- | --- | --- |
| Pandit, N.R. | (2000) | Some recommendations for improved research on corporate turnarounds. Management. Vol 13. No 2. |
| Reason, P. | (1999) | Toward a science of qualities in organisations: lessons from complexity Theory and postmodern biology. Centre for Action Research in Profession Practice, University of Bath. United Kingdom. |
| Reynolds, P. | (2005) | Managing a business turnaround. www.deloitte.co.za. |
| Rosslee, G.J. | (2005) | System Theory and Corporate Turnarounds Paper submitted in partial fulfilment of the M.Com degree. University of Kwa-Zulu Natal, South Africa. |
| Rosslee, G.J. | (2006) | Change Management. Paper submitted in partial fulfilment of the M.Com degree. University of Kwa-Zulu Natal. South Africa. |
| Schein, E. | (1997) | Organisational Culture and Leadership. Jossey-Bass. USA. |
| Senge, P. | (1999) | The Dance of Change. Doubleday. New York. |
| Senge, P.M. | (1991) | The Fifth Discipline. The Art and Practice of the Learning Organisation. Doubleday. New York. |

| Slatter, S and Lovett, D. | (1999) | Corporate Turnaround. Managing companies in distress. Penguin. London. |
|---|---|---|
| Stacey, R. | (2003) | Strategic Management and Organisational Dynamics. The Challenge of Complexity. Prentice-Hall. England. |
| Tart, R. | (1996) | The Attributes of Leadership. The Leadership and Organisation Development Journal. 17.1. |
| Taylor, C. | (2005) | Walking the Talk. Building a culture for Success. Random House. United Kingdom. |
| Ulrick, D and Brocklebank, W. | (2005) | The HR Value Proposition. Harvard. USA. |

## 7.2    Websites

www.deloitte.co.za

www.turnaroundsa.co.za

www.update.com

## 7.3    Personal Correspondence

- Gemini Consulting (Pty) Ltd. March 2006.
- Stanlib (Ltd). March 2006.
- Independent Newspapers (Ltd). March 2006.

## 7.4    Other

| Corporate Research Foundation | The Best Companies to work for in SA (6<sup>th</sup> Ed.) CRF Publishing. Cape Town. |
|---|---|

## 7.5    Interviews, cases and narratives

- Interview #1:    Willem Mans.            June 2006
- Interview #2:    Mervyn Ekron.            June 2006
- Interview #3:    Mevyn Davidowitz.        June 2006
- Interview #4:    Ricardo Graham.          June 2006
- Interview #5:    Dr Boitumelo Kenoshi.    June 2006
- Interview #6:    Dr Dewald Scholtz        June 2006
- Interview #7:    Derek Hall               July 2006
- Interview #8:    Diane Metcalfe           July 2006
- Interview #9:    Catherine Cairns         July 2006
- Interview #10:   Sean Hettema             July 2006

- Interview #11:   Brian Murray            July 2006
- Interview #12:   Vanessa Cowan           July 2006
- Interview #13:   Charles Metcalfe        July 2006
- Interview #14:   Theo Botha              July 2006
- Interview #15:   Anthony Sher            July 2006
- Case #1:         Jan Van Der Walt        Aug 2006
- Case #1:         David Harding           Aug 2006
- Personal Narrative: Garrath Rosslee      Aug 2006

# APPENDIX

## INTERVIEW #1

**IT Business consultant - 43 - B. Eng/MBA - Male**

**Question 1: What do you understand by the term "culture"**

Within an organisational context it describes the way things are done. The CEO / MD is the owner and key influencer. The way the CEO/MD and the Exco operates becomes the cultural norm. The culture therefore not only includes how the business does things (operate) but more importantly why they operate the way they do.

**Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis?**

Yes. For example a culture where suspicion, secrets, distrust, lack of trust, lack of respect, lack of teamwork, lack of rewards, etc are present would contribute significantly to create a crisis.

**Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators'**

- Lack of strong positive values and principles. Distrust at all levels
- Little or no positive feedback / rewards
- No clear goals / objectives that are well communicated
- No trust, no delegation of authority and accountability
- Secrecy
- Unethical behaviour at all levels and the condonement of it
- Little honesty and integrity, especially at management level.

**Question 4: Once in a crisis, what do you think needs to be done? What needs to change?**

A crisis required a two-pronged approach. The first focus is to fight the fires and the damage. The second focus is to put a team together to identify the root causes of the crisis, determine what should be done to address these and to translate this into actions for the managers.
Most businesses in crisis do not go beyond the fire-fighting phase.

**Question 5: What needs to be done to change the culture specifically?**

Strong leadership from the top doing the right things and living the right values.

**Question 6: How should this be performed? What actions should be taken?**

Determine what new culture is about, what actions are required to make this a reality, a proper communication plan and strong leadership implementing

these changes.

**Question 7: How would you go about assessing / measuring if the adopted approach actually works?**

The objectives of the change exercise need to be translated into clear deliverables and milestones aligned to the "new" changed picture. This makes it easier to measure.

**Question 8: What approach to strategy change is implied through this?**

Clear objectives, clear deliverables and milestones, clear accountability. Reviewing progress and planning next steps over short intervals, e.g. weekly.

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

Leadership need to keep the business focused on what needs to be achieved, live the values and way of doing, measure progress and celebrate achievements.

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- Strong leaders
- Focused
- Good communicator
- Objective and fair.

**Question 11: What is the mindset of managers who prolong crisis situations?**

- Try to address symptoms
- Not realizing severity of crisis early enough
- No strong leadership
- Hope it will go away
- Not mobilizing business to face crisis.

**Question 12: What triggers a crisis in a business?**

- Bad culture and values
- Short term focus
- Top management too operational
- Lack of or bad planning
- Lack of leadership.

# INTERVIEW #2

**Consultant - 52 - M.Sc Mathematics & Operations/General Management - Male**

| |
|---|
| **Question 1: What do you understand by the term "culture"** |
| Culture is the way a group of people react, act, work, plan, exist, e.g. Am I on time for meetings, or always late. Do I act with integrity or try and screw everybody! |
| **Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis?** |
| Definitely – a culture of putting things off until tomorrow, lack of respect, ethics will lead to a siloed, self created non customer centric approach. |
| **Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators'** |
| • "Siloed" mentality<br>• Disrespect of others in the organisation<br>• Late for meetings, deadlines not met<br>• Arriving late for work. |
| **Question 4: Once in a crisis, what do you think needs to be done? What needs to change?** |
| Top management needs to decide on a number of issues to be addressed and lead by example. |
| **Question 5: What needs to be done to change the culture specifically?** |
| • Meetings to start on time<br>• Respect for all staff<br>• Allow people to make decisions and to make mistakes. |
| **Question 6: How should this be performed? What actions should be taken?** |
| • Meetings to start on time<br>• Respect for all staff<br>• Allow people to make decisions and to make mistakes. |
| **Question 7: How would you go about assessing / measuring if the** |

| adopted approach actually works? |
| --- |
| Ensure a few KPIs are identified at top level and ensure these and related KPIs are measured per department. |

| **Question 8: What approach to strategy change is implied through this?** |
| --- |
| Delegation of authority |

| **Question 9: What is the role of leadership in this? What / how should leadership act at this time?** |
| --- |
| <ul><li>Calmly – no knee jerking</li><li>Make promises that can be kept and keep promises made</li><li>Lead by example.</li></ul> |

| **Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?** |
| --- |
| <ul><li>Listen</li><li>Fair</li><li>Tough</li><li>Take responsibility – support team.</li></ul> |

| **Question 11: What is the mindset of managers who prolong crisis situations?** |
| --- |
| <ul><li>Knee jerkers</li><li>Don't take responsibility</li><li>Not a team player.</li></ul> |

| **Question 12: What triggers a crisis in a business?** |
| --- |
| <ul><li>A number of issues can trigger a crisis, often starting very small</li><li>Large single mistakes are easy to notice, fix and ensure they don't happen again</li><li>The small day-to-day issues that start going wrong are the near difficult issues to find track and resolve. These are often people driven and created by lack of teamwork and communication.</li></ul> |

# INTERVIEW #3

**Business Consultant - 46 - MA (Clinical Psychologist) - Male**

---

**Question 1: What do you understand by the term "culture"**

Culture has a formal (normally documented side and informal practiced) side. The culture as it is lived is a collective manifestation at the individuals (or founder). Important dimensions for me are:
- level of competition, e.g. aggressive, why it portrays self?
- way it treats differences
- Decision making (how wide spread)
- Responsibility dynamics
- Way success or failures are explored/tolerated
- Internally vs. externally focused
- Male / female dimensions
- Relationship to its customers.

**Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis?**

Yes I do. Firstly, a highly bureaucratic culture that is unable to assert its bureaucracy effectively becoming slow or loses its ability to exert its authority. Secondly an organisation with little bureaucracy, very entrepreneurial, that grows quickly and is unable to recruit / retain / or control individuals. The decision making ability of the " in group" becomes over taxed, and disintegrate into chaos or mismanagement.

**Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators'**

- Rapid acquisitions with little, if any, ability to welcome new company components and integrate cultures
- Short duration of CEO's and sudden resignations due to "health", family matters etc.
- Excessive departure of senior staff, particularly executive levels (e.g. over 15-28 turnover a year)
- Arrogance
- Dropping rates in terms of measures such as employer satisfaction surveys
- Chopping heads
- Strategic growth.

**Question 4: Once in a crisis, what do you think needs to be done? What needs to change?**

Depends how deep into crisis. How is labour turnover and expenses a comprehensive audit of whole picture. Where is the ball being dropped?
Performance management – re-evaluation of strategy
Difficulty – if CEO has an authoritarian style.

**Question 5: What needs to be done to change the culture specifically?**

- Clear internal audit and employees (attitudes, beliefs about company. External audit customers, market analysis, clear identification of issues needing address etc.)
- Change management programme that gets to bottom line issues
- Corporate restructuring
- Leadership in terms of respect
- Ability to engage different constituencies
- Ability to take on conflict, where necessary.

**Question 6: How should this be performed? What actions should be taken?**

- Overall business analysis using financial tools, cultural tools, personal tools, e.g. 360, Focus groups
- OD tools to measure change, resilience etc.
- External consultant (clearly vetted, good, excellent references).

**Question 7: How would you go about assessing / measuring if the adopted approach actually works?**

- Compare improvement against original factors identified
- Staff feedback (anonymous)
- Labour retentions (if that good)
- Decrease in IR cases relating to dissatisfaction
- Ability to develop new products / services / see engaged staff.

**Question 8: What approach to strategy change is implied through this?**

- Engagement and role players
- Good communication strategy, incorporating ideas
- Developing ideas – all business improvement practices from all levels / areas.

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

- Build solidarity

- Share objectives
- Communicate
- Is the single most important issue at the moment!
- Coherence and congruence.

## Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?

- Able to manage ambiguity, certain anxieties
- High EQ and excellent interpersonal skills
- Self management.

## Question 11: What is the mindset of managers who prolong crisis situations?

- Political players who are unable to focus on issues
- Narcissist and lack of insight into oneself
- Manage by fear.

## Question 12: What triggers a crisis in a business?

- Market conditions which are undetected including globalisation
- Interpersonal issues between executives
- Technology changes
- Ownership
- Board interference.

# INTERVIEW #5

**General Business Consultant - 36- Consulting for 7 years – B.Com/MBA - Male**

| Question 1: What do you understand by the term "culture" |
| --- |
| Culture for me is the "atmosphere" you experience when you engage with any company.  This atmosphere can be created by the people, products, advertising and what the media says about a company. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
| --- |
| Yes, a culture that does not reinvent itself or continuously fails to get new blood.  It stagnates. |

| Question 3: If you agree to the above, what are the warning signals that manifest?  What are the signals or 'lead indicators' |
| --- |
| <ul><li>Lack of accountability amongst employees</li><li>A comfortable "atmosphere" comfort zone</li><li>Missing quarterly results</li><li>Competitors entering the industry.</li></ul> |

| Question 4: Once in a crisis, what do you think needs to be done?  What needs to change? |
| --- |
| <ul><li>Management</li><li>Strategy</li><li>Communication</li><li>People.</li></ul> |

| Question 5: What needs to be done to change the culture specifically? |
| --- |
| <ul><li>Identify all weak areas: - people, products, processes</li><li>Develop a new direction for the company</li><li>Communicate</li><li>Act</li><li>Communicate.</li></ul> |

| Question 6: How should this be performed? What actions should be taken? |
| --- |
| <ul><li>Stabilisation</li><li>Develop new direction and strategy</li><li>Reposition</li><li>Implement</li><li>Implement.</li></ul> |

## Question 7: How would you go about assessing / measuring if the adopted approach actually works?

Two way communication of
- Financial results firstly
- Customer feedback
- Stakeholder feedback
- People and performance feedback.

## Question 8: What approach to strategy change is implied through this?

The management that took the company into distress are normally not the ones that can change its direction. Liking to the troubled marriage you need to see a counsellor for objective advice
Objectivity from outside is 50% of strategy success

## Question 9: What is the role of leadership in this? What / how should leadership act at this time?

The leadership should be different. Some are the politics and diplomacy. Now is the time for honest discussion, honest feedback and strong implementation. Decisive and directed with minimal input from people without showing it.

## Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?

| | |
|---|---|
| - Change agents<br>- Impatient<br>- Results orientated<br>- Thrive on chaos<br>- High stress managers | - Tenacity<br>- Financial<br>- People skills<br>- Quick decision making skills<br>- Tough skinned. |

## Question 11: What is the mindset of managers who prolong crisis situations?

- Denial!
- Denial!
- Active sabotage
- Blaming external influences
- Denial (again)

## Question 12: What triggers a crisis in a business?

- The inability to celebrate successes and to respond to external market changes. It normally starts with the leadership and filters through the organisation.
- The external environment changing quicker than the internal environment.

**INTERVIEW #6**

**Question 1: What do you understand by the term "culture"**

- Culture determines what is "acceptable" behaviour for the group of individuals in a common environment, be it a family, organisation, institution etc.
- The collective acceptable behaviour constitutes the culture.

**Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis?**

- Yes definitely. There is "enabling" and "disabling" culture. "Enabling" culture promotes and supports progress, delivery, empowerment, problem solving and proactive behaviour.
- A "disabling" culture actually hinders what is promoted by an "enabling culture" A disabling culture promotes non-delivery, disempowerment, reactiveness, lack of common goals, and problem seeking behaviour
- The results of a "disabling" culture is anxiety, helplessness, hopelessness and apathy.

**Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators'**

Signals include:
- No clarity or little understanding of the common goal
- Misdirected and / or undisciplined activity
- Fighting or conflict among individuals
- Lack of progress or achievement of objectives
- Constantly "putting out fires" – lack of anticipation and preparation for the                                                          future.

**Question 4: Once in a crisis, what do you think needs to be done? What needs to change?**

- Need to accept the implications of an "enabling" culture and understand the consequence of the "disabling" culture, i.e. low market share, poor financial performance, high staff turnover rate, lack of innovation etc.
- Agree on what is the "desired" state for the future and realistically understand the shift that is required to achieve the state
- Commit (honestly) to doing what is required to achieve the desired (even if it is painful process)
- Need a driven sponsor to drive the change
- Leadership must definitely change to ensure any meaningful change – this may require getting rid of the old leadership.

## Question 5: What needs to be done to change the culture specifically?

- Identifying the desired optimal culture
- Right leadership to drive the embedding of the desired culture
- Ensuring recruitment and retention of people who will fit in with the desired culture (may need to "get rid" of those that don't fit)
- Values and behaviours that promote the culture
- Procedures and processes that support the culture
- Reward and incentive mechanisms that encourage the culture.

## Question 6: How should this be performed? What actions should be taken?

- Assessment of what is currently wrong
- Benchmarking against good performers
- Clear picture of "desired" state
- Detailed plans of how to achieve "desired" state
- Communicate, communicate, communicate
- Mobilise, mobilise, mobilise
- Commitment, commitment, commitment.

## Question 7: How would you go about assessing / measuring if the adopted approach actually works?

- Have baseline measures – qualitative and quantitative (form part of performance management)
- Ensure measurement of all aspects to drive desired behaviour
- Monitor and manage performance against target measure (This must be timeous intervention)
- Put in place corrective action to address deviation from plan (including punitive measures)
- Reward achievement of targets
- Make "culture" a key area of business performance.

## Question 8: What approach to strategy change is implied through this?

- There must be a clear strategic direction for the organisation / group etc (may need to develop a new strategy with stretch goals)
- Strategy must take into account or necessitate the desired culture, e.g. innovation, teamwork, market focus, information, market intelligence, solutions - focus, project-based organisation etc.

## Question 9: What is the role of leadership in this? What / how should leadership act at this time?

- Leadership is the owner and driver of culture in any environment.
- Leadership must be the prototype of the desired behaviour and culture
- If leadership does not behave in a manner that exemplifies the culture,

then it is highly likely that subordinates will behave likewise
- Leadership must be extremely conscious of their behaviour at this sensitive time, and must avoid sending out "mixed" messages
- In the interim, a "semi-authoritarian" approach may be required by leadership to ensure the attainment of the desired culture ("be cruel to be kind").

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

Characteristics
- Charismatic, visionary, able to capture peoples mind, "big picture" thinker, results driven, passionate, risk-taker, confident (not arrogant), optimistic

Competencies
- Understanding of change management, excellent people skills, public speaking skills, solutions focused, conflict management.

**Question 11: What is the mindset of managers who prolong crisis situations?**

- Low self esteem
- Scared of challenges
- Loads of self pity
- Not Problem-focused
- Egotistical
- Arrogant
- Haphazard thinking.

**Question 12: What triggers a crisis in a business?**

- Inability to handle and manage conflict, poor business performance and challenges (internal and or external challenges)
- Market dynamics and trends where the business is poorly prepared to handle them
- Lack of proper financial performance management
- Corrupt and or unethical business practices.

# INTERVIEW #7

| Question 1: What do you understand by the term "culture" |
|---|
| • Learnt (socialised) behaviour. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
|---|
| • If the company is stocked with "yes" men the culture would be one of telling only nice things to the boss<br>• Too hierarchical and mistreatment of employees allowed. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
|---|
| • No movement, only good news is presented<br>• Staff are over worked and underpaid.<br>• |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
|---|
| • Severe intervention<br>• Change all senior management and half of middle management. |

| Question 5: What needs to be done to change the culture specifically? |
|---|
| • New management with fresh ideas. |

| Question 6: How should this be performed? What actions should be taken? |
|---|
| • Large scale retrenchments / dismissals for non performance. |

| Question 7: How would you go about assessing / measuring if the adopted approach actually works? |
|---|
| • Increased profits. |

| Question 8: What approach to strategy change is implied through this? |
|---|
| • Don't know |

| Question 9: What is the role of leadership in this? What / how should leadership act at this time? |
|---|
| • Leadership should confirm significant changes but that job losses will |

| only occur in top tiers. |
| --- |
| **Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?** |
| <ul><li>They are entrepreneurs</li><li>Level 4 strategic thinkers</li><li>Action orientation.</li></ul> |
| **Question 11: What is the mindset of managers who prolong crisis situations?** |
| <ul><li>Apathy, blame.</li></ul> |
| **Question 12: What triggers a crisis in a business?** |
| <ul><li>Severe dip in measured performance, e.g. drop in net profit.</li></ul> |

# INTERVIEW #8

| Question1: What do you understand by the term "culture" |
|---|
| • It is the prevailing attitude towards the business. It's the Psychological contract that people have with their company and how that contract is enacted. It's therefore how people interact with both colleagues, peers, staff, customers and the content of their jobs. The human side of the interaction is important as culture is about the relationships between individuals and the company and vice-versa. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
|---|
| • Most definitely. Cultures of no accountability and no decision-making; little authority to deliver / act / make decisions and where no responsibility for action / non-action takes place. You can "see" a dysfunctional culture a mile off. <br> • People will not be acting in goal directed ways; by avoiding; covering up; leaving early; "blaming" the "system". You will also probably find little confrontation. On closer inspection, the organisation systems and processes like performance management, strategy implementation tools etc will be either broken or not used. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
|---|
| • Most of what I answered earlier would be considered "lead" indicators. But apart from the internal dynamics above, you would also see talented people leaving the business, increased customer / supplier problems, poor / "cheap" staff coming into the business with reduced expenditure in capital projects. You may find increased opex as executives try to find "mechanical" solutions to what are essentially people concerns. In the worst cases, expect sabotage and withdrawal. |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
|---|
| • The first thing one needs to do is find out how deep the problems are and therefore a thorough assessment needs to be made and made quickly. I think that at the same time one needs to take a view on who needs to be part of the future and who not and therefore the real "bad apples" have to be asked if they want to be part of the future or not – with expectations cleared up very soon those who do not or who one feels should not be part of the future need to be informed immediately. There is nothing like "shaking" the tree to wake those who have been in |

| a deep sleep for a while. |
| --- |

**Question 5&6 What needs to be done to change the culture specifically? How should this be performed? What actions should be taken?**

- See how deep the hole is and inform the business. Create the crisis!
- Examine the composition of the top and middle management team and restructure as required. Re-structure the business of needed
- Begin holding individuals accountable for performance and measure / review weekly. Performance management is critical – as it always is. Performance measures used to be simple and clear. The CEO is in charge and this needs to be demonstrated
- Review the interactions and messages that people receive and get people talking about the problems the business faces and what they need to do about that. As the CEO conduct one-on-ones and team sessions
- Get teams / groups / departments to work on immediate problems so that immediate solutions are found. You want to create and need to restore confidence in people as they have often been battered. Leadership – strong and visible – needs to be evident. Feedback is very important so that people can see where they are achieving and where not. Give the good news and the bad
- Show how the plan towards prosperity is being both co-created and co-crafted. You don't want complacency not do you want people to think that the plan alone is enough
- Your key customers and the market in general needs to know that problems are being addressed. I make sure that I stick to the 80/20 principle. I look after the 20% who give me 80% by implementing key initiatives
- I stay on very good terms with my investors and banks.

**Question 7: How would you go about assessing/measuring if the adopted approach actually works?**

- I measure key metrics daily. They are usually comprised of the following:
    - Cashflow
    - Sales – both booked, current and future
    - Stock, inventory, purchases
    - Customer satisfaction
    - On-time and quality delivery
    - Meeting of day-to-day operational objectives
    - Operational disciplines like reporting, meeting management
    - Staff retention
    - Performance management adherence
    - Mood of staff/climate in the business

I would review each of the above and as long as its going north, I am happy.

## Question 8: What approach to strategy change is implied through this?

- I am unsure what you mean by this? My approach to strategy in a turnaround is quite simple. It is to get out of the hole, stop the bleeding, harness where we can, look after our golden eggs and do so in the right manner and with the right people.

## Question 9: What is the role of leadership in this? What / how should leadership act at this time?

- Leaders need to offer a view of the future that most people subscribe to and then to structure / design and have reinforcement processes in place to make these happen. SO I guess I'm saying that we need "super managers" and "super leaders"
- Leaders need to create a sense of urgency, mobilise behind the future, inspire confidence, support and provide feedback all the time. In a turnaround, leaders have to introduce "hard" measures as well and stick to them relentlessly.

## Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?

- See the whole picture: The wood and the trees
- Be able to do "Ballroom dancing with the board – although sometimes the board is also part of the problem
- Get support for the difficult things\, e.g. tiring people
- Good with strategy-to-action, i.e. implementation
- An operational person – someone who cannot be caught out
- A "do-er" and an optimist with a "get it done" attitude
- Something of an extravert and a sense of humour: Good EQ
- Unafraid of confrontation
- Somebody who knows what he doesn't know
- Good with data and able to synthesise data
- Resilient, tenacious.

## Question 11: What is the mindset of managers who prolong crisis situations?

- Those who are into analysis, analysis, analysis and more analysis!
- Those who blame other and do not take personal responsibility for things when they go wrong
- Someone who procrastinates.

## Question 12: What triggers a crisis in a business?

- The crisis usually begins months – if not years – in advance. Companies react to problems by "stop-gap" solutions and by doing once-off things like "teambuilding" or "emergency sales drives". They therefore fail to address casual issues and therefore tend to look at only the symptoms. The deeper endemic issues are usually ignored. So I guess I'm saying that it's the people stuff that needs to be addressed early and therefore the role fof leaders is to spend at least 50% of their time ensuring that:
  - Everyone is doing what the strategy expects / requires
  - Everyone is doing it properly
  - Everyone has the right tools
  - Everyone has the right skills
  - Everyone has the right mood / attitude
  - Everyone has the right behavioural framework.

**INTERVIEW #9**

**Professional Interim Manager - 40 - B. Pharm/ B.Com/Entrepreneur - Female**

| Question 1: What do you understand by the term "culture" |
|---|
| <ul><li>A culture is the values and practices common to employees of an organisation</li><li>The culture of an organisation can often be assessed by just spending time with employees</li><li>It is often manifested in the "vibe" given off by employees.</li></ul> |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
|---|
| <ul><li>Yes, a particular culture can make or break an organisation</li><li>I believe that an organisation that has a culture which is flexible and aligned with goals will be highly effective.</li></ul> |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
|---|
| <ul><li>Poor productivity</li><li>Blaming of others</li><li>Employees continually disgruntled with benefits, management.</li></ul> |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
|---|
| <ul><li>People 10% accept, 80% convinced, 10% sceptics</li><li>Get wide range of people involved – planning and implementation (involve sceptics)</li><li>Adopt sense of urgency. Communicate vision, strategy, extensively (people must see logic in this)</li><li>Get "bad news" e.g. redundancies out of the way</li><li>Let employees give off negative emotions.</li></ul> |

| Question 5: What needs to be done to change the culture specifically? |
|---|
| <ul><li>All managers, employees have to be "in sync". They have to believe in the organisations values and practices and be committed to goals</li><li>Shake up</li><li>Identify organisation's competencies and channel resources effectively</li><li>Find new markets and determine organisation's resources to serve those</li><li>Involve staff in change strategies</li><li>Show how change will meet their needs</li><li>Model new behaviour</li><li>Highlight any successes to reinforce.</li></ul> |

**Question 6: How should this be performed? What actions should be taken?**

- Decide what the culture should be
- Assess current culture
- Review vision and values. Ensure the culture you want is aligned with these.

**Question 7: How would you go about assessing / measuring if the adopted approach actually works?**

- Customer feedback on service provided
- Management, supervisors, workers, top management
- Each employee given some sort of questionnaire to comment on their activities e.r.t. attributes such as their activities, work attributes such as integrity, ethics, teamwork, trust, leadership skills, accountability.

**Question 8: What approach to strategy change is implied through this?**

- A shared approach (if there is such a thing)?

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

- Be confident / live desired behaviour
- Have some sort of plan
- Have good support staff around
- Care for people
- Listen to the people
- Don't let policies and procedures hold you back
- Always be moral and ethical in making changes
- Embrace change
- Be clear and decisive
- Accept responsibility
- Don't blame
- Empower your people.

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- Strategic mindset
- Be able to fulfil a number of roles, be able to absorb a lot of info in a short space of time and draw conclusions
- Be able to execute plans and follow through
- Provide (highly-focused) leadership, inspire people and make people pull together to turn the business around.

| **Question 11: What is the mindset of managers who prolong crisis situations?** |
| --- |
| <ul><li>Resist change</li><li>Unable to act under pressure</li><li>Ignore dissatisfaction of employees</li><li>Avoid conflict</li><li>Blaming mindset.</li></ul> |
| **Question 12: What triggers a crisis in a business?** |
| <ul><li>Ignoring warning signs such as employee dissatisfaction, poor performance, customer dissatisfaction.</li></ul> |

# INTERVIEW #10

**Business Operations Consultant - 39 - 2 masters degrees/11 years consulting experience - Female**

| Question 1: What do you understand by the term "culture" |
| --- |
| • A shared set of values and behaviours developed through common, shared experience amongst a group of people. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
| --- |
| • Yes. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
| --- |
| • Breakdown in the ethics of respectful behaviour towards each other<br>• Lead indicators<br>   − Divisive breaks in the "group" that leads to entrenched conflict over differences<br>   − Leadership multiples with a change towards personality and leadership styles with clashes between them<br>   − Withholding of information or other resources to benefit the few and potentially harm the group<br>   − Static and no healthy change in developed ethics, behaviour and customs over time to enable adapting to changed environments and people<br>   − Exclusion of large segments of the group. |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
| --- |
| • Build a single view of financial performance across the business (Baseline and Benchmark)<br>• Reach consensus and commitment across leadership team in position of the business and planning forward<br>• Develop clear and concise communication plan for all stakeholders (Shareholders, staff, public) that incorporate "only" appropriate levels of information to share the gravity of the situation, yet not panic people, rather carve positive behaviour as an outcome<br>• Lock down the cheque book for the entire business with cash in and out managed by a few people<br>• Hold daily PDR meetings outside business hours against a dashboard and objectives<br>• Proactively the leadership must go and speak with suppliers and trade customers to be clear and reassure. |

## Question 5: What needs to be done to change the culture specifically?

- Have a single realistic strategy in place
- Be candid and clear (appropriately so) with employees (Communication forums as well)
- Clean out bad (and negative) leadership = form a strong, motivated, committed and consistent leadership forum
- Visibility of leadership inside the business
- Selected employees to be the champions for building change and momentum in the business
- Identify and mobilise around clear objectives and measurables
- Create the burning platform for change.

## Question 6: How should this be performed? What actions should be taken?

- People - please see above
- Processes – implementation and adherence to expedited business processes that are aligned to strategy. Focus on empowering people whilst ensuring good governance controls are in place (policies and procedures)
- Technology – efficiencies will come from your people, but solutions may require a key role for technical solutions based on sunk investments.

## Question 7: How would you go about assessing / measuring if the adopted approach actually works?

- Financial performance with cash flow analysis, balance sheet, Profit and loss
- Value of current and new initiatives measured and assessed by Rand value, timing and ease of implementation
- Productivity levels throughout the organisation
- Culture surveys
- A leader to go into business to speak to people, consistently, i.e. canteen.

## Question 8: What approach to strategy change is implied through this?

- The approach should incorporate a firm understanding of where the business must go and specifically what culture is required to get there
- Thus a set of measurables and non-measurable dashboards are required
- Reward great behaviour and actions are necessary to set example
- Impartiality is the role of capable leaders.

## Question 9: What is the role of leadership in this? What / how should

**leadership act at this time?**

- See above.

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- Dedicated to the truth and able to prioritise what needs to be done, whilst having the right team to execute this
- Positive outlook, yet real
- Highly respectful of others
- Must be willing and able to make the hard decisions, without all info
- Motivational
- Focused
- Willing and able to enter into confrontational situations, yet knew when to be patient
- Industry expertise and knowledge that can be tied back to business acumen and financial skills.

**Question 11: What is the mindset of managers who prolong crisis situations?**

- Self absorbed and emotional (fear)
  - only pursue own interest
- Selfish.

**Question 12: What triggers a crisis in a business?**

- Just a few causes of a crises could be poor management; inability of the business to adapt to changing conditions (internal and external) such as relevance. Denial of the true situation by those who are responsible to know and act.

**INTERVIEW #11**

| **Question 1: What do you understand by the term "culture"** |
| --- |
| • The glue that binds our behaviour and defines what is acceptable or unacceptable. |

| **Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis?** |
| --- |
| • Yes. The culture of secrecy and tolerance for bullshit allows individuals and the business as a whole to not confront their reality and challenges. |

| **Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators'** |
| --- |
| • Un-co-operative employees and leaders, fearful of saying things as there are problems with implementation and addressing seemingly simple challenges. |

| **Question 4: Once in a crisis, what do you think needs to be done? What needs to change?** |
| --- |
| • A fish rots from its head. The CEO and EXCO write distressed culture and the crises can only be addressed by Executive. |

| **Question 5: What needs to be done to change the culture specifically?** |
| --- |
| • Establish vision and values<br>• Confront<br>• Hire for fit<br>• Alignment. |

| **Question 6: How should this be performed? What actions should be taken?** |
| --- |
| • Driven by CEO, Exco<br>• Leadership practices<br>• Embed in people practices |

| **Question 7: How would you go about assessing / measuring if the adopted approach actually works?** |
| --- |
| • Indicators |

| |
|---|
| • Baseline |
| • People issues. |

**Question 8: What approach to strategy change is implied through this?**

- Radical change.

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

- Champions
- Role models
- Act quickly.

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- Courageous
- Authentic
- Pragmatic
- Long term interest.

**Question 11: What is the mindset of managers who prolong crisis situations?**

- Denial
- Fearful/Insecure
- Incompetent
- Act in self interest.

**Question 12: What triggers a crisis in a business?**

- Bad results/service
- High staff turnover
- Shareholder pressure
- Listing
- New CEO
- New shareholders.

# INTERVIEW #12

| Question 1: What do you understand by the term "culture" |
| --- |
| • Culture is the reflection of behaviours, values, traditions and norms which a person is accustomed to and lived his/her life by. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
| --- |
| • Yes, a culture which has selected undesirable behaviours and norms can result in an organisation moving towards a state of crisis, e.g. of behaviours, apathy, blame, unwillingness and take accountability, fear of reprisal etc. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
| --- |
| • Employee dissatisfaction<br>• Turnover of staff<br>• Slow decision making<br>• Apathy |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change |
| --- |
| • Leadership, not always right at the top, but selected leaders need to be replaced to bring in new "blood" to refresh the style and approach with the organisations<br>• It is unlikely that existing leadership can substantially change their behaviour enough. |

| Question 5: What needs to be done to change the culture specifically? |
| --- |
| • As above, new leadership<br>• Change selected organisations "traditions" or ways of doing things, do this in areas that are highly visible to the organisation<br>• Communicate the state of the organisation to create a sense of urgency. |

| Question 6: How should this be performed? What actions should be taken? |
| --- |
| • Implement strong new leaders<br>• Change the organisations tradition, e.g. change the dress code, implement new / different communication channels |

| |
|---|
| • Take some decisive actions in selected areas to demonstrate change. |

**Question 7: How would you go about assessing / measuring if the adopted approach actually works?**

- Staff satisfaction
- Staff turnover
- Performance of the organisation (e.g. sales increases)
- Identify 3-5 behaviours which characterised the "old" culture and assess their prevalence every 3 months until they are no longer visible.

**Question 8: What approach to strategy change is implied through this?**

- Adaptive – implement a change, monitor success and enhance or change depending on the ongoing feedback.

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

- Visible
- Strong
- Decisive and determined
- Make a decision, communicate and stick to it.

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- They have a clear, simple, practical vision
- It is usually short / medium term
- They are decisive
- They are very focused on measuring changes through short term (daily, weekly, monthly) performance indicators.

**Question 11: What is the mindset of managers who prolong crisis situations?**

- Unable to see the way out
- Cling to hope what things will change
- Don't make quick decisions, not sure which direction to take.

**Question 12: What triggers a crisis in a business?**

- Substantial decrease in profitability
- Substantial staff turnover
- Significant move by a competitor
- Significant new entrant with a better value proposition.

# INTERVIEW #13

**Change Consultant - 35 – BA Hons. MBA/ 8 years consulting experience in culture change - Female**

**Note:** Verbatim responses kept intentionally due to background and experience of interviewee

| Question 1: What do you understand by the term "culture" |
|---|
| • Organisation culture are those things that are typical of an organisation re the way we do things around here or the organisations unique personality. It forms out of the values, attitudes and belief of people in the organisation generally and these in turn are shaped by the messages people receive about how they are expected to behave in the organisation. Culture often forms out of the expectations or behaviour displayed by top leadership. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
|---|
| • Yes, if the existing culture is not aligned to the strategy of the organisation, it will undermine what the business is trying to achieve and will therefore thwart organisational performance. It is not so much the type of culture in existence but the degree to which that 'type' is aligned to the organisation strategy and the strength of that culture. The stronger the misaligned culture type, the more distress there will be. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
|---|
| • Warning signals would include values that are not lived out i.e. different set of values are played out in the organisation than that which is communicated as the organisations values. The message conveyed about how people are expected to behave are therefore inconsistent. Behaviours displayed don't support the values. Those behaviours which are manifested thereby create an underlying and opposing set of values for the organisation. These don't support the organisations strategy and undermine performance. Leadership not 'walking the talk' is a strong lead indicator of a culture under distress and allude of alignment between behaviours and symbols and systems and values. |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
|---|
| • As a starting point, if one would need to determine the gap between the current culture and the exposed or desirable culture and take stapes to bridge the gap – observing the patterns of behaviour that make up the culture will indicate as to where the misalignment is (i.e. where behaviours don't support stated organisational strategy and vision) Behaviours need to be linked to the business strategy and measures |

put in place to ensure ongoing alignment (i.e. through recognition and reward for corrective action for non-correct behaviours) Leadership must live out the correct behaviours and commit to the organisational values and never deviate from these in times of crisis.

## Question 5: What needs to be done to change the culture specifically?

To change the culture you have to first recognise and identify the culture currently at play in the organisation. You need to have a compelling vision for the organisation and a strategy for reaching this vision. Culture must support this – to shift the culture you need to understand where you are going, the process for change, what kind of culture is needed, how long it will take and what is required from people in the organisation and leadership. Check that values support the vision / strategy and that the correct behaviours are clearly linked to values. Reinforce the correct behaviours through linking these to all organisational practices and performance measures.

## Question 6: How should this be performed? What actions should be taken?

- Assess current culture
- Design optimal culture (revisit values where necessary to align to strategy)
- Address the culture gap identified: Design and implement interventions:
  - Behavioural change programme
  - Align culture to organisation performance culture
  - Focus leadership: assess leadership resources

## Question 7: How would you go about assessing / measuring if the adopted approach actually works?

Behaviours can be measured by being linked to all performance measures, at a company, departmental and individual level through a balanced scorecard, through performance reviews, development plans, recognition and reward programmes etc. In this way values are 'checked' in terms of how they are lived out through behaviours. Values are also played out through the symbols and systems of an organisation so there need to be checks in place to ensure that there is consistency here too. A regular review and feedback loop is critical to test the degree to which values support the strategy / vision of the organisation. Values are often tested during a time of crisis i.e. the degree to which these are adhered to in a crisis.

## Question 8: What approach to strategy change is implied through this?

Strategy needs to be continuously revisited to ensure it addresses market needs, competitor activities, environmental / external forces etc – a systems approach is implied and needs to include two-way feedback loops and not just look at fixing problems.

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

- Leadership play critical role in setting the strategy for the organisation, aligning all activities and, in so doing, determine what kind of culture develops. Culture is embodied by leaders who play a significant role in influencing the performance of an organisation. Leadership should take place at all levels. Executive leaders need to be able to make convincing case for behavioural change, take on a visionary role, spreading the vision and shared values to all. Middle or line management change sponsors play crucial role in facilitating the development of the desired culture through energising and mobilising people – they are tasked with making the vision operational. Should be empowered to take control and lead change, play the champion role model, articulate the vision locally, coach the team through change and act as a source of stability.

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- Leaders need to inspire others to follow their example through earning respect and trust. Successful turnaround leaders will have characteristics such as:
    - Self awareness and awareness to others; take time to listen and understand
    - Be able to guide the process through inspiring and command respect
    - Ability to communicate the vision of change – what it looks like, purpose etc
    - Ability to 'walk the talk' – what is said is supported by actions
    - Avoid mixed messages – clear, consistent and honest communication
    - Ability to encourage involvement / invite input / feedback etc.

**Question 11: What is the mindset of managers who prolong crisis situations?**

Such managers resist change – this is manifested through a number of defence mechanisms i.e. denial, anger, sabotage, bargaining, dismissive, refusal to acknowledge need for change, conformance without commitment etc. By failing to recognise the crisis situation, they attempt to avoid discomfort and anxiety brought about by change (often a subconscious defence mechanism).

**Question 12: What triggers a crisis in a business?**

Failure to recognise the need for change before it's too late (and to act on this with clear focus and commitment) a lack of commonality around the changes makes it easy to revert back to the 'old way' of doing things. Crisis often

results from a denial of the need and urgency around change. Real commitment to change only comes through acknowledgement, understanding and acceptance from leaders and all people in the business – leaders need to be role models of this to drive change throughout the business. Failure to move people quickly out of the downward loop of the change cycle and to demonstrate benefits (create turning point) will also trigger a crisis.

# INTERVIEW #14

| Question 1: What do you understand by the term "culture" |
|---|
| <ul><li>"Culture" is a characteristic behaviour pattern of an organisation, team or group. The culture is the behaviour of team players to gain the most out of the team or organisation</li></ul> |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
|---|
| <ul><li>Yes certain cultures can go against the grain and backfire. Let us look at rugby for example. A certain form of behaviour in the way the game is played by a team can all go wrong and instead of winning losses occur. The same applies to an organisation</li></ul> |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
|---|
| <ul><li>The warning signals occur when CEOs and their line managers notice dissatisfaction among the ranks. You only need one complainant before you notice dissatisfaction spreading rapidly.</li></ul> |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
|---|
| <ul><li>The problem must be analysed and if culture is a problem then it should be changed from the top down. If the CEO/top management are unable to change and adapt then the problematic culture will persist. Not unlike a rugby coach who fails to alter his game plan. He will eventually have to be replaced in order for advancement to occur.</li></ul> |

| Question 5: What needs to be done to change the culture specifically? |
|---|
| <ul><li>Everyone should be working in the same direction ie. same goals and vision.</li><li>Top management may have to change or be replaced if they are unable to change.</li></ul> |

| Question 6: How should this be performed? What actions should be taken? |
|---|
| Once the company's mission, vision and goals have been determined it is necessary to clearly communicate these and necessary that everyone (from |

top management down) behave and work in a manner which is in line with this. If this does not happen those who are not willing to work in the desired direction may have to go! In rugby for example the one who lets the team down by not following a game plan must be spoken to and with no result, will be dropped.

**Question 7: How would you go about assessing / measuring if the adopted approach actually works?**

- Staff morale
- Staff turnover
- Absenteeism
- Productivity

**Question 8: What approach to strategy change is implied through this?**

- Adaptable/Flexible approach

**Question 9: What is the role of leadership in this? What / how should leadership act at this time?**

- Focused
- Adaptable
- Be able to listen

**Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?**

- Focused
- Adaptable
- Be able to listen

**Question 11: What is the mindset of managers who prolong crisis situations?**

- Stubborn
- Inflexible

**Question 12: What triggers a crisis in a business?**

- Dissatisfied people
- Poor financial management
- Inability                            to                                    change

# INTERVIEW #15

**Business analyst/Investment banker - 40 – B.Com.Hons - - Male**

| Question 1: What do you understand by the term "culture" |
| --- |
| • That which defines the working environment of the company. It sets the tone for the working ethos, the interaction of staff, how a company will be perceived byclients/customers and competitors. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
| --- |
| • Yes. The culture is "kept alive" by the CEO and his/her close allies. Assuring it is a close cohort of people or dominated by the CEO it will impact the organisation over time. It could be positive or negative. There are good examples out there: Enron, Tyco etc. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
| --- |
| • I would say a key indicator to look for is an overbearing CEO and a weak board. Look at the chairman too. Was he/she the previous CEO? That is never a perfect solution especially if the rest of the board members are relatively weak eg. Eugene van As at SAPPI. |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
| --- |
| • If there is a crisis you need to get rid of the CEO. He is the custodian of the culture. But there is also a lot to be said about the chairman and the rest of the board. If the board was under the influence of the CEO you need to look carefully at the members and make changes here too - more difficult because shareholders need to act here and they are often not close enough to know if there is a problem. |

| Question 5: What needs to be done to change the culture specifically? |
| --- |
| • A lot! The CEO needs to champion it tirelessly. The HR team has to buy in and sell the changes. You might need to retrench people but perpetuate the old culture. It takes a very long time for corporate memory to forget the old culture so the new culture, its ideals, ethos etc needs to be driven hard, hard, hard over many years to effectively embed it in the organisation. |

| Question 6: How should this be performed? What actions should be taken? |
| --- |
| • The CEO leads by example<br>• Key antagonists need to be fired |

- HR department must be 100% behind CEO
- The board must back the CEO
- Constant and consistent internal communication
- Buy-in of staff requirements, will happen if it is sensible! That does not mean the staff the culture.

## Question 7: How would you go about assessing / measuring if the adopted approach actually works?

- Survey staff to see if they are happy, what they think of the working conditions etc.
- You survey customers/clients - if the culture improves your clients will notice it and also be happier.

## Question 8: What approach to strategy change is implied through this?

- Interventionist
- Not subtle
- Direct, purposeful
- Engagement with the organisation
- Below the radar screen in order to avoid damaging brand/ staff morale.

## Question 9: What is the role of leadership in this? What / how should leadership act at this time?

- Leading from the front
- The flag bearers in all respects
- Setting the tone and leading by example.

## Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?

- They are less "consensus" type managers
- They have a strong sense of self and not afraid to lead from the front
- They are more visible leaders because they need to set examples and quickly get buy-in from staff and clients!

## Question 11: What is the mindset of managers who prolong crisis situations?

- Turtles or ostriches with their heads in the sand
- Possibly out of touch with reality
- They think they know best but have lost touch with people in the organisation.

## Question 12: What triggers a crisis in a business?

- It usually takes time and starts at the consumer/client end.
- Business slows

- Unhappy clients
- But the line gets drawn back to the CEO quite quickly after that.

**INTERVIEW #16**

## Business analyst - 38 – B.Com. Hons. Mcom - Male

| Question 1: What do you understand by the term "culture" |
| --- |
| • Within the corporate environment, culture means the way people act, behave, interact etc. It is something that is sensed by the people within the company and incorporates attitudes, leadership and management style. |

| Question 2: Do you think a certain 'type of culture' is likely to aid an organisation towards distress / crisis? |
| --- |
| • Yes. |

| Question 3: If you agree to the above, what are the warning signals that manifest? What are the signals or 'lead indicators' |
| --- |
| Signals or lead indicators that manifest are: <br> • High turnover of staff <br> • Low staff morale <br> • Decrease in productivity <br> • Non inclusive management style <br> • Sense of intimidation <br> • Authoritative leadership. |

| Question 4: Once in a crisis, what do you think needs to be done? What needs to change? |
| --- |
| • Find out reason for crises <br> • Do analysis of what issues should continue, cease and what should be initiated <br> • Make a plan <br> • Mentality/attitude of leadership needs to change. |

| Question 5: What needs to be done to change the culture specifically? |
| --- |
| Changes to culture incorporate: <br> • Personal transformation <br> • Personal upliftment <br> • Re-injection of new staff <br> • Recognition of internal talent <br> • Team re-builds. |

| Question 6: How should this be performed? What actions should be taken? |
| --- |
|  |

- Institute specific programme to address the above
- Build objectives into the programme
- Assign key performance requirements to individuals and teams
- Measure successes and failures
- Undertake continuous review.

## Question 7: How would you go about assessing / measuring if the adopted approach actually works?

- Perform staff surveys to gain feedback
- Measure internal issues eg. changes to staff turnover etc.
- Benchmark own company to overall market.

## Question 8: What approach to strategy change is implied through this?

- There is a clear need to be people-centric. Focus on your people is needed to implement and drive change.

## Question 9: What is the role of leadership in this? What / how should leadership act at this time?

- Leadership should act as role models
- Visibility is needed coupled with regular communication
- Leadership should endeavour to instil team stability whilst the process plays out.

## Question 10: What do you think are the characteristics of successful turnaround managers? What competencies should they possess?

Turnaround managers display characteristics of:
- High integrity
- People-centred
- Accept accountability and responsibility
- Willing to recognise and reward

Competencies they should possess include:
- Strategic thinker
- Ability to conceptualise
- Be self confident and optimistic
- Be a motivator.

## Question 11: What is the mindset of managers who prolong crisis situations?

Managers who prolong dealing with crisis situations are typically:
- Naive
- Scared of change
- Arrogant

- Self-centred
- Not in touch with reality

## Question 12: What triggers a crisis in a business?

Triggers of a crisis are:
- Loss of key staff
- Poor business performance
- Bad press and rumours
- Infighting amongst staff
- Weak leadership