# CHAPTER 4: WITHIN CASE ANALYSIS

## 4.0 Introduction

The main objective of this chapter is to appreciate the richness of unfolding events and complexities of Zimbabwean company reactions to internal and external pressures for change.

Detailed case histories of the four Zimbabwean companies studied are presented.

The within case analysis reflects that there is need to develop a deeper understanding of the Zimbabwean, regional and global environment within which the companies operated. The four company case histories are therefore followed by a comprehensive analysis of the social, political and historical context within which managers acted.

## CASE A: CROP

Brainstorming sessions were held including everyone for ownership. These sessions were a platform for raising complaints. This was allowed for. Employees were involved even in the selection of the name of the change effort: 58 names were suggested and finally a Shona name, 'Shanduko' meaning 'change effort', was chosen. Ideas were structured with an indication of the amount of money to be saved by the ideas. High value ideas, easy to implement, were submitted to the steering committee with key performance indicators. Quality ideas were signed off for implementation.
Excerpts from an interview on the 1999 'Shanduko' change effort.

As from 1980, CROP is renowned for its humanitarian approach to business with a very strong focus on safety, health and environmental issues. Emphasising this point in an early morning induction session for visitors to CROP, a safety officer said:

> We want to make money but not bloody money.

Continuous learning underpinned all the change efforts that CROP engaged in.

Significantly, CROP managed to forge solid relationships with the government, community at large, staff and relevant stakeholders. CROP was able to benchmark and be benchmarked against internationally for best practices through exchange programmes and tours. One media report in 1980 says:

> A party of sugar cane extension officials from the Umbombo ranches in Swaziland have returned home with very high impressions of the lowveld sugar estates after spending a week at CROP and its neighbour and observing their operations. The visit was reciprocal to the one made in July by senior field officers from CROP.
>
> The sugar growing conditions in Swaziland are not very dissimilar to those in the lowveld. They too grow cane under irrigation and their climatic conditions are in many respects identical to those in Zimbabwe.

Another 1980 media report covered the 14-day tour of cane growing areas of Queensland and New South Wales in Australia by a team of 8 Zimbabweans led by the marketing manager of Farm Mechanisation. The reporter reflected on the tour:

> The mechanisation of sugar cane harvesting in this country is inevitable; most established cane growing countries well advanced in total mechanisation and, surprisingly, many countries in Africa, far less developed than this one (Zimbabwe) have already installed mechanical harvesters.

CROP was founded in 1956 and listed in 1964. CROP is a member of an international conglomerate. It is in the Agro-industrial sector of the economy and engages primarily in the growing and milling of sugar cane.

Notably, during the period 1980 to 2000, CROP became an international model for farmer resettlement. CROP also won the 1998 and was runner-up to the 1999 Cairns Corporate Care Award for sound environmental management. It has in place solid safety, health, environment and manufacturing performance measures.

**Exhibit 4.A.1: Time Line of Major Events in the History of CROP**

| YEAR | Major Events |
|---|---|
| 1980 | High world sugar prices force dramatic change in the sugar market. Zimbabwe is accepted as a member of the International Sugar Organisation opening up many new export opportunities. |
| 1981 | National Railways of Zimbabwe (NRZ) fails to cope with moving all export sugar to port. |
| 1982 | World sugar price declines steadily. Profit for 1982 is achieved as a result of 1981 forward sales. |
| 1983 | Zimbabwe is allocated a US sugar quota at prices substantially higher than world levels. |
| 1984 | New Chairman is appointed for CROP. Moving export sugar direct to Maputo is problematic. |
| 1985 | CROP breaks 14 milling efficiency records. |
| 1986 | Government announces new minimum wage for agro-industrial operations. |
| 1987 | CROP achieves a first time record overall recovery of more than 90% in its history. |
| 1988 | World market prices improve. Moving cane to Maputo via South Africa is constantly disrupted. |
| 1989 | High mill efficiency levels compensate for drop in cane quality. General Manager (GM) retires after 8 years in position; new GM is appointed after serving CROP for some19 years. |
| 1990 | Local market sugar consumption increases by 6%; Unreliable local distribution company vehicle fleet fails to fully service the local sugar market. |
| 1991 | Drought and fire affect CROP. |
| 1992 | Cost-cutting measures are focused on non-human resources. |
| 1993 | Zimbabwe is unable to meet local & export demand due to the drought. |
| 1994 | CROP is rebuilt after the drought. |
| 1995 | An Environmental Management System is established. |
| 1996 | A mill refurbishment & expansion programme starts. Joint venture with 2 companies aimed at improving operations to produce high quality alcohol proves satisfactory. CROP improves corporate governance reporting. Chairman retires from & new chairman is appointed to board. |
| 1997 | The first black person is appointed a Director & Deputy Managing Director (DMD). Zimbabwe Sugar Refineries (ZSR) agrees to a new 3-year domestic raw sugar pricing. The Zimbabwe dollar depreciates in November. |
| 1998 | An unstable economic situation threatens the private sector. CROP wins the 1998 Cairns Corporate Care Award for sound environmental management. The Board adopts an IT strategy. |
| 1999 | The DMD becomes first black MD. CROP is runner-up for the 1999 Cairns Corporate Care Award. CROP initiates 'Shanduko' & installs new IT System. The 2 associated companies continue to perform well. The C-line evaporator completed in 1998 is decommissioned. |
| 2000 | Zimbabwe faces general economic decline in all sectors except the finance sector. |

Sources: Annual Reports & Media Reports 1980 - 2000.

### 4.A.1 The Changes That Took Place

CROP engaged in a variety of change initiatives from 1980 to 2000, most of which were tied to continuous improvement. The changes were around improving promises, processes, structures, systems and capacity.

Changes in promises made to employees included provision of accommodation, medical facilities, working conditions, black empowerment, gender balance and development of a code of conduct. These were efforts towards improving the quality of life of employees.

The development of a code of conduct was large scale, had an impact on the structures in the Human Resources department and communication systems. This change in promises to employees will, therefore, be isolated for further discussion below.

From a customer perspective, CROP changed its promise foci from a citrus to sugar cane business and from ranching to game farming.

The major process change often mentioned was 'Shanduko'.

Structural and system changes included the restructuring of the Human Resources (HR) department, empowerment of blacks at management level and computerisation. The restructuring in HR will be looked at as it was interwoven with changes in operating systems.

Another change in systems that affected all key stakeholders was the development of a sound safety, health and environmental system around the 'SHE' initiative. 'SHE' (an acronym from the first letters of the words Safety, Health, Environment) is popular in CROP as it represents the Number 1 value.

On the purely business side, a large-scale effort that affected the efficiencies in CROP were the haulage system changes.

Related to the 'Shanduko' effort was an outsourcing initiative that was concerned with building capacity to deliver promises effectively. The 'SHE' initiative also qualifies as a capacity change.

The evidence on the changes in CROP suggests that an organisation needs to capture needs and expectations of key stakeholders and address these. Besides employees, there appears to be three blocks of stakeholders emerging: government, business and the community at large.

CROP attempted to use multiple approaches to change. Some of the changes, when taken in isolation, appear small-scale. Taken as interconnected, the changes resulted in large-scale change spanning across two businesses: agriculture and manufacturing industries. The changes are clearly interconnected, although in a non-linear manner. The case provides lessons in managing change in an African value pipeline.

### 4.A.2 Triggers of Change

Environmental triggers to change included natural disasters, globalisation (world-class practices), technological advances (computerisation), the government (promises to change quality of people's lives), economic climate (work process best practices), heightened competition,

Agriculture is susceptible to natural disasters like drought/excessive rainfall and fire. CROP was not spared by these disasters. CROP took advantage of its networks to find ways of coping with these as highlighted in Exhibit 4.A.2 below.

It would appear CROP, in particular and Zimbabwe in general, experiences drought on a 10-year cycle. The organisation has collaborated with relevant stakeholders, particularly the government, workers and the community to minimise the impact of drought. CROP also experienced excessive rainfall, overcast conditions and higher than normal temperatures that encouraged cane growth rather than sucrose storage.

These experiences resulted in the improvement of standards of irrigation and manufacturing practices. Irrigation practices improved through collaborative construction of dams and sinking of boreholes. Manufacturing practices were improved by work methods aimed at higher mill efficiencies.

Because of the relationships CROP has built with the surrounding community and employees' families, voluntary assistance was forthcoming when major disasters befell CROP.

On one hand, the 1991 annual report narrated the story about a fire that broke up in CROP that year:

> Fire severely damaged the bulk sugar store resulting in over 3 thousand tonnes of sugar being lost. The balance of over 45 thousand tonnes was saved by prompt action by staff and neighbours who contained the fire. Repairs to the store commenced almost immediately. There was no delay to start up of the 1992 season as a result of the prompt action. Cost of repairs and loss of sugar was adequately covered by insurance.

On the other hand, after the 1992/3 devastating drought, a media report said:

> Women at CROP surprised management by offering to help their husbands in replanting a new crop of sugar.

**Exhibit 4.A.2: Impact of Major Natural Disasters on CROP & CROP's Responses**

| YEAR | Major Events |
|---|---|
| 1982 | Province in which CROP is situated is drought affected. |
| 1983 | Drought causes abnormally high evaporation levels & cane stress; Power cut to the area precludes the use of pump stations to irrigate from the right bank canal, river and regeneration water. |
| 1984 | 3 years of drought severely deplete water supplies necessitating the improvement of high standards of irrigation practices for CROP. A new record overall recovery achieved. Workers, aware of drought-related problems the company faces, adopt a positive attitude. |
| 1987 | Drought prompts decision to abandon hectares of cane. |
| 1989 | Land ploughed & abandoned after cutting during 1987 is replanted. High mill efficiency levels compensate for drop in cane quality. Water application is reduced to 70% of normal. |
| 1990 | Reduced water application continues; Collaborative stakeholder studies on improving the water supply are initiated. |
| 1991 | Fire severely damages the bulk sugar store. |
| 1992 | 1991/92 rains turn out to be the worst in the history of CROP resulting in cane harvested being in a severely stressed state; 89% of cane dies; Water for CROP's basic requirements includes that from existing & new boreholes. Training is severely curtailed by the effects of the drought; Communications training continues. Cost-cutting measures are focused on non-human resources. |
| 1993 | GM makes a special report to employees. The costly replanting of cane remains prime objective, is ahead of target & completed by mid-October. Zimbabwe is unable to meet local & export demand due to the drought. |
| 1994 | Workers & management respond positively to the challenges of rebuilding CROP after the drought. Drought emphasizes the critical importance of storing water wherever & whenever possible. |
| 1995 | Training is intensified. An Environmental Management System is established. |
| 1997 | Low cane yield results in low throughput in the mill |
| 1998 | Construction commences on a pump station on the banks of an adjacent river & the construction of the second dam starts in order to reduce the risk from drought. |
| 1999 | Incessant rainfall, overcast conditions & higher than normal temperatures encourage cane growth rather than sucrose storage. |

Sources: Annual Reports & Media Reports 1980 - 2000

**Exhibit 4.A.3: Impact of Globalisation & Technological Advances on CROP Activities**

| YEAR | Major Events |
|---|---|
| 1980 | High world sugar prices force dramatic change in the sugar market. Zimbabwe is accepted as a member of the International Sugar Organisation opening up many new export opportunities. |
| 1981 | National Railways of Zimbabwe (NRZ) fails to cope with moving all export sugar to port. |
| 1982 | World sugar price declines steadily. Forward sales of a substantial portion of exports made during 1981 when price levels were still relatively high contribute to CROP's profits. |
| 1983 | Zimbabwe is allocated a United States sugar quota at prices much higher than world levels. |
| 1984 | Economic problems of developing countries force sugar imports to be cut back. CROP faces serious problems in moving export sugar direct to Maputo; Direct railway link closes; Movements to Maputo are through South Africa; cooperation with NRZ remains close. |
| 1988 | World market prices improve. Movements of cane to Maputo via South Africa are constantly disrupted. |
| 1990 | Operating profit more than doubles as a result of overall price in export operations being 79% higher than local market sales. Consumption declines in some Eastern European countries, China & Argentina due to political and economic factors; Developing countries which account for over 50% of world sugar demand are unable to afford higher prices resulting in constant consumption figures. NRZ is unable to move raw sugar to refineries and to port for export. |
| 1992 | 1991/92 rains turn out to be the worst in the history of CROP resulting in cane harvested being in a severely stressed state; 89% of cane dies. |
| 1993 | Zimbabwe is unable to meet local & export demand due to the drought. |
| 1995 | An Environmental Management System is established. |
| 1996 | CROP implements some recommendations on corporate governance contained in the King Report published in South Africa and Cadbury Report published in the United Kingdom. |
| 1997 | The Zimbabwe dollar depreciates in November. |
| 1998 | The CROP board adopts an information technology strategy to address the issue of Year 2000 compliance & provide a world-class business solution to support the company's human resources, financial & operational activities. |
| 1999 | CROP conducts an in-depth review of its processes running from cane production to sugar milling & installs a $ 55 million new Information Technology System as part of the adoption of 'best practices' in work processes. |
| 2000 | Severe foreign currency shortages & an overvalued Zimbabwe dollar fixed at US$ 1 to Z$ 38,50 make Zimbabwean sugar unaffordably expensive in regional export markets; Inflation averages 51% for the year to 31 March 2000; Erratic fuel supplies further undermine prospects; Operating cost increases are in line with the level of inflation. |

Sources: Annual Reports & Media Reports 1980 - 2000, Interview & Focus Group Evidence

Exhibit 4.A.3 above highlights the manner in which global issues, government actions and technological advances triggered reactions in CROP. The pricing of sugar internationally impacted on the Zimbabwean pricing policy. The socio-political and economic activities of government also influenced the direction of the changes.

CROP put in place mechanisms along its own value chain to align with the changes. These included setting up partnerships to deal with transporting sugar for local consumption and export and forward selling.

Global concerns in connection with environmental management had a huge impact on the need to maintain high standards in this area. The 'SHE' initiative was an attempt towards addressing this issue.

About safety and health in CROP, one employee remarked:

> International safety standards are adhered to.

The 1995 annual report had this to say about environmental management:

> An environmental management system established to help CROP continue to operate in an environmentally responsible manner had the following initiatives supported by employees:
> a) monitoring of noise and emissions,
> b) waste recycling,
> c) water and effluent management and conservation,
> d) planting of vetiver grass along drains to prevent soil erosion.

The 1997 annual report proceeds to detail how the prevention of soil erosion was extended to the surrounding community:

> CROP embarked on an outreach programme in which vetiver grass is supplied to communal farmers for planting in susceptible areas to prevent soil erosion - an increasing number of communal farmers participate in the programme.

CROP did not only respond to process issues through implementing recommendations on corporate governance but also through the 'Shanduko' initiative. This initiative was enhanced by the computerisation of CROP and Year 2000 compliance project.

One interviewee summarised 'Shanduko' as follows:

> Shanduko is a continuous improvement initiative that focuses on 'waste reduction'. An international consultant helped us.

Regarding technology, one employee admitted:

> There was work pressure using manual systems. CROP is a technology trend follower.

Internal triggers included quality of leadership, changes in leadership, need for departmental synergy, manufacturing best operating practices in CROP and the need to create value for shareholders.

Concerning the development of the code of conduct, one interviewee said:

> The initiative started at the Group level and then moved into CROP as part of the Group companies.

Other respondents concurred and reflected that top leadership at either Group or CROP level or both initiated changes in response to concerns from key stakeholders.

One employee mentioned:

> Change in the haulage system was prompted by improvements in mill operations - there was need for adequate delivery of cane.

About the need for functional/departmental synergy as a trigger for the computerisation of HR and operating systems, one focus group agreed:

> IT was very much within the Accounts Department. A lot of programmes were in place with no links. Departments need to be interlinked. There was need to synergise and share knowledge.

### 4.A.3 Key Players

The government of Zimbabwe stands out as one of the most significant players in the history of CROP. Key activities by government are summarised in Exhibit 4.A.4 below:

The other players include all employees, management, business unit leaders, external and internal consultants, steering committee, change champions and any community member who interacts with CROP.

The involvement of all employees was particularly evidenced by comments on the 'Shanduko' and SHE efforts. Excerpts captured at the beginning of this case are examples.

The role of managers and business unit leaders in changes was tracked as far back as 1976 under the initial changes in the haulage system. Evidently leadership played significant roles in sanctioning each of the efforts and also took on the role of a steering committee for the 'Shanduko' initiative.

**Exhibit 4.A.4: Major Government Activities that Affected CROP & CROP's Responses**

| YEAR | Major Events |
|---|---|
| 1980 | Government reduces retail price of sugar & agrees to subsidise the sugar industry; Uniform industrial wage scale is adopted; unit cost of production rises; Sugar industry proposes sugar annual retail pricing. CROP plans to settle about 200 African cane growers on 10-hectare farms. |
| 1981 | Consumers resist sugar prices & dramatic drop of sugar price follows production of substitutes. |
| 1982 | Zimbabwe dollar is devalued; Revenue increases on a big proportion of sugar yet to be exported. |
| 1983 | Government assists to resolve problems of the first 120 farmers resettled; Phase 2 of resettlement is post-poned pending an improvement in sugar prices. Government partners in formation of unified workers' com-mittee; Communication between management & workers improves. |
| 1984 | After 15 months of negotiations, government approves an increase in the retail price of sugar; Retail price of Zimbabwe sugar is lowest in region fuelling negotiations for further increase. |
| 1985 | Government expresses concern over slow pace of black advancement in the private sector. |
| 1986 | Government announces new minimum wage for agro-industrial operations. CROP acknowledges govern-ment's desire to increase the resettlement of small-scale farmers & following the improvement of world prices, agrees to complete scheme over the next two years. |
| 1989 | Settlement scheme & independent review of how the sales proceeds are divided between millers & independ-ent cane growers is completed. |
| 1990 | A Sugar Milling Industry Employment Board is set up through collaboration of key stakeholders. CROP's agricultural settlement scheme becomes a model, attracting visitors from international agencies & other developing countries; Settler cooperation remains good. |
| 1991 | State is committed to black advancement. |
| 1993 | Sugar price control regulations are repealed & become a welcome development for CROP. Zimbabwe Presi-dent praises spirit of commitment by sugar producers in his first tour of CROP. |
| 1994 | Given the 1993 repealing of sugar price regulations, a medium term agreement for the pricing of sugar to ZSR is reached. |
| 1995 | The Zimbabwe Sugar Milling Industry Workers' Union is accredited & some employees join it. |
| 1996 | One dam in the area is completed. |
| 1997 | Conditions of service are for the first time negotiated at industry National Employment Council (NEC) level. Government, CROP and a neighbour agree to build a second dam after close contact & consultations. Zimbabwe dollar depreciates in November. |
| 1998 | Government decides to move fiscal year-end to December; CROP applies for exemption & gets authority to retain a 31 March year-end in common with other sugar producers in the region. |
| 1999 | Sugar is sold at less than half its price in surrounding countries resulting in uncontrollable legal & illegal export. Government interventions pose a serious threat to the sugar industry. |
| 2000 | Turnover increase results from the lifting of 'de facto' controls on local market sugar prices. |

Sources: Annual Reports & Media Reports 1980 - 2000

There was a deliberate capability creation process put in place. For example, as far as the computerisation changes were concerned, management and steering committee went for training by program owners in South Africa. Those trained then provided training to clerks from other departments before running the system. Champions were trained by a consultant and in place to sustain the momentum of the initiative after the departure of the consultant. HR staff who now understand the system can help when there are problems.

As far as the 'SHE' initiative was concerned, all employees were re-inducted, given an induction label as part of identification and then issued with personal protective equipment (PPE). Security personnel check on the use of PPE all the time.

CROP benchmarked for best practices and contextualised changed efforts. Several focus groups concurred:

> Help came from Swaziland - 'we copy and improve on the Swazi system'. Director went to Swaziland for external benchmarking and brought back videos highlighting advantages and disadvantages of changing the haulage system.

Concerning 'Shanduko', indigenous examples were used to sell the process, including the name that was adopted for the effort.

Changes assisted develop diagnostic skills. One-to-one discussions/meetings were held to assess where there were problems. Original safety policy was revised to be consistent with CROP values.

On one occasion suppliers had to be called in to sort out faulty software and they discovered that there was a cable problem.

### 4.A.4 Time Available for Initial Stages of Changes

The nature and type of change effort determined the time available for the initial stages of the effort. Overall, the initial stages were either immediate or allowed to stretch over a period of a maximum of 3 years.

Where top management thought there was need to create a sense of urgency over the change, like the 'SHE' initiative and computerisation, very little time was given. Decisions were made by managers and top leadership and communicated across the organisation. As far as the computerisation changes were concerned, an 8-month period was allowed for a parallel run of the new computer system against the original manual system.

For the Shanduko initiative, the initiative started in 1999 with a time window of one year for the initial phases. Within this period, a 4 to 6 month period was set aside for training aimed at kick-starting the process. The pay back period for the effort was set at 2 years.

### 4.A.5 The Kind and Quality of Help Needed

Generally, some one-to-one interview evidence points in the direction that there was employee sensitisation and inculcation of a sense of inclusivity when changes were initiated. Other one-to-one interview respondents, however, suggest that lower level employees were not aware of the quality and kind of help that was needed for the changes. These respondents argue that saturated communication was needed and all employees had to be educated on the need for the changes.

Focus group evidence suggests staff were conscientised before the changes, building trust between owners and employees. An example given is that employees were shown videos on the contemplated haulage system changes.

When changes affected people's jobs, relocation was based on the health status of employees. One focus group noted:

> There was need to relocate employees - alternative employment opportunities should be looked for when change reduces numbers. When cutting becomes a health problem with age, there is need to relocate to lighter duties.

### 4.A.6 Relevance of Change to Personal and Business Goals

The change efforts for CROP benefited key stakeholders including staff, government and the surrounding community.

Exhibit 4.A.5 below highlights some of the benefits that accrued to stakeholders at a personal level.

Beyond the Exhibit 4.A.5 benefits, case evidence confirms that staff generally considered the changes relevant to them. Further examples cited include the healthier and smarter approach to work provided by the 'SHE' initiative. The swipe cards provide effective data access to resolve queries and pay overtime on time. The quality of swipe cards has been challenged. Employees have suggested that swipe cards be clipped on dress like is done with identity cards to reduce chances of damage.

An incentive scheme was set up for the 'Shanduko' initiative with rewards paid on time at 30%, 60% and 100% of target achievement. All executives and staff supported the project champion for this initiative.

Haulage system changes brought with them reduction in health related complaints such as backache. There was also an employment opportunity for those who had to operate the new machinery.

**Exhibit 4.A.5: Relevance of Changes to Personal Goals**

| YEAR | Major Events |
|---|---|
| 1980 | End of war improves internal market, induces high levels of staff turnover & serious industrial unrest. CROP aggressively introduces initiatives to improve quality of life of people. |
| 1981 | High 1980 sugar prices lead to consumer resistance & accelerate the production of substitute sweeteners resulting in dramatic drop of sugar price. |
| 1983 | Sugar production exceeds target due to higher cane quality & increased mill efficiency - continuing training of skilled & semi-skilled considered a contributor. Agricultural training school opens. |
| 1984 | New Chairman is appointed for CROP. First products of Agricultural training school complete diplomas. |
| 1986 | Government announces new minimum wage for agro-industrial operations. CROP spends close to $2 million on staff housing. |
| 1988 | CROP focuses on Safety & Health at work. |
| 1989 | General manager (GM) retires after 8 years in position; new GM is appointed after serving CROP for some19 years. |
| 1990 | CROP wins national premier safety award. |
| 1991 | CROP puts muscle into housing for employees |
| 1992 | Cost-cutting measures are focused on non-human resources. |
| 1993 | Sunsweet sugar is distributed throughout the country providing a slightly cheaper alternative product to the consumer. Zimbabwe is unable to meet local & export demand due to the drought. |
| 1995 | Training is intensified. An Environmental Management System is established. |
| 1996 | Chairman retires from board after holding the post for 11 years; new chairman is appointed to board. |
| 1997 | The first black person is appointed a director & Deputy Managing Director of CROP. CROP spends $ 410,2 million constructing new houses for employees. Training & development is intensified. CROP embarks on an outreach programme in which vetiver grass is supplied to communal farmers for planting in susceptible areas to prevent soil erosion. |
| 1998 | Collective bargaining is successfully conducted & concluded under an independent chairperson; Close liaison is being maintained with employees through regular meetings with both union representatives & workers' committees. $ 6 million is spent on the construction of new employee houses. Training emphasises communication skills & environmental issues. |
| 1999 | First black Managing Director is appointed from position of Deputy Managing Director. |
| 2000 | Severe foreign currency shortages coupled with an overvalued Zimbabwe dollar fixed at US$ 1 to Z$ 38,50 make Zimbabwean sugar highly expensive in regional export markets. |

Source: Annual Reports & Media Reports 1980 - 2000.

Evidently, the changes benefited the business. CROP is a responsible corporate citizen with 'safety' as value number 1. Accidents are reported immediately, investigations carried out, accidents categorised and measures taken to minimise or eliminate recurrence.

The new haulage system, 'Shanduko', outsourcing, computerisation enabled CROP catch up with modern business practices. The development of a code of conduct brought in a sense of common purpose to both CROP management and staff, guided by the Zimbabwean legal framework.

### 4.A.7 Advocates "Walking-the-talk"

There was mixed evidence regarding advocates 'walking-the-talk'. Where the change was perceived as directed by Group leadership, advocates walked the talk. For example, in connection with 'SHE' one interviewee said:

> If there is a fatality, CEO has to go to South Africa to explain; CEO in South Africa has to explain in the Group's London office.

The development of the code of conduct enjoyed similar positioning. Said one interviewee:

> The executive at CROP and Group level supported the champion.

Those who initiated changes walked the talk as they believed in the need for such changes. Comparing and contrasting HR managers' relationship to HR system changes, one interviewee said:

> HR manager who left associated with employees, would come to shopfloor and sometimes cleaned with cleaners, motivating employees. He sought advice from employees and practiced the ideas and praised employees for ideas even if idea failed.
>
> Old HR manager walked the talk. New HR manager partly walks the talk and parts of the system are not working. The new HR manager does not come down. Contact is with his immediate superior.

Both interview and focus group evidence confirm that change efforts were part of meeting agendas to stress that advocates meant what they said.

However, other evidence suggests that there was no clear evidence of walking the talk. Examples highlighted to support this include what one employee said:

> Maintenance people were told they would be outsourced in 1998. No-one has come back with another message.

And focus groups reflected:

> Management commitment is key. Management should walk around. Protective clothing was not provided as a Shanduko initiative to cut costs. There is little feedback on results of each initiative. Ideas from the shop-floor are not accepted. Some ideas then filter back as the manager's - thinking employees have forgotten. Paterson Band C+ employees are considered as human beings, Bands A and B as semi-human.

> Current HR maintains an open door policy BUT does not go to the fields,. People do not like it. People want him to go out and understand operations.

Staff associated the success of change efforts with advocates who walk-the-talk, maintain live lines of communication across the organisation, have a business sense, are open, flexible and appreciate learning. On the other hand, staff also expressed the negative impact of advocates' inconsistent behaviours. One interviewee narrated how he felt about his own circumstance:

> Managers responsible changed things and even by-passed employees in career management - took someone else to become my manager. I had to train my new manager.

### 4.A.8 Acknowledgement of Fear and Anxiety

Views on fear and anxiety were polarised. During some focus group discussions, staff were not comfortable expressing their positions because participants were drawn across levels of the organisation. For example in one focus group discussion, one staff remarked:

> What guarantee is there that there will be no victimisation since we are mixed across levels.

The general impression across focus groups was that fear and anxiety were acknowledged as part of the change initiatives. Comments like 'fear and anxiety were allayed through active communication and involvement of all those affected'; 'fear was acknowledged - there was an exodus of white employees'; 'some whites who were anxious moved their children and remained behind in employment'; and 'fear was acknowledged and training was concentrated on a small group of super users' dominated the focus group responses.

One-to-one interview evidence also reflected the polarisation. Comments like 'Victimisation leads to fear. CEO has to advise colleagues not to threaten employees across the organisation. Ideas should be raised freely'; 'CEO should go down to employees, address employees area by area. They know the name of the CEO not the person'; 'There was acknowledgement of fear and anxiety: do not lie to employees. If you are not sure, say so' characterised the perceptions. A new language emerged when things were not working as planned. For example, employees called one manager 'Machonyongo', a derogatory term for a disrupter.

As far as the 'SHE' initiative was concerned, employees agreed that there was no fear or anxiety as this was considered a life/death change initiative.

### 4.A.9 Assessment of Progress

Assessment of progress was both informal and formal.

As far as 'SHE' was concerned, international safety standards were adhered to. A CROP 'SHE' committee was set up, chaired by the Chief Operating Officer (COO). This committee meets once a month and no SHE item should reappear on the agenda. Once raised, an item should be dealt with and resolved. Each department has a 5-minute review on each of the 3 SHE (safety, health and environment) elements at the start of each day and/or shift. The

5-minute review has to be documented. SHE contributes 20% of the bonus and 80% on target performance.

HR system changes were tracked through quality of reports and documents as well as system data retrieval capability. Ideas were tested continually and collaboratively.

Training progress is reviewed. However, one focus group mentioned there is need to go to the shop-floor for feedback on HR issues.

In relation to 'Shanduko,' one focus group agreed:

> Shanduko had rigorous reporting procedures. The company was reorganised into business units (BU's). Each (Head of Department) executive was ultimately responsible for BU performance. There was a business change manager.

Whereas one interviewee suggested BU feedback was ongoing, another said of Shanduko:

> With hindsight, a questionnaire could have been administered twice per year for better assessment.

Concerning black advancement, there was agreement that:

> There was informal measurement. There was a mention of employment ratio of 60%:40% in favour of blacks at the top like was being advocated in school ratios for private schools.

One participant remarked:

> Are we doing enough to develop our own blacks?

The impact of haulage system changes was tracked through productivity assessments, for example, crushing rate of mill per hour/per day/per season as measure of effectiveness of cane haulage to mill. Exhibit 4.A.6 below details mill performance measures. These ratios were produced and published annually (with a running commentary) in annual reports.

**Exhibit 4.A.6: CROP Mill Performance**

| Year | Number of crushing days | Throughput: Tonnes per hour | Overall time efficiency | Extraction (%) | Boiling house recovery (%) | Overall recovery (%) | Factory performance index (%) | Tonnes cane per tonne sugar |
|---|---|---|---|---|---|---|---|---|
| 1980 | 216 | 302 | 87,41 | 97,19 | 89,52 | 87,01 | 100,36 | 7,98 |
| 1981 | 220 | 376 | 84,27 | 97,39 | 90,14 | 87,79 | 99,35 | 9,87 |
| 1982 | 241 | 399 | 88,64 | 97,36 | 90,37 | 87,98 | 100,14 | 8,05 |
| 1983 | 239 | 390 | 90,14 | 97,12 | 91,09 | 88,47 | 101,16 | 7,88 |
| 1984 | 234 | 382 | 89,16 | 97,37 | 91,08 | 88,68 | 102,05 | 7,68 |
| 1985 | 226 | 289 | 91,97 | 97,88 | 91,34 | 89,41 | 101,52 | 7,64 |
| 1986 | 223 | 380 | 93,85 | 97,99 | 91,07 | 89,23 | 100,80 | 7,68 |
| 1987 | 218 | 419 | 94,75 | 97,70 | 92,16 | 90,04 | 101,02 | 7,52 |
| 1988 | 208 | 394 | 93,17 | 97,74 | 91,29 | 89,23 | 101,09 | 7,65 |
| 1989 | 190 | 408 | 93,87 | 97,70 | 91,40 | 89,52 | 99,73 | 7,57 |
| 1990/91 | 215 | 410,93 | 94,20 | 97,77 | 89,63 | 87,62 | 98,25 | 7,62 |
| 1991/92 | 178 | 386,71 | 94,25 | 97,51 | 86,68 | 84,52 | 96,35 | 8,09 |
| 1992/93 | 24 | 94,45 | 92,92 | 97,44 | 60,28 | 58,74 | 100,03 | 14,32 |
| 1993/94 | 57 | 321,39 | 73,20 | 97,31 | 82,65 | 80,19 | 100,00 | 11,31 |
| 1994/95 | 245 | 442,18 | 90,82 | 97,81 | 90,31 | 88,34 | 100,89 | 7,80 |
| 1995/96 | 228 | 424,36 | 85,85 | 97,67 | 89,43 | 87,35 | 99,80 | 7,63 |
| 1996/97 | 189 | 321,64 | 92,03 | 97,89 | 88,70 | 86,82 | 99,42 | 8,13 |
| 1997/98 | 260 | 415,56 | 87,03 | 96,60 | 89,29 | 86,25 | 98,61 | 8,13 |
| 1998/99 | 262 | 421,75 | 88,25 | 97,02 | 87,44 | 84,84 | 98,36 | 8,46 |
| 1999/2000 | 230 | 429,97 | 87,83 | 96,50 | 87,34 | 84,28 | 95,75 | 8,18 |

Source: Annual Reports 1980 - 2000

Exhibit 4.A.7 also paints a broad picture of measures from a financial point of view. Clearly, the financial performance was affected by drought and CROP has forged partnerships to deal with a future recurrence of this natural disaster through alternative water supply strategies like boreholes, more dams and more effective water application methods as highlighted earlier.

**Exhibit 4.A.7: CROP Earnings and Dividends**

| Year | Shares in issue | Profit/ (Loss) for the year ($'000) | Dividends paid ($'000) | Dividend cover | Dividend return on shareholders' funds (%) | Earnings/ (Loss) per share (cents) | Dividends per share (cents) |
|---|---|---|---|---|---|---|---|
| 1980 | 23 964 600 | 2 713 | 959 | 2,83 | 2,71 | 4,0 | 1,3 |
| 1981 | 24 013 850 | 22 365 | 6 002 | 3,73 | 7,51 | 31,0 | 8,3 |
| 1982 | 72 041 550 | 7 957 | 3 122 | 2,55 | 3,68 | 11,0 | 4,3 |
| 1983 | 72 041 550 | (41) | - | - | - | - | - |
| 1984 | 72 041 550 | 5 090 | 2 161 | 2,36 | 2,47 | 7,0 | 3,0 |
| 1985 | 72 041 550 | 6 581 | 2 882 | 2,28 | 2,35 | 9,0 | 4,0 |
| 1986 | 72 041 550 | 9 237 | 3 602 | 2,56 | 2,80 | 12,8 | 5,0 |
| 1987 | 72 041 550 | 11 831 | 3 602 | 3,28 | 2,64 | 12,9* | 5,0 |
| 1988 | 72 041 550 | 9 940 | 4 322 | 2,30 | 2,09 | 13,8 | 6,0 |
| 1989 | 72 041 550 | 7 102 | 4 322 | 1,64 | 1,89 | 9,9 | 6,0 |
| 1990 | 72 041 550 | 20 753 | 8 645 | 2,40 | 3,24 | 10,8* | 4,5* |
| 1991 | 192 110 814 | 25 632 | 5 763 | 4,45 | 1,19 | 13,3 | 3,0 |
| 1992 | 192 110 814 | (270) | - | - | - | (0,1) | - |
| 1993 | 192 110 814 | (10 095) | - | - | - | (5,2) | - |
| 1994 | 192 110 814 | (35 323) | - | - | - | (18,4) | - |
| 1995 | 192 110 814 | 240 398 | 98 056 | 2,5 | 10,31 | 125,1 | 50,0 |
| 1996 | 192 110 814 | 227 402 | 96 056 | 2,4 | 9,03 | 118,4 | 50,0 |
| 1997 | 192 110 814 | 136 113 | 53 812 | 2,5 | 2,83 | 70,8 | 28,0 |
| 1998 | 192 439 564 | 204 539 | 84 662 | 2,4 | 5,29 | 106 | 44,0 |
| 1999 | 192 504 314 | 384 686 | 153 996 | 2,5 | 8,19 | 200 | 80 |
| 2000 | 192 761 064 | 361 000 | 193 000 | 1,8 | 6,0 | 188 | 100 |

Source: Annual Reports 1980 - 2000

### 4.A.10 Belief in Change

There were mixed reactions to questions concerning the degree of polarisation of belief in the change efforts.

Interview evidence suggests that all employees believed in the 'SHE' initiative.

Interviewees and focus groups, however, pointed out there were either 2 or 3 groups of staff. In connection with changes in HR systems, one interviewee said:

> There were 2 groups: opposers were almost 90%. It was war to convince them. Type of payslips converted most non-believers.

Focus group evidence confirms the existence of 2 groups in response to HR system changes:

> Because of problems, a big group think it does not work. Many times manual system is being used. Approximately 50% of the time system is not working. There are two camps and the negative camp is gaining momentum.

Regarding computerisation, one focus group agreed:

> There were two groups: those computer illiterate who feared change and those who considered change relevant.

About the haulage system changes, an interviewee commented:

> Even the COO did not believe the system would work.

And a focus group admitted:

> There were two groups with one against doubling cutting load and fearing the unknown haulage system and another group supporting the change.

Two other interviewees identified three broad categories of staff. One concluded:

> There were three groups of employees:
> - Those who felt there was no need;
> - Those who felt we have an opportunity;
> - Those who felt management will still do what they want (focus was on this group).

The other said:

> I did not consciously assess existence of believers and non-believers. I can say there were 3 categories of people:
> - The committed;
> - The doubting group - they became 'disciples' after explanation;
> - The pretenders - moved back to 'old ways' of working.

The existence of a third group is also suggested by focus group evidence to the effect that there are 'people not showing they are in any kind of group'.

Focus group comments on black advancement were quite telling. One group said:

> For some blacks that got into promotion positions, employees said they were blacks thinking like whites and used terms like 'chasara iganda' meaning 'what remains is the colour change'.

Another group added:

> Employees were busy assessing managers. For example, some were saying 'managers should leave politics and consider business. Local employees cannot even get the sugar they process due to politicking'.

### 4.A.11 Power and Accountability Structures

Each change effort had defined power and accountability structures.

For the haulage system, the Agriculture Director was the champion. The organisational structure changed to fit into the change. Work shifts also changed to fit into the mechanisation process.

A structure from Chief Operating Officer (COO) to Agriculture Director, cane haulage manager, cane haulage foreman, cane haulage co-ordinator, centralised trains controller, gantry supervisor, locomotive driver and general workers was put place. There also is a rail inspector reporting to the cane haulage foreman. The inspector has a team comprising rail hand supervisor, welder and builder who have general workers reporting to them.

A broad framework was provided by Group leadership for the development of a code of conduct. An internal champion experienced in industrial relations was accountable for the change. CROP formed Workers committees and a CROP Works Council was constituted. This Works Council linked up with other Works Council in the Group to create the Group Code of Conduct.

The HR manager had a steering committee and a team of clerks from departments to install the new human resource system. The steering committee and select clerks were called super users who then transferred the skills across the departments.

CROP put in place a 'SHE' committee. However accountability was devolved to departments and the individual. There is 1 'SHE' representative for every 50 employees and 1 first-aider for every 10 employees.

'Shanduko' and resultant outsourcing had ultimate accountability in the CEO. The CEO and executive team formed the steering committee. This committee assisted the HOD's empower the BUL's to run with the initiative. A champion, the Finance Director, was accountable to the steering committee. BUL's were accountable to the champion and involved all staff. BUL's were young and knowledgeable about business and were assisted by a second-in-charge with analytical skills.

One focus group argued that although top management has been relocated to the site, CROP is 'still run by people in Harare. CROP management should be given decision-making powers'.

### 4.A.12 Organisational Learning

The 'SHE' initiative stands as a model around which CROP staff can benchmark internally about how to diffuse learning on change efforts. This initiative had all staff mobilised from the individual to departments and CROP as a whole. 5-minute inclusive forums are held daily/per shift and learnings documented and spread across the organisation.

A safe environmental policy with an outreach programme component (grass project) has also enabled CROP become a visible corporate citizen in the community around. An outstanding achievement is that through the learning afforded by the 'SHE' effort, there is no water contamination and soil erosion in the neighbourhood.

It would appear there was selective communication relating to haulage system changes. Those directly affected by haulage system changes were more aware of the changes. Focus group evidence points out:

> There was structured communication to all concerned parties, particularly on how to work together in a change situation. A process of managing up and down was put in place. Those not directly involved were not given details but only the necessary information. Those in management positions, even when not involved, were given details to win their support.

There were mixed impressions on how computer skills were diffused across the organisation. Whereas one interviewee said:

> Those trained in South Africa passed on skills to departments through clerks using the system.

Focus group evidence on computerisation and HR systems reflects the following comments:

> This was different from the Grab loading change effort. There was no champion to drive the training of other users. Some staff cannot even go onto a computer. In some departments there were no super users. Training department had no formal training; they went on trial and error, relying on own competence.

Further evidence suggests there were informal communication networks on HR systems. As far as swipe cards were concerned, a select few were given a chance to try. Introduction of new payslips and clocking cards signalled a new era.

Focus groups expressed the following sentiments for future initiatives:

> CEO needs to communicate with people, have Town Halls, be close to people, and walk around even to recreational centres. There is need for clear communication throughout the change effort.
>
> Bring back training programmes, which were scrapped and accelerate those in place.

Concerning the development of a code of conduct, a workers' representative confirmed a local best practice:

> 520 Workers' Committee members were trained on New Code. Each of the 520 cascaded the information to fellow employees.

‘Shanduko’ learning was transferred through a continuous improvement cycle.

One executive remarked:

> A continuous improvement cycle was established as a basis for learning. This cycle was built into everyday lives of all staff. The cycle is based on assessing budget items with a view to implementing ideas on saving costs.

The general impression was that communication and leadership of department is key to fostering new learning.

### 4.A.13 New Ideas about Purpose and Strategy

The ‘SHE’ initiative influenced the way of doing business in a safe environment. A local best practice is the manner in which 45 minutes (09h00 to 09h45) have been set aside daily for the induction of new employees and any visitors. An induction checklist is used to track the aspects covered. A ‘SHE’ advisor/officer uses English and Shona for induction depending on the literacy of individuals under induction.

The officer took me together with 2 new employees through a familiarisation with ‘SHE’ vocabulary including: safety procedures (18 safety standards were covered); accident classifications; emergency preparedness (for example, assembly points); types of safety signs (safe condition signs, warning signs, prohibition signs, fire equipment signs, special signs) and a medical questionnaire.

There was a demonstration on the use of fire equipment focusing on 4 different types of fire extinguishers. These were dry powder, water/gas, carbon dioxide and foam extinguishers. An explanation of housekeeping programme in place for tools and equipment was followed by do’s and don’ts clarifying acceptable and unacceptable behaviours. For example running around is not allowed and sober habits are expected in the premises. I was issued protective clothes for the one-week duration of my visit.

From an HR perspective, computerising HR systems indicated that CROP could catch up on technological advancements such as networks. Managers also realised there were ideas of strategic importance from A1, A2 Paterson grade level employees because employees had been allowed to question and contribute to the development of the Code of Conduct.

One interviewee indicated:

> Lessons learnt include the following:
>
> - Whatever change initiative, management must own the process;
> - Involve workers, instead of giving, sell change and engage them;
> - Every change initiative should benefit the workers.

Interview evidence suggests that CROP was a test case for Group of companies and the former CEO for the Group of companies is now implementing the same ideas for Group in South Africa as well as the London head office.

Focus group evidence provides further insights. Some participants felt that the focus of efforts was efficiency and effectiveness and there was a lot of groundwork to mobilise support for change. Others were of the opinion that change efforts were not clearly linked to CROP strategy. Some participants said change looked like a haphazard process and employees need clarity on linkages of initiatives to strategy.

One said:

> Each initiative should have clear objectives, shared by all stakeholders. Train and define assessment criteria.

Another retorted:

> We are too vertically integrated, why not have focused strategic BU. We need to coordinate change efforts. Focus on crushing and milling!

In as far as black advancement was concerned, one focus group participant quipped:

> There was talk of black advancement to address the new political demands.

Evidently, external benchmarking for best practices fast-tracked the haulage system and 'Shanduko' initiatives.

One focus group agreed there was need for a super user to design a system that fits the business.

#### 4.A.14 Success of Change Efforts

There were mixed impressions during focus groups regarding the success of the computerisation process. Comments featuring during discussions included:

> There are less people controlling payroll. The function moved from Accounts department to HR. IT staff were not sure of the change leading to lack of support from IT staff. Now IT department is functional. We still do not have what we chose. Still system is not user friendly. Regarding the network program, supplying company did not do well in installing system.

For the clocking system, one can only record OUT to IN movements per day and can be abused. With manual system there was an entry for each passage and it was difficult to abuse.

However interview data paints a positive picture including comments like 'information retrieval was good', 'HR system led to CROP network'.

The development of a code of conduct is generally considered a success story. Each of the 52 sections had a constituted Workers' Committee, each of the 7 areas covering the 52 sections had an area Workers' Committee and a central Workers committee has been constituted covering the 7 areas. There is ownership of the Code of Conduct.

One worker representative was, however, critical of the code saying:

> Code of conduct has not been updated for over 15 years. Code of conduct is only about employees. For example, '*if employee does this, then, … To the extent that employees now resent being in the Workers' Committee*.'

The 'SHE' initiative is an outstanding success story that has positioned CROP as a good corporate citizen. The outreach program has resulted in no water contamination in the surrounding community. A local best practice is around the application of filter cake (mud). The mud has soil nutrients, which local villagers use to feed gardens for free. The rest of the filter cake is used back in the cane fields.

The success of the haulage system has resulted in nothing, except the replacement of one grab loader, being changed since 1983. This has been largely attributed to the successful local modifications to the Swazi system. One focus group heard one participant remarking:

> What is happening is because of people involvement at every stage of the process.

'Shanduko' and the resultant outsourcing are also considered a success. Interview evidence includes:

> 'Shanduko' was extremely successful. Results were presented to the Board. The Board accepted and authorized payment of incentives.
>
> Shanduko champions have been requested to help in other initiatives as part of change skills transfer. Grab loading is now being re-looked at from a 'Shanduko' perspective. There is still need to look at the structure of incentives for future change efforts. For example, how soon incentives are paid.
>
> Outsourcing as a result of 'Shanduko' was a huge success. Busing, security, canteen and beer-halls have been successfully outsourced.

These comments are also supported by focus group evidence and are consistent with the continuous improvement intention:

> Ideally 'Shanduko' should have come before IT effort. 'Shanduko' emphasis was more on proving saving. Bonus payment was not paid early and this damaged employee morale.
>
> The incentive scheme design needs to be simple, clear and reward to follow behind. Ideally, this should have been a Finance function. Agriculture department carried the whole company. We are not accountants.

Mention is made of the need to move to a flatter organisation structure informed by the change efforts. Overall, live communication is considered a necessity.

### 4.A.15 Case A Summary

**Figure 4.A.1: Summary of CROP Evidence**

| CONSTRUCT | CROP EVIDENCE |
|---|---|
| Triggers | Environmental (natural disasters); Globalization (world-class best practices); Technological advances (computerization); Government (promises to electorate); Economic climate (work process best practices); Heightened competition. |
| Best practices | Benchmarking in & outside Africa (Swaziland & Australia); SHE 5-minute daily documented inclusive forums; Land redistribution; Community engagement in SHE; Winning Safety awards on environmental management systems; Communicating the code of conduct. |
| Key players | Government; All employees; Management; Business Unit leaders; External & Internal consultants; Steering committee; Change champions & Community members. |
| Time | SHE (immediate); Shanduko (one year time window, 4-6 months training to kick-start process); computerization (immediate with 8 month parallel run). |
| Help | Employee sensitisation & inculcation of a sense of inclusivity (lower level employees not aware of quality & kind of help required); Saturated communication required; Capability creation (all changes); Relocation of employees with health problems. |
| Relevance | Changes benefited key stakeholders (staff, government, community); Improved quality of life of employees; Employment creation; Code of conduct brought sense of common purpose; Business was value-based (e.g. we want to make money but not bloody money). |
| Walking-the-talk | Mixed evidence (where initiative directed from Group/top management, advocates walked the talk e.g. SHE, Shanduko, Haulage system); One HR manager walked the talk & the other did partially. |
| Fear & anxiety | Views were polarized (focus groups generally said there was acknowledgment, within mixed focus groups a sense of fear was expressed, individual respondents had mixed answers); A new language emerged when things were not working. |
| Assessment & measurement | Informal & formal: Black advancement was informally assessed; Shanduko & SHE had rigorous reporting procedures; Mill performance measures documented in annual reports. |
| Belief | Three groups of people {the committed, doubters (became disciples once convinced) & pretenders (moved back to old ways)}. |
| Governance | Each change had defined power & accountability structures (e.g. Haulage system changes under Agriculture Director resulted in structural changes in shifts, SHE & Code of conduct had committees, HR system changes directed by steering committee, Shanduko & Resultant outsourcing under CEO had executives as steering committee). |
| Diffusion | Learning included SHE inclusive forums; Shanduko continuous improvement cycle model about diffusing; Communication networks during development of code of conduct (520 workers committee members cascaded messages to all after training). Haulage system changes communicated selectively. |
| Strategy & purpose | 'SHE' influenced ecological harmony & corporate citizenship focus in running business. Link of other changes to strategy & purpose not clear to lower level employees. |
| Success | Shanduko incentives could have been paid earlier. Shanduko & resultant outsourcing, SHE, Haulage system changes, Development of code of conduct considered huge success stories. Mixed reactions expressed over Computerization. |

The CROP case evidence is summarised through Figure 4.A.1 above.

Eleven challenges, eight themes and four propositions (prospects for further study) emerge from the evidence.

**Emerging Challenge 1: Role of national cultures in transformation**

Organisations that transform in Zimbabwe have to anchor such change on national culture.

**Emerging Challenge 2: Use of relevant national languages**

Organisations that transform in Zimbabwe have to use relevant national languages to convey and embed the new different ways of doing business to all relevant stakeholders.

**Emerging Challenge 3: Land redistribution**

Organisations that transform in Zimbabwe will have to promote an equitable pattern of land redistribution.

**Emerging Challenge 4: Economic reform and poverty reduction**

Organisations that transform in Zimbabwe have to conduct business aimed at sustaining long-term high rates of economic growth driven by agriculture in order to reduce poverty.

**Emerging Challenge 5: Employment creation and entrepreneurship**

Organisations that transform in Zimbabwe have to create employment and upscale entrepreneurship to enable the state restructure its economy and compete globally.

**Emerging Challenge 6: Ecological harmony**

Organisations that transform in Zimbabwe have to engage in safety, health and environmental programmes to enhance the quality-of-life of employees and communities.

**Emerging Challenge 7: Boosting investor confidence**

Organisations that transform in Zimbabwe have to contribute towards the reduction/elimination of (trans)national conflicts and crime (including corruption) in order to boost investor confidence.

**Emerging Challenge 8: Value-enhanced products and services**

Organisations that transform in Zimbabwe have to (re)brand value-enhanced products and services for the global market.

**Emerging Challenge 9: Consensus building amongst stakeholders**

To succeed in leading change in their companies in Zimbabwe, managers need to forge an institutional framework and process for consultation and consensus building amongst stakeholders on the make up of reform programmes.

**Emerging Challenge 10: Institutional capacity building**

Organisations that transform in Zimbabwe need to build institutional capacity to minimise /eliminate the gap between designed plans and their implementation.

**Emerging Challenge 11: Gender consciousness**

Organisations that transform in Zimbabwe need to move to a higher level of consciousness in gender relations by engaging in gender analysis in order to empower women.

**Emerging Theme 1: Collaboration with key stakeholders**

Intense collaboration with key stakeholders leads to the success of transformation efforts.

**Emerging Theme 2: Stakeholder needs and expectations**

Organisational transformation revolves around changing stakeholder needs and expectations.

**Emerging Theme 3: Stakeholder promises**

Organisational transformation revolves around changing promises to address changing stakeholder needs and expectations.

**Emerging Theme 4: Delivery processes**

Organisational transformation revolves around changing processes to deliver changing promises.

**Emerging Theme 5: Structures and systems**

Organisational transformation revolves around changing structures and systems to align with changing processes.

**Emerging Theme 6: Capacity and capability**

Organisational transformation revolves around changing capacity and capability to sustain the momentum of the change.

**Proposition 1: Contextualisation of business issues**

Contextualisation of business issues is a prerequisite for the success of transformation efforts.

**Proposition 2: Impact of natural disasters**

Natural disasters like drought trigger major change. There appears to be a 10-year drought cycle for Zimbabwe.

**Proposition 3: Interface between government, business and civic society**

Transformational business leaders need to thoroughly understand the interface between business, government and civic society.

**Proposition 4: Managing the interface between key power blocks**

Success in business transformation is dependent on the ability to manage the interface between key power blocks.

## CASE B: FINANCE

Our vision of tomorrow dictates that today, we identify ourselves with those growth sectors and sections of our community from whose midst we expect the emergence of tomorrow's economic giants and conglomerates i.e. the small - to medium - scale entrepreneurs, the majority of whom are in the informal sector. This is also one way through which FINANCE can help in the job creation process.

Annual Report, 1995

FINANCE operated on negative capital as far back as the late 1980's since it was associated with an internationally disgraced bank, SUSPECT. A new chairman was appointed to the board of directors in 1993 with a specific mandate from the government of Zimbabwe to see to the turnaround of the bank.

Between 1993 and 1995, the chairman led the board in a search for a managing director to replace the one who was running the operations of FINANCE in an acting capacity. In 1994, the bank was on the verge of collapsing. However, the board found a suitable candidate to lead the transformation process in early 1995. The candidate was tasked to perform a dual role of managing director and CEO.

Reviewing the background of FINANCE in the 1995 annual report, the newly appointed managing director and CEO indicated:

> Stakeholders the world over had their confidence in SUSPECT, and indeed in the whole financial system in general, shaken as others lost money through illegal, unethical and all other despicable acts of financial misconduct as revealed and levelled against SUSPECT. Such was the background to the discomfort which by history and association also affected the bank.
>
> Although the Zimbabwean operation of SUSPECT and now FINANCE was not actually involved in the kind of scandals that its half parent (SUSPECT) was accused of, it was not spared from either the local or international confidence backlash.

After analysing and understanding the challenges FINANCE faced, the managing director led in the crafting and implementation of a 5-year vision to turnaround the bank. Given the lack of transparency in previous dealings, the bank committed itself to high levels of transparency in all its operations within acceptable levels of banking practice.

The 5-year vision was achieved one year earlier, in 1998. The board chairman retired from the board in this year convinced he had contributed to the strategic positioning of the bank for growth.

An overlapping 5-year vision was developed in 1998 and is being implemented.

FINANCE prides itself of good performance in a declining economy. The bank started turning around as from 1995, was recapitalised and privatised by 1997 and started focusing on strengthening itself through global networking and smart partnerships in 1998. FINANCE was voted 'the best domestic bank in Zimbabwe' twice in succession in 1999 and 2000.

## 4.B.1 The Changes That Took Place

**Exhibit 4.B.1: Time Line of Major Events in the History of FINANCE**

| Year | Major Events |
|---|---|
| 1991 | FINANCE loses technical support from the SUSPECT London office. |
| 1993 | Chairman is appointed, with FINANCE having no Managing Director. |
| 1994 | FINANCE is on the verge of collapsing. Directors do not recommend any dividend; FINANCE does not publish its annual report. |
| 1995 | Managing Director is appointed; Incumbent also assumes role of CEO. Eight areas of need for a 5-year strategic plan are identified; FINANCE adopts formal strategic planning and management techniques as a way of running affairs. FINANCE closes the year on a negative net worth position and the directors do not recommend any dividend. Through tender, there is a change in FINANCE's external auditors. |
| 1996 | FINANCE predominantly focuses on: Internal risk management; Further technology upgrading and enhancement; Reaching out beyond boarders for correspondent bank networks; Creating necessary confidence and credibility so vital to business of banking; Intensified image clean-up and marketing exercises as part of the groundwork preparations for the all important recapitalisation exercise scheduled for 1997; Further strengthening of human resource skills and improvement in policies, systems and procedures. |
| 1997 | FINANCE witnesses the first positive results of the turn-around strategy: Successes are registered in the areas of human resources development, technology enhancements, internal restructuring and improvements in risk management, image profiling and marketing. Recapitalisation assumes centre-stage; Government agrees to idea, dilutes its shareholding from 100% to 20%, agrees to concept of recapitalising through a privatisation route and further extends an invitation to foreign investors to invest in FINANCE. |
| 1998 | Considered FINANCE's watershed year which seals the first phase of the turnaround strategy and sees the start of a new 5-year strategic plan. Two technical partners are signed on. FINANCE is privatised and restructured; Board membership increases from 5 to 14, with 3 executive directors; Various board committees are established; Joint auditors engaged to establish and maintain ultra-transparency. |
| 1999 | Devoted to the consolidation and the implementation of the technical partnership agreement. FINANCE is voted "Best Domestic Bank in Zimbabwe by the world-wide Euromoney annual country surveys and awards for banking excellence". |
| 2000 | Focus shifts from survival and consolidation towards leadership among financial institutions in Zimbabwe; FINANCE starts benchmarking against one or two market leaders in Zimbabwe while not losing sight of regional aspirations. FINANCE establishes a properly defined and stand-alone marketing and sales division. FINANCE becomes third largest bank in Zimbabwe and the largest locally owned in terms of market share and balance sheet size. FINANCE manages to create a powerful brand for its products based on a differentiation strategy. Through a smart-partnership alliance, FINANCE is first bank in Zimbabwe to launch assurance products and provide a one-stop shop for financial products and services. FINANCE is again voted "Best Domestic Bank in Zimbabwe by the world-wide Euromoney annual country surveys and awards for banking excellence". FINANCE goes through its first ever restructuring to a leaner and more effective organisation with no disputes recorded. |



Source: Annual Reports

Broadly, the changes FINANCE experienced may be classified under turnaround to profitability and solvency, privatisation and growth.

### 4.B.1.1 Turnaround

As noted in the 1997 annual report, "throughout the period 1995 - 1997, FINANCE remained focused on its strategic plan and progressively recorded steady improvements in its financial results which gradually returned the bank to profitability and solvency".

Exhibit 4.B.2 below shows the steady improvements.

### 4.B.1.2 Privatisation

The privatisation process is aptly summarised in the managing director's review of operations in the 1997 annual report:

> Being one of the first state institutions to be privatised, the process leading to this exercise involved detailed discussions and intensive consultations with government, covering such issues as the objectives behind proposals to privatise and recapitalise the bank, the benefits of having a technical partner, targeted beneficiaries of the privatisation process and the modalities of the process, the timing of the issue and pricing of the shares, their tradability and vehicle for their trading. A number of inter-ministerial committees had to deal with different aspects of the issues mentioned above, the conclusion of which was the green light to proceed in July 1997. By the end of 1997 FINANCE was privatised and successfully recapitalised in what was viewed as 'record time' by local standards.

### 4.B.1.3 Growth

Having achieved its Vision 2000 in 1998, FINANCE poised itself for corporate re-engineering, all-round growth and stability through smart-partnerships in the same year. Vision 2003 for the bank captures the intentions:

> FINANCE has embarked on a drive to strengthen and expand its market base by the year 2003. This will be achieved through a strategy of networking and joint ventures with other key players in the market. FINANCE plans to become a regional and international banking force by the year 2003.

### 4.B.2 Triggers of Change

Given its originally battered image, the main drivers of change for FINANCE were the government and the need for good corporate governance.

From the appointment of a new board chairman in 1993, the bank took an approach of reporting on its condition in as transparent a manner as possible to enable all the stakeholders to make informed decisions in their dealings with the bank. Evidence in every annual report from 1995 clearly highlights this.

Significantly, the opening paragraph on corporate governance in the 1999 annual report is repeated in 2000:

> FINANCE is fully committed to the principles of openness, integrity and accountability. Accordingly the directors recognise the need to conduct the business with integrity in accordance with generally accepted corporate practices as set out in the King Committee Report on Corporate Governance. The Audit Committee is mandated to review compliance with the principles of good corporate governance …

### 4.B.3 Key Players

The key players in the FINANCE transformation efforts are best summarised in the bank's annual reports under appreciation statements. For example, the 1995 annual report reflecting the initial successes of the turnaround has the managing director appreciating:

- All clients of the bank, old and new, for their unflinching and growing support respectively.
- The government of Zimbabwe as represented by the Ministry of Finance and in particular, the office of the registrar of banks and financial institutions.
- The Reserve Bank of Zimbabwe, as both supervisory and regulatory authority.
- The chairman and board of directors of FINANCE for their leadership support and guidance …
- All local and international financial institutions and correspondents.
- Prospective new shareholders who have shown interest in supporting the bank in the coming year.
- The public in general and, last but not least, management and staff members of the … team - without whose support and commitment to doing the right thing, the bank would never have made the kind of remarkable progress registered so far.

Evidence of the significant contribution made by these key players runs in the annual reports over the years. Even in 2000, considered by economists as one of the most difficult years since Zimbabwe's independence, a similar set of key players appears in the annual report.

For example, the managing director links the key players to the bank's vision in the 2000 annual report by stating:

> Mindful that these results would not have been achieved without the unwavering support of the bank's customers and all other stakeholders, we wish to extend our special and heartfelt gratitude to the following:
>
> - The bank's existing and new customers for keeping the vision alive.
> - The bank's shareholders for the continued support and faith in the leadership of the crew during the very dark hours of the storm.
> - The Reserve Bank of Zimbabwe and the Ministry of Finance for their wise counsel and guidance.
> - The bank chairman and his team for their commitment to the cause of the bank.
> - The FINANCE family for their commitment with each one of them keeping the individual pledges of commitment and hard work calculated to ensure that the battle is won as promised at the Great Indaba.

### 4.B.4 Time Available for Initial Stages of Changes

Strategically, very little time, if any, was available for the initial stages of the changes. Although it took the Board a little over 1 year to search and attract a suitable candidate to lead the operations of the bank, the candidate integrated strategic planning and strategic implementation.

For example, in the second month of his appointment, he was out with a team of staff to work on Vision 2000. Further, within the turnaround strategy was built in the recapitalisation and privatisation change initiatives. Also, an overlapping growth strategy was encapsulated in Vision 2003 since the first vision had been achieved ahead of plan.

Operationally, foreign investors and due diligence exercises were carried out over the first 6 months of 1998. The exercises were viability and feasibility assessments by potential external investors who had shown interest in investing in FINANCE in line with its privatisation programme carried forward from 1997.

### 4.B.5 The Kind and Quality of Help Needed

The help needed was related to the challenge areas isolated in Vision 2000 and Vision 2003.

Given the 'market image of the bank' challenge, FINANCE engaged an independent firm of market research consultants. The consultants compared the bank's image at the beginning and at the end of 1995. The consultants reported that the bank's public image and market profile had improved during the period.

Under the 'human resource balance sheet', a broad-based staff development and skills enhancement programme was put in place.

Internal and external expertise helped deal with the 'systems and procedures' challenge. The managing director reported in the 1995 annual report:

> Specifically, documented policies, systems and procedures are now in place in respect of treasury operations, accounting, international, personnel, marketing, lending and follow-up operations, auditing, information systems and technology, administration, organisation and methods, economic research, strategic planning, corporate services, branch level activities, delinquent loans and extensions services, community banking and card-based products, among others.

A joint team of local and South African based international consultants helped set up the treasury systems. An international non-governmental organisation twinned with a British consulting team to set up systems and procedures for the new community-based lending programme while Irish consultants were contracted to put up the most-up-to-date systems and procedures for the management of a non-performing book, including the extension services to it. A local team of external consultants helped survey and advise on personnel remuneration systems, procedures and levels while another helped develop personnel and job evaluation techniques.

Yet another international team was the bank's information technology consultants while another was used as a sounding board for strategic thinking and planning seminars. Notably, staff went for local and international courses and attachments aimed at underpinning the bank's capabilities in technology.

The rest of the banking systems, manuals and procedures were produced in-house.

Evidently, the approach to system and procedure development was both intense and multi-pronged. At close of 1995, every aspect of systems documentation, staff training and implementation had been completed. The notes to the financial statements for the year ended 31 December 1995 by the bank's external auditors confirm this:

> In previous years, the bank's risk management systems and procedures were not followed. …
>
> This led to the granting of a high level of non-performing loans which have continued to affect the overall performance of the bank in 1995. …
>
> During the course of 1995, a number of strategies were put in place to deal with the system weaknesses and the management of the non-performing book. Without these measures, the continued existence of the bank would have been threatened.

The refurbishment programme started in 1994 resulted in modern face-lifts to the head office and two branches. Staff and customer service facilities were upgraded at four of the banks sites, resulting in a positive public and market image. I toured the head office and two branches and confirmed this.

In the 1995 annual report, the managing director noted that chief executives and staff of correspondent banks, especially the dealers and treasury controllers, helped by supporting the change initiatives. Further, "most local financial institutions began to express some calculated measure of confidence in the bank. These moves helped us to overcome the pressures that had started to build on the bank at the beginning of the year" (Managing Director, in 1995 annual report).

The government of Zimbabwe, through the Ministry of Finance, helped by appointing and giving a mandate to turnaround the bank to the chairman in 1993. Through the Reserve Bank of Zimbabwe (RBZ), the government proceeded to audit the affairs of the bank in 1997. This was part of the RBZ's new approach to banking supervision and prudential regulation. The audit helped position FINANCE for privatisation. An inter-ministerial committee assisted in dealing with issues relating to the privatisation.

### 4.B.6 Relevance of Changes to Personal and Business Goals

The changes were relevant to business goals as shown in Exhibits 4.B.2 and 4.B.7.

The bank is quite specific in terms of its focus on personal issues. A section on employment and development in the 1999 annual report reads:

> The following principles underlie the Employment and Development policy:
> - All people have the need and potential to grow and to influence their own destinies, and should be given the opportunities and exposure to do so;
> - All employees should be treated as individuals regardless of race, sex and creed;
> - All employees are capable of making their own decisions regarding their lives and development and should be encouraged to do so;
> - In defining and refining the policy, all relevant stakeholders are consulted continuously.
>
> The bank endeavours to employ, empower and develop competent people in order to utilise their potential, expand their careers and assist them in becoming valuable contributors to sustainable competitive advantage.

Of significance is the position that FINANCE took in assisting government with the much-needed foreign currency to deal with the fuel crisis towards the close of the century. Government would have further borrowed from international lending institutions deepening the foreign debt. FINANCE managers consider this gesture as the organisation's contribution towards resolving the economic problems the country is facing.

### 4.B.7 Advocates "Walking-the-talk"

There is strong evidence that the advocates of change walked the talk. Notably, the board searched for a suitable candidate to take on the role of managing director and CEO, the chairman resigned from the board after making his contribution to the turnaround, and the board established various committees which were reconfigured as and when necessary.

Clearly, the new managing director and CEO and his team led by example. For example, in the 1995 annual report, he, on behalf of the bank at large, cautioned habitual defaulters:

> … I wish to reiterate the Bank's position with respect to defaulting borrowers of FINANCE, new and old, who do not take seriously their contractual obligations in the mistaken hope, and false belief that the Bank will "write-off" such outstanding balances.
>
> …
>
> I am of the belief our economy cannot prosper to its maximum potential, if financial indiscipline and delinquency on the part of those who have been availed depositors' funds is tolerated. Furthermore, I believe it is a bad omen for any economy to have a distressed financial system emanating from poor debt recovery.
>
> …
>
> Furthermore, in the context of our turnaround programme and Vision 2000, the team charged with the task of project rehabilitation and debt recovery treat their Bank and regard the mission with a passion, viewing this institution with pride to be defended at all costs against borrower delinquency without fear or favour.

### 4.B.8 Acknowledgement of Fear and Anxiety

Fear and anxiety were acknowledged. The managing director had this to say in the 1999 annual report:

> The 1995-1999 turnaround journey involved tests of our staff's character and calculation, their courage and determination in the face of adversity and uncertainty that prevailed then. After privatisation in 1997, the map began to unfold, with the initial goal and objectives of the turnaround programme becoming clearer and clearer to many stakeholders. The consolidation period 1998/9 which has just been completed involved a lot of adaptation to change.
>
> The ability to change with times is a function of attitude, confidence and clarity about what the future holds in store for an individual, group or organisation.

### 4.B.9 Assessment of Progress

Progress was assessed continually through the various teams that were set up to manage the challenges identified. Such assessments are highlighted quite visibly in annual reports. A typical example is Exhibit 4.B.2 below.

**Exhibit 4.B.2 FINANCE's Six Year 31 December Highlights**

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|
| Total Assets (Z$ m) | 779 | 3 186 | 6 471 | 8 463 | 10 118 | 18 400 |
| Total Deposits (Z$ m) | 636 | 2 816 | 4 669 | 3 628 | 7 416 | 13 350 |
| Loan Portfolio (Z$ m) | 733 | 858 | 2 241 | 3 898 | 5 913 | 8 251 |
| Cumulative Provisions (Z$ m) | 5 | 58 | 110 | 267 | 458 | 1 143 |
| Profit Before Provisions (Z$ m) | 67 | 85 | 141 | 260 | 341 | 1 067 |
| Profit after Tax & Provisions (Z$ m) | 62 | 84 | 109 | 130 | 137 | 256 |
| Shareholders' Funds (Z$ m) | 105 | 180 | 597 | 676 | 773 | 977 |
| Dividends Paid (Z$ m) | NIL | NIL | 44 | 52 | 60 | 90 |
| Number of Commercial Banks in Zimbabwe | 5 | 5 | 7 | 7 | 9 | 11 |
| Market-Share Deposits | 5.3 | 18.4 | 20.3 | 15.4 | 18.1 | 22.5 |
| Number of FINANCE Branch Outlets | 9 | 11 | 14 | 17 | 21 | 24 |
| Staff Complement | 391 | 474 | 650 | 722 | 808 | 716 |
| % Provisions/Total Loans | 1 | 7 | 5 | 7 | 8 | 14 |
| Investment in Technology (Z$ m) | 7 | 25 | 69 | 128 | 280 | 316 |
| Number of FINANCE's International Correspondent Banks & Partners | 8 | 24 | 32 | 46 | 46 | 47 |

Source: Annual Report 2000

FINANCE put in place rigorous assessment systems and reported on these in a detailed fashion. For example, a section of the 1997 annual report reads:

> One major aspect achieved was the setting up of quarterly personal, department, branch and divisional quantitative and qualitative targets focusing on profitability, liquidity, interest and exchange rate risk, credit risk, earnings and solvency areas. These targets were combined with intensive follow-ups and checks for achievement and compliance by the Bank's strategic planning unit and internal audit departments respectively, with both departments reporting directly to the chief executive.

The bank not only had internal assessment systems in place but also benefited from the assessments by RBZ. For example, the excerpts of the RBZ 1997 annual report by the Banking Supervision Division read:

> A landmark development was the first ever full examination of a commercial bank. This involved an evaluation of the bank's entire operations in order to determine capital adequacy; asset quality; management competence; profitability; effectiveness of liquidity management systems, adequacy of accounting and internal control systems, applicable guidelines as well as the verification of information submitted through prudential returns ….

There was vigilance at FINANCE as indicated in the 1997 annual report:

> To this end, a technical committee chaired at the highest level in the bank has been established and a detailed project plan, which includes the most stringent test and certification procedures, has been put in place in order to validate all claims made by FINANCE's suppliers and, at the same time, to check that all its other sub-systems comply.

FINANCE went beyond financial assessments. For example, on the managerial human resource base, pertinent statistics reported in the 1999 annual report reflect:

| | |
|---|---|
| • % of bank managers with degrees and professional qualifications (10% in 1995) | 65% |
| • % of bank managers with advanced degrees (2% in 1995) | 6.75% |
| • Average age of permanent employees | 29 years |
| • Average age with the bank | 4.3 years |
| • Annual staff turn-over | 13% |
| • % of expatriate bank managers (nil in 1995) | 0.5% |
| • % female bank managers (2% in 1995) | 20% |
| • Staff retention rate | 94.02% |

On the bank's reward restructuring front, FINANCE seeks to link rewards to individual performance

### 4.B.10 Belief in Change

Some ex-employees interviewed considered the demands of the turnaround too tough and left the organisation. On the contrary, in the 1995 annual report, the new managing director and CEO indicates "quite a number of staff either left the bank service for greener pastures or retired".

FINANCE managed to retain the staff who believed in the turnaround and only went through a retrenchment process in the year 2000. The 1999 retention rate of 94.02% of the 1995 staff figure is quite significant. The CEO pointed out in the 1999 annual report:

> The new year will unfortunately witness, for the first time in the history of the bank, a staff retrenchment process arising out of an exercise which seeks to align our technological status and investment in centralised activities with the optimal staff numbers required to drive the re-engineered organisation.

### 4.B.11 Power and Accountability Structures

A new board chairman was appointed to lead in the restructuring of FINANCE in order to restore the bank's viability. The restructuring was centred on capital adequacy, recruitment, placement and retention of competent management and staff, internal systems development and enhancement.

The chairman identified upon appointment that by 1993, FINANCE's capital position was under stress, primarily because of a deteriorating loan portfolio. This deteriorating loan quality position was demanding large provisions and write-offs, which in turn ate into profits, reserves and initial capital.

Between 1993 and 1995, the board worked on arresting the problem by improving the quality of the loan portfolio through security enhancement on all existing loans. The board also applied stricter loan approval guidelines and instituted tougher loan recovery policies and programmes than had been the case before. To this effect, the bank continued with the policy of 'instant provision' for bad loans and sought never to report unduly inflated profits.

By 1995, recommendations to the shareholder to introduce new capital into the bank had been approved.

Notable on the issue of recruitment, placement and retention of competent management was the search for a managing director between 1993 and 1995. When the board chairman was appointed, the managing director was in an acting capacity. The result of the search was the appointment of a managing director who doubled up duties as CEO as from 1995. The incumbent is generally considered to have been the brains behind the bank's success story after near collapse in 1994.

For example, the chairman commented on the capability of the new managing director and CEO in the 1995 annual report:

> By December 1995, we were already enjoying some of the fruits of his general superintendence and management of the bank's affairs. I am pleased to report that, since his arrival, the bank is now firmly in control of all its operations, especially its loan portfolio management.

The acting managing director resigned from the bank after 5 months of the new appointment in 1995 and subsequently from the board in 1996. It would appear there was enough time for the new incumbent to take over and compress the time to re-launch the bank.

A feature that highly distinguishes FINANCE is the manner in which organisational structure followed strategy. Particularly, the initial stage of the implementation of Vision 2000 was the streamlining of structures within the head office.

Additionally, having broadly classified the major risk areas classified under interest, liquidity, currency, credit, default and operations risks including off-balance sheet risks, bank-wide committees were created around these areas. This was meant to better manage these areas as well as enhance communication.

Members of these committees were drawn from relevant or directly affected divisions and departments as well as other divisions of the bank whose activities impacted on each other. Membership of each committee was limited to 8.

Frequency of meetings differed from weekly, monthly, quarterly, half-yearly to yearly intervals.

**Exhibit 4.B.3: 1995 Turnaround Management Committees and Responsibilities**

| Committee | Responsibilities |
|---|---|
| Strategic Planning & Review Committee | Develops strategic direction in conjunction with the board, serves as a platform for sharing the vision and reaffirming commitment to FINANCE, reviews progress and develops strategies to consolidate progress and redress weaknesses. |
| The Executive Management Committee | Top executive decision making body chaired by managing director, composed of general management, creates commonality of vision for FINANCE and sets the specific direction the bank should take to reach the agreed vision and broad objectives as set by the board. |
| The Central Treasury Management Committee | Principal committee that devises, regulates and implements investment policies and reviews the profile of risks associated with the bank's overall assets and liabilities. |
| Central Credit Committee | Main agency in directing and monitoring the bank's lending activity throughout the branches, ensuring that all advance proposals conform to laid down policies and criteria and that strict monitoring of these facilities is done in adherence with laid down policies and procedures; further, it improves the overall quality of the bank's previously poor loan portfolio administration. |
| Central Recoveries Committee | Manages, rehabilitates and/or recovers the bank's money from those loans and advances that have been identified and classified as delinquent and needing special attention. |
| Central Accounts & Budget Review Committee | Formulates the bank's budget projections for both operational and capital expenditure, with key functions of planning, implementing, monitoring and achieving the bank's profitability, liquidity and solvency targets, preparing accurate and timely financial statements which comply with relevant statutory and non-statutory regulations and standards. |
| Central Marketing & Deposit Mobilisation Committee | Creates conditions that stimulate internal creativity to bring about continuous improvements to marketing and sales methods and to generally alter the make-up of the bank's deposit mix. |
| Central Procurements Committee | Evaluates requests for the procurement of goods and related expenditure including standardisation of internal requirements, ensuring that the procurement process is effective and transparent. |
| Information Technology Committee | Determines the role of banking technology applications, devises and implements strategies to ensure FINANCE's technical support systems continue to enable the bank to effectively compete in the local and international banking arena. |
| Human Resources Committee | Primarily responsible for staff welfare through the development, review and enhancement of staff related policies dealing with recruitment procedures, remuneration, grading, discipline, training and performance appraisal. |
| Extended Management Committee | An information sharing committee of head office and branch management that meets quarterly to consider and resolve problems and generally share information on bank wide developments and ideas and, to ensure a process of continuous quality improvement. |

Source: Annual Report 1995

Following the privatisation of the bank and its tie-up with external technical partners and shareholders, new directors were appointed to the board. This expanded the board from 5 to 14 {from 4 non-executive directors to 11 and from 1 executive director (managing & CEO) to 3}. This necessitated the implementation of an earlier board decision to establish a number of board committees with specific terms of reference and mandates aimed at improving the bank's corporate governance structures and risk management.

**Exhibit 4.B.4: 1998 Vision 2003 Committees and Responsibilities**

| Committee | Membership | Responsibilities |
|---|---|---|
| Audit Committee | 1 executive director (managing & CEO),<br><br>4 non-executive directors | Reviews the company's audited financial statements and liaises with external auditors. |
| Credit Committee | 2 executive directors (managing & CEO and Credit director),<br>1 senior general manager Credit,<br>4 non-executive directors. | Assesses and approves project proposals for recommendation to the board. |
| Remuneration Committee | 1 executive director (managing & CEO),<br>5 non-executive directors. | Sets the remuneration of the executive directors and approves guidelines for the company annual pay reviews. |
| Strategic Planning & Technology Committee | 1 executive director (managing & CEO),<br>5 non-executive directors. | Reviews the bank's future strategies and allocation of resources. |
| Asset & Liability Management Committee (ALCO) | 1 executive director (managing & CEO),<br>4 non-executive directors. | Meets once quarterly to review various risks and strategies adopted by management in running the bank's operations and complements the management's own ALCO committee which meets weekly. |

Source: Annual Report 1998

The focus on good corporate governance is further amplified in the 1999 annual report:

> Directors are appointed to the board on a consensus basis by the existing board. The board is confirmed/reconstituted annually at the General Meeting of shareholders. The requirements of the Zimbabwe Stock Exchange Regulations are followed in this process.
>
> The board comprising both executive and non-executive directors, meets regularly (at least quarterly), retains full and effective control over the bank and monitors executive management. All directors have access to the advice and services of the Bank Secretary and are entitled to obtain independent professional advice at the bank's expense, should they deem this necessary. Committee chairpersons are all non-executive directors. The chairman and managing director respectively provide leadership and guidance to the board, two thirds of whom are non-executive directors. A comprehensive framework setting authorities and responsibilities in regard to information, recommendations, confirmation and approval of all matters affecting the business of the board and its committees assists in the control of decision-making and risk management processes. The directors bring a wealth of experience from their own fields of business and ensure that debate on matters of strategy, policy, progress and performance is robust, informed and constructive.
>
> A third of the longest serving directors since their election retire by rotation each year.

Corporate governance is also enhanced through participation of workers. The 1999 annual report highlights this:

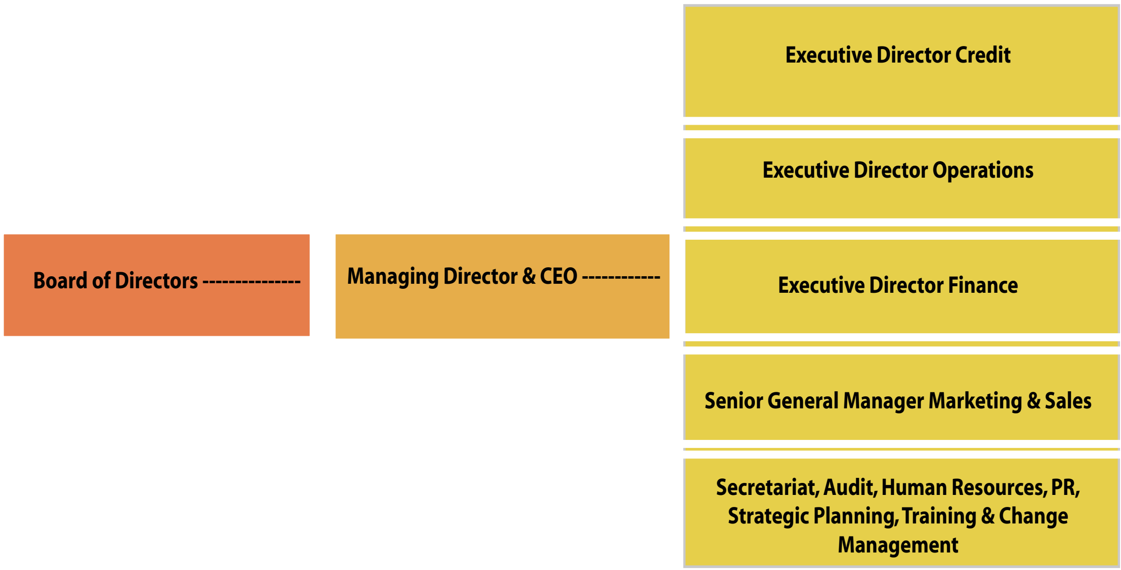
> Worker participation is enhanced by a network of communication champions nominated by their colleagues to act as communication facilitators between management and staff.
>
> The workers committee exists to provide a platform for employees and their recognised trade union representatives to consult meaningfully on issues that affect them. The parties are committed to good faith bargaining based on full disclosure of information, detailed motivation of proposals and the generation of alternative options, with the objective of reaching consensus.

Power and accountability structures were not only at board level. The FINANCE organisation structures were aligned to the challenges and the strategy. The 1999 annual report spells this out.

Having identified seven categories of stakeholders {Shareholders; Customers (both depositors and borrowers); Board, management and staff; Regulatory and Supervisory

Authorities; Correspondent Banks and Financial Markets in general; Suppliers of Goods and Services; Government and the General Public at large}, FINANCE proceeded to organise itself functionally as reflected in Exhibit 4.B.5 below.

**Exhibit 4.B.5: 1999 Functional Organisation Structure**




Source: Annual Report 1999

Specifically, departments below went through radical changes influenced by stakeholder expectations. The new accountability structures are reflected in

Exhibit 4.B.6

**Exhibit 4.B.6: 1999 Department Accountabilities**

| Stakeholder Expectations | Accountability | Focus & Intended Outcome |
|---|---|---|
| Improve the profitability of the bank; Create an even better image of the bank; enhance its stability and create the necessary strong security in the eyes of depositors, correspondent banks and the financial markets in general | Marketing & Sales Division | Implementation of a product diversification strategy: The bank has historically had a skewed deposit mix in favour of high-cost funds to the detriment of its profitability aspirations. The transformation of this structure ranks high on the priority list of the division. |
| The optimal restructuring of the advances mix, coupled with a quality lending approach. | Credit and Advisory Services | Development of additional fee-based income through offering tailor-made financial solutions to large corporate borrowers as well as advisory services on privatisations, mergers & acquisitions, debt restructuring & rehabilitations. The services will be a precursor to the formal application for a merchant banking licence. |
| Systems stability, reliability, timeliness & accuracy of reports. | Operations Division | Operational services unit: reduce costs by removing the current stand-alone back office work in branches to centralised facility;<br>Information technology department: provide I.T. solutions to all branches & head-office departments and look after the bank's electronic banking & card delivery systems;<br>Logistical services department: identify viable sites for the bank's branch network. |
| Productivity of staff in terms of income, total deposits and total assets per employee per year. | Human Resources | A motivated & quality FINANCE human resource balance sheet. |
| Ensure business risks and opportunities for improvement are properly identified and managed through appropriate management action, implementation & controls. | Internal Audit | Tracking down transactions to source documents, checking on compliance issues & ensuring systems weaknesses are brought to the attention of senior management for immediate & appropriate rectification. |
| Ensure that appropriate management, board & shareholder meetings are properly held & proceedings thereat are adequately minuted, provide legal opinions to various bank departments & maintain constant liaison with external parties such as Board members, Shareholders, lawyers, ZSE, the Law Society and Share Register Administrators. | Bank Secretariat | Drive the corporate governance charter of the bank |

Source: Annual Report 1999

### 4.B.12 Organisational Learning

Evidence in annual reports reflects that the newly appointed managing director and CEO engaged a team of staff in identifying and isolating the challenges FINANCE faced. This was in the second month of his appointment to the position when the team set out on a strategic planning workshop to turnaround the bank.

The evidence also indicates that the workshop captured the expectations of all stakeholders who included shareholders, customers, the board, management and staff, correspondent financial institutions, the government, the Reserve Bank of Zimbabwe, the media and public in general.

The team learnt from the strategic planning process that the major challenges the bank faced as at 1 January 1995, a month before the appointment of the managing director and CEO, included:

- Strategic planning (There had been no vision and mission before);
- Recapitalisation (Capital base had been seriously eroded by past poor performance as evidenced by the negative net worth of the bank as at 31st December 1994);
- Image building (There was need to cleanse the internal and external market stigma of SUSPECT, whose shadow was still lingering in the minds of many stakeholders. The challenge included the need to refurbish and upgrade the physical facilities of the bank following several years of neglect);
- Human resource development (There was need to reconstruct the bank's human resource balance sheet by building a competent and capable team. The challenge included the need to motivate staff, instil a sense of pride in and passion for their organisation after years of scorn and isolation. Performance standards also needed to be established);
- Systems and procedures (There was need to document appropriate systems and procedures for managing the bank given the loss of technical support from the SUSPECT London office in 1991);
- Technology (The bank was lagging behind technologically. There was need to introduce appropriate technology as a driving force towards competitiveness);
- Internal structures (There was need to restructure the bank's organograms from head office to branches and to appoint staff with the right skills for the positions created at all levels of the branch);
- Re-launching the bank locally and abroad (There was need to re-launch the bank given its low profile in order to integrate it into the community of key financial players);

- Performing and non-performing loan portfolios (There was need to assess the overall quality of the bank's total assets and specifically its loan portfolio, to isolate and distinguish between performing and non-performing clients in the bank's books to facilitate the development of appropriate strategies to manage each category);
- Deposit mobilisation and the broadening of the resource base (There was need to broaden the bank's deposit base and mix from an almost total dependence on a few institutions to a broad-based balance sheet funding base which would yield positive results in terms of the bank's overall liquidity, profitability, capital adequacy and solvency aspirations).

FINANCE team leaders are proud that the privatisation of the bank was not only a learning experience for the organisation but also for others. This is echoed by the managing director in his 1997 review of operations:

> Without their understanding of the processes involved and their assistance, the bank would never have recorded the achievements it has to date. The bank stands as a positive reference point for future privatisation in Zimbabwe and the knowledge and experience gained in the process is available to be tapped into by many.

Of major significance under organisational learning is FINANCE's total involvement programme. This relates to sharing its vision, mission, objectives and strategies with every staff member. The managing director indicated in the 1997 annual report that "it is believed" this had "a very positive influence on internal stability and management is committed to upholding this openness and transparency in running the affairs of the bank".

### 4.B.13 New Ideas about Purpose and Strategy

FINANCE adopted formal strategic planning and management techniques as a way of running the affairs of the financial institution for the first time in 1995. Eight areas of need for a 5-year strategic plan popularly known as 'Vision 2000' by FINANCE staff were identified.

Reviewing the 1998 performance, the managing director highlighted the eight areas as:

- The need to embrace strategic thinking as a way of life in FINANCE and to act accordingly;
- The need to rebuild a credible human resource base in FINANCE;
- The need to rebuild and restore FINANCE's battered image locally and abroad and to reconnect with the outside world;
- The need to re-establish, introduce, install and rebuild a credible set of bank policies, systems and procedures to safeguard client/bank operations given that previous systems had fallen apart;
- The need to identify, acquire and install a credible, secure and reliable technology base in the face of the antiquated base which was in place;
- The need to streamline internal structures and introduce new ones commensurate with strategy given that these structures had broken down and no strategy was in place;
- The need to identify and separate the non-performing from performing loan portfolio and to devise strategies for rehabilitating the said non-performing loan book;
- The need to recapitalise FINANCE, return it to profitability and solvency.

Having achieved Vision 2000 in 1998, FINANCE developed another plan called Vision 2003 focusing on growth as highlighted earlier. The intentions were clarified in the 1998 annual report:

> We intend to achieve the above Vision through unparalleled dedication to duty and commitment to quality as will be achieved by:
>
> - The retention and/or recruitment of a highly motivated, customer-focused and appropriately skilled management and staff who shall at all times be competently rewarded for its efforts.
> - The establishment and maintenance of a stable, user-friendly and reliable information technology base.
> - The provision of secure, customer friendly and accessible service/product delivery channels.
> - The adoption, upholding and implementation of best practice methods of corporate governance.
> - By placing our customers at the centre of all our endeavours.

A new department in charge of corporate planning, change management and staff training was also established to take responsibility for the overall coordination and monitoring of the implementation aspects of the new strategic plan. The department is also responsible for spearheading the Bank's strategy driven change management programme and associated human resource development and training.

### 4.B.14 Success of Change

Overall, the changes FINANCE has experienced have been successful as reflected in the Exhibits. Not only has the bank learnt from its successes but also from its challenges. Some of the specifics are shown below.

Exhibit 4.B.7 gives the net profit story while Exhibit 4.B.8 highlights selected productivity measures and percentage growth figures.

**Exhibit 4.B.7: Net Profit Story**

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Profit (Loss) after Provisions (Z$ m)** | 11.7 | 7.8 | 2.9 | (81.4) | 10.0 | 84 | 109 | 130 | 137 | 256 |

Source: Annual Report 2000

**Exhibit 4.B.8: Selected Productivity Measures & Percentage Growth Figures**

| **Productivity Measures** | **1995** | **1996** | **1997** |
|---|---|---|---|
| Assets per employee ($000) | **2 830** | **7 542** | **12 238** |
| Total loans per employee ($000) | **1 153** | **1 688** | **3 378** |
| Total deposits per employee ($000) | **1 627** | **5 942** | **7 399** |
| Total income per employee ($000) | **290** | **361** | **523** |
| Total expenses per employee ($000) | **119** | **181** | **301** |
| Total costs per employee ($000) | **59** | **89** | **104** |
| Total profit per employee ($000) | **171** | **180** | **222** |
| **Percentage Growth Over Previous Years** | | | |
| Assets per employee | **0.90** | **2.67** | **1.58** |
| Total loans per employee | **1.04** | **1.47** | **1.95** |
| Total deposits per employee | **1.79** | **3.66** | **1.21** |
| Total income per employee | **1.26** | **1.25** | **1.41** |
| Total expenses per employee | **1.42** | **1.52** | **1.62** |
| Staff costs per employee | **1.44** | **1.51** | **1.14** |
| Operating profit per employee | **1.16** | **1.06** | **1.20** |

Source: FINANCE Human Resources Division Highlights quoted in 1997 Annual Report

FINANCE considered micro-and-small enterprise sector as one of the most dynamic sectors in Zimbabwe and started assisting this sector as part of a contribution towards overcoming the unemployment problem facing the country.

The 1995 annual report highlights sentiments from 3 clients.

One client who started a company employing 800 staff and had 22 vehicles in his fleet through partnering with FINANCE in 1995 said:

> Some banks did not even have the courtesy to reply to my application.

Another client who got assistance from FINANCE to boost his small business from a staff complement of 30 in 1985 to 285 in 1995 had this to say:

> The Bank's service is excellent, and I am what I am today because of FINANCE.

A third client employing 36 staff in 1995 from the original 6 at the inception of the company in 1985 commended on FINANCE:

> The bank has helped me tremendously and I have nothing but praise for FINANCE.

Although these testimonies reflect the positive aspects of the marketing strategy, this focus had limitations related to credit risk. The limitations were an opportunity for breakthrough thinking. The managing director points out in the 1999 annual report:

> The harsh economic environment we are operating in has meant that a number of our clients have been adversely affected by the high interest, high inflation and low foreign currency situation which existed in the country for the whole of 1999. Accordingly, in order to both protect the bank from high credit default rates and at the same time assist clients to trade through these difficulties, a special technical rehabilitation and collection department was established. The outcome of that move has so far been positive.

The limitations were also influential in determining the marketing strategy. The managing director highlights this in the 1999 annual report:

> Historically the Bank's loans and advances book has been skewed in favour of the small to medium scale enterprises who are quite vulnerable in times of stress. Our vision 2003 Strategic Plan and the supporting annual business plans articulate how this anomaly will be addressed to achieve an optimal advances mix by the year 2003. In the year under review, a great deal was achieved to move towards the desired book structure without neglecting to support our traditional clients.

Commenting specifically on staff retention, the managing director had this to say in the 1998 annual report:

> To some extent, the bank is becoming a victim of its own successful human resource development efforts in that it has become a fertile hunting ground for virtually all financial institutions from new to the established, from small to large, from locally owned to foreign and from junior level right up to the top. Three years ago and before, FINANCE staff were shunned by the market.
>
> While obviously regretting the loss of the … family to competition, the Bank cannot help but feel highly complimented and flattered by this new development.

### 4.B.15 Case B Summary

The FINANCE case evidence is summarised through Figure 4.B.1 below.

**Figure 4.B.1: Summary of FINANCE Evidence**

| CONSTRUCT | FINANCE EVIDENCE |
|---|---|
| Triggers | Government; The need for good corporate governance based on openness, integrity & accountability. |
| Best practices | High levels of transparency; Vision 2000 achieved 1 year earlier, Vision 2003 overlapping with Vision 2000; Voted Best Bank in Zimbabwe by world-wide Euromoney annual surveys and awards for banking excellence in 1999 & 2000; Integrated strategic planning & implementation; Bank-wide committees created around challenge areas, Departments restructured as informed by stakeholder expectations; Forging strategic alliances with key stakeholders; supporting small-scale business; emphasis on individual contributors, destiny & cause. |
| Key players | All Bank clients; Government; RBZ; Chairman & Board; Local & International financial institutions & Correspondents; Prospective new shareholders; Public in general. |
| Time | Very little time for turnaround, 1 year to find CEO, 6 months for privatisation. |
| Help | Help organized around challenge areas (External consultants for image-building, human resources, treasury systems, IT, strategic planning; External & internal consultants for systems & procedures; International NGO for new community-based lending; Moral support from CEOs & staff of correspondent banks; 1997 RBZ audit. |
| Relevance | Business turnaround & growth; Bank tries to employ, empower & develop people (a human resource balance sheet approach used). |
| Walking-the-talk | Chairman, MD & CEO's team walked the talk & led by example (e.g. Chairman resigned from Board after making contribution to the turnaround; MD & CEO cautioned habitual defaulters on behalf of Bank). |
| Fear & anxiety | Fear & anxiety were acknowledged (CEO said turnaround journey involved tests of staff's character & calculation, courage & determination in the face of adversity & uncertainty). |
| Assessment & measurement | Various teams assessed progress on challenge areas under them & assessments featured in annual reports; 1997 RBZ audit; Rewards linked to performance. |
| Belief | Some ex-employees considered turnaround too tough; Those who believed in the change stayed on until opportunity arose for retrenchment packages - 1999 staff retention rate was 94.2%. |
| Governance | New Board chairmen led restructuring; MD & CEO brains behind the success of FINANCE. Turnaround committees set up. New directors appointed on privatization increasing number from 5 to 14 (Vision 2003 committees established, Governance enhanced through worker participation, Bank organized functionally to reflect new focus). |
| Diffusion | 1995 & 1998 strategy workshops were followed by diffusion of challenges & supporting structures through a total involvement programme. Privatization provided learning to FINANCE & other organizations intending to go that route. |
| Strategy & purpose | Vision 2000 & Vision 2003 guided the operations; A department in charge of corporate planning, change management & staff training was created. |
| Success | Turnaround, Privatization & Growth were successful |

The FINANCE case confirms challenges 4, 5, and 7 through 11 that emerged in the CROP evidence and highlights three other challenges as listed below.

The 6 themes that emerged in the CROP case are strongly reinforced by the FINANCE evidence.

One other theme also emerges from the FINANCE case and is reflected below.

Propositions 1, 3 and 4 from the CROP case stand out more clearly in the FINANCE evidence.

**Emerging Challenge 12: Role of international lending institutions**

In the design and implementation of reform programmes in Zimbabwe, non-state actors will have to assist governments assess the role of international lending institutions. Business leaders, in particular, will have to play a pivotal role.

**Emerging Challenge 13: Privatisation**

Managers of companies to be privatised in Zimbabwe are to undertake the privatisation process transparently, informed by a stakeholder driven team. Such privatisation is to be an effective vehicle for indigenisation of the economy.

**Emerging Challenge 14: Culture of non-performance**

There is need to attract and retain capable staff to arrest movement of non-performing staff across Zimbabwean companies.

**Emerging Theme 7: Active listening**

Staff need to actively listen to business stakeholders' needs and expectations.

## CASE C: LEISURE

**In the process of creating a new corporate image and culture, the theme of cultural tourism was born within the Group. The LEISURE Board and management took a bold decision not to go the traditional way of franchising international brand names. The team rather sought to create a new image centred on a home-grown brand name.**

Prospectus 1999

LEISURE was formed to acquire the commercial business and assets of a parastatal. The assets and business consisted of hotels, tour operations, conference operations and investments. The parastatal was responsible for promoting tourism in Zimbabwe. This was far from being an ideal corporate arrangement as the parastatal found itself competing with companies it was supposed to promote.

One executive said:

> The parastatal was like a referee who owned a team in the tournament.

At inception in 1991, LEISURE was faced with formidable challenges including poor financial performance, poor physical products, weak skills base, lack of business culture, negative image and lack of a saleable tourist circuit.

The board and management put together a recovery programme to address these problems. They also put in place a growth strategy aimed at increasing the company's presence in key strategic tourist locations while creating an optimal critical mass on which to spread overheads.

This paid off as the company, which was previously subsidised by government, made profits in 1992, its first year of operation.

LEISURE has grown over the years from being a government parastatal to a private company listed on the Zimbabwe Stock Exchange in 1999.

**Exhibit 4.C.1: Time Line of Major Events in the History of LEISURE**

| YEAR | SIGNPOST(S) |
|---|---|
| 1981 | Zimbabwe Tourist Board is formed as a body corporate, quasi-government with some staff civil servants and others not civil servants. |
| 1984 | Parastatal is formed. |
| 1986 | Parastatal takes over a hotel closed during Zimbabwe's liberation war. Hotel closes again due to security problems; government asks for its reopening. Parastatal acquires 2 hotels to avert their closure. |
| 1986/87 | Norm with parastatals is to justify losses. Government realise state is losing money. |
| 1987 | Parastatal establishes touring division as a joint venture under a different name with a Mauritian strategic partner managing it. |
| 1989 | Act is amended to hive off commercial side of parastatal operations. |
| 1991 | A company wholly owned by government is registered under the Companies Act, Chapter 190. |
| 1992 | First Board & CEO are appointed. Operations start. |
| 1994 | Witnesses first appearance of name LEISURE with LEISURE still wholly owned by government. |
| 1995 | Acquisitions include a lodge and a hotel with conference centre. A services unit is formed on a shareholding structure of 60% for LEISURE & 40% for a strategic partner Alfa. |
| 1996 | A hotel is acquired on a shareholding of 25% for LEISURE & 25% for a strategic partner Beta; a set of lodges is commissioned on a shareholding of 50% for LEISURE & 50% for a strategic partner Theta. |
| 1997 | A hotel is disposed of. Another hotel is purchased |
| 1998 | A set of lodges is acquired on a shareholding structure of 60% for LEISURE & 40% for Alfa |
| 1999 | LEISURE is restructured into four business units. A voluntary retirement scheme is offered. Cabinet approval for LEISURE privatisation is given. LEISURE's strategic partnership with Omega is approved. LEISURE is quoted on the Zimbabwe Stock Exchange. |
| 2000 | LEISURE/Omega strategic partner agreement is concluded; Omega's 35% shareholding becomes fully subscribed. |

Source: Interview Evidence & Annual Report 1999

## 4.C.1 The Changes That Took Place

Broadly, the changes LEISURE experienced may be classified under turnaround, growth, privatisation and retarded growth.

#### 4.C.1.1 Turnaround: 1992 - 1994

Evidence from company documents, confirmed by interviewees, reflects that the hotel operation suffered from lack of resources and poor management, which resulted in rundown facilities, loss making operations and a generally bad service image in the tourism industry.

In 1992, the new management drew up a Five Year Strategic Plan incorporating clear comprehensive solutions to these problems. This recovery programme focused on the following elements reflected in the 1999 Privatisation Prospectus:

- Management restructuring: Management was rationalised in order to facilitate the development of a customer and business centred culture. Experienced personnel from the private sector were recruited to fill the senior positions in Finance, Sales & Marketing, Public relations, Operations and Human Resources and Hotel Operations.
- Staff Training: Comprehensive training and induction programmes were implemented at all levels, to develop a measurable new sense of Customer Care culture at all levels of staff.
- Rehabilitation and Upgrading of Facilities: A major rehabilitation and upgrading exercise was implemented in all business units. The profile of the new company LEISURE was aggressively promoted to project a new dynamic image.
- Financial controls: A budgeting system, cost control measures and treasury management were introduced to control costs at sustainable levels.

The 1999 Privatisation Prospectus further highlights:

> The programmes outlined above resulted in both a dramatic performance turnaround and a remarkable and positive change in corporate culture and mindset of employees and other shareholders alike. For the next 3 years, LEISURE consolidated its operations and built on the strengths generated by the strategies implemented.

#### 4.C.1.2 Growth: 1994 - 1998

This phase of the business plan saw LEISURE grow through strategic acquisitions and disposals. Evidence in the Privatisation Prospectus indicates acquisitions and disposals, highlighted in Exhibit 4.C.1 above, were motivated by the following factors:

- The need to create a presence in major tourist destinations as well as enhancing LEISURE's tourist circuit across the country;
- The need to be the country's largest conference organiser;
- The need to rationalise the product portfolio in recognition of the fact that the future of tourism lies in Eco-Tourism.

The dramatic performance turnaround from the appointment of a new board and CEO and subsequent growth is reflected in Exhibit 4.C.2

**Exhibit 4.C.2: LEISURE Growth Statistics**

| | 1 April 1992 | 31 December 1998 |
|---|---|---|
| Number of Hotel rooms | 528 | 893 |
| Number of eco-tourism lodge beds | Nil | 158 |
| Number of buses for the tour operation business | 7 | 15 |
| Number of boats for commercial boat cruises | Nil | 2 |
| Turnover (Z$ millions) | 25 | 605 |
| Operating Profit (Z$ millions) | Nil | 99 |

Source: Privatisation Prospectus 1999

#### 4.C.1.3 Privatisation: 1998 - 1999

According to the 1999 Privatisation Prospectus, the objectives behind the privatisation of LEISURE were:

- To secure the company's future growth by broadening its capital base and improving its access to new markets;
- To enable LEISURE to establish a shareholding relationship with a strategic investor;
- To raise funds to redeem LEISURE's debt thereby strengthening the Group's balance sheet and raise funds for the government.

The government approved the privatisation by way of reducing its shareholding from 100% to 30% through an offer of shares to institutional investors and the general public. It was the government's intention to encourage the widest possible cross-section of Zimbabwean population to acquire LEISURE shares. The intention was signalled by setting the minimum subscription at 100 shares (Z$150).

The simultaneous privatisation and listing of LEISURE was successful. An 8% over-subscription of the public issue resulted in $9 million being paid back to all investors who had subscribed more than 750 000 shares. Key benefits are reflected under the 'relevance of changes' section below.

Commenting on the group financial results in the 1999 annual report, the chairman said:

> Despite the impact of the unfavourable task environment …, I am pleased to report that the Group had a very successful year, meeting and even exceeding the forecasts presented in the Privatisation Prospectus.
>
> Turnover was 46% up on the last Financial Year. Profit before exceptional items is up 158% on last year at $127 million. The exceptional item of $23 million relates to a voluntary retirement scheme offered to make the company leaner and more effective in future.
>
> Pre-tax profit at $115million is up 7% on the Prospectus forecast of $107 million, and is 69% up on the last Financial Year. Expenses have been contained in spite of rising inflation and the pegged dollar. Debtors have been maintained at 60 days of sales.
>
> Following its successful privatisation during the year, the company held cash resources at the year-end amounting to $156million. …

#### 4.C.1.4 Retarded Growth: 2000

According to economists, Zimbabwe's tourism industry experienced its worst tourist arrivals in a decade during 2000 - a 60% decline compared to 1999. Contributing factors included the fuel crisis, the perception of Zimbabwe being an unsafe destination, the furore of the land question and the withdrawal of some direct overseas airline arrivals.

The decline in tourist arrivals impacted the tourism industry particularly and the economy in general. The LEISURE chairman indicated in the 2000 annual report that there was:

- Reduction of occupancies to well below viability levels;
- Decline in revenues;
- Substantial operating losses;
- An estimated 80% reduction in foreign currency for the country;
- Direct loss of approximately 5 000 jobs, and
- Direct closing down of well over 100 registered tourism operations.

Exhibit 4.C.3 shows the effects of the decline on the LEISURE financials.

**Exhibit 4.C.3: Extracts from Financial Highlights**

| | Inflation adjusted | | | Historical cost | | |
|---|---|---|---|---|---|---|
| | % Inc./ (dec.) | 31Dec. 2000 | 31 Dec. 1999 | % Inc./ (dec.) | 31Dec. 2000 | 31 Dec. 1999 |
| In Z$ 000's | | | | | | |
| Group Turnover | (44) | 897 148 | 1 604 475 | (14) | 759 202 | 884 616 |
| Group Operating Profit/(Loss) | (165) | 127 385 | 196 484 | (194) | (121 119) | 128 393 |
| Profit/(Loss) before taxation | (239) | (157 536) | 112 937 | (167) | (77 846) | 115 547 |
| Profit/(Loss) after taxation | (390) | (151 663) | 52 264 | (185) | (71 973) | 84 101 |
| In Z cents | | | | | | |
| Dividend proposed per share | (100) | 0 | 10.60 | (100) | 0 | 5.82 |

Source: Annual Report 2000

LEISURE responded to the decline by embarking on an aggressive cost cutting exercise and shifted its marketing-mix towards more regional and domestic clients. The chairman justified the shift in the 2000 annual report:

> Traditionally, 60% of the Group's revenue is generated from international market segment, which experienced the most significant decline as a result of the poor image of the country. However, the Company increased its domestic and regional marketing efforts considerably in recognition of the fact that these markets are more likely to respond favourably to the company's marketing efforts, due to their higher awareness of the actual situation in the country.

The shift helped to recover occupancies to some extent but impacted negatively on the average room rates due to their lower yields. The impact of the promotion of regional and domestic tourism was also reduced by the continued fuel shortages and declining discretionary incomes.

Under cost-reduction, a voluntary retrenchment exercise resulted in 380 employees leaving the company. All new capital expenditure as well as capital work in progress was suspended. The Omega branding exercise was postponed. Two lodges were temporarily closed. In the larger hotels, several floors were closed to save energy and other direct costs.

The company also successfully negotiated for a temporary reduction in management fees and a shareholders loan using cash reserves from management fees with Omega.

### 4.C.2 Triggers of Change

Environmental triggers to change included the government (turnaround, growth, privatisation and retarded growth), economic climate (retarded growth) and globalisation (e-commerce capability demands).

The government wanted the parastatal to be profitable. One executive said of the pressure for a turnaround:

> There was need to run 4 hotels owned by government professionally and turn these around from loss making entities.

Another interviewee confirmed:

> There was need to turnaround 4 hotels run by a parastatal from loss making.

A key internal trigger was the leadership who wanted to demonstrate their abilities to turnaround and grow a failing parastatal and have it listed on the ZSE. They achieved these objectives.

One interviewee said:

> There was need to raise money for expansion, have more shareholders and improve shareholder return.

Another interviewee confirmed:

> There was need to grow and expand business after turnaround.

In 1999, the government, through the then Minister of Mines, Environment and Tourism, also wanted to gain mileage financially and politically through the privatisation exercise as already highlighted.

### 4.C.3 Key Players

The government, board, CEO, management, staff, customers and strategic partners were key players in the changes in LEISURE. The chairman singles out the then Minister of Mines, Environment and Tourism and his officials in the 1999 annual report saying they had "… tremendous dedication and single-mindedness in facilitating and expediting the Privatisation process."

### 4.C.4 Time Available for Initial Stages of Changes

The new CEO had very little time to start work on turning around LEISURE. He took about 2 years to cultivate a corporate culture. LEISURE became profitable in the first year of the turnaround initiative. Although the growth time (1994 - 1998) was considered adequate by interviewees, they argued that the time (1998 -1999) to prepare for privatisation and listing of the company was not enough.

### 4.C.5 The Kind and Quality of Help Needed

Help around the three strategy areas (marketing and branding, skills development and operational excellence) came mainly from strategic alliances and consultants.

Summarising the kind and quality of help needed, one former middle manager interviewed had a mixed bag in comments:

> A consultant experienced in hospitality business was seconded to assist the CEO come up with world-class standard operating procedures. The consultant went to all 4 hotels to assess the situation on the ground. 1993/4 image building was through external consultants assisting internal consultants. Areas that needed rehabilitation were identified. The image building started from the worst of the 4 hotels which could have pulled down the whole Group if the image building had started elsewhere.
>
> There was management by walking around by CEO and directors. However preparation for listing on ZSE was only at the top. The only attempt was to explain employee share option scheme. The partner, Omega, was hungry for money and had little focus on staff issues. There was no external facilitator to help with the change management. Not even the CEO explained to everyone. In preparation for listing, there was no local benchmarking with a competitor who was performing well.

Similar sentiments were expressed by a former general manager:

> Very little, if any, help was given during the turnaround period. During the growth period, there were a lot of training programmes to close gaps that had been identified. Assurance came from Operations that there was an opportunity for personal growth during the same period.
>
> From 1998, leadership should have identified key persons to drive the change and disseminate information through these to the bottom. Communication was poor. We sold the employee share option, over 90% bought into it without understanding it.
>
> 2000 process of personal survival was key: Emotions were not managed properly. Head office support was zero. For example, the bus for employee transport broke down and I was told to find a solution on my own. I ended up arranging for employees to get bicycles.

Another view from an executive in LEISURE was:

> We hired a Tanzanian lawyer who had similar experience in writing up a Tourism Act in 1982. We discovered that the Tanzanian Act was a failure after the lawyer had done the work -we had not done investigations on the lawyer's experience.
>
> Various consultants were used for strategic planning, marketing plan, operating systems and procedures, team building, project planning and appraisals (looking at acquisitions and bringing them into one culture was not easy).

Company documents reflect that under marketing, strategic alliances between LEISURE and three international partners brought in a huge and experienced global e-commerce capacity. Co-branding international brands, particularly Omega's, with LEISURE's, assisted in maintaining the acclaimed African-ethnic positioning admired by local and foreign tourists.

Since people constitute an important component of the product-delivery process, Omega made its tourism university available for the training of managerial employees. LEISURE's technical staff were trained in Zimbabwe by Omega trainers. Interviewees indicated that a train-the-trainer facility for Zimbabweans should have been put in place for technical staff at the Omega university. This would have provided Zimbabweans an opportunity to then import Omega standards.

One interviewee said:

> One general manager was identified for a masters' degree in UK. The GM was appointed operations manager for the group upon completion of the studies.

The operations manager left to start his own business in the same industry.

### 4.C.6 Relevance of Change to Personal and Business Goals

Having started with only four hotels and a handful of dilapidated safari vehicles in 1992, seven years later (in 1999), the company had grown to 14 hotels and lodges and over 100 safari-related vehicles.

Reports by the chairman and CEO in the 1999 annual report indicate:

> While 80% of the public offer was taken up by institutional investors, the offer attracted a remarkable 1400 individual investors, many of whom were first time equity investors.

The privatisation saw a cash injection of $120 million through the sale of new shares, retirement of all debts resulting in a debt-free balance sheet and the selection of a strategic partner, Omega, subscribing 35% equity and gaining a management contract for the LEISURE brand.

It would appear the privatisation process and visibility of LEISURE is further enhanced by the networks built by the Board chairman and his participation in the constitutional debate as an analyst and commentator.

Whereas the changes were viewed as relevant to business goals, interviewees expressed mixed reactions over relevance of changes to personal goals.

Respondents generally argued personal goals and organisational goals needed to be married.

Concerning relevance to personal goals, one interviewee said:

> People wanted to grow as the organisation grew. There was slow movement. Some were acting managers for 2 years. In one case someone was called assistant manager when there was no manager in place. In another case the industrial relations climate was so bad there had to be an out of court settlement. Changes were not very relevant to personal goals.

One former GM had a different view:

> During the growth period, there was some succession planning and recognition of internal talent. There were internal promotions.
>
> Upon listing, 2 regional operations manager posts were created. Strategic partner did not believe in the positions. The regional managers were insecure and ended up doing GM's work leaving the GM's, who were their subordinates, frustrated. After I resigned, one of the regional managers came back to work as GM, filling the post I left. This confirmed that there was a lot of dysfunctional politics.
>
> There was a lot of dissatisfaction at personal levels. Rate of turnover was very high at higher levels.

### 4.C.7 Advocates "Walking-the-talk"

Evidence suggests advocates walked the talk initially, particularly because systems had to be put in place to achieve the turnaround. Walking the talk faded with the passing of time

One former general manager said:

> With growth came complacency. I left LEISURE because guys were not walking their talk. I was not learning anything positive anymore. But a lot of dirty politics. Opportunities for personal growth were limited as you could be moved at any time. This could disrupt studies like MBA which I am now doing outside LEISURE.

### 4.C.8 Acknowledgement of Fear and Anxiety

The CEO indicates in the 1999 annual report:

> The collective bargaining process was marred by a disruptive and sometimes violent collective job action which lasted for 7 days.

Interviewees suggested there was fear and anxiety induced through intimidation and victimisation, particularly during the turnaround period.

One said:

> Human nature is very afraid of change - everyone wants to go to heaven but do not want to die. Personal goals were threatened by the unknown. Fear and anxiety were acknowledged and had to be managed.
>
> Statements like 'if you can't see things this way, you leave' characterised communication in 1992 - 1994. Only those who could see the link between organisational and personal goals had to remain. Period of harsh talk was short. This was followed by a process of rehabilitation.
>
> Acceptance is now high and employees are on our values statement.

A former employee indicated:

> Leaders were ruthless. There was worry over the structure from 1992 to 1994.

Another former employee said:

> Partner would even say 'if you cannot work for us, go to our competitors. Change or leave. A lot of suspicion existed around different camps. You could tell who was next to go Fear and anxiety were not managed properly and product quality went down.
>
> Informants were appointed and there was a lot of GM dissatisfaction over the management style of the new operations director.

### 4.C.9 Assessment of Progress

There were six key areas of assessment: revenue growth, cost containment, skills retention and turnover, competitive analysis, product rationalisation and refurbishment.

Revenue growth was assessed per operating division through the following dimensions: growth in volume (room nights sold), average room rate, market mix and market share analysis.

The operating divisions for LEISURE are code-named Hotels, Lodges, Investments and Tours.

Exhibits 4.C.4 through 4.C.7 are typical examples of measures classified under revenue growth. The target was to increase room occupancies and average room rates, grow revenue through high-yielding-hard-currency international market segment and improve market share.

**Exhibit 4.C.4: Growth in Volume (Room nights sold)**

| | 1999 | 1998 | Change (%) |
|---|---|---|---|
| Hotels | 129 922 | 126 564 | 3 |
| Lodges | 13 990 | 9 056 | 54 |
| Investments | 49 556 | 58 684 | (16) |
| Tours (Passengers) | 57 298 | 57 303 | - |

Source: Annual Report 1999

**Exhibit 4.C.5: Average Room Rate (Z$)**

| | 1999 | 1998 | Change (%) |
|---|---|---|---|
| Hotels | 1 595 | 1 008 | 58 |
| Lodges | 3 228 | 2 486 | 29 |
| Investments | 2 681 | 1 855 | 44 |
| Tours | 2 490 | 1 000 | 149 |

Source: Annual Report 1999

**Exhibit 4.C.6: Market Mix**

| | 1999 Domestic | 1999 Regional | 1999 International | 1998 Domestic | 1998 Regional | 1998 International |
|---|---|---|---|---|---|---|
| Hotels | 67 | 9 | 24 | 69 | 10 | 21 |
| Lodges | 50 | 11 | 39 | 49 | 12 | 39 |
| Investments | 73 | 6 | 21 | 48 | 8 | 44 |
| Tours (Yield per Passenger) | 65 | 7 | 28 | 40 | 12 | 48 |

Source: Annual Report 1999

**Exhibit 4.C.7: Market Share Analysis**

| | 1999 (%) | 1998 (%) |
|---|---|---|
| Hotels | 17 | 16 |
| Lodges | 5 | 12 |
| Investments | 21 | 26 |
| Tours | 20 | 20 |

Source: Annual Report 1999

For LEISURE, market share is calculated against products competing in the same basket or product market. Market share declined for Lodges and Investments, there was no improvement for Tours, and only 1% increase for Hotels.

**Exhibit 4.C.8: Headcount**

| | 1999 | 1998 | Change (%) |
|---|---|---|---|
| Hotels | 587 | 682 | 16 |
| Lodges | 276 | 298 | 8 |
| Investments | 426 | 502 | 18 |
| Tours | 80 | 85 | 6 |

Source: Annual Report 1999

**Exhibit 4.C.9: Manning levels**

| | 1999 Group | 1999 Industry Average | 1999 Variance | 1998 Group | 1998 Industry Average | 1998 Variance |
|---|---|---|---|---|---|---|
| Hotels | 1:1.0 | 1:1.3 | 23% | 1:1.2 | 1:1.3 | 8% |
| Lodges | 1:2.6 | 1:2.1 | (24%) | 1:2.8 | 1:2.1 | (33%) |
| Investments | 1:1.4 | 1:1.3 | 8% | 1:1.6 | 1:1.3 | (23%) |

Source: Annual Report 1999

### 4.C.9.1 Competitive Analysis

**Exhibit 4.C.10: Competitive Analysis**

| | Strategic Positioning and Competitive Differentiation |
|---|---|
| Unit 1 | Located near centre of Victoria Falls town; within walking distance of the falls; rooms the most spacious in Zimbabwe's 3 star hotel category; unique with its Moorish architecture. |
| Unit 2 | Unique river bank location; thatched and presented as a typically African ethnic rustic lodge; a favourite with regional and international tourists desiring a typically African ambience. |
| Unit 3 | Largest hotel in Bulawayo, located strategically in the city centre, most suitable and best suited for conferencing. |
| Unit 4 | Centrally situated in Zimbabwe, has reputation as one of the best conference venues in the country. |
| Unit 5 | Offers 2 star affordable accommodation for middle income corporate, conference and tourist clients in central Harare. |
| Unit 6 | One of Africa's finest and best equipped conference venues with state of the art facilities including full air-conditioning, 24-hour close circuit television monitoring system, simultaneous interpretations and a fully equipped media centre; adjacent to Unit 7. |
| Unit 7 | Adjacent to Unit 6; one of the most exquisite and elegant 5 star hotels in Africa, managed by an international strategic partner leading as a luxury hotel Group in the world. |
| Unit 8 | Upcoming destination management company; offers airport transfers tailor- made tours and packages to Zimbabwe, Botswana and Zambia; offers multi-lingual guides in French, German and Italian; operates hospitality desks at most major hotels; management contract with an international partner gives this unit a regional and international network second to none in Zimbabwe. |
| Unit 9 | Managed by an international partner; boasts of 6 five star exclusive, comfortable, quality lodges located in Masvingo, Bulawayo and Hwange. |

Source: Annual Report 1999 & Observation Evidence

### 4.C.9.2 Product Rationalisation

The board and management made decisions on acquisition and disposals based on the ability of a hotel or lodge to achieve above industry average returns.

### 4.C.9.3 Refurbishment

**Exhibit 4.C.11: Refurbishment Progress Assessment**

| | 1999 Condition & Requirements | 2000 Status |
|---|---|---|
| Hotels | Structurally good condition; Need soft refurbishment to match products with strategic partner Omega specifications. | Omega branding exercise postponed as part of cost reduction |
| Lodges | Soft refurbishment completed during 1999.<br><br>An annual replacement programme for division's fleet of safari vehicles in place on an ongoing basis. | No significant refurbishment required for next 4 years. |
| Investments | Comprehensive refurbishment completed in 1998. | No significant refurbishment required for next 3 to 4 years to benefit fully from the stipulated 6-year refurbishment cycle. |
| Tours | Vehicle replacement programme ongoing. | Vehicle replacement programme ongoing. |

Source: Annual Reports 1999 & 2000

The assessment of progress relating to refurbishment had an influence on the maintenance of the status descriptions of LEISURE's strategic business units or divisions as reflected in Exhibit 4.C.12 below.

**Exhibit 4.C.12: Positioning of Strategic Business Unit or Division**

| | 1999 Description | 2000 Status |
|---|---|---|
| Hotels | 3 or 4 star, home grown brand, leader in cultural hospitality. | Same as 1999 |
| Lodges | Strongest 5 star brand name in Zimbabwe's eco- and heritage tourism. | Same as 1999 |
| Investments | 5 star world leader in luxury business and resort hotels. | Same as 1999 |
| Tours | Leading upmarket tour operator with a strong regional network | Same as 1999 |

Source: Annual Reports 1999 & 2000

The evidence above was supported by interview data. Further interview evidence indicated consultants also helped in job evaluations and setting up a performance appraisal system. Performance appraisal is continuous, starting with joint consultation and agreement of objectives between team leader and team member.

One respondent however said skills audits were done during the growth period and then fizzled out after.

### 4.C.10 Belief in Change

All interviewees agreed there were groups of believers and non-believers. One summarised:

> You see a lot of characters around the period of change - pretenders run around doing others down. Some fell and never picked up.

Another commented:

> 1992 to 1994 the believers were at the top. From 1998 to 1999, senior management left. There was a gap in top leadership. New people brought into the organisation at head office level took over positions that could have been promotion posts for middle managers. New faces brought anxiety.

### 4.C.11 Power and Accountability Structures

LEISURE operated under a board and CEO appointed in 1992. This board was dissolved in 1999 to usher in a new board representing the new equity partners. The new board established the committees detailed in Exhibit 4.C.13 below

**Exhibit 4.C.13: LEISURE 1999 Board Committees**

| Committee | Membership | Responsibilities |
|---|---|---|
| Directorate and Executive Management | 3 executive directors; 9 non-executive directors (1 of these being overseas based) | Make decisions on strategy, operational performance, significant acquisitions and disposal of assets, approval of annual budget, capital projects, general treasury and risk management policies. |
| The Audit and Finance Committee | 3 Executive directors; 3 non-executive directors (chairperson drawn from these); Group Internal Audit Manager attends. | Meets 6 times a year; Reviews the company's interim and annual financial statements before submission to the board for approval; reviews reports from both internal and external auditors on accounting and internal controls matters and monitors action taken where necessary; recommends the appointment of and reviews the fees of the external auditors. |
| The Human Resources and Remuneration Committee | 3 Executive directors; 3 non-executive directors (chairperson drawn from these); Group Human Resources Director attends. | Meets 6 times a year; Reviews and approves remuneration for non-unionised employees including salaries, share options and other terms of remuneration packages and conditions of service. |

Source: Annual Report 1999

Interviewees compared and contrasted the power and accountability structures before and after 1998.

One said:

> Before 1998, CEO was more of a consultant for government with very pronounced presence in the hotels division. CEO had level of power that controlled the Group strategically but not operationally. Heads of divisions for investments only consulted CEO but reported elsewhere. CEO was ceremonial as far as investments were concerned, was like a board member. Group financial director was not in charge of investments.

Interviewees indicated there was a Group executive committee after 1998 made up of divisional heads in head office and the whole company operated through functional divisions. A Group management committee was made up of general managers of all units. There also were unit management committees.

Scepticism was expressed around the structure. For example, one remarked:

> This structure was a quick-fix structure with 4 divisions with divisional GM's reporting to the CEO. There was a corporate head office with directors at par with divisional heads. There was no rationalisation of HR policies across divisions. A lot of remuneration imbalances existed e.g. hotels division made a lot of money although on the average, hotel staff remuneration was lower. This created a lot of tension.
>
> There was head office at unit level to the extent that when management fees were taken into account, units made losses. Units of different sizes and in different locations were measured from a blanket unit measure.

Another respondent added some further detail:

> HR is the worst enemy for LEISURE. HR died when the HR director left. Units had HR function. This role was then taken over by GM's. GM's had not been prepared to take on this additional responsibility. It was a quick fix and repercussions have been enormous.

There also was a workers committee in line with legislation.

### 4.C.12 Organisational Learning

Interview evidence points out:

> In 1992/3, there was a quarterly in-house magazine for communication. In 1993/4 people were excited about growth with no learning. 1998 - 2000 learning has been after the period. For example, trainers from international partner came to Zimbabwe instead of Zimbabweans going out to get exposure to competencies and capabilities of partner from partner's home base. Now Zimbabweans are sent for this exposure.
>
> Communication is still a problem. There is talk that CEO now wants a black operations director to deal with the culture difference between locals and partners.

Further comments said there was panic related achievements. One said:

> We learn the hard way. Many times we had to react when results came earlier than expected e.g. Sustainability of ZTIC: objective was to turnaround into a profitable entity. We thought it was going to take a few years. Turning around in 1 year was a surprise. The challenge was to cope with early success.
>
> Employees' expectations were raised. As profit rose, expectations rose faster than the profits. There was pressure from outside to buy off talent that had led to the early success - competitors poached staff. How do you calm staff that the success is not the same as viability?
>
> Some left to join organisations where they were offered more money but ended up limiting their career progression.
>
> We are a transparent organisation. There are announcements at all levels, discussing challenges each time. Performance results are announced by workers' committee members. Works' Council and workers' committee have played a major role in the communication of the strategy.

### 4.C.13 New Ideas about Purpose and Strategy

In the 1999 annual report, the CEO said:

> Management and the board of LEISURE recognised very early in the history of the company the importance of forging strategic alliances with global operators in the tourism industry. This belief has become a core philosophy for LEISURE which has made the company unique and has given it characteristics that are second to none in terms of potential to create a lasting, growing, stable and viable corporate entity.
>
> This corporate strategy, which now forms LEISURE's core ideology, arose from an analysis of tourism's key value drivers (below) and an appraisal of the best strategy to achieve them.
> - Marketing and branding
> - Skills development
> - Operational excellence

There was another strategic planning workshop prior to privatisation.

Interview data suggests that the CEO played a critical role in the creation of new ideas. One GM said:

> The new CEO drove all processes. He was the only person with a vision of where we wanted to go. He came from the private sector with a mandate to turn the organisation into profitability. His mind was not tied to the past - we had lived in a luxurious past of explaining losses.

The same GM also explained how he has engaged staff:

> I have 2.5-hour lunch outside the premises with small groups of employees from departments. This is an opportunity for employees to informally talk about what we can do that we are not doing. There is a lot of strategic information I get from these sessions. There is no note taking. If there is need, one of the employees does the writing on any piece of paper and the information is kept on the table for all to see as we have lunch. Ideas translated into strategy are given back to a volunteer implementation team. I let them do it. Confidence is rising in staff as a result.
>
> New ideas from informal lunches and formal staff meetings help in strategy formulation. Before 1998, vision and mission were good. It made sense to have employees as a part of developing vision and mission but there was no implementation of this idea.

The issue of 'a customer is king' was pronounced during 1992-4 and there was a focus on eco-tourism.

One respondent claimed:

> 1998 strategic partner was hungry for money and had little focus on staff issues. There was no external facilitator to help with change management Not even the CEO explained to everyone.

### 4.C.14 Success of Change

One GM painted a broad picture of the events in an assessment of the success of the changes:

> ZTIC was able to turnaround business into profitability, identified loss-making units and disposed of them and acquired units with profit potential. The company grew from nothing to second largest destination management company in Zimbabwe. We brought in a strong strategic partner (one of the top 2 hospitalities in the world), tapped into the partner's reservation system and improved profitability.
>
> We have created the second largest hospitality Group in Zimbabwe and the most profitable Group in the country. Competitors poached staff because of our success, staff retention became a problem. The employee share ownership scheme is changing mindsets fundamentally, particularly at the lower levels. A lot of undesirable behaviours have been eliminated.

Other respondents concurred there was success from a financial perspective, LEISURE turned around, growth had been achieved by 1998 (through acquisitions, there was more geographic spread and representation) and LEISURE was debt free after listing.

Turning to HR issues, interviewees indicated sound HR systems were in place before 1998 as HR was a serious function even at unit level. They considered growth up to 1998 as having focused more on investments and not operations.

One lamented:

> From an employee motivation perspective, change was not successful as talented employees are now running competitors' businesses and have taken ideas with them.
>
> Technical partner at listing took 35% and made demands for senior management positions in LEISURE at the exclusion of locals. Locals, who were already not cohesive in the different units, had to accommodate externals with new standards. Partner is highly automated and imposed same levels of efficiency without considering the inadequacies of the IT system in Zimbabwean units. For example, the partner demanded financial reports early in the month.

One former middle manager agreed that after 1998, HR was not given opportunity to assist in the culture change and there were no clear-cut remuneration policies for middle managers. This informant highlighted:

> There was a culture conflict when the partner came onto the scene. The partner was more interested in financials and had little interest in people. A lot of people left. There was mass departure at senior levels e.g. 3 of the most profitable units lost GMs. One unit had no GM for 2 years.
>
> There were ad hoc replacements with some coming to run hotels with no prior experience. One such appointee was fired within 1 year for incompetence.

A former GM confirmed the sentiments adding;

> 1998-2000, LEISURE did not handle issues well. Integration with partner was done poorly. Guys who had been given top positions were motivated initially until partner came with new procedures, deadlines and harassment shifted from top down.
>
> Operations died late 1998 when director with right qualifications left. There was no coherent operations strategy from there on. Sales and marketing had lots of changes and has never succeeded in LEISURE. Systems thinking was not applied.

### 4.C.15 Case C Summary

The LEISURE case evidence is summarised through Figure 4.C.1 below.

**Figure 4.C.1: Summary of LEISURE Evidence**

| CONSTRUCT | LEISURE EVIDENCE |
|---|---|
| Triggers | Government (turnaround, growth, privatization & retarded growth); Economic climate (retarded growth); Globalization (e-commerce capability demands). |
| Best practices | Previously subsidized by Government, LEISURE was profitable in 1992 - Its first year of operation. |
| Key players | Government (particularly Minister of Mines, Environment & Tourism); Board; CEO; Management, Staff; Customers & Strategic partners. |
| Time | Very little time. |
| Help | Help was around 3 strategy areas (marketing & branding, skills development & operational excellence) - External consultants assisted. |
| Relevance | 4 hotels in 1992 to 14 in 1999; A handful of dilapidated safari vehicles to 100 safari-related vehicles in same period. Privatization saw a cash injection of $120 million. Interviewees had mixed reactions on relevance to personal goals. |
| Walking-the-talk | CEO walked the talk initially. Respondents claim CEO is increasingly invisible with the growth of the business. |
| Fear & anxiety | Fear & anxiety were acknowledged & often stepped up. |
| Assessment & measurement | 6 areas of assessment (revenue growth, cost containment, skills retention & turnover, competitive analysis, product rationalization and refurbishment) were foci. |
| Belief | Some senior managers tasked to champion change left when their view points were not accepted. |
| Governance | First 1992 Board dissolved & replaced in 1999 to usher in another representing the new equity partners after privatisation. |
| Diffusion | One-to-one interview respondents generally agreed there was insufficient learning that took place. |
| Strategy & purpose | Forging strategic alliances was considered critical early in the history of LEISURE. Strategy formulation was driven by tourism's key value drivers (marketing & branding, skills development & operational excellence). |
| Success | LEISURE turned around, was privatized & listed simultaneously & successfully, grew & then went into retarded growth. |

The LEISURE case evidence confirms emerging challenges 5, 8, 9, 10, 12 through 14 from CROP and FINANCE evidence and highlights one further challenge.

The evidence also reflects elements of all the emerging themes 1 to 7 from CROP and FINANCE. The informal part of theme 7 was louder in LEISURE than in FINANCE. An eighth theme has also emerged from LEISURE data.

**Emerging Challenge 15: Consensus building systems**

The cultivation of trust and credibility between key stakeholders in the constitution making process is critical. Business leaders in Zimbabwe have to play a critical role.

**Emerging Theme 8: Capturing changing needs and expectations**

Formal and informal promise delivery forums with staff need to be held to prepare staff capture changing needs and expectations of key business stakeholders.

## CASE D: PLEASURE

**Practice without theory is blind and theory without practice is dead.**

Workers' Committee Chairman Evidence in a Focus Group Discussion

Employees emotionally recount the sad story of PLEASURE. They spell, crisis after crisis, what happened after the death of what they considered a managing director (herein referred to as PLEASURE LEADER 1 and abbreviated PL1) with a heart, hands and head of a servant leader. The late managing director was white and male. His successor, who survived in this position for about one and a half years, was black and female (herein referred to as PLEASURE LEADER 2 and abbreviated PL2).

Deep mixed feelings relating to the balance between qualifications and experience, gender, colour, masculine and feminine leadership are splashed all over as they narrate the changes that took place.

In one focus group discussion, one employee said:

> PL1 was a hotelier.

and the other retorted:

> PL2 was a marketer.

In another focus group discussion, one employee said:

> Whites left in protest to the appointment of a black MD.

and the other rejected:

> PL2 came, brought her team, superceding internal candidates who left under frustration.

In yet another focus group discussion, one employee quipped:

> PL2 did not implement white man's strategy, whites reacted to the appointment of a black lady.

and the other commented about PL2:

> Competent people do not like to be led by someone who wants results but does not understand the business.

PLEASURE, like LEISURE, is also in the tourism industry. PLEASURE had only 2 hotels in 1980. It started as one hotel, code-named Unit P1, bought in 1958 by a hunter, farmer and miner. The second hotel, code-named Unit P2, was created out of a block of flats in 1979.

PLEASURE is part of a conglomerate that has been in the process of unbundling as from 1995. PLEASURE experienced high management turnover and a leadership crisis after the death of PL1. However, PLEASURE is still one of the companies considered by shareholders to be part of the core business of the conglomerate.

**Exhibit 4.D.1: Time Line of Major Events in the History of PLEASURE**

| YEAR | Major Events |
|---|---|
| 1979-81 | Name PLEASURE comes into being. |
| 1980 | A workers committee is formed in 1980 in response to government legislation. |
| 1981 | A third hotel, code named Unit P3 is opened. |
| 1987 | A safari lodge, code named Unit P5, becomes part of PLEASURE & name changes to PLEASURE Hotels & Safaris. Group of companies of which PLEASURE is part starts work on expanding hotel business into Botswana through a negotiated management contract to run the failing 8 hotels there. |
| 1992 | A lodge, code named Unit P4, is opened after 3.5 years of construction using proceeds from Unit P1. A cleansing ceremony is held before construction as the place is sacred & used by locals for rainmaking ceremonies. Some trees are not to be cut & are a part of the site up to today. The lodge is a haunted place initially. Head office moves to site outside PLEASURE in a move considered by employees as "moving PLEASURE out of PLEASURE" |
| 1993 | PLEASURE attempts to move into Mozambique but fails. |
| 1994 | A new strategy is put in place to take company to 2000. PLEASURE buys a property in Mutare to build a hotel. Project fails to take off. |
| 1995 | PL1 introduces a strategic alliance franchise for marketing purposes. PLEASURE, under franchise brand, runs 4 hotels in South Africa. |
| 1996 | Unit P5 is sold. External consultants upskill internal training managers together with the GM training to run World-Class Action Programme (WAP) for the Group of companies. |
| 1997 | Plans to build hotels in Victoria Falls & Bulawayo fail. |
| 1998 | PL1 dies. Head office comes to Unit P1. Strategic alliance is discontinued as the business is failing & PLEASURE brand has taken back seat. PLEASURE needs to be re-launched as a distinct brand |
| 1999 | Franchise is cancelled & South African properties released. PLEASURE makes good profits. |
| 2000 | Head office moves out of Unit P1 to a site in town. There are mass resignations at head office level. |

Sources: Focus Group Discussions

### 4.D.1 The Changes That Took Place

PLEASURE engaged in a variety of changes from 1980 to 2000, most of which were tied to growth, total quality management and continuous improvement. These changes included an inclusive (World-class Action Programme) WAP, promise changes, process changes, system changes and structural changes.

WAP was a change initiative which was an adaptation of the Tichy & Sherman Model. It was a 2-day intervention targeted at training multi-level and cross-functional groups for the whole conglomerate. It had three stages: awakening/sensitisation, mobilisation/ building a vision community and entrenching a new culture. The intervention was meant to create awareness of critical business and competitive issues through burning platforms and mobilise staff to implement best-operating practices.

With the advent of independence, the customer base changed from predominantly white to black. This resulted in PLEASURE having 'to teach black customers how to sit in and eat from a hotel'.

Of significance is that PL1 developed a 'Bill of Rights' for customers. This was scrapped when PL2 took over.

Commenting on how understanding of value stream activities has changed, participants in one group agreed:

> PLEASURE used to have farmer clients. 2 complementary bed nights were given per farmer per month. There were ethnic promotion weeks. For example British week during which food, dressing and music would be British. We had Irish week and Kenya week. There was an understanding of customer culture. PLEASURE had key customers like city council and our neighbours.
>
> We used to visit suppliers to understand supplier value chain as well as products to be used in the hotel. For example, National Breweries would finance and run training and tests on their products in their premises. This enabled us to effectively market their products.
>
> Understanding of key customers has changed and there is little training on products from suppliers.

Confirming changes in promises to customers, one focus group highlighted:

> We used to have theme dinners weekly. For example, 'potato night' where even the attire of staff was around the 'potato' theme and the 3 courses were around the 'potato'.

Another group further indicated that there were a variety of customer offerings:

> Customer promise changes included change from menu to buffet. We used to have ethnic weeks representative of chosen countries and related promotions in open vehicles in the streets. For example Tanzanian food ('ugari wasukuma' meaning 'good food' was popular) and country dances would be offered for customers. Our hotels would be fully booked and country ambassadors would vet the quality of performance. We also had an 'Africa Night' where all African embassies would be invited. A 'British Pub' night was organised for white customers. Children's functions were held particularly when business was failing. Children are easy to influence.

Promises to staff changed. All focus groups lamented that a 'Bill of Rights' for staff created by PL1 was 'thrown out of the window' by PL2.

However, one focus group commented on the changes in working hours:

> We used to work 8 hours in a 5.5-day week and given 1.5 days off. Now it is 7.5 hours over a 6-day week and 1 day off. Staff are working standing most of the time and this causes leg and feet problems.

A more detailed comparison on staff benefits drawn from PL1 and PL2 is contained under the 'relevance of changes' section 4.D.6 below.

In 1994, PLEASURE came up with a new strategy to see it through to 2000. One former financial director suggested that this strategy was meant to focus on enhancing customer value through total quality and continuous improvement initiatives. However, tactics deployed to grow profits by an external consultant did not include simplification and redesigning of processes. More detailed evidence on this is under the strategy section 4.D.13 below.

The 1980-90 manual systems were changed to electronic as from 1990.

Closely linked to the change in systems was the strategic alliance forged as part of a marketing strategy to attract tourists. One employee said:

> There was need to log into an international booking system to capture tourists.

One focus group added more detail on this:

> Most business was local and regional without international contact. A 5-year franchise was negotiated with a foreign partner where management fees had to be paid to the partner. PL1 convinced people that it would take time for the alliance to bear fruit. Performance improved after 2 years. However the alliance operated only for 3 years instead of 5 since PL2 cancelled it in favour of developing a local PLEASURE brand. PLEASURE had to pay for the breach of the remaining 2 years of the contract.

Evidence confirms that customers were not impressed by the change of logo and name after the strategic alliance. One employee said to the other focus group participants:

> …Management discovered the franchise was the worst in America as performance started dropping.

The major worrying evidence were the structural changes PLEASURE went through during the period. The leadership changes, particularly, were too frequent. One employee said:

> Top leadership changed from predominantly white to black. Whereas whites stayed longer in management positions, blacks came, stayed for 2 or so years and left.

Further evidence suggests each manager/leader came in with a different strategy and management/leadership style.

Some of the major leadership changes are reflected in Exhibit 4.D.2

**Exhibit 4.D.2 Major Leadership Changes in the History of PLEASURE**

| YEAR | Major Leadership Changes |
|---|---|
| 1980 | Unit P1 & Unit P2 are headed by GMs. Each GM reports to a different organisation. |
| 1981 | Unit P3 is also headed by a GM. The 3 GMs now report to a company owned by the Group of companies. |
| 1982 | PLEASURE Hotels are under an MD, who had been Unit P1 GM. |
| 1983 | Unit P3 has a new GM. |
| 1983-84 | Unit P1 has new GM. |
| 1984-85 | Unit P1 GM is promoted to MD, Unit P1 gets new GM, PL1 is appointed Unit P2 GM, Unit P3 changes GM. |
| 1985 | Unit P3 changes GM. |
| 1986 | Unit P1 changes GM, Unit P2 changes GM (new GM stayed longest as GM - 8 years in the history of PLEASURE) replacing PL1 promoted to work on projects at head office. |
| 1987 | Unit P1 GM in post, Unit P2 changes GM, Unit P3 changes GM, a new Unit P4 GM is appointed. |
| 1988 | Unit P1 GM in post, Unit P2 GM in post, Unit P3 gets first black GM from a competitor, Unit P4 changes GM. Group of companies is invited to run hotels in Botswana & appoints PL1 GM for the hotels. |
| 1989 | A black new Deputy MD is appointed in PLEASURE for the first time, GM for all Units in post. |
| 1990- 91 | Unit P2 gets first black female as GM, rest of Units remain with 1988 GMs in post. |
| 1992 | Unit P5, a lodge, opens under GM on transfer from Unit P2, Unit P2 gets first black GM, Unit P3 changes GM as former black GM goes back to his original competitor position, rest of GMs in post. |
| 1993 | PL1 becomes MD of PLEASURE based in Botswana, Unit P4 changes GMs twice, high turnover prompts adoption of policy to promote from within, a GM is appointed for a unit in South Africa. |
| 1994 | Unit P1 GM in post, Unit P2 changes GMs twice, Unit P3 gets GM on transfer from Unit P2, Unit P4 GM in post, Unit P5 GM appointed in second half of 1993 in place, a unit opens in Botswana with new GM. |
| 1995 | Units P1, P3 & P4 GMs in place, Unit P2 changes GM twice, Unit P5 changes GM. |
| 1996 | PL1 relocates from Botswana to Zimbabwe still in MD position, GMs in Units P1 to P4 in post. |
| 1997 | Unit P4 GM resigns & is replaced by GM on transfer from Unit P3, Unit P1 gets new GM doubling roles with operations function, Unit P2 GM in post, Unit P3 gets new GM to replace the one transferred. |
| 1998 | PL1 dies, an Acting MD is appointed & a Botswana lady is promoted to direct operations from Botswana. Unit P1 gets GM on transfer from Unit P4, Unit P2 gets new GM to replace one on transfer, Unit P3 gets new GM on transfer from Unit P2, Unit P4 GM in post. |
| 1999 | New MD is appointed ahead of internal candidates by mid-year. Franchise is taken off & South Africa properties released. Unit P1 gets new GM & Unit P4 changes GMs twice. |
| 2000 | The Botswana Executive Directing Operations, Financial Director (FD), & Unit P1 GM resign. PL2 resigns & in come an Operations Director & Sales Director who alternate positions as MDs. Unit P3 changes GMs 5 times, Unit P2 changes GMs twice and Unit P4 GM changes once. Unit P1 GM in post. |

Sources: Focus Group Disscussions

### 4.D.2 Triggers of Change

Environmental triggers to change included technological advances, the government and economic climate.

The potential to attract tourists was responsible for the forging of a strategic alliance with a foreign partner. PLEASURE saw this as a marketing opportunity that would lead to profitability and growth through tapping into an international database of the partner.

At independence, the government made promises to change the quality of working lives of workers. Legislation was passed, for example, to facilitate the formation of workers' committees. PLEASURE proceeded to have one such committee.

Leadership changes that were colour-related were a result of the government's focus on black empowerment. One employee told other focus group participants:

> Only whites from school were promoted to managers before independence. These 'picnin bossses' (a term used to refer to young whites) were then trained by subordinate blacks. Blacks could be fired for holding meetings. Things had to change.

According to economists, and as mentioned under the LEISURE case, Zimbabwe's tourism industry experienced its worst tourist arrivals in a decade during 2000 - registering a 60% decline compared to 1999. Contributing factors included the fuel crisis, the perception of Zimbabwe being an unsafe destination, the furore of the land question and the withdrawal of some direct overseas airline arrivals.

The decline in tourist arrivals impacted the tourism industry particularly and the economy in general. The economic climate in Zimbabwe triggered the retarded growth for PLEASURE.

Internal triggers included quality of leadership, change in leadership and the need to create value for the shareholders.

Concerning the quality of leadership, all focus groups agreed that PL1 had qualities of a servant leader and the changes initiated during his era were motivated by these qualities. The 'Bill of Rights' for customers and a 'Bill of Rights' for staff were referred to often as significant promise changes which were reversed by PL2.

A GM under PL1 was also singled out as a servant leader. One group agreed:

> Some GMs had business understanding. For example, there was one who was hands-on and spent about 3 hours in the office and the rest on the shopfloor. He knew peak hours and was there working with us, serving customers.

Changes in leadership were closely linked to changes in strategic focus and what the different leaders viewed as the best method to create value for stakeholders.

The death of PL1 and the incoming of a new shareholder were significant causes of leadership changes in the late 1990's.

### 4.D.3 Key Players

The government, PL1 and PL2, general managers, top leadership, staff, new shareholder and three different chairmen were singled out as key players in the changes in PLEASURE.

One group chairman had a total quality focus and was greatly influenced by how Jack Welch transformed GE. Three focus groups suggested:

> Group chairman came with TQM and started selling group companies that were non-performing to relatives. He talked about focusing on core business.

Another confirmed, adding some detail:

> Group chairman came with TQM and started selling Group companies that were non-performing. He talked of core business and divided core business into three divisions (Food, Hotel and Finance).

One other focus group concurred, indicating change of shareholder and chairman:

> Group chairman started unbundling the conglomerate which was under-performing. No new business was opened at Group level. There was a shareholder revolt, a new group chairman took over and continued to sell assets. PLEASURE remained as part of Group core business.

The coming in of a new shareholder was considered a significant trigger of leadership changes together with reversal of the gains from PL1's time.

One focus group indicated:

> New shareholder accelerated unbundling of the conglomerate which had stretched itself too far, negatively affecting the share price.

### 4.D.4 Time Available for Initial Stages of Changes

Strategically, very little time was available for the initial stages of changes. One example cited often across focus groups is that there was no time for the establishment of the strategic alliance.

One group said:

> No time. T-shirts, flags, posters were brought in at short notice to launch the franchise.

And another pointed out:

> After hostile take-over, things changed drastically.

Generally, participants in focus groups agreed it took about six months to replace PL1.

### 4.D.5 The Kind and Quality of Help Needed

The external consultants, with the exception of one, were accused of having failed to contextualise business issues and recommending an inappropriate brand.

Help came in various forms. One example cited was:

> External consultant in the form of inspector from the strategic partner would meet other inspectors in South Africa. There were inspections to check on whether the franchise standards were being maintained. Reports were sent to the strategic partner.

Another reflected:

> External consultant launched franchise at a PLEASURE unit in Bulawayo in the presence of representatives from 9 countries. Videos covering the franchise were shown to staff, followed by television adverts, renovation of units and training of staff on the franchise standards.

In connection with changes to create shareholder value, focus groups highlighted:

> External consultant did not conceptualise how to have JIT suit local conditions. The JIT system introduced to reduce stock levels and improve recording system was aimed at having 2 days stock. There was comparison between Zimbabwe Iron and Steel Company (ZISCO) that had tonnes and tonnes of stock tying up capital.
>
> In Zimbabwe you cannot order and get supplies immediately as can be done in developed countries. JIT was not suited to Zimbabwean supply environment.

Rainmaker Management Consultancy (RMC) was one external consultancy singled out as having contextualised business issues. The RMC consultants ran executive development programmes and focused on blending Western management theories with African management. One of them, Mbigi, suggested that the GE model be adapted to the local environment by the conglomerate.

In particular, Mbigi challenged PLEASURE to harness African material culture and market African mythology.

RMC ran a change management workshop to upskill all trainers in the Group Training Centre with skills to assist the conglomerate transform. The trainers then conducted 2-day workshops called World-class Action Programmes (WAP) for multi-level, cross functional groups.

I was one of the WAP trainers and participated in running this programme for PLEASURE staff. WAP was based on burning platforms aimed at mobilising staff to articulate business order qualifiers, order winners and order retainers. Any local language could be used and songs were created by staff to bond themselves with the organisation.

Not all PLEASURE staff attended WAP as the whole of the GROUP Training Centre were retrenched in 1997 as part of the focus on core business. A decision was made that training was not part of core business and would be provided as and when required by external consultants.

During PL1's time, suppliers trained staff on products to be sold by PLEASURE and HR director was considered effective. Staff visited suppliers and other hotels for familiarisation. Hotel school had attachment programmes where PLEASURE appraisals were sent back to the school.

Over and above training on food preparation, workers were trained in ethnic dances and performed for customers. On some occasions, staff went to Zambia on hire to train Zambians on customer care. Training included cross-posting based on career and succession planning during PL1's time.

On the need to balance qualifications and experience, participants highlighted:

> Management has a lot of theory. They need training by experienced staff. Some experienced staff have little formal education (highest qualification in some cases is Standard 6). There is need for the less experienced but highly educated to respect the highly experienced but less educated if proper teaching/learning has to occur.

### 4.D.6 Relevance of Change to Personal and Business Goals

Under relevance of changes to personal and business goals, focus group participants chronicled the differences as experienced under the leadership of PL1 and PL2.

Highlights are reflected in Exhibit 4.D.3 below

**Exhibit 4.D.3: Evidence under 'Relevance of Changes'**

| | PL1's era | PL2's Era & Thereafter |
|---|---|---|
| **Relevance to personal goals** | • Strategic alliance brought in increases in salaries and scholarships for deserving children of staff. Franchise was relevant initially, staff salaries were reviewed, salaries were reviewed on the basis of performance, incentives were given to performing departments, promotion was based on performance and there was job rotation.<br>• Incentives for good performance included weekend away with family, drinks and transport home, trips to Kariba with family for worker of the month/year, end of the month parties.<br>• Employees had sporting teams competing in the Region in countries where PLEASURE operated, the sporting activities included netball, soccer and indoor games.<br>• Tours by employees, cross-posting out of Zimbabwe helped in benchmarking for best practice.<br>• PLEASURE assisted with the acquisition of stands, houses, bicycles and employees would pay later;<br>• T-shirts were sold to staff at subsidised prices and old equipment at reduced prices.<br>• PL1 acted to pre-empt or resolve staff grievances/problems.<br>• There was training by suppliers, tours for staff in order to refer customers professionally to tourist/resort centres.<br>• We used to work 8-hour shifts with split shifts and paid overtime.<br>• There were company cars for staff, managers had cars, food in the canteen was good.<br>• One had to have uniform in company premises. | • There was deterioration of personal gains, in-house training was stopped, head office collapsed and therewere too many structural changes.<br>• Incentives were stooped immediately.<br>• Benefits were scrapped by new leader PL2 after death of people - oriented leader PL1.<br>• People care and communication collapsed and morale went down. |
| **Relevance to business goals** | • Those customers who knew the operations of the strategic partner described it as poor. Sentiments like 'where they are operating overseas, they are the worst. You will not last with such an alliance' were made by customers. Strategic alliance brought in business initially. Management costs were high and the alliance was not sustainable.<br>• Financially hotels were doing well.<br>• Value placed on being responsible citizens of the communities and environmental protection. | • Staff numbers were cut and engagement of casuals set in resulting in falling of standards |

Sources: Focus Group Discussions & Company Documents

Individual testimonies during focus group discussions were quite revealing. One employee said:

> When I think of people care, I think of the first chairman after independence. Others think of PL1. Lets look after our people.

An executive had this to say:

> After PL1, I came and found bruised people. Making money through people's misery! Lets not do this. A bird in hand is worth two in the bush. The group of companies has the right people but does not seem to see them

Another executive observed a pattern to be dealt with at Group level:

> There seems to be a pattern. Group leadership has been unable to set up a consistent structure after PL1. Now they want another PL1. When are we going to see visionary leadership?

Executives who had resigned from PLEASURE and found themselves back in the organisation also narrated why.

One summarised the reason in one line:

> I left to join something that was dying and was attracted back by the 'Bill of Rights'.

Another confirmed, adding some detail:

> I left for greener pastures. I was approached by the then Minister of Tourism to join competition. I came back for a better package. It was worthwhile to come back.

Yet another executive had a more telling story:

> I was trained by PLEASURE and had just been appointed deputy GM. Management style of GM frustrated me out. I saw an opportunity at a smaller competitor site and left to demonstrate my potential. After 4 years in that company, there was no more growth at a personal level. I realised my heart was still with PLEASURE and came back. Now I am a GM.

### 4.D.7 Advocates "Walking-the-talk"

There was unanimous agreement across focus groups that PL1's team walked the talk as opposed to PL2's team.

Some of the highlights of the responses are reflected in Exhibit 4.D.4 below.

**Exhibit 4.D.4: Evidence under 'Walking the talk'**

| PL1 & Team | PL2 & Team & Thereafter |
|---|---|
| • PL1 supported his team and staff.<br>• PL1's popular saying was 'In PLEASURE we do not pay 'Mickey Mouse salaries'.<br>• PL1's team walked the talk. An example was a GM who insisted 'I will walk into managers offices. Managers have to walk their departments. All staff have to eat from the same canteen'. Managers were hands on. Everyone mourned upon PL1's death because he was hands on; he started working from the shopfloor and motivated employees.<br>• PL1 and team implemented what they promised. Staff benefits were clear, policies were clear. Expressions like 'Dai PL1 amuka zvinake', meaning 'I wish PL1 would rise from the dead, things would improve' were made often.<br>• Outstanding performance was acknowledged. They promised rewards for meeting targets and kept their promises. Managers used to meet every Friday and used the different units as venues in rotation. They were the best communicators and moved to units for inspection.<br>• PL1 focused on staff welfare and was considered a 'gamba' meaning 'hero'. Whenever we approach management for salary increases we think of PL1. Managers then were performers and stayed longer. NEC increase was always topped up by PLEASURE leaving employees earning above industry figures. There was a focus on competence, appraisals and succession planning and managers knew employees by name.<br>• One GM's open office system required managers to be constantly in touch with the people. His popular saying to managers was 'gara mukati mevanhu' meaning 'stay within the people'. | • There was significant difference after PL1.<br>• PL2's team did not walk the talk. Benefits from PL1's era were removed. Whatever was promised employees was not implemented.<br>• When PL1 died, things crumpled. There were massive inflows of people. PL2 brought in her team superceding internal candidates who could have been promoted to senior positions.<br>• PL2 did not appreciate what had been done by predecessors. 'It is like marrying a second wife who does not appreciate the good that the first wife was doing'.<br>• 'After cancellation of the franchise, there was an exodus of white management who then formed their own businesses. If they were walking the talk, they would have joined the strategic partner whose franchise they were marketing.<br>• Black management after PL1 was corrupt and did not give staff benefits. |

Sources: Focus Group Discussions

### 4.D.8 Acknowledgement of Fear and Anxiety

There was unanimous agreement across focus groups that PL1's team acknowledged anxiety and staff were generally not afraid. Where staff were afraid, this was acknowledged and dealt with.

After the death of PL1, however, staff became more anxious as the future was not communicated. According to staff, the new shareholder, PL2 and her team created fear and anxiety through their actions or inactions.

Some of the highlights of the responses are reflected in Exhibit 4.D.5 below

**Exhibit 4.D.5: Evidence under 'Acknowledgement of Fear and Anxiety'**

| Before & During PL1's Era | PL2's Era & Thereafter |
|---|---|
| • When we had white managers, reporting lines were not followed as people feared even the very junior whites.<br>• There was no fear during PL1's time. There was peace and tranguility. Fear and anxiety were acknowledged and there was 'team spirit'.<br>• PL1 was generous and there was no fear then. People enjoyed their work. HR director during PL1's time acknowledged fear and anxiety. Departure of this director was received like a funeral message. 'You feel you had a father'.<br>• The alliance partner wanted to milk PLEASURE, take away the cream and leave nothing behind. We ended up with no communication about the initiative. Staff feared jackets on hangers. | • After PL1's death, whites left in protest to the appointment of a black, female MD, PL2. PL2 moved into reverse gear and dismantled everything PL1 had put into place and people were uncertain of the future. A lot of fear and anxiety were experienced. There was 'a dirty spirit'.<br>• After PL1's death, fear and anxiety were present but not acknowledged. No-one explained developments, leading to turnover. There was nepotism during PL2's time - experienced and competent staff were asked to train incoming relatives of senior managers who had theoretical knowledge only.<br>• Almost entire team left with the death of PL1. Process of exits was not humane. There was lack of confidence in leadership at Group and PLEASURE levels. From the time of the death of PL1, there has been mistrust between all leaders and employees ('leaders wanted to win on their own and employees also wanted to win on their own').<br>• There was white/black tension. The general belief in the white community was that PL1 died because of a heated debate in the boardroom. Business was affected by this perception.<br>• There was victimisation through redundancy packages after a National strike.<br>• After PL2, there was no substantive MD in place and appointments were not communicated. |

Sources: Focus Group Disscussions

Staff were particularly angry and bitter about how they were treated after a National strike.

A worker representative recounted the events:

> There was a National Hotel Industry strike during PL2's time. When we went on strike, people were suspended. PL2 had 1-hour long separate meetings for managers and staff to resolve the National dispute. The workers had to demand the second separate meeting after PL2 had held first meeting with managers and wanted a second meeting combining staff and managers. Staff wanted to save PLEASURE from collapsing. PL2 saw staff were right but wanted to side with managers. Group chairman had to intervene. PL2 resigned 2 months after the strike after deducting 7 days salary from staff for going on a National strike.

Source: Focus Group Discussions

### 4.D.9 Assessment of Progress

Targets were used to assess progress before and during PL1's time whereas assessment procedures were unclear afterwards. Respondents suggested the intention was to contract PLEASURE business in line with the contraction of business at group level.

Some of the highlights of the responses are reflected in Exhibit 4.D.6. below

**Exhibit 4.D.6: Evidence under 'Assessment of Progress'**

| Before & During PL1's Time | PL2 & Team's Time & Thereafter |
|---|---|
| • Customers assessed quality of performance of strategic alliance partner and predicted that continuing the partnership would destroy PLEASURE locally.<br>• PL1 had progress assessed unit by unit, involving all staff in visual performance measurement. Everyone was educated from the person at the bottom to those at the top. There was on-the-job assessment and morale was high.<br>• Employees had specific responsibilities. For example, if you had 120 customers, you had to know the retention rate, defection rate and customer acquisition rate.<br>• Achievement of targets was a prerequisite for awarding incentives.<br>• There was a lot of growth and expansion in the units, particularly during the strategic alliance. | • Change in shareholder was terrifying. Statements like 'The results you were declaring were wrong and you need to produce results' did not go down well with old staff.<br>• Politics influenced the direction of the company. PL1's Botswana based possible successor had political clout in Botswana. There was conflict between this lady and PL2 when PL2 took over. The conflict was followed by mass resignations at senior level. Some of those who resigned are now our competitors and are a serious threat to us.<br>• PL2's assessment criteria were unclear to staff. 'I do not believe PL2 assessed any progress. She was interested in saving money'.<br>• Drop in ethnic promotions signalled lack of business understanding. 'You need customers for hotel promotions. If there is no business, what do you promote'.<br>• After PL1, there were deals with renovations and irrelevant decorations not related to 4-star hotel. Auditors were brought in to check on staff allegations on possible back-hand deals. Outcomes were not communicated to staff.<br>• Post 1998, major changes were directed at contracting PLEASURE like the group of companies was, the franchise was discontinued and a PLEASURE brand started. |

Source: Focus Group Discussions

One former FD provided what he called strategic formulae (Exhibit 4.D.7) used by PLEASURE to track progress before and during PL1's time.

**Exhibit 4.D.7: Key to Strategic Formulae**

| | |
|---|---|
| Return on investment | Profit after tax/Shareholder equity |
| Profit margin | Profit after tax/Total sales |
| Sales growth | Incremental yearly sales/Previous year sales |
| Fair market share | Number of hotel rooms per day/Total hotel rooms in the area = F |
| Actual market share | Rooms sold by PLEASURE/Total rooms sold in the city = M |
| Fair market share excess | F - M |
| Staff turnover | Number of resignations per annum/Average staff in year |
| Room night | Number of rooms occupied per day |
| Staff per room per day | Total number of staff/Number of rooms PLEASURE has |
| Occupancy | Number of rooms occupied/Total number of rooms |
| Average room rate | Average selling price of room |

The former FD painted another story on PLEASURE performance (Exhibit 4.D.8).

**Exhibit 4.D.8: Selected Performance Measures on Key Targets**

| Key Target | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|
| Return on investment | 11% | 21% | 25% | 9% | 8% |
| Profit margin | 4% | 10% | 19% | 11% | 10% |
| Sales growth | 31% | 34% | 23% | 16% | 20% |
| Fair market share | -2% | +2% | +3% | -3% | -5% |
| Staff turnover overall | 1% | 0.8% | 2% | 6% | 10% |

Source: Former FD

The former FD was one of the key members who assessed the progress in the company for his Masters Degree research working paper. Some highlights from his documented assessments on performance between 1994 and 1998 include:

> From 1994 to 1996, on paper, the company made significant gains in the generation of shareholder wealth. The company improved from a small profit in 1994 of $0.4 million to a profit of $23 million in 1996. The return on shareholders' investment more than doubled to 25% in 1996. The profit margin also improved significantly in the same period. Management were given significant bonuses and the managing director promoted to a bigger company whilst nearly all critical executives were promoted in one way or the other. The consultant from the United Kingdom who facilitated the implementation of the 1994 to 1996 'return on investment strategies' was paid off and is long gone.
>
> The 1994 to 1996 trend could not however be sustained into 1997 and 1998. The honeymoon only lasted for two years. By the end of 1998, the return on shareholders' investment had more than halved and so did the profit margins.

Management by 1998 therefore had failed to achieve its objective of shareholder value maximisation. The main reason was its failure to manage the value exchange. The strategies employed only focused on the shareholder return - employing short term cost strategies at the expense of customer value delivery.

The tactics deployed by the company in its pursuit of its investor value maximisation mission were typical of a management focused at pleasing its employer in the least possible time in direct conflict with the need to maximise customer value in the long term.

The company defined its value as profit to shareholders divided by investment by shareholder. The profit was to be delivered in cash terms.

The former FD also aptly documented investment reduction tactics and tactics deployed to grow profits from 1994 to 1998.

The former FD's comprehensive assessment on investment ratio tactics says:

Over the period, the investment in assets that underpinned the services and quality delivered by the company to the customer was greatly reduced.

In a drive to reduce cash tied in working capital, stock levels were reduced from 28 to 9 days. Customers credit periods were reduced from 35 days to less than 17 days.

These tactics, over a period of 8 months greatly reduced cash tied up in working capital and thus investment and in turn improved the return to shareholders. Value to customers however suffered. The selection of wines, drinks or food became very narrow. All meals were reduced to buffet. Quality of product was inconsistent. Customers complained of the rude and interrogative debt collectors.

Another investment reduction tactic employed was the extending of supplier payment terms from under 32 days to over 90 days by 1996. This tactic improved the cashflow available to the company and also reduced total investment into the business and thus increased shareholder value.

The impact to the customer was however equally bad. Suppliers changed rating of PLEASURE from first class to last. Supply of key inputs at the right quality was not always guaranteed. Discounts were eliminated and penalties introduced.

The third tactic which was employed to reduce investment was to freeze all refurbishments and capital expenditure and selling of unproductive assets for cash. In this regard, some vital parking space was sold to real estate developers. Courtesy cars for VIP customers were sold. This also reduced investment and thus improved return on shareholders investment, but only for a while. Some of the assets sold supported vital services delivered to customers and gave the hotel flexibility to meet unforeseen high demand peaks. This flexibility was also eroded.

There were a lot of other tactics which were deployed but with equally same short term gains and long term problems for customer value.

Assessing tactics deployed to grow profits, the former FD said:

> The main tactics for improving profit focused on cost cutting.
>
> Staffing levels, which contribute, directly or indirectly to about 52% of hotel costs were the first to be hit. Staff numbers were reduced from 724 in 1994 to fewer than 432 by December 1997. This was done without a corresponding simplification and redesigning of processes and outputs. Staff that remained were not trained for multi-skilling. Pay to staff was not increased to justify increased workload.
>
> The effect of staff reduction was a significant reduction in the wage and related payroll burden costs. Indeed profits went up in 1995 and 1996 and so did the return on shareholders funds. Unfortunately, the quality of service delivery suffered. Staff were overworked, undermanaged and underpaid. By 1997 there were significant staff turnovers both at management and line of customer visibility levels. Service delivery superiority, which had been established under the program of 'Your Personal Host' or 'Siyaliyamukela' (means welcome) were eroded over the two years.
>
> The second tactic which was deployed to improve profits was outsourcing of 'costly activities'. To this end, restaurants, airport transfers and housekeeping departments were outsourced, together with the assets like cars which were being utilised to deliver the service. Management of PLEASURE then focused on the delivery of rooms.
>
> Significant cost savings and investment reductions were achieved in 1995 and 1996, which improved the return to the shareholders enormously from 11% to 25%. The main problem was that some of the activities outsourced supported vital parts of the customer's experience and thus underpinned PLEASURE's value promise to the customer.
>
> Services like housekeeping, airport transfers and provision of food and beverages were critical to total guest experience. This entailed that PLEASURE promised what it could not guarantee was going to be delivered. The companies that took over the contracts were not as experienced as PLEASURE and could not perform to PLEASURE's standards.
>
> Zimbabwe is a small economy and thus outsourcing players are few. When time came for the renewal of these contracts, the prices on the contracts increased substantially knowing too well that PLEASURE did not have much choice. The cost benefits which were achieved in 1994, 1995 and 1996 were eroded on the renewal in 1997 with no corresponding value addition to the customer.
>
> The third tactic deployed was to increase prices to cover the rate of inflation and devaluation Zimbabwe was experiencing. Prices under this strategy were increased every quarter. As inflation was 70% in December 1999, these increases in local currency were substantial. The result of this strategy was that revenue was okay in 1995 and 1996 as customers took a gradual approach to cancelling off their long-standing contracts.
>
> The 1994 top 10 customers had almost disappeared by December 1997 whilst the new entrants did not fill up the vacuum created. … Customers left because they perceived that the products and services offered by the company did not have any value.

### 4.D.10 Belief in Change

Focus group evidence strongly suggests staff believed in the changes before PL2 took over.

There were divisions after.

Some of the highlights of the responses are reflected in Exhibit 4.D.9 below.

**Exhibit 4.D.9: Evidence under 'Belief in Changes'**

| Before & During PL1's Time | PL2's Time & After |
|---|---|
| • During PL1's era, everyone believed in what was going on. Everyone loved PL1. Guests now ask why there is no progress after PL1. They want to know the whereabouts of those managers under PL1 who resigned.<br>• Everyone liked the franchise idea since it was explained. However, when customers started giving feedback on the performance of the partner, staff swung to one group who wanted the franchise to go. Tourists were comparing services across the globe. Zimbabwean politics also discouraged the continuance of the alliance.<br>• People were groomed for positions from the lowest level.<br>• PL1 supported workers, was hands-on as MD across functions. He led by example. He had experience in the industry. When workers wanted to go on strike, he would negotiate and settle with workers before the strike. Sports teams were established in Botswana, South Africa and Zimbabwe to keep PLEASURE staff united.<br>• PL1 supported all units. He had concern for workers, resolved their problems and did not want to lose competent staff. He listened to staff. 'He was like a doctor. He did not ignore anyone'.<br>• The family type recruitment and career and succession process resulted in those who had no relatives being afraid of victimisation. Those who had come into PLEASURE through referrals by relatives were disciplined as they did not want to let down their relatives. 'Vaityamarelatives' meaning ' 'they were afraid of letting down those who had influenced their recruitment into the company'. | • PL2 brought own team and PLEASURE was split into 2 camps. It was 'shape in or shape out'. PL2 brought in her own team that eventually revolted against her, leading to her resignation. Noone loved PL2.<br>• The Group had employed an MD from a different industry. Hospitality is special. The problem was nepotism - we need people who lead by example. PL2 brought in senior appointments for people unfamiliar with the hospitality industry. Divisions were the order of the day.<br>• PL2 brought in her team generally referred to as a 'firing squad'. Employees argued that the disciplinary committee had been converted into a 'firing squad'.<br>• After the hostile take-over and subsequent appointment of PL2 the business was being run by the Group leadership instead of PLEASURE management. Trust between management and shareholders was low level.<br>• The appointment of PL2 was met with resentment. |

Source: Focus Group Discussions

### 4.D.11 Power and Accountability Structures

There were 4 substantive MD's for PLEASURE between 1980 and 2000.

Respondents in focus groups summarised their assessment of the impact of power and accountability structures.

One said:

> You need key skills to fit into structures, not colour. Look for suitable person irrespective of colour. Who brings 4 star customers? It is top leadership with solid business connections. How can we get 4 star customers? It is allowed to give 5 star service in a 3 star hotel. A customer makes business with an individual. PL2 was worse.

And the other added:

> There is need to link up security systems and check access rights. We are now taking hotel as church. A hotel is for pleasure. Disruptive customers need to be dealt with. One GM engaged such elements, warning them or telling them to go elsewhere. The elements changed their behaviour realising that PLEASURE is best.

In connection with the level of hierarchy and control after PL1, one respondent was of the opinion:

> There were too many management changes after PL1. A hotel has 3 departments: Front Office, Housekeeping, and Food and Beverage (F&B). Functions was under F&B. Now there are too many departments.

One respondent thought that females were better marketers and remarked:

> Sales and marketing dominated by females performed better than the male dominated one that followed.

Focus group participants concentrated their conversations around a comparative analysis of the structures set up by PL1 and after.

Some of the highlights of the responses are reflected in Exhibit 4.D.10 below.

**Exhibit 4.D.10: Evidence under 'Power and Accountability Structures'**

| Before & During PL1's Time | PL2's Time & After |
|---|---|
| • During PL1's time, general managers were responsible for the performance of their units, supported by unit-level managers including personnel managers. The head office team was lean and composed of only 5 people.<br>• There were clear head office and unit structures and everyone knew the structures. There was no evidence of structures to monitor the performance of the franchise.<br>• PL1 served under 3 different chairmen from the time of his appointment as MD to his death. | • PL2 brought in her own team, enlarged head office team and centralised decision-making. Hotel industry requires specialised skills - some people coming in at the top are not experts in the industry. Foreigners with no understanding of local culture come and then go. Now we have only one hotelier in PLEASURE.<br>• Power was in camps and there was lack of accountability. There was a lot of finger-pointing. No clear structures were set up. There was so much change. Appointments were made without any job descriptions.<br>• PL2 had no control over business. Management were carrying out orders they did not understand/buy into.<br>• There was need for HR to be in touch with people, operating at unit as well as head office levels. |

Source: Focus Group Discussions

## 4.D.12 Organisational Learning

Between 1980 and 1998, PLEASURE actively communicated what was happening. There were updates on developments posted on canteen notice boards for staff. Such updates included financial performance at unit and PLEASURE levels.

Staff complimented PL1 and his team for having kept the organisation informed. They said after the death of PL1, 'everyone came with a bullish attitude and some new managers only showed face when being introduced'. PLEASURE had no MD from the time PL2 resigned.

Some recurring comparative evidence across focus groups is shown in Exhibit 4.D.11.

**Exhibit 4.D.11: Evidence under 'Organisational Learning'**

| Before & During PL1's Time | During PL2's Time & After |
|---|---|
| • PL1 was a hands-on hotelier and maintained live communication across the organisation.<br>• PL1 insisted on training, attachments as a means of diffusing learning. | • PL2 did not communicate what was happening.<br>• Organisation learnt of changes through the grape vine or rumours. |

Source: Focus Group Discussions

The general perception of respondents was that the organisation did not learn from what had happened before PL2 took over.

One suggested that since documents containing company history have been archived:

> New managers have to learn from organisational historians first.

PLEASURE leaders took advantage of UNISA students doing Masters' Degree in Business Leadership assignments to learn about their business. One such student was the former FD extensively quoted above.

Commenting on how PLEASURE could have created shareholder value on a sustainable basis through enhancing customer value, the former FD indicated that managers need to understand the different definitions of value from the perspective of both the customer and the investor. He said shareholder value is 'profit per dollar of investment' whereas customer value is 'performance per dollar of price paid.'

He asserted:

> It is fundamental that management clearly understands their role. Their role is to ensure that both value definitions are optimised, core-exist and the relationship is sustainable into the future.
>
> In PLEASURE's case, management considered themselves to be part of the shareholders and only focused at increasing shareholder value at the expense of customers. As could be seen from the case, the situation was not sustainable and both parties suffered in the end.
>
> Some companies on the other hand focus on the customer only - 'market driven - customer driven etc' and neglect the shareholder's need for decent returns with the same disastrous consequences.

### 4.D.13 New Ideas about Purpose and Strategy

Between 1980 and 1998, PLEASURE relied on external consultants for strategy formulation. Senior managers were involved in the budgeting process and budgets were communicated to the units.

Focus groups compared the manner in which new ideas about purpose and strategy were handled before and after the death of PL1. The general impression was that junior staff want to know the future of the company if there is turnover at executive level.

Exhibit 4.D.12 highlights some of the recurring messages from respondents.

**Exhibit 4.D.12: Evidence under 'New Ideas about Purpose and Strategy'**

| Before & During PL1's Time | During and After PL2's Time |
|---|---|
| • Strategy during PL1's time was around specific customer segments with emphasis on ethnicity.<br>• PL1 was visionary, PLEASURE expanded across borders and PL1 wanted PLEASURE to be a stand-alone business out of Group of companies.<br>• Era was characterised by active communication and implementation, small booklets were distributed to employees, there were canteen publications on vision and objectives as well as performance targets.<br>• One unit was referred to as 'SaManyika Hotel' meaning 'a hotel for workers predominantly from Manicaland region. 'There is need to focus on competence and not regionalism or nepotism during recruitment as nepotism leads to no teamwork'. | • New appointees came with their own strategies. PL2 did not implement white man's strategy, created a new structure and whites reacted to the appointment of a black lady. Change of directors followed and old directors took away customers.<br>• New board after shareholder takeover never appreciated what PL1 was doing. There was erosion of values. New team never implemented what PL1 had come up with.<br>• There was lack of purpose and strategy. Whereas the organisation was running in a specific direction, core messages were thrown out and purpose and strategy never explained. Vision was not clear.<br>'Takangoona zvinhu zvaipa' meaning 'We just found things deteriorating'<br>• 1999-2000 was dramatic, each set of leadership had its own purpose and strategy. In February 2000, a strategy workshop was run by people who did not understand business. This workshop was a disaster with GMs being told 'I will kick your backside'. |

Source: Focus Group Discussions

Some individuals from focus groups had more to tell.

Regarding developments after the death of PL1, one middle manager burst out:

> The new strategy did not work and we lost customers and key staff. PL2 was an outsider who bypassed performing insiders. You take someone from an unrelated industry to the hospitality industry. It does not work. When head office changes, all lower structures change! How many head office staff appreciate hospitality?

One shopfloor worker had another input:

> There was need to keep staff informed of changes. We need to know needs and expectations of our customers, reintroduce ethnic, cultural promotions. Every product feature should add value to the business. Managers should interact with customers in bars and restaurants to get strategic information. Customers are asking for the presence of managers.

Another quipped:

> Structures are very important in communicating changes. When you get to a new place, do not claim you know everything. Do not listen to gossip.

And yet another summarised:

> We need a platform for discussing key strategic issues. It was a matter of new people, new things, no continuation. There was no perpetuity of strategy and purpose. The PLEASURE history is hazy. We need to tap into existing resources. Learn from history! No-one has taken time to learn and learn from the past.

Archival evidence suggests there was a new strategy hatched in 1994 to see the company through to 2000. The mission statement gave a very clear direction for enhancing customer value through quality and service. PLEASURE was meant to be a company led by its customers and staff.

PLEASURE set five strategic objectives:

- To achieve a return on investment of at least 23%,
- To grow sales by at least 45% per annum,
- To achieve net profit margins of at least 20%,
- To be fair market share leaders by 2%,
- To be the best employer.

The former FD also referred to ideas about purpose and strategy. He proposed an overall model that PLEASURE needed to adopt, which is detailed under Chapter 6, section 6.1. He suggested that management have to know and understand the key parties to value exchange and what it takes to optimise their specific value requirements.

### 4.D.14 Success of Change

Focus groups agreed success stories between 1980 and 1998 included PLEASURE business growth, focus on people issues, transparency and keeping of promises. The franchise, initially succeeded but failed. The most significant success of the strategic alliance was the renovations of 3 hotels to meet international standards.

After the expansion witnessed during PL1's era, business contracted with the appointment of PL2 after the shareholder take-over. Business started picking up again towards the end of 2000 with a new focus on business customers and conferences.

Some of the highlights of the responses are reflected in Exhibit 4.D.13 below.

**Exhibit 4.D.13: Evidence under 'Success of Changes'**

| **Before & During PL1's Time** | **During & After PL2's Time** |
|---|---|
| • Group of companies created PLEASURE as part of expansion strategy into hotel industry. Growth and investment into new units was a measure of success and a great reason for joy. Between 1980 and 1998, business grew and expanded into Botswana and South Africa.<br>• A 'Bill of rights for staff' and 'Bill of rights for customers' guided business operations and clearly outlined people processes. These were sacred. Promises to customers and employees were met. Morale of staff was high given the variety of incentives.<br>• Strategic alliance resulted in renovations of units to international standards. The franchise was too expensive and viewed by the international traveller as a poor brand. Customers complained the choice of the strategic alliance partner was ill-advised as the partner had the 'worst performance internationally. They advised PLEASURE to discontinue the arrangement if PLEASURE was to remain in business.<br>• Quality people were developed and even poached by competitors. | • PLEASURE gains were reversed, business contracted.<br>• Both 'Bill of Rights' for staff and 'Bill of Rights' for customers were thrown out of the window. 'Takararama nenyasha dzamwari' meaning 'We were saved by the grace of God'. The national strike was a key determinant of PL2's departure. She could have taken action. She evaded action and went to Botswana instead.<br>• Strategic alliance was discontinued. It failed after 2 years. Change of company names affects business and reputation<br>• There was staff retrenchment and high turnover at executive level. |

Source: Focus Group Discussions

Focus groups also drew parallel lessons (Exhibit 4.D.14) covering time before and after PL1's death. These lessons are possible pointers in the direction of why change efforts may succeed or fail.

**Exhibit 4.D.14: Key Lessons from Focus Groups**

| Before & During PL1's Time | During & After PL2's Time |
| --- | --- |
| • A strong organisation culture based on a shared vision and mission are critically important. Vision/ mission were there but being pursued by managers only. These managers were threatened by the shareholder take-over. Workers should continue driving change processes as managers come and go.<br>• PL1 had many guys in the team. He did not groom anyone to take over. If there is no successor, infighting grows. Power should be shared. PL1 was PLEASURE.<br>• A leader should inform others of plans. Departmental meetings should be a means for communicating strategy and particularly the financial performance of the company.<br>• PL1 knew he was dying and subordinates should have known. It appears there was no time for planning as there was a shareholder take-over.<br>• Have a culture of succession planning. PL1 appreciated values and had succession plans in place. Recruitment, selection, placement and development have to be focused.<br>• There should be value congruency. Have values that are worker-centred instead of manager-centred.<br>• Change of management affects business.<br>• Staff morale is pivotal to success. Incentives were performance-based. Performance was based on GM's leadership and GM's offices were accessible. There were familiarisation tours for staff, job rotation and product promotions.<br>• Communication of strategy and structure is essential. There was a clear structure. Contributions from staff were respected.<br>• PL1 emphasised competence not nepotism. Employment took account of relevant skills.<br>• Relationships with suppliers breaks/keeps business. Key customers were followed up to maintain retention. The profitability of Unit 1 contributed towards the construction of Unit 4.<br>• Good leaders make an effort to meet all staff, attend staff funerals. HR Director had good communication. | • There is power in strategy/purpose/vision/ mission. Understand the organisation when you get into it. There is need to eliminate fear during changes. There is need for continuity at leadership level. Relationship between share holder and management needs positive management.<br>• There is need for good leadership at Group level. In 1999, leadership lost control. We need leaders with a human heart. Turnover at management level was too high.<br>• Communication is key. There was communication breakdown. Information blackout lowered staff morale.<br>• People feel cheated and betrayed by leaders who do not deliver promises. Lead by example. Management needs to be hands-on and responsive. Management sacrifised salary increases so as to allow low-level staff to have increases.<br>• There was no succession planning and supercession of inside performers. One thing that changed was people - always have the right people at the right time. People are critically important. Gender and colour should not be an issue and leaders need to confront not evade issues.<br>• Management changes and staff stay on. There is need to keep staff coherence.<br>• As management changes there is need to understand processes and systems.<br>• Appreciate the experience of workers to maintain service standards. Instead of product promotions, management brought in relatives/family members instead of customers for lunches/dinner.<br>• There were unclear reporting structures.<br>• There was need to balance qualifications and experience. Internal promotions should take precedence of recruitment from outside.<br>• Removal of HR from units was not strategic. There was need for HR at unit level. Staff should never be ignored as they remain united after changes. There was need to retain staff. The question is 'Are we changing for the better? |

Source: Focus Group Discussions

The former FD's concluding remarks were even more telling:

> PLEASURE is typical of a lot of Southern African companies which are 'shareholder driven' and thus focus on pleasing their employers - the investor at the expense of the customer.
>
> This is a short-term strategy which is self defeating and cannot be sustained in a competitive environment.
>
> To create shareholder value on a sustainable basis, companies should learn to enhance customer value also on a sustainable basis. ….
>
> This is a fundamental win-win principle that should be extended to all facets of business and life in general. Examples are supplier relationships, people relationships etc.

### 4.D.15 Case D Summary

The PLEASURE case evidence is summarised through Figure 4.D.1 below.

**Figure 4.D.1: Summary of PLEASURE Evidence**

| CONSTRUCT | PLEASURE EVIDENCE |
|---|---|
| Triggers | Government; Profitability; Potential to attract tourists; Quality of leadership; Death of a leader. |
| Best practices | Theme dinners; Ethnic promotions; PLEASURE vehicle/street promotions; World-class Action Programme for capability creation; Servant leadership; Supplier product-driven training by supplier at supplier's cost & premises; Bill of Rights for staff, Bill of Rights for customers. |
| Key players | Government; PL1 & PL2; GMs; Top leadership; Staff; New shareholder; 3 different Group Chair-men. |
| Time | Very little time for franchise; No time after shareholder take-over; 6 months to replace PL1. |
| Help | Consultants {1 high quality trained internal change agents for WAP & 2 poor (1 recommended poor quality franchise, another introduced & failed to contextualise JIT); Suppliers provided quality training on their products at own sites & own costs. |
| Relevance | Changes during PL1 except franchise & JIT were relevant to business goals, PL1 had people care at heart - employees, suppliers & customers; Company was a good corporate citizen; PL2 reversed all the gains from the past - both business & personal goals suffered; Corporate citizenship. |
| Walking-the-talk | PL1 & team walked the talk; PL2 & team had a different agenda. |
| Fear & anxiety | PL1 & team fostered trust. New shareholder; PL2 & team created fear & anxiety; There was perceived nepotism & victimization; Trust between management & shareholder was low. |
| Assessment & measurement | Targets were used to assess progress during PL1's time. Assessment during PL2 was unclear - appeared as if intention was to contract PLEASURE business to be in line with contraction at Group level. |
| Belief | Staff got clear communication on changes & believed leaders who delivered to promise during PL1's time. Camps were created when new shareholder appointed an outsider PL2 ahead of internal candidates resulting in mass resignations at senior levels. |
| Governance | PL1 had clear reporting lines. Power was in camps when PL2 took over & changed structures; Accountability was unheard of. |
| Diffusion | Hands-on management style during PL1's era encouraged live communication across the organization. There was communication blackout afterwards - grapevine & rumour monger-ing were rampant. |
| Strategy & pur-pose | PL1 was a visionary & indicated intention to have PLEASURE expand & listed as a separate entity out of the Group. After PL2, each leader brought in their own ideas & disregarded anything that had been planned for before them. |
| Success | Bill of Rights for staff & Bill of Rights for customers propped all changes initiated by PL1. After PL1, the strategic alliance was cancelled & business contracted, morale of staff fell. Business performance was achieved through a bruised staff compliment after what the staff call a ruthless retrenchment process aimed at those who were critical of the new team leaders. |

Besides confirming all emerging themes and challenges 1, 2, 5 through 14, PLEASURE evidence highlights yet another emerging challenge, theme and proposition.

**Emerging Challenge 16: Transfer of positive lessons from political to economic liberation**

Companies have to harness positive methodologies used during struggles for political liberation to foster economic liberation.

**Emerging Theme 9: People care**

Hands-on leaders who exhibit a high level of appreciation of the contribution of staff, customers and suppliers to business survival leave a legacy of people care in the businesses they are responsible over.

**Proposition 5: Effective management of conversations**

Successful organisational transformation is a function of the effective management of conversations.

## 4.E THE SOCIAL, POLITICAL AND HISTORICAL CONTEXT

This within case analysis prompted a need for deeper understanding of the context within which managers had to act in the four companies studied.

An intensive literature search was done to appreciate the key Zimbabwean dimensions, regional dimensions and global dimensions that could have influenced the changes in the companies.

The major sources of evidence for the intensive literature search on contextual issues were:

- The Human Development Report Zimbabwe (ZHDR) 2000;
- SADC Regional Human Development Report (SADC HDR) 2000;
- African Intellectual Resources (AIR) 2003.

The participant observation technique was used to confirm some of the evidence as I am a Zimbabwean.

There was a heavier focus on Zimbabwean history from 1980 to 2000 since the four cases on which the study is based are all from Zimbabwe. The longitudinal study covers the same period. The evidence from the four cases strongly suggests a need to comprehend some of the characteristics of Zimbabwean history and culture.

### 4.E.1 Key Zimbabwean Dimensions

The advent of Zimbabwean independence in 1980 brought with it significant economic, political and social change. An understanding of the economic, political and social changes provides the context within which large-scale change occurred in Zimbabwean companies.

#### 4.E.1.1 Key Economic Dimensions

The key economic dimensions are discussed under two blocks - the first decade and second decade after independence.

##### 4.E.1.1a First Independence Decade: 1980 - 1990

Zimbabwe experienced polarised fortunes in its economic performance within this decade. On the one extreme, expansion was realised in education, health service delivery, land resettlement, road and dam construction. On the other extreme, the economy grew at an average rate of 4.1 per cent between 1980 and 1985 compared to 4.6 per cent between 1985 and 1990. The population growth rate was 3 per cent.

The 1982-83 drought came at a time when there was a world recession, contributing to problems in balance of payments. Early attempts at redressing the anomalies and inequities inherited at independence were abandoned. Kanyenze, cited in ZHDR 2000, suggests the economy tended to be managed on a reactive, management by crisis basis thereafter.

Other analysts like Stoneman (1998), cited in ZHDR 2000, indicate the contradictory approach to economic and social policies. For example, the government pronounced socialist ideals whilst preserving and consolidating the inherited capitalist system. Another example cited is that while government suspected the intentions of foreign investors, it nevertheless proceeded to attract such investment.

In reaction, the World Bank (WB) and International Monetary Fund (IMF) exerted a lot of pressure on the government to adopt economic reforms such as trade liberalisation. A typical example is when the WB refused to sign an agreement for extension of an export revolving fund in 1987. The result was that the government signed the Multilateral Investment Guarantee Agency (MIGA) convention and Overseas Private Investment Cooperation (OPIC) agreement in 1990 in order to reassure investors.

Towards the end of this decade, key players in government and business accepted the need for reforms to boost the depressed investment, streamline labour regulations, create employment and stimulate export growth.

### 4.E.1.1b Second Independence Decade: 1990 - 2000

In this decade, the socialist governments in the Soviet Union and Eastern Europe collapsed, the role of the WB and IMF grew and the dominant role of government in economic and social policy-making got eroded.

Three major reforms {Economic Structural Adjustment Programme (ESAP), Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) and Millenium Economic Recovery Programme (MERP)} were adopted in this decade.

ESAP ran from 1990 to 1995 and is considered by analysts the most substantive of the three. Two extracts below spell what it was all about.

> ESAP was an orthodox structural adjustment programme, which sought a fundamental shift from a pervasive state intervention system in the economy to one largely driven by market forces. The key targets of ESAP were to:
>
> - achieve annual GDP growth of 5 per cent during 1991-95;
> - raise savings to 25 per cent of GDP;
> - raise investment to 25 per cent of GDP;
> - achieve export growth of 9 per cent per annum during 1991-95;
> - reduce the budget deficit from over 10 per cent of GDP to 5 per cent by 1995; and
> - reduce inflation from over 17 per cent to 10 per cent by 1995.

Source: Zimbabwe Government 1991, cited in ZHDR 2000

> In order to achieve these objectives, ESAP had, as its main components, competition-enhancing measures. These included trade and exchange rate liberalisation, domestic de-regulation, financial sector reform and related institutional reforms. Fiscal reforms sought to reduce the huge parastatal deficit, and to implement the commercialisation and privatisation of public enterprises. The ESAP programme also included measures to mitigate the social costs of adjustment through the Social Dimension of Adjustment programme.

Source: Zimbabwe Government, Framework for Economic Reform, 1991,

cited in ZHDR 2000

Assessing whether ESAP achieved the intended objectives, ZHDR 2000 says ESAP by and large failed and points out:

- Overall growth during the reform period was erratic, attaining an average annual growth rate of less than 1 per cent;
- The budget deficit remained stubbornly high, increasing to 13 per cent of GDP in 1994/5;
- The deficit problem was compounded by a decline in tax revenues from 39 per cent of GDP in 1990 to 28 per cent in 1995;
- Inflation rose substantially peaking at 42 per cent in 1992 before declining to 22 per cent in 1995 and then rising much higher in subsequent years;
- High inflation levels contributed to excessively high interest rates;
- A major drought in 1992 worsened the situation;
- Parastatal losses mounted rather than declined;
- Public sector reforms were slow.

From these failures, ZHDR 2000 highlights the lessons:

- Lack of fiscal discipline resulted in excessive borrowings which fuelled inflation and exacerbated poverty - the resultant macro-economic environment was not conducive to investment;
- Parastatal reform, public service reform and financial service reform were major elements of unfinished business under ESAP;
- To succeed, comprehensive reforms had to be embedded in the aspirations of the people: reforms should empower people to participate in the economy - whatever sacrifices were required for successful implementation of the reforms ought to be shared.

On the basis of these outcomes, the government went on to launch ZIMPREST belatedly in 1998. As a departure from ESAP, ZIMPREST argued that droughts had to be provided for in programmes instead of being reacted to. Reduction of poverty was classified as a challenge given that in 1998 about 61 per cent of Zimbabweans lived in poverty. Employment creation, fostering an entrepreneurial culture, investing in human resource development and building partnerships with other stakeholders were given top priority.

ZIMPREST sought:

- urgent restoration of macro-economic stability (low inflation and interest rates, and a stable exchange rate);
- facilitating of public and private savings and investment needed to attain growth;
- and pursuing economic empowerment and poverty alleviation by generating opportunities for employment and encouraging entrepreneurial initiative.

ZIMPREST then specified what it termed 'a minimum target growth scenario'. Specifically, it sought:

- a consistent reduction in the budget deficit (from 10 per cent to under 5 per cent of GDP) with a corresponding fall in inflation (from over 20 per cent to a single digit level by 2000);
- a sustained improvement in savings and investment performance (higher domestic savings, more efficient investment and an average level of at least 23 per cent of GDP;
- a continuous growth in exports of at least 9 per cent per annum.

Source: ZHDR 2000

ZHDR 2000 identifies fundamental flaws of ZIMPREST:

- Whereas ZIMPREST covered 1996 - 2000, it was only launched in April 1998,
- 2 years behind schedule;
- ZIMPREST was inaugurated at a time when resources had already been allocated through the 3-year rolling budget system;
- ZIMPREST "was about everything", namely poverty reduction, land reform, employment creation, institutional reforms, decentralisation, without spelling out clearly budgetary implications of these policy objectives;
- Judging from past experience, it was unlikely that the projected 6 per cent annual growth rate would be achieved.

An overview of the developments during the ZIMPREST period indicate:

- Real GDP decelerated from 8.5 per cent in 1996 to a negative 2 per cent in 1999 and a projected negative 4 per cent in 2000;
- Two years into ZIMPREST, the budget deficit was still above 10 per cent with inflation well above 50 per cent;
- Unemployment loosely defined hovered between 40 and 50 per cent;
- Savings and investment as a proportion of GDP declined markedly from about 18 per cent in 1996 to 9 per cent and 13 per cent respectively in 1999;
- Export growth in US$ terms collapsed from about 12 per cent in 1996 to 20 percent in 1999. During this period, exports declined at an annual average rate of 2,7 per cent compared with the growth target of 9 per cent per year;
- There was a mismatch between supply and demand of foreign currency-forex reserves deteriorated from 4,2 months cover in 1995 to only 1,6 months in 1999, and the situation worsened in 2000.



Source: ZHDR 2000

MERP, launched in 2000, intended to mobilise all stakeholders - government, business, labour and civil society. MERP appraised ESAP and ZIMPREST and concluded, firstly, that the implementation lacked both co-ordination and commitment at all institutional levels resulting in the missing of targets by a wide margin. Secondly, it was necessary to focus on qualitative, human-centred indicators.

MERP was an 18-month programme to run concurrently with the millenium budget with foci as described below.

> The restoration of macro-economic stability would be achieved through the following set of measures:
>
> - consolidation of the fiscus;
> - price stabilisation;
> - exchange rate stabilisation and resolution of the forex crisis;
> - deepening of financial sector reforms;
> - lowering interest rates;
> - acceleration of public enterprise reform;
> - protection of vulnerable groups;
> - establishment of implementation, accountability and monitoring institutions; and
> - building confidence .
>
> With regard to the central issue of consolidating the fiscus, MERP intended to achieve that by improving the credibility and ownership of the budget, rationalisation and reduction of government expenditure, improving budget management performance, and implementing revenue-enhancing measures. The medium-term plan of MERP would focus on:
>
> - sustainable macro economic stability and growth;
> - land reform and agricultural development;
> - infrastructure development and
> - human resource development (including health).

Source: Zimbabwe Government, Millenium Economic Recovery Programme, 2000, cited in ZHDR 2000

By the end of 2000, there was still scepticism as to whether government would implement MERP given the results of ESAP and ZIMPREST.

### 4.E.1.1c Key Issues Related to Economic Policy and Implementation

Various institutions regarded consensus building as a key issue in economic reforms. For example, the Zimbabwe Congress of Trade Unions (ZCTU) argued:

> A truly national compromise can only be arrived at when all interest groups and stakeholders participate in policy formulation, decision making and implementation … Participation and decision-making by all levels of society has to be guaranteed through a broad, participatory and decentralised approach.

Source: ZCTU 1996, cited in ZHDR 2000

The Zimbabwe government, as reflected above, affirmed that economic reform programmes should be embedded in the aspirations of the whole community.

The Bretton Woods institutions themselves also talked of the national ownership of reform programmes.

A typical example of the response to these observations was the founding of the National Economic Consultative Forum (NECF) in 1997. Inspite of the fact that the NECF was made up of members from organised business, labour and government, it was viewed as lacking an institutional mandate. Equal representation by government, labour, organised business and other civil groups was called for.

**Challenge 9 Refined: Consensus building amongst stakeholders**

To succeed in leading change in their companies in emerging nations, managers need to forge an institutional framework and process for consultation and consensus building amongst stakeholders on the make up of reform programmes.

From the overview above, it is evident that there have been gaps between reform plans and outcomes. One of the contributing factors has been the lack of capacity to implement the reforms. The government, for example, acknowledged this in connection with ZIMPREST:

> Under ZIMPREST, the government is in the process of strengthening management at inter-ministerial and ministerial levels, establishing stronger linkages between policy formulation, implementation and financial management. It will also be necessary to strengthen information management systems.

Source: Zimbabwe Government 1998, cited in ZHDR 2000

**Challenge 10 Refined: Institutional capacity building**

Organisations in emerging nations need to build institutional capacity to minimise/eliminate the gap between designed plans and their implementation.

Evidently, international lending institutions were key players in reform programmes. Zimbabwe sought assistance from the WB and IMF. The role of these institutions has been debated widely. The institutions have also expressed themselves on this issue. For example, Allen (1999), cited in ZHDR 2000, quotes a WB resident representative saying:

> Growth needs to be inclusive. Partial de-regulation without restructuring of the dual economy creates social tensions and not enough jobs. Social sector expenditure needs to be protected, and targeted measures to deal with poverty should not be 'add ons' but made an integral part of the reforms.
>
> State intervention is necessary. Getting prices right and making markets work is important, but these need to be complemented with measures to ensure that the 'unequal' balance of power of those who can readily engage in the market and those who cannot, does not lead to dangerous levels of social tensions.

**Challenge 12 Refined: Role of international lending institutions**

In the design and implementation of reform programmes in emerging nations, non-state actors will have to assist governments assess the role of international lending institutions. Business leaders, in particular, will have to play a pivotal role.

As far as privatisation was concerned, government wanted to reduce its massive subsidies to parastatals from Z$ 629 million in 1990/91 to Z$ 40 million by 1994/95. In this regard, public sector monopolies would remain under government control as rehabilitated commercial entities or be liquidated.

However, in 1997/98 the eight largest parastatals had a combined deficit of Z$ 11 billion due to management inefficiencies, exchange rate depreciation, inadequate pricing policies, inappropriate investments and the generally unfavourably macro-economic environment (Zimbabwe Government, 1998 cited in ZHDR 2000). In 1999 the total parastatal debt amounted to over Z$ 45 billion over half of which was foreign. Nevertheless, the government had netted over Z$ 2 billion through the privatisation of five entities.

In September 1999, the Zimbabwe Privatisation Agency was set up. The agency was assessed to be lacking adequate support from interested stakeholders because it was considered not representative of these.

**Challenge 13 Refined: Privatisation**

Managers of companies to be privatised in emerging economies are to undertake the privatisation process transparently, informed by a stakeholder-driven team. Such privatisation is to be an effective vehicle for indigenising the economies.

### 4.E.1.2 Key Political and Institutional Dimensions

Zimbabwe attained independence in 1980 after many Zimbabweans had exercised their right to vote for the first time. As the new state was in the process of consolidating independence, conflict broke up in Matabeleland and Midlands provinces. This conflict was eventually resolved with the signing of the Unity Accord in 1987. From the late 1980's to the mid-1990's, Zimbabwe was considered stable in a relatively turbulent region.

Masunungure (2000), cited in ZHDR 2000, among other analysts, argues the most far-reaching political development in the late 1980's was the establishment of a powerful Executive Presidency which fused the two roles of Head of State and Head of Government.

A state of emergency was scrapped in 1990 resulting in the proliferation of political parties, civic organisations, independent newspapers and magazines. Zimbabwe remained a multi-party state during the period.

ZANU-PF commanded an overwhelming majority in the 1990 and 1995 elections. Political analysts then called Zimbabwe a de facto one party state where the winning of 95 per cent seats in parliament by ZANU-PF converted parliament into a weak and 'rubber stamping' institution (ZHDR, 2000).

In 2000, the Movement for Democratic Change (MDC) won 57 out of 120 seats in parliamentary elections. This resulted in a radical shift in the composition, role and nature of debate in parliament.

The 2000 parliamentary elections were a turning point in voter turnout as reflected by the following statistics (Exhibit 4.E.1).

**Exhibit 4.E.1: Voter Turnout in Post Independence Elections: 1980 - 2000**

| Year | Potential voting population | Registered voters | Voter turnout | % of potential voters | % of registered voters |
|---|---|---|---|---|---|
| 1980 | 2 900 000 | 2 900 000 | 2 702 275 | 93 | 93 |
| 1985 | 4 000 000 | 3 500 000 | 2 972 146 | 74 | 85 |
| 1990 | 5 300 000 | 4 800 000 | 2 237 524 | 42 | 47 |
| 1995 | 6 000 000 | 2 600 000 | 1 482 660 | 25 | 57 |
| 2000 | 5 500 000 | 5 049 815 | 2 552 844 | 46 | 50 |
| | | Presidential | | | |
| 1995 | 6 000 000 | 4 902 244 | 1 557 651 | 26 | 32 |

Sources: Sithole1999, 12-13; EU Election Observer Mission July 2000, 12 & 20, cited in ZHDR 2000

From the statistics, it is apparent that voters had disengaged from the electoral process up to 2000. Political scientists suggest the following as contributing factors to the apathy: voter ignorance, suspicion of manipulation of the electoral process, biased and unequal media coverage and the certainty of the electoral outcome. These suggestions have had an impact on the image of the state and government.

Of significance is the role media played in casting a shadow on the state of governance in the country. A typical example was the stand-off between the state and 'The Standard' newspaper in 1999. The newspaper reported the detention and alleged torture of two journalists, considerably tarnishing Zimbabwe's international reputation. ZHDR 2000 argues that the media has an important role in the dissemination of information through 'accurate and balanced reporting rather than sensational and partisan reporting'.

Constitutional reform became a leading national issue in the late 1990's as it was generally agreed that the 1979 Lancaster House independence constitution had outlived its usefulness. Civic organisations, such as the National Constitutional Assembly (NCA) founded in 1998, spearheaded constitutional reform. ZANU-PF also had this item as part of its 1998 congress. The congress endorsed the need for such a reform.

There were differences over the process, however, resulting in NCA and ZANU-PF engaging in two parallel processes in 1999. The outreach programmes ended with the rejection of a draft constitution in the February 2000 referendum. The vote against is publicly considered to have been a vote both against the draft content and prevailing conditions of economic and social hardships.

The rejection of the draft constitution was not a signal that the Lancaster Constitution was better. The debate on constitutional reforms continues. The LEISURE chairman has been an active political analyst on constitutional issues.

**Challenge 16 Refined: Consensus based systems**

The cultivation of trust and credibility between key stakeholders in the constitution-making process is critical. Business leaders in emerging nations have to play a pivotal role.

### 4.E.1.2a Capacity Issues in the Zimbabwe Public Service

At independence there were about 46 000 civil servants. As a matter of policy, very few Africans were adequately trained for management positions. For example, out of the approximately 10 000 established officers, only 3 000 were blacks.

With a focus on creating developmental functions for the whole community, the new government had to build capacity. Quantitatively, the service expanded from 46 000 in 1980 to 79 000 in 1983 and 190 000 in 1990. There was a shift from 30% African established officers in 1980 to 86% black in 1983. All 30 permanent secretaries were white in 1980. The colour composition changed drastically to all permanent secretaries, except four, being black. These drastic changes brought with them concerns over the mismatch between jobs and skills. The blacks appointed to senior positions were generally considered highly educated but lacking administrative and technical experience for the new positions.

Part of the Report of the Public Service Review Commission of Zimbabwe of 1989 (also known as the Kavran Report), cited in ZHDR 2000, details the capacity issues. It reads:

> The commission received frightening evidence particularly from the private sector about bureaucratic delays - some measured in years - in processing a variety of applications to government, varying from project approval to price increases. There is a widespread view in the private sector that these have had a detrimental effect upon the general development of the country.

Source: Kavran Report 1989:10, cited in ZHDR 2000

The reward system and conditions of service in the public service have been associated with poor performance and corruption of civil servants. There has been a drift of staff from the public service to the private sector and non-governmental organisations in search of better compensation.

**Challenge 14 Refined: Culture of non-performance**

There is need to attract and retain capable staff to arrest movement of non-performing staff across the public sector, non-governmental organisations and the private sector in emerging nations.

#### 4.E.1.2b Key Local Governance Dimensions

Zimbabwe inherited a racially divided local government system. On one hand were Rural Councils and Urban Councils for whites and on the other African Councils. The two were managed under different ministries. The new government sought to reorganise local government through key legislation as shown below (Exhibit 4.E.2).

**Exhibit 4.E.2: Key Legislation in Local Government**

| Year | Legislation | Intentions |
|---|---|---|
| 1980 | Amendments to the Urban Councils Act | Included African townships, now known as High Density Areas, under the Act; Extended the vote in local elections to lodgers. |
| 1980 | District Councils Act | Brought together the much small African Councils into 55 large and more viable District Councils; Although they lacked autonomy and resources of the 57 rural councils (which were serving commercial farming areas), they were given a wide range of functions and brought under the Ministry of Local Government. |
| 1984 | The Prime Minister's Directive | Outlined decentralised co-ordinating development structures from village to provincial levels {6 000 Village development committees (VIDCOS) & 1 000 Ward development committees (WADCOS) with elected members}; VIDCOS & WADCOS were formalised under the Provincial Councils an Administrative Act in 1985. |
| 1988 | The Rural District Councils Act | Combined the Rural District Councils and District Councils into one local government structure with a wide range of 64 functions including development, education, health, water and sanitation, roads, housing, natural resources and development of district centres. |
| 1997 | Urban Councils Act Amendments | Included the introduction of Executive Mayors. |
| 1998 | Traditional Leadership Act | Restored power to traditional leaders and reduced power of elected leaders; Implementation of Act started in 2000. |

Source: ZHDR 2000

An important feature is the Ministry of Local Government Public Works and National Housing providing the policy framework for local government. There is also a six-member Local Government Board appointed by central government to oversee the operations of local authorities and approve the appointment or dismissal of senior council employees.

Another structure, the District Development Fund (DDF), is one key source of public finance and services for the development of rural areas. Additionally, the Association of Rural District Councils (ARDC) and the Urban Councils' Association of Zimbabwe (UCAZ) have played important roles in research, training and advocacy to strengthen local governance.

Political parties, NGO's, residents' associations and community-based organisations continue to influence the behaviour of players in local governance. Conflicts between the various stakeholders occur as there is perceived insufficient collaboration, transparency and accountability.

Clarke (1999), cited in ZHDR 2000, suggests what is needed are new forms of leadership, partnership relationships, culture of tolerance and mutual trust, support for civil society, institutional learning and developing organisational cultures which match requirements of collaborative governance.

**4.E.1.3 Key Social Dimensions**

The legislative reforms highlighted below (Exhibit 4.E.3) reflect a strategy of inclusion and integration as a recurring theme. Explicitly, there is an emphasis of including women in areas where they had been previously excluded since both men and women have generally internalised partriarchial values which exclude women both in principle and in practice.

**Exhibit 4.E.3: Legal Reforms 1980 - 1997**

| Legal Instrument | Main provisions |
|---|---|
| Minimum wages Act 1980<br>Equal Pay Regulations Act 1980 | Provided for minimum wages for various unskilled occupations; Seasonal workers (tobacco, tea and cotton pickers) were categorised as permanent workers for purposes of pension benefits. |
| Customary Law and Primary Courts Act 1981 | Provided for equal pay for equal work & half an hour's time before and after lunchtime for breast-feeding. |
| Legal Age of Majority Act 1982 | Established & empowered community courts to administer maintenance laws; Provided for maintenance claims for women in unregistered marriages. |
| Labour Relations Act 1985 | Conferred full legal capacity on every Zimbabwean aged 18 years and above; Gave daughters the capacity to inherit their fathers' estates & women (including widows) the capacity to qualify as guardians of minors and administer deceased estates. |
| Matrimonial Cause Act No 33 of 1985 | Provided for three months maternity leave with some reduction in salary; Outlawed discrimination against any employee on the ground of race, tribe, place of origin, political opinion, colour, creed or sex in respect of wages, promotion, recruitment, training and retrenchment.<br>Provided for equitable distribution of matrimonial assets on divorce; Removed the "fault principle" as grounds for divorce. |
| Public Service Pensions (Amendments Regulations 1985) | Women can now contribute to medical aid schemes in their own right; Female contributors in the Public Service now contribute to their Pension at the same rate (7.5%) of pension emoluments as men. |
| Deceased Persons Family Maintenance (Amendment) Act of 1987 | Surviving spouse and children have a right to continue occupying the matrimonial house: to use the household goods and effects they were using before the deceased's death; to use and enjoy the crops and animals; Property grabbing by relatives of the deceased became illegal. |
| Tax Regulations Act 1988 | Spouses are now taxed separately; Husbands claim tax exemptions on their children. |
| Maintenance Amendment Acts | Requires non-custodian parent to contribute regularly to the maintenance of minor children in the custody of the other parent; An appeal against maintenance order no longer results in suspension order; The courts are empowered to attach terminal benefits (e.g. pension) accruing to the person who is ordered to pay maintenance if he/she subsequently leaves employment; A woman can file maintenance claims from court nearest to her. The man is legally obliged to travel to that court. A woman can claim maintenance from an ex-spouse any time after divorce if there is need for it; A woman, in an unregistered customary law union is entitled to maintenance from the man after dissolution of the union. |
| Infanticide Act 1991 | The crime of infanticide replaced the murder charge out of consideration of the mother's post natal depression, rejection by boy friend husband, parents and or relatives. |
| Deed Registry Amendment Act 1991 | Women can now register immovable property in their own name (applies to urban and rural commercial land where title deeds are obtainable) |
| Constitutional Amendment Act 1996 | Puts male and female spouse of Zimbabwean citizens on a similar basis in terms of right to entry into Zimbabwe based on the marital relationship. |
| Administration of Estates Amendment Act 1997 | Provides for the rights of surviving spouse/s in an intestate estate, over the matrimonial home, and also for them to receive a share in the deceased spouse's intestate estate. |

Source: ZHDR 2000

**Challenge 11 Refined: Gender consciousness**

Companies that transform in emerging nations need to move to a higher level of consciousness in gender relations by engaging in gender analysis in order to empower women.

### 4.E.1.2b Key Civil Society Dimensions

The economic, political and social developments after independence brought with them growth and activism of civil society organisations (CSOs). Speth (1997), cited in ZHDR 2000, aptly summarises the catalytic role of CSOs in Zimbabwe saying:

> They are able to channel and mobilise people's participation in economic and social activities and organise them in ways that can influence public policies and access public resources, particularly for the poor. Together with independent and professional journalism, citizen's groups, universities and others, they can provide checks and balances on government power and monitor social abuses. They can make valuable contributions to policy formulation…

The development of non-governmental organisations (NGOs) was in phases closely linked to the various reforms outlined above. This development is summarised in Exhibit 4.E.4 below.

**Exhibit 4.E.4: Phased Development of NGOs in Zimbabwe**

| Phase | Activities | Types of NGOs in Zimbabwe |
|---|---|---|
| First Phase (1979 - 1981) | Nutrition, etiquette, sewing & child care. | Women's groups: Association of Women's Clubs, Zimbabwe Women's Bureau, YWCA. |
| Second Phase (1882 - 1986) | Income generating activities. | Second generation NGOs: ORAP, OCCZIM. |
| Third Phase (1987 - 1990) | Policy & Human Rights, Environment, AIDS, Gender. | Service organisations: ZERO, IRED, WILSA, Legal Resources Foundation, Africa 2000. |
| Fourth Phase (1991 - 1994) | Poverty, environment. | Post-ESAP organisations: Poverty Reduction Forum, Environment 2000, Southern Centre, Development Dialogue, Environmental Law. |
| Fifth Phase (1997 - 2000) | Governance, Policy issues constitutionalism, democracy. | NCA, SARIPS, Bureau of Strategic Management, Evangelical Fellowship of Zimbabwe. |

Source: ZHDR 2000

Notably, NGOs mobilised women and had close ties with the ruling ZANU-PF party in the early 1980's. At the time when the government set its first five-year plan in the mid 1980s, the NGOs shifted their focus to income generating projects, relying on a strategy of donor assistance. The projects were affected by weak distribution systems, depressed local purchasing power, competition from large industries and demands on women labour.

The era of economic reform created an environment calling for NGOs to provide welfare services to the poor and question the basis of poverty. During this era, organisations were formed to deal with concerns of aspirant entrepreneurs perceived as neglected when the government was focusing on socialism.

Quite conspicuous was the manner in which indigenous groups built close relationship with the state and ruling party. This alliance helped them strategise around demanding cheaper credit facilities, legislative backing for affirmative action, preference in the government tender system and the use of the state to source donor funding.

NGOs have supported economic activities including crafts, sewing and knitting, agro-processing, brick-making and building, carpentry, irrigation schemes, livestock schemes, transport and marketing schemes, wild-life management schemes, soap making and financial mobilisation.

A CSO that attracted significant attention is the Zimbabwe National War Veterans Association founded in the 1990s. In 1997, government granted gratuities, pension and other benefits to war veterans. Economic analysts argued that this cost the economy and resulted in the Zimbabwe dollar depreciating significantly.

**Challenge 16 Refined: Transfer of positive lessons from political to economic liberation**

Companies in emerging economies are to harness positive methodologies used during struggles for political liberation to foster economic liberation.

### 4.E.2 Key Regional Dimensions

Zimbabwe was part to the Southern African Development Co-ordinating Conference (SADCC) that was transformed into the Southern African Development Community (SADC) in 1992 through the Windhoek Treaty. According to SADC HDR 2000, the purpose of the transformation was to promote deeper integration to address the following:

- Armed conflicts which make it imperative to create a regional mechanism to prevent and resolve conflicts.
- The pressures of contemporary globalisation and concomitant trend towards regional trading blocs which mean that SADC member countries need to urgently transform and restructure their economies to become more competitive.
- Historic dependence on exporting primary commodities and lack of industrialisation.
- The limited market size of the economies of most SADC member countries which makes them individually unattractive to investors.
  Regional integration would increase market size and make it easier to attract and sustain the necessary investment for development, growth and restructuring at higher levels of efficiency and productivity.
- The small size of most SADC member countries in terms of population implying that the per capita cost of providing infrastructure is high. This cost could be reduced if these countries cooperated in the development of infrastructure.
- The spread of HIV/AIDS, TB, malaria and other infectious diseases across SADC member countries which they need to combat through cooperation.

Source: SADC HDR 2000

The Windhoek Treaty defined the objectives of the community as to:

- Achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa and support the socially disadvantaged through regional integration.
- Evolve common political values, systems and institutions.
- Promote and defend peace and security.
- Promote self-sustaining development on the basis of collective self- reliance and the interdependence of member states.
- Achieve complementarity between national and regional strategies and programmes.
- Promote and maximise productive employment and use of natural resources of the region.
- Achieve sustainable use of natural resources and effective protection of the environment.
- Strengthen and consolidate the long-standing historical, social and cultural affinities and links among the peoples of the region.

Source: SADC HDR 2000

The Treaty also outlined that the above objectives would be achieved by:

- Harmonising political and socio-economic policies and plans of member states.
- Creating appropriate institutions and mechanisms to mobilise required resources to implement the programmes and operations of SADC and its institutions.
- Developing policies aimed at the progressive elimination of obstacles to free movement of capital and labour, goods and services, and of the peoples of the region generally among member states.
- Promoting the development of human resources.
- Promoting the development, transfer and mastery of technology.
- Improving economic management and performance through regional co-operation.
- Promoting the co-ordination and harmonisation of the international relations of member states.
- Developing such other activities as member states may decide to further the objectives of SADC.



Source: SADC HDR 2000

In order to gain deeper insights into the nature of rates of economic growth in SADC member states, selected rates are shown in Exhibit 4.E.5 below.

**Exhibit 4.E.5: Selected Economic Growth Rates in SADC**

| Country | Average Annual 1991/94 | Growth Rates 1995/98 | 1991/98 |
|---|---|---|---|
| Angola | -7.0 | 7.9 | 0.5 |
| Botswana | 3.7 | 6.4 | 5.0 |
| DR Congo | -9.0 | -3.0 | -6.0 |
| Lesotho | 5.1 | 4.2 | 4.7 |
| Malawi | 0.2 | 8.5 | 4.3 |
| Mauritius | 5.4 | 5.7 | 5.5 |
| Mozambique | 7.0 | 8.3 | 7.6 |
| Namibia | 5.1 | 2.7 | 3.9 |
| Seychelles | 3.7 | 2.8 | 3.3 |
| South Africa | 0.2 | 2.1 | 2.3 |
| Swaziland | 2.7 | 3.3 | 3.0 |
| Tanzania | 3.2 | 3.7 | 3.4 |
| Zambia | 0.2 | 1.4 | 1.6 |
| Zimbabwe | 0.9 | 2.4 | 3.3 |
| **SADC** | **-0.03** | **2.6** | **2.2** |

Source: SADC Finance & Investment Sector Co-ordinating Unit,
cited in SADC HDR 2000

From Exhibit 4.E.5, the average annual growth rate in the Region was 2.2 per cent between 1991 and 1998. According to SADC HDR 2000, this rate was below the average population growth rate. Thus, on average, output per capita decreased.

A number of reasons are advanced for the variation of rates from -6.0 per cent for the Democratic Republic of Congo (DRC) to 7.6 per cent for Mozambique. For example, low or negative growth rates have been attributed to factors such as droughts and war. On the other hand, Mozambique's low-income base is considered to be responsible for the high economic growth rate in that country.

For Zimbabwe, there was a reasonably steady increase in growth rates although the 1995/98 rate was slightly below the SADC rate. Interestingly, the three rates for Zimbabwe were higher than those for South Africa.

The figures indicate SADC has generally been facing an unstable macroeconomic environment. The instability is characterised by:

- Unsustainable budget deficits, the financing of which crowds the private sector out of the domestic financial market;
- High inflation and interest rates which discourage investment;
- Unsustainable balance of payments deficits, which have to be financed by foreign borrowing;
- High levels of external public debt, the servicing of which has a major impact on the capacity of governments to invest in human development;
- Exchange rate instability which discourages trade and investment.

Source: SADC HDR 2000

Exhibits 4.E.6 through 4.E.8, highlighting some of these aspects, suggest that restoration of macroeconomic stability is a must for SADC.

**Exhibit 4.E.6: Overall Budget Deficits as a Percentage of GDP, 1990/98**

| Country | Average 1990/94 | Average 1995/98 | Average 1990/98 |
|---|---|---|---|
| Angola | -16.3 | -17.6 | -16.9 |
| Botswana | 8.2 | 4.6 | 6.6 |
| DR Congo | -16.5 | -11.0 | -14.0 |
| Lesotho | 2.5 | 1.7 | 2.2 |
| Malawi | -8.7 | -5.5 | -7.3 |
| Mauritius | -2.1 | -5.2 | -3.5 |
| Mozambique | -4.6 | -2.8 | -3.8 |
| Namibia | -2.5 | -4.0 | -3.2 |
| Seychelles | -5.8 | -11.7 | -3.4 |
| South Africa | -6.3 | -4.2 | -5.4 |
| Swaziland | 1.6 | -1.2 | -1.4 |
| Tanzania | -1.9 | -0.3 | -1.2 |
| Zambia | -5.8 | -1.3 | -3.8 |
| Zimbabwe | -6.3 | -7.0 | -6.6 |
| **SADC** | **-6.6** | **-4.6** | **-5.7** |

Source: FISCU, 'Macroeconomic Convergence in SADC' cited in SADC HDR 2000

Notably, Botswana and Lesotho recorded surpluses in both periods. Zimbabwe, however recorded a higher deficit figure in 1995/98 as compared to 1990/94. The Zimbabwean and

South African deficit figures were the same for 1990/94.

SADC HDR 2000 uses changes in consumer prices to measure inflation. Exhibit 4.E.7 below reflects inflation rates in SADC countries for the 1990s.

**Exhibit 4.E.7: Inflation Rates: Change in Consumer Prices, 1990/98**

| Country | Average 1990/94 | Average 1995/98 | Average 1990/98 |
|---|---|---|---|
| Angola | 543 | 1 750 | 1 079 |
| Botswana | 13 | 9 | 11 |
| DR Congo | 6 403 | 347 | 3 711 |
| Lesotho | 12 | 9 | 11 |
| Malawi | 20 | 40 | 29 |
| Mauritius | 9 | 6 | 8 |
| Mozambique | 46 | 27 | 37 |
| Namibia | 11 | 8 | 10 |
| Seychelles | 2 | 0.1 | 1 |
| South Africa | 12 | 8 | 10 |
| Swaziland | 12 | 9 | 10 |
| Tanzania | 24 | 19 | 22 |
| Zambia | 122 | 32 | 82 |
| Zimbabwe | 27 | 24 | 25 |
| **SADC** | **12** | **9** | **10** |

Source: FISCU, 'Macroeconomic Convergence in SADC' cited in SADC HDR 2000

The statistics, ranging from 1 per cent for Seychelles to 3 711 per cent for the DRC, show that inflation was generally very high in SADC throughout the 1990's. SADC HDR 2000 points out that the rapidity of the inflation is more scaring. On one extreme, such rapidity distorts and discourages investments since a rapid trend is associated with price instability around the trend. In environments like these, short-term speculation creeps in leading to stockpiling, scarcity and further price increases. On the other extreme, high and unpredictable inflation leads to investors' reluctance to commit long-term.

Rapid inflation affects the distribution of income, erodes purchasing power and is associated with an increase in labour unrest. There is strong evidence that countries caught up in a vicious circle of large inflationary pressures end up depreciating the currency like Zimbabwe did in the late 1990's.

**Exhibit 4.E.8: External Current Account as a Percentage of GDP, 1990/98**

| Country | Average 1990/94 | Average 1995/98 | Average 1990/98 |
|---|---|---|---|
| Angola | -9.5 | -14.7 | -11.8 |
| Botswana | 5.5 | 7.9 | 6.6 |
| DR Congo | -4.5 | -1.9 | -3.4 |
| Lesotho | -30.9 | -30.0 | -30.5 |
| Malawi | -10.0 | -8.7 | -9.4 |
| Mauritius | -2.3 | 1.6 | 0.8 |
| Mozambique | -20.9 | -16.8 | -19.1 |
| Namibia | 3.2 | 4.8 | 3.9 |
| Seychelles | -1.1 | -2.3 | -1.6 |
| South Africa | 0.7 | -1.5 | -0.2 |
| Swaziland | 0.7 | -0.6 | 0.1 |
| Tanzania | -6.2 | -14.7 | -9.9 |
| Zambia | -1.4 | -5.6 | -3.2 |
| Zimbabwe | -4.0 | -2.8 | -3.4 |
| **SADC** | **-0.8** | **-2.6** | **-1.5** |

Source: FISCU, 'Macroeconomic Convergence in SADC,' cited in SADC HDR 2000

The current account deficit figures above (Exhibit 4.E.8) show that there was an increase in Angola, Malawi, South Africa, Tanzania, Zambia and Seychelles, a decrease in Mauritius, Mozambique and Zimbabwe and a surplus in Botswana and Namibia. Swaziland experienced both surpluses and deficits in some years.

SADC HDR 2000 concludes devaluation of currencies was consequently used as a policy tool to balance payments in most SADC countries.

**Exhibit 4.E.9: External Public Debt as a Percentage of Exports of Goods and Non-factor Services, 1990/98**

| Country | Average 1990/94 | Average 1995/98 | Average 1990/98 |
|---|---|---|---|
| Angola | 285.6 | 205.9 | 248.5 |
| Botswana | 29.9 | 20.5 | 25.7 |
| DR Congo | 747.3 | 920.5 | 824.3 |
| Lesotho | 330.7 | 216.5 | 279.9 |
| Malawi | 454.6 | 440.9 | 448.2 |
| Mauritius | 41.9 | 41.5 | 41.7 |
| Mozambique | 1902.8 | 1139.4 | 563.5 |
| Namibia | 23.3 | 12.8 | 18.6 |
| Seychelles | 57.9 | 59.2 | 58.5 |
| South Africa | 18.3 | 31.2 | 24.0 |
| Swaziland | 28.3 | 20.3 | 24.7 |
| Tanzania | 596.2 | 618.2 | 606.0 |
| Zambia | 566.9 | 598.3 | 581.8 |
| Zimbabwe | 170.6 | 146.2 | 159.7 |
| **SADC** | **129.3** | **123.0** | **127.3** |

Source: FISCU, 'Macroeconomic Convergence in SADC,' cited in SADC HDR 2000

The figures above (Exhibit 4.E.9) show a high external debt burden for the region although it was lower in 1995/98. Critiques reflected that such a burden creates policy credibility problems resulting in domestic and foreign investors fearing that returns on their investment will be taxed to service external debt.

The state of the economy in SADC countries painted above present a number of challenges for companies in these states.

As AIR (2003) points out, close to 80% of people in the region are peasants deriving their livelihood from small-scale agriculture. In this regard, land should be available and economic growth agriculture led. Two challenges highlighted through the company cases immediately follow this realisation and are refined below:

**Challenge 3 Refined: Land redistribution**

Companies that transform in emerging nations will have to promote an equitable pattern of land redistribution.

**Challenge 4 Refined: Economic reform and poverty reduction**

Companies that transform in emerging nations are to conduct business aimed at sustaining long-term high rates of economic growth driven by agriculture in order to reduce poverty.

From the cases and the context, the refined employment creation challenge is:

**Challenge 5 Refined: Employment creation and entrepreneurship**

Companies that transform in emerging nations are to create employment and upscale entrepreneurship to enable the states to restructure their economies and compete globally.

Organisational transformation has to improve the quality of life of people. The refined challenge in this area is:

**Challenge 6 Refined: Ecological harmony**

Companies that transform in emerging nations are to engage in safety, health and environmental programmes to enhance the quality-of-life of employees and the communities.

Crime, including corruption, should be eliminated.

**Challenge 7 Refined: Boosting investor confidence**

Companies that transform in emerging nations are to contribute towards the reduction/elimination of (trans)national conflicts, crime (including corruption) in order to boost investor confidence.

The context evidence confirms that companies in emerging nations need to compete globally.

**Challenge 8 Refined: Value-enhanced products and services for global markets**

Companies that transform in emerging nations are to (re)brand value-enhanced products and services for the global market .

### 4.E.3 Key Globalisation Dimensions

Other than national and regional factors, global issues also shape, facilitate or constrain economic activities and company operations particularly. There is evidence that most emerging economies have little, if any, instruments or regulatory capacity to ensure that transnational firms have satisfactory standards of accountability and transparency in their operations.

For example, while discussing global governance, particularly the intervention in economic and social policy by the WB and IMF in Zimbabwe, ZHDR 2000 concedes:

> Essentially, it is the host government which bears the responsibility of the outcomes. Such outcomes vary from "food riots" to government loss of popularity and legitimacy. The global institutions do not account for their specific interventions through the adjustment programmes, nor do they bear responsibility for the subsequent social and political fall-out. It has been observed that these institutions have leaned hard on national governments to adopt their preferred systems of social protection, and that most experiences would suggest that the WB and IMF should incorporate principles of democratic and equitable governance into their policies and programmes. The same may be said of the programmes of these institutions in Zimbabwe.

It would appear profit making, market expansion and lower production costs are key considerations that guide operations of companies. However, pressures are mounting globally for firms to be accountable in areas like environmental protection, job security for employees and general welfare of the society. In particular, expectations regarding social responsibility of companies in Zimbabwe are growing.

Human Development Report Zimbabwe (ZHDR) 1999 quotes Chitauro saying:

> Increasing globalisation and its intricate linkages with modern technology permits the interests and powers of other nations, as well those of the economically powerful multinational corporations, to penetrate deeply into the lives and decisions at local level. Those developments have made action and initiatives by local communities increasingly difficult. As all economies, both large and small, increasingly depend on international trade, national economies have become less amenable to direction by domestic policy.

Such sentiments have been expressed in a quest for the strengthening of regional economic blocks of developing countries to improve their bargaining power in the global arena.

These insights are consonant with Ali Mazrui's sharp assessment of cultural dependence of African economies:

> Africa may have retained some level of political independence, but the struggle for economic autonomy and cultural authenticity has only begun. The economies of Africa are still penetrated by foreign capital, and members of the new black bourgeoisie are mainly allies of external foreign interests. The cultural penetration includes the prevalence of a consumer, the persistence of a colonial educational structure … The continuing domination of the elite culture in Africa by foreign languages becomes symptomatic of this deep-seated cultural dependency.

Source: AIR 2003

AIR (2003) present that the celebration of an African cultural identity and civilisation would narrow the divide between developed and emerging nations. In this regard,

AIR (2003) quote Ali Mazrui and two other African futurists: Ngugi wa Thiongo and Amilcar Cabral.

While Ali Mazrui is quoted observing:

> But in the final analysis, the shallowness of the imported institutions is due to that culture gap between the new structures and ancient values, between alien institutions and ancestral traditions. Africa can never go back completely to this pre-colonial starting point but there may be a case for at least a partial retreat, a case for reestablishing contacts with familiar landmarks of yesteryear and restarting the journey of modernisation under indigenous impetus.

Ngugi wa Thiongo is quoted suggesting:

> Similarly … a nation that loses faith and belief in itself, in its history, in its capacity to change the scheme of things, becomes weakened in its political and economic struggles for survival.

and Amilcar Cabral's quoted position is:

> A people who free themselves from foreign domination will not be free unless, without underestimating the importance of positive contributions from the oppressor's culture and other cultures, they return to the upward paths of their own culture.

What is significant is that AIR (2003) proceed to give a holistic link between psychological, emotional, spiritual, social, cultural, political and intellectual roots through Okumu who argues:

> This is because of my firm belief in the African tradition; that without a knowledge of history or his links to the past, man is a social amnesiac, both intellectually and therefore to some extent emotionally rootless.

The evidence above provides confirmation of the challenge that emerged in the company cases around the role of national cultures in transformation.

**Challenge 1 Refined: Role of national cultures in transformation**

Organisations that transform in emerging nations have to anchor such change on national culture to narrow global inequities between developed and emerging nations.

From the Mazrui quote above, language plays a critical role in the creation of wealth and transmission of culture.

Therefore, organisations that transform in emerging economies are faced with a language challenge.

**Challenge 2 Refined: Use of relevant national languages**

Organisations that transform in emerging nations have to use relevant national languages to convey and embed the new/different ways of doing business to all relevant stakeholders.

Two propositions have also surfaced from the intensive literature search:

**Proposition 6: Key stakeholder blocks**

The role of state institutions, political parties and civil society is a major determining factor in the shaping of organised business in a society.

**Proposition 7: Lack of consultation and polarisation**

The lack of consultation on major economic issues and governance often leads to polarisation of positions between states, civil society and the private sector.

## 4.F Chapter summary

From the within case data analysis and change literature (Senge 1999 & Chowdhury 2000), I made tentative definitions of the fourteen possible constructs (Figure 4.F.1). I will refine these definitions on the basis of the cross-case analysis to follow in Chapter 5.

**Figure 4.F.1: Tentative Construct Definition from Within-case Analysis**

| CONSTRUCT | TENTATIVE DEFINITION |
|---|---|
| Triggers of transformation. | Critical incidents that the organization has to respond to for its survival. |
| Best practices of transformation | Tried & tested ideas & ways of conducting business that can be migrated within & across organizations & environments. |
| Key players | Those actors influencing others through their credibility, capability & commitment. |
| Time | Pilot group's flexibility & control over its own energy & priorities. |
| Help | Coherent, consistent, knowledgeable coaching, guidance & support. |
| Relevance | Presence of a clear, compelling business case for learning. |
| Walking the talk | The match between espoused values & actions. |
| Fear & anxiety | Concerns about exposure, vulnerability & inadequacy triggered by the conflict between increasing levels of candor & openness among members of the pilot group. |
| Assessment & measurement | Establishing the degree of success of the transformation effort. |
| Belief in the transformation effort | The extent of polarization in belief about the transformation effort. |
| Governance | The legitimate autonomy of a pilot group to act in tune with existing power & accountability structures. |
| Diffusion | The ability to transfer knowledge across organizational boundaries, making it possible for people around the system to build upon each other's success. |
| Strategy & purpose | Where the business is going & what the business is there for. |
| Success | The achievement of desired results/outcomes. |

Figure 4.F.2 summarises the findings on challenges and the refinements of these challenges given the context evidence.

**Figure 4.F.2: Emerging & Refined Challenges** (continued on next page)

| CHALLENGE | EMERGING CHALLENGE | REFINED CHALLENGE |
|---|---|---|
| 1. Role of national culture in transformation | Organisations that transform in Zimbabwe have to anchor such change on national culture. | Organisations that transform in emerging nations have to anchor such change on national culture to narrow global inequities between developed and emerging nations. |
| 2. Use of relevant national languages | Organisations that transform in Zimbabwe have to use relevant national languages to convey and embed the new different ways of doing business to all relevant stakeholders. | Organisations that transform in emerging nations have to use relevant national languages to convey and embed the new different ways of doing business to all relevant stakeholders. |
| 3. Land redistribution | Organisations that transform in Zimbabwe will have to promote an equitable pattern of land redistribution. | Organisations that transform in emerging nations will have to promote an equitable pattern of land redistribution. |
| 4. Economic reform and poverty reduction | Organisations that transform in Zimbabwe have to conduct business aimed at sustaining long-term high rates of economic growth driven by agriculture in order to alleviate poverty. | Organisations that transform in emerging nations have to conduct business aimed at sustaining long-term high rates of economic growth driven by agriculture in order to alleviate poverty. |
| 5. Employment creation and entrepreneurship. | Organisations that transform in Zimbabwe have to create employment and upscale entrepreneurship to enable the state restructure its economy and compete globally. | Organisations that transform in emerging nations have to create employment and upscale entrepreneurship to enable the states restructure their economies and compete globally. |
| 6. Ecological harmony | Organisations that transform in Zimbabwe have to engage in safety, health and environmental programmes to enhance the quality-of-life of employees and communities. | Organisations that transform in emerging nations have to engage in safety, health and environmental programmes to enhance the quality-of-life of employees and communities. |
| 7. Boosting investor confidence | Organisations that transform in Zimbabwe have to contribute towards the reduction/elimination of (trans)national conflicts, crime, including corruption, in order to boost investor confidence. | Organisations that transform in emerging nations have to contribute towards the reduction/elimination of (trans)national conflicts, crime (including corruption) in order to boost investor confidence. |
| 8. Value-enhanced products and services. | Organisations that transform in Zimbabwe have to (re)brand value-enhanced products and services for the global market. | Organisations that transform in emerging nations have to (re)brand value-enhanced products and services for the global market. |

**Figure 4.F.2: Emerging & Refined Challenges** (continued from previous page)

| CHALLENGE | EMERGING CHALLENGE | REFINED CHALLENGE |
|---|---|---|
| 9. Consensus building amongst stakeholders. | To succeed in leading change in their companies in Zimbabwe, managers need to forge an institutional framework and process for consultation and consensus building amongst stakeholders on the make up of reform programmes. | To succeed in leading change in their companies in emerging nations, managers need to forge an institutional framework and process for consultation and consensus building amongst stakeholders on the make up of reform programmes. |
| 10. Institutional capacity building. | Organisations in Zimbabwe need to build institutional capacity to minimise/eliminate the gap between designed plans and their implementation. | Organisations in emerging nations need to build institutional capacity to minimise/eliminate the gap between designed plans and their implementation. |
| 11. Gender consciousness | Organisations in Zimbabwe need to move to a higher level of consciousness in gender relations by engaging in gender analysis in order to empower women. | Organisations in emerging nations need to move to a higher level of consciousness in gender relations by engaging in gender analysis in order to empower women. |
| 12. Role of international lending institutions. | In the design and implementation of reform programmes in Zimbabwe, non-state actors will have to assist government assess the role of international lending institutions. | In the design and implementation of reform programmes in emerging nations, non-state actors will have to assist governments assess the role of international lending institutions. Business leaders will have to play a pivotal role. |
| 13. Privatisation | Managers of companies to be privatised in Zimbabwe are to undertake the privatisation process transparently, informed by a stakeholder driven team. Such privatisation is to be an effective role for the of indigenisation of the economy. | Managers of companies to be privatised in emerging economies are to undertake the privatisation process transparently, informed by a stakeholder driven team. Such privatisation is to be an effective role for the indigenisation of the economies. |
| 14. Culture of non-performance | There is need to attract and retain capable staff to arrest the movement of non-performing staff across Zimbabwean companies. | There is need to attract and retain capable staff to arrest the movement of non-performing staff across the public sector, non-governmental organisations and the private sector in emerging nations. |
| 15. Consensus based systems. | The cultivation of trust and credibility between key stakeholders in the constitution making process is critical. Business leaders in Zimbabwe have to play a critical role. | The cultivation of trust and credibility between key stakeholders in the constitution making process is critical. Business leaders in emerging nations have to play a critical role. |
| 16. Transfer of positive lessons from political to economic liberation. | Companies in Zimbabwe have to harness positive methodologies used during the struggle for political liberation to foster economic liberation. | Companies in emerging nations have to harness positive methodologies used during the struggles for political liberation to foster economic liberation. |

Figure 4.F.3 captures the emerging themes and possible theme statements.

**Figure 4.F.3: Emerging Themes & Possible Theme Statements**

| EMERGING THEME | POSSIBLE EMERGING THEME STATEMENTS |
|---|---|
| 1. Consensus building amongst stakeholders | Intense collaboration with key stakeholders leads to success of transformation. |
| 2. Stakeholder needs & expectations | Organisational transformation revolves around changing stakeholder needs and expectations. |
| 3. Stakeholder promises | Organisational transformation revolves around changing promises to address changing stakeholder needs and expectations. |
| 4. Delivery processes. | Organisational transformation revolves around changing processes to deliver changing promises. |
| 5. Structures and systems | Organisational transformation revolves around changing structures and systems to align with changing processes. |
| 6. Capacity and capability | Organisational transformation revolves around changing capacity and capability to sustain the momentum of the change. |
| 7. Capturing changing needs and expectations | Formal and informal promise delivery forums with staff need to be held to prepare staff capture changing needs and expectations of key business stakeholders. |
| 8. Active listening. | Staff need to listen to business stakeholders' needs and expectations. |
| 9. People care | Hands-on leaders who exhibit a high level of appreciation of the contribution of staff, customers and suppliers to business survival leave a legacy of people care in the businesses they are responsible over. |

Figure 4.F.4 captures possible areas for further study from the within case analysis.

**Figure 4.F.4: Possible Areas of Further Study as Propositions**

| POSSIBLE AREA | PROPOSITION |
|---|---|
| 1. Contextualisation of business issues. | Contextualisation of business issues is a prerequisite for success of transformation efforts. |
| 2. Natural disasters. | Natural disasters like drought trigger major change. There appears to be a 10-year drought cycle for Zimbabwe. |
| 3. Interface between government, business and civic society | Transformational business leaders need to thoroughly understand the interface between business, government and civic society. |
| 4. Managing the interface between key power blocks processes. | Success in business transformation is dependent on the ability to manage the interface between key power blocks. |
| 5. Effective management of conversations. | Successful organisational transformation is a function of the effective management of conversations. |
| 6. Key stakeholder blocks. | The role of state institutions, political parties and civic society is a major determining factor in the shaping of organised business in a society. |
| 7. Lack of consultation and polarisation. | The lack of consultation on major economic issues and governance often leads to polarisation of positions between states, civil society and the private sector. |