ALIGNMENT OF CHANGE MANAGEMENT WITH STRATEGY BY SOUTH AFRICAN LEADERS

A FINAL REPORT TO THE UNISA SCHOOL OF BUSINESS LEADERSHIP

BY

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DECLARATION

I, Pumla Patricia Hako, hereby declare that this research project is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or in part been submitted at any university in order to obtain an academic qualification.

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CHAPTER ONE

ORIENTATION TO THE STUDY

1.1 INTRODUCTION

"South Africa is a country in transition, our workplaces are in transition, and to a large extent all the social identity groups are out of their comfort zones and are trying to re-establish their own identities relative to all the other social identities in the new South Africa" (Booysen, 2005:32). The expansion of markets, which has been brought about by the introduction of a democratic government in 1994, has led to drastic changes in the way companies do business. Technological advances coupled with globalisation and new labour laws have had a tremendous influence on business.

The changes in the way of conducting business in particular and the country in general have left some leaders confused and unable to cope with this change. Some organisations change because of obstacles experienced in the course of running business without having put proper plans in place. Some companies change strategies too often without reaping rewards from any single strategy. Higgins (2005:3) argues that, "...with significant changes occurring so frequently in the business environment, strategies are changed more often now than they have been in the past, and thus the alignment process has become an even greater challenge."

A change strategy aligned to corporate strategy can lead to the achievement of strategic goals set by the company. The purpose of this research is to examine whether South African leaders are able to develop change management capabilities that are in line with corporate strategy in order to carry the company to higher levels as required by the new market forces in the new South Africa.

This part of the research will cover background/rationale to the study as summarised above. That will include preliminary literature review, statement of the research problem and sub-problems, research design and the research methodology.

1.2 RESEARCH CONTEXT

According to Mouton (2001) there are two worlds in which a research can take place. They are world 1 and world 2. World 1 is comprised of studies in objects such as human behaviour, historical events or social programmes and world 2 comprises studies in trends in scientific literature and ideas and writings of other scholars.

This study will occur in world 1 and it is an empirical study because it will focus on human actions such as South African leaders and organisations in a South African context. The research will be carried out in a South African organisation that is facing or has faced changing environmental conditions, suggesting a possible need for strategic change. Within these changing environmental conditions there should be differences in organisational attributes and local environmental conditions which the researcher should be able to identify. There should also be controversy surrounding the appropriateness of changing core strategies. Lastly, the researcher would be able to observe empirically both changes in core strategies and performance implication of that change. The change in the organisation must have taken place after 1994.

1.3 STATEMENT OF THE PROBLEM

This research project explores the extent to which South African Leaders align change management efforts to corporate strategy in South African organisations. There seems to be a challenge in aligning changing environmental factors to organisational factors in order to maintain a strategic fit and subsequently organisational performance.

As a speaker at the American Society for Training and Development Global Conference held in Cape Town on February 2005 Nkomo[2] (2005:11) argues that "the push of fast changing global forces resulting from the end of a protected competitive environment; and the need to transform from white dominated management to a profile representative of the demographics of South African society. The values, cultural identity and life experiences of South African leaders will influence how they lead change" are forces driving change in South African organisations.

Nkomo (2005b) further argues that challenges facing South Africa Leadership include retiring "old" thinking systems and business practises rooted in an apartheid context, while also creating new ones against the reality of high speed globalisation, informationalism and networking.

1.3.1 Statement of sub-problems

In light of the main problem one would have to study whether South African leaders examine closely the necessity to change the organisational strategy to fit changing environmental conditions or change for the sake of it. Secondly the impact of this change will have to be benchmarked against performance of the organisation to really establish whether the change has brought about good organisational performance.

1.4 IMPORTANCE OF THE STUDY AND POTENTIAL BENEFITS

The research problem is important because it may change the way South African leaders approach change in their respective organisations. This research will help South African leaders to predict which, when, in what direction, and how much organisations should change their strategies. Leaders will be able to predict the consequences of the change they are intending to engage (Zajac, Kraatz & Bresser, 2000). This research will help managers to recognise the tension that exists between the organisation and the changing environmental conditions and be able to determine whether any proposed change will result in a dynamic strategy fit or misfit.

1.5 OBJECTIVES AND PURPOSE OF THE RESEARCH

South Africa as a country is undergoing transformation from an era of apartheid towards a non-racial nation. South African organisations as well as South African leaders are not immune to this transformation as the transformation of the bigger environment affects and changes the way leaders in organisations do business. "We have travelled so far on our journey of transformation that we are another nation, however we still have so much learning and unlearning to do that the journey has just begun" (Booysen, 2005).

The purpose of this study is to establish whether change that South African leaders carry out in organisations is aligned to strategy. Put simply one can say that, the purpose of this study is to assess the degree to which the tension between organisational and environmental factors necessitates change and whether the actual change that takes place leads to a dynamic strategic fit or misfit and the nature of the subsequent organisational performance.

The case study written by Mangaliso and Nkomo (2001) about Eskom reflects most of the components of the purpose of the study and it has been found appropriate to use Eskom as an organisation in which this research has been carried out. The preliminary analysis will be done under the model section. The researcher has proceeded to verify some of the CEO's claims through relevant questionnaires and sampling.

1.6 DELIMITATION OF THE STUDY

This study has been carried in one South African organisation of which the leaders are South African and to be specific Eskom has been found to be an appropriate company. The environmental and organisational factors mentioned in the purpose of the study are those relevant to Eskom. This study has been limited to a month because of time constraints.

1.7 LIMITATIONS

The limitations of the study was access to all relevant information and the unavailability of all targeted executive management interviews and return of questionnaires within relevant time limits. The researcher acted proactively by approaching the company well in advance and followed up to solicit a response by numerous telephone calls and e-mails. The researcher also had to rely on staff for the circulation of questionnaires because senior managers delegated the duty to some staff members to circulate to their colleagues. Due to tight work schedules as some indicated, staff were not prepared to send more that ten questionnaires each.

1.8 RESEARCH PHENOMENON AND QUESTIONS

The phenomenon under investigation in this research is the alignment of change to strategy. Parnel (2003) has utilised the work of Andrews (1971); Hofer and Schendel (1979) to emphasise that, most widely shared and enduring assumptions in the strategy formulation literature is that the appropriateness of a firm's strategy can be defined in terms of its fit, match, or congruence with the environmental or organisational contingencies facing the firm.

In order to understand this phenomenon one has to understand and recognise the tension that exists between organisational and environmental factors that consequently informs change in an organisation and the impact of the change thereof. This impact will be understood better if it is categorically explained and analysed in terms of the following propositions.

1.8.1 Research propositions

In order to be able to analyse the problems above the researcher formulated the following propositions:

Proposition 1: Change in strategy of an organisation is associated with change in the environment of the organisation in order to maintain fit. "Within a given population of organisations the likely existence of significant cross-sectional and longitudinal differences in organisational resources and environmental conditions will create very different situations for firms attempting to maintain strategic fit over time" (Zajac et al, 2000:430). The change that a company undertakes may result in a strategic fit or misfit. The researcher has analysed whether the change in an organisation has taken place as a result of the differences between organisational resources and environmental conditions in an effort to maintain fit. The analysis is based on the company's primary and secondary data.

Proposition 2: The match between desirability of strategic change and actual strategic change relative to magnitude, timing and direction of change is expected to be positively associated with dynamic strategic fit. Through the interaction between the environment and the organisation a desirability for strategic change may occur. Once this occurs, it is normally followed by the actual strategic change. The actual strategic change should reflect a desired strategic change in order to achieve fit. An organisation should look at all its processes and establish if each process is aligned with the environmental demands or whether strategic change is needed to establish a dynamic strategic fit. Not all change in the environment necessitates change in the organisation (Zajac et al, 2000). The researcher has to examine the extent of the achievement of dynamic strategic fit, or whether the company undergone insufficient strategic change that led to a dynamic misfit. The researcher has also established whether the change was excessive thereby leading to a dynamic misfit and lastly whether the company faced no need to change, beneficial inertia, and did not change and thereby achieved a dynamic fit.

Proposition 3: The match between desirability of strategic change and actual strategic change relative to magnitude, timing and direction of change is expected to be positively associated beneficial strategic performance. Zajac et al (2000) reflects on the work of Selznick (1957) whereby a warning is issued against adapting too readily to environmental changes as that may negatively affect organisational performance and damage organisational competencies. Historical competencies and commitments to customers can be lost and that can prove costly to the company as its reputation could be lost. The researcher will analyse the strategic performance of the company by assessing whether the company has met all its set goals coupled with positive financial statements.

The questions below have helped to clarify this phenomenon:

- Do South African leaders align change management efforts to strategy?
- Is there a correlation between strategic fit and organisational performance?
- Do changing environmental factors versus organisational circumstances necessitate change?

This research phenomenon and questions has been proven through choosing a good and relevant sample and use of data collection methods which have been discussed briefly below.

1.9 SAMPLING DESIGN

1.9.1 Overview of a sampling design

"The basic idea of sampling is that by selecting some of the elements in a population, we may draw conclusions about the entire population" (Cooper & Schindler, 2003:179). In this study a sample has been selected as opposed to a census, which implies a count of all elements in a population as suggested by Cooper and Schindler (2003). An element of the population or unit of study for the purpose of our study is employees and leaders of a company. According to Cooper and Schindler (2003), a sample is good if it represents the characteristics of the population it purports to represent.

Advantages of sampling: According to Cooper and Schindler (2003) it is better to choose a sample over a census because of its lower costs, greater accuracy of results, greater speed of data collection, and availability of population elements.

Types of sampling: According to Cooper and Schindler (2003), there are two types of samples which are probability and non probability sampling. In probability sampling each element has a known zero chance of being selected while in non-probability sampling is subjective and is the opposite of probability sampling in that each element does not have a known zero chance of being selected. Stratified Probability sampling has been chosen for the purpose of this study.

In order for one to understand both probability and non-probability sampling one has to understand the different designs which one can choose from as follows:

Probability sampling has six types, namely; simply random, complex random, systematic, cluster, stratified and double sample. Non-probability sample has four types namely: convenience, purposive, judgement quota and snowball sampling.

Steps in sampling: Cooper and Schindler (2003) propose six steps that should be followed in order to have proper sampling design, namely:

- The definition of the relevant population
- The definition of parameters of interest
- The definition of sampling frame
- Type of sample
- Size of the sample
- Cost of the sample

While the development of a good sample is good it is also equally good to choose the correct method of collecting data in order to ensure a good answer to the research questions and phenomenon.

1.10 DATA COLLECTION

According to Cooper and Schindler (2003) there are three main primary sources of data namely, primary sources, secondary sources and tertiary sources.

Primary sources are regarded as original works that have not been interpreted or any official pronouncements representing a position and are always the most authoritative.

Secondary sources refer to the interpretation of primary data and most references fall into this category.

Tertiary sources may be regarded as and interpretation of secondary data and can be represented by bibliographies, indexes and any other finding aids including internet sources.

Information can be gathered through observation, experiments and survey methods. Survey methods include personal interviews, telephone, mail, computer and a combination of these. These can be administered in a form of questionnaires. Information has been gathered telephone and personal interviews; questionnaires that have been administered electronically, through e-mail and fax.

1.11 DEFINITION OF KEY TERMS

Corporate strategy: "Concerns how a diversified company intends to establish business positions in different industries and the actions and approaches employed to improve the performance of the group of businesses the company has diversified into" (Thompson & Strickland, 2003:50). According to Burgelman and Grove (1996:15) "Corporate strategy reflects top management's beliefs about the basis of success of the firm." This brings across a slightly different view from the above because not only diversified companies possess corporate strategy. The basis of success of the company can be within the same industry and with a single product.

Change management: According to Bateman and Snell (2002) effective change management occurs when a company moves from its current status to the future without much cost to the company.

Alignment: According to the Oxford Advanced Learner's dictionary (1991), alignment means putting items in a correct position in relation to each other. In this writing, an assessment of the position in which change management and corporate strategy stand in relation to each other. Alignment can also be better understood as the fit or congruence that exit between environmental and organisational factors, however, this congruency Proposition should be understood in terms of the company's sufficient condition to survive (Tosi & Slocum, 1984).

1.12 CONTRIBUTION OF THE STUDY TO THE EXISTING BODY OF KNOWLEDGE

"Despite the concept's historical centrality and intuitive appeal, one finds relatively little attention to strategic fit in the most recent strategy literature" (Zajac, et al: 2000:429). Some researchers prefer to do research on behavioural barriers to strategic change, instead of having to deal with the challenges of a research on strategic fit (Zajac, et al: 2000). Having considered the above statements, this research will add value especially in the South African context. South Africa is a country undergoing transformation and therefore it is very important that ongoing research is performed in order to keep abreast with the magnitude and speed with which change takes place. Literature on alignment of change to corporate strategy in South African organisations and also South African authors is very limited.

1.13 OUTLINE OF THE RESEARCH REPORT

This report is in chapter format. Chapter one is orientation to the study. Chapter two of this report is composed of the literature review on strategy. Chapter three entails literature review on change management; chapter four encompasses the discussion Alignment of strategy to change of an organisation. Chapter five focuses application of model of strategic fit to Eskom on research methodology. Chapter six focuses on research design. Chapter seven focuses on research results excluding the researcher's interpretation. Chapter eight has its focus on the discussion of research results, conclusions and recommendations. The last section of this report will include references and appendices. As outlined above the following part of the report will entail literature review.

CHAPTER 2

REVIEW OF THEORY ON STRATEGY

2.1 INTRODUCTION

In order to comprehend the context of this writing it is crucial that relevant concepts are explained as a first step. This chapter comprises a theory review relating to strategy. The types of strategy, formulation, implementation and control of strategy forms the gist of this chapter.

2.2 REVIEW OF THEORY ON STRATEGY

Each company should have a strategy from which the corporate strategy is derived or the company will loose focus easily. Thompson and Strickland (2003) refer to the five tasks of strategic management. These five tasks include the first task of the development of vision and mission which sometimes shades into the second task setting of objectives as they are all concerned with setting direction. The third task is creating the strategy to achieve the set objectives and that leads to a fourth task of implementing and executing the strategy. The last and fifth task is evaluating performance, monitoring new developments, and initiating corrective adjustments. The five tasks are discussed in depth below. These five tasks will serve as a guide for coherent structure of the discussion. Some relevant arguments from other writers will be incorporated in this section.

2.2.1 Vision

Thompson and Strickland (2003) define a vision as providing a panoramic view of the future of the company. "A strategic vision points a company to a particular direction and charts a strategic path for it to follow" (Thompson & Strickland, 2003:7). Therefore, a vision helps to set direction and is a continuous motivator for the management of a company. It is important for a vision to be put in all places where it can be seen by many so as to enable management and staff not to loose focus and to reinforce the vision in the minds of staff. Batemen and Snell (2002) find a relationship between a vision and a strategic intent by stating that, the vision statement clarifies the long-term direction of the company and its strategic intent. On the other hand, Thompson and Strickland (2003) associate the strategic intent with the strategic objectives. The association will be discussed under strategic objectives.

2.2.2 Mission

A mission is about here and now. Although the vision is about the future, there cannot be a future without the present. A mission helps to spell out the identity of the company and what the company does or produces. Put simply a mission is an organisation's basic purpose and scope of operations (Batemen & Snell, 2003).

2.2.3 Strategic objectives

After the vision and mission are in place the company needs to set out objectives. "The purpose of setting objectives is to convert managerial statements such as strategic vision and business mission into specific performance targets" (Thompson &

Strickland, 2003:9). Managers cannot be able to set performance targets for employees in a vacuum. The performance targets of employees should be crafted from the organisational objectives. An organisation should form both financial objectives and strategic objectives. Trade offs between the two can be made depending on the demands of the industry. Thompson and Strickland (2003) and Batemen and Snell (2002) differ in their interpretation of the strategic intent as mentioned in the vision section above. Thompson and Strickland (2003) relate a strategic intent to a "big, hairy audacious goal, or BHAG." This reflects an organisation that will relentlessly pursue a strategic objective and concentrates its energies on achieving that goal. Batemen and Snell (2002:119) argue that the strategic intent is spelt out in the vision, "the vision statement ideally clarifies the long term direction of the company and its strategic intent."

Profit making companies exist in order for shareholders to earn dividends and non-profit making organisations exist to fulfil their mandate and stay financially viable and therefore both financial and strategic objectives are crucial for the company to survive. The company needs to devise means in which to achieve set goals or objectives. This is none other than the strategy itself.

2.2.4 Strategy

"A strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organisation with markets, competitors, and other environmental factors" (Boyd, Walker & Larréché, 1998:29). This definition is three fold because it encompasses objectives to be achieved, on which markets and how resources will be allocated to meet environmental needs and competition (Boyd, Walker & Larréché, 1998). Thompson and Strickland (2003:10) define a strategy as "a reflection of managerial choices among alternatives and signals organisational commitment to particular products, markets, competitive approaches and ways of operating the enterprise." A strategy can be likened to a drug designed to treat a particular health condition associated with a virus. With time the virus changes its nature and becomes resistant to a certain drug. Scientists therefore have to add and take off certain components of the drug. Strategists often change the strategy in order to respond to changing market forces. As an example a company cannot continue to build office space while the market is contracting because of technology. A company has to link its strategy to the changing market needs.

Thompson and Strickland (2003:49) states that, "in diversified enterprises, strategies are initiated in four distinct organisation levels." These levels are corporate, business, functional and operational levels. The corporate level reflects a strategy for the company and all its businesses. Business level strategy refers to the strategy of each separate business the enterprise has diversified into. There is also a strategy for each functional unit which is known as the functional strategy. Departments within functional units have their own operating strategies. In a single business there is no corporate strategy. Batemen and Snell (2002) has left out the operational strategy as a separate type of a strategy and is in agreement with Boyd, Walker and Larréché (1998). Following is a discussion of these types of strategies

2.2.4.1 Corporate strategy

The changing market needs may require a company to diversify hence the corporate strategy concept. The corporate strategy concept is about decisions that the company adopts which pertain to the organisation's scope and resource deployments across the company's divisions (Boyd, Walker & Larréché, 1998). According to Thompson and Strickland (2003), these decisions are adopted by an organisation's top management because corporate strategy is crafted by the CEO and his executives and is subject to approval by the board. Lower level managers can only help to influence the corporate strategy.

Thompson and Strickland (2003), argue that, one has to take into consideration the following important initiatives when crafting a corporate strategy:

- In order to achieve diversification a company should consider making moves to establish positions in different businesses by identifying the kinds of business and industries in which to invest.
- Once the businesses and industries in which to invest have been identified, initiation of actions to boost the long-term performance and competitive positions of the identified businesses a firm has diversified into should be of paramount importance.
- A company should pursue ways to capture valuable cross business strategic fits and turn them into competitive advantage. A company has to establish investment priorities by steering corporate resources into more attractive business. In this situation cash cows should subsidise cash hogs. "A cash hog business is one whose internal cash flows are inadequate to fully fund its

needs for working capital and new capital investment; while a cash cow business is a valuable part pf a diversified company's business portfolio because it generates cash for financing new acquisitions, funding the capital requirements of cash hogs, and paying dividends" (Thompson & Strickland, 2003:343). Cash hogs are normally in fast paced growing industries where huge capital investments have to be made if a business aims to be a market leader. Cash cows are normally in slow-growth industries and profit made is over and above the requirements of re-investment in its operations.

On the other hand Boyd, Walker and Larréché (1998) consider five components of a corporate strategy as follows:

Scope: In this component one has to consider which businesses the company should be in, including expansion into unrelated businesses, vertical integration, acquisition and divestiture polices.

Goals and objectives: These will refer to overall corporate objectives aggregated across businesses, namely, revenue growth, profitability, return on investment, earnings per share and contributions to other stakeholders.

Allocation of resources: refers to the allocation of resources among businesses in corporate portfolio and functions shared by businesses.

Sources of competitive advantage: refers to the examination of market opportunities in each business and product market and strengths relative to the company's competitors across industries.

Sources of synergy: implies sharing of resources across businesses within the firm.

The two arguments above are an indication of the fact that corporate strategy has the same components regardless of the writers. Both arguments are composed of the corporate domain or business in which the company should be; goals and objectives; fair allocation of resources to boost the businesses; competitive advantage and sharing of resources by businesses within the company in the form of synergies. As mentioned above business units within the company operate within their individual industries with unique business-level strategies hence the discussion of the business level strategy that follows.

2.2.4.2 Business level strategy

Batemen and Snell (2002:127) argue that, "business strategy defines the major actions by which an organisation builds and strengthens its competitive advantage in the market place." Boyd, Walker and Larréché (1998:31) explain the business level strategy by asking questions such as, "What distinctive competencies can give the business unit a competitive advantage? And which of those competencies best match the needs and wants of the customers in the business's target segment(s)?" The corporate goals always constrain the business level strategy goals. Ghemawat (1999:54) reflects on the work of Porter and Hall (1980) as they are the first strategists to write about both costs and differentiation and states that, "successful companies had to choose between competing either on basis of low cost or by differentiating products and these strategies were referred to as "generic" strategies of low cost and differentiation." Companies that compete on a low cost strategy try to be efficient and offer a standard no frills product.

The one that prefers differentiation strategy tends to be unique in its market segment along some dimensions valued by customers. There is also a "focus" option, which cuts across generic strategies. "In some industries, there are no opportunities for focus or differentiation – it's solely a cost game – and this is true in a number of bulk commodities. It is argued in the work of Porter and Hall (1980:18) as reflected in Ghemawat (1999:55) that, "In other industries, cost is relatively unimportant because of buyer and product characteristics" The success of any of the strategies depends on the target market because profit-making companies exist to satisfy customers because some customers will not mind paying for expensive item because of a belief of higher risk and higher returns. A business is nothing without its functional areas hence the formulation of functional strategies

2.2.4.3 Functional strategy

According to Batémen and Snell (2002) each functional area should formulate a functional strategy that helps to support the organisation's business strategy. The functional areas in a strategy include production, human resources, marketing, research and development, finance, and distribution. Thompson and Strickland (2003) describes a functional strategy as a managerial game plan for a particular activity or department within the business. How a department will achieve its functional strategy in order to fulfil the goals of the organisation becomes the function of the operating strategy.

2.2.4.4 Operating strategy

According to Thompson and Strickland (2003), this is a prerogative of the front line managers because they create strategy-critical performance targets and need to have strategic action plans to achieve them. Operating strategies add further detail and completeness to functional strategies and business plan in general and in that way they provide support to higher level strategies. According to Parnell, (2003) there is an argument of whether strategy should be a public or a private strategy.

The levels of strategy discussed above dictate that it is impossible for a company's top management to hide its strategy from lower level managers and staff. Hiding the strategy from them can only lead to poor implementation of the strategy because of a lack of reason for the implementation. One can only argue for "at least some degree of privacy" (Parnell, 2003:16). Strategists who believe in private strategy argue that, "the best strategy must be one that competitors cannot understand" (Parnell, 2003:16). However, if one is working in an environment where managers or employees move from one company to another, it becomes impossible to hide the strategy from the competitors. That is the basis for the continuous analysis of the company's strengths and weaknesses; external opportunities and threats of competitors in the market place.

2.2.5 SWOT analysis

Before any implementation of strategy one has to consider matching the company's strengths and weaknesses, it's distinctive competence with opportunities and threats that it faces in the market place. According to Ghemawat (1999) a distinctive competence is enduring and unchanging over relatively long periods. Opportunities are defined as those that are more responsive to market place changes and pressures of the environment and if they outrun the distinctive competence, companies should be willing to gamble in trying to run away from Levitt's "Marketing Myopia." Marketing Myopia exists when companies focus too narrowly on specific products. Companies should realise that their failure is as a result of failure of the products they deliver to meet customer needs. Therefore, it is very important that companies should always benchmark the organisational competences with the changing environmental conditions, such as customer needs when crafting a strategy. One should analyse the environment in which the company operates in particular the industry. Porter (1985) in Ghemawat (1999) argues that there are "five forces" that form the framework of industry analysis which are discussed below.

2.2.6 Porter's five forces framework for industry analysis

Porter, (1985) in Ghemawat (1999) argues that in order for a company to gain competitive advantage it should analyse the environment in which it operates, the company's industry in particular before implementing a strategy. Annexure C, reflects a summarised version of the five forces. These five forces are discussed below as follows:

- Level of rivalry among competitors
- Threat of new entrants
- Threat of substitutes and
- Bargaining power of buyers
- Bargaining power of suppliers

2.2.6.1 Level of rivalry among competitors

The level of rivalry among competitors is influenced by industry growth, concentration and balance of players in the industry. Once the industry becomes concentrated competitors realise mutual interdependence and restrain rivalry. Many small competitors in the market at the same level may try to outdo one another to gain an advantage and disrupt the market while the presence of a dominant player may lesson rivalry. Competitors may introduce switching costs which make it difficult for their customers to switch over to the opposite. Also if competitors are diverse and may even face exit barriers they are likely to compete aggressively. While the struggle continues amongst competitors that occupy the market, the threat of new entrants is likely to affect them.

2.2.6.2 Threat of new entrants

New entrants into the industry experience obstacles which take various forms. These barriers exist whenever an outsider is unable to replicate the position of an existing company. Some barriers are bigger than others depending on the industry type in question. Old companies capitalise on the economies of scale while the new entrant is still struggling to beat the learning curve. Brand identity is one of the major barriers which is an advantage for early movers because it becomes difficult for new companies to establish their name in the market. Capital requirements is also among barriers as it becomes difficult for small new entrants to raise capital that will enable them to penetrate the new entrants. Legal requirements become a major barrier especially if the company is a multinational.

2.2.6.3 Tbreat of substitutes

Substitutes pose a real threat to existing business considering the costs of research that have been incurred in the original product. The price of substitutes tends to be lower than the price of the original product and this tends to lure customers into using the substitutes. An established brand name may help as a deterrent to customers to switch over to the new brand. Switching costs present a problem to the original product as the company may have to retrain, retool or redesign when a customer switches over.

2.2.6.4 Bargaining power of buyers

Buyers can determine the price of products and service. This depends on the concentration of buyers compared to suppliers and vice versa. Differentiation and brand identity of suppliers can help to protect them against manipulation by buyers. Information available to buyers influence their decisions on whether to switch over on not.

2.2.6.5 Bargaining power of suppliers

The power of suppliers is a mirror image of the power of buyers. The lesser the number of suppliers in an area the more power the buyers will have and vice versa. Supplier's power may be increased by their brand identity, differentiation of input and volumes they supply.

Years later Porter's five forces were criticised by Brandenburger and Nalebuff, (1996) in Ghemawat (1999) for the non-inclusion of complimentors in the forces of competitive advantage. The writing of Ghemawat is reflected in Brandenburger and

Nalebuff, (1996) whereby an introduction of a value net model was made and that highlighted the critical role of complementors. "Complimentors are defined as being mirror image of competitors (including new entrants and substitutes as well as existing rivals). On the demand side, they increase buyer's willingness to pay for products; on the supply side, they decrease the price that suppliers require for their inputs" (Ghemawat, 1999:32). As an example doctors play a role of complimentors because they influence success of the pharmaceutical industry by prescribing medicine that customers buy without them being direct customers. Complimentors can threaten to invade the competitor's turf which may be difficult for competitors to do.

Once the vision, mission, type of strategy, SWOT analysis, Porter's five forces and the value net have been dealt with one should look at linking the above approaches into strategic planning to achieve competitive advantage. This can only be performed by mapping the business landscapes.

2.2.7 The process of mapping the business landscape

According to Ghemawat, (1999) a business landscape refers to the industry or environment in which the company operates. This process involves the drawing of boundaries by identifying the types of players to be considered, forming relationships among the players considered and finally one should consider finding ways of adapting to or shaping those relationships among the players considered to maximise the profitability of the business.

2.2.8 Drawing the boundaries

One has to decide how broadly or narrowly the environment will be considered. A strategist should consider existing and potential players, detailed subcategories as compared to detailed categories. Players need to be consistently labelled from the perspective of the business which motivated the analysis. It becomes very important to consider the dimensions of scope such as horizontal, vertical and geographic dimensions.

Horizontal scope: This scope is defined in narrow and broad categories. A narrow category focuses on analysis and the broad one guard against being blindfolded like the concept of marketing myopia which is explained in the SWOT analysis. As an example one has to consider whether the business is the taxi business, narrow view or transport business, broad view. A narrow view should always be considered if the broader view presents problems.

Vertical scope: In this scope one should consider the number of linked stages of the supplier Π buyer chain. If a competitive market for third party sales exists between vertical stages or could be created the stages should be uncoupled.

Geographic scope: One has to consider looking at business opportunities in geographic terms, namely, local, regional, national, international.

2.2.9 Mapping key relationships

Porter emphasises rivalry and threats and does not consider co-operative relationships. Ghemawat (1999) highlights two kinds of relationships which are categorical and mental models. The categorical relationship is based on high versus low power for one's side. The mental models emphasises the understanding of key relationships to some depth. Both models require one to have information about the external environment in order to assess relationships on an ongoing basis to make future relationship forecasts. Therefore one needs to add the sixth force to Porter's five forces, namely, availability of compliments in order to be able to assess the environment thoroughly. This leads us to the last process in mapping the business landscape which is, adapting to or shaping the business landscape.

2.2.10 Adapting to or shaping the business landscape

Once boundaries have been drawn and relationships formed a business should consider adapting or shaping its environment to its own advantage. "Thinking about who the relevant players are and how might relationships among them evolve – is more helpful in identifying successful "shaper" strategies than injunctions to be insightful" (Ghemawat, 1999:44). This process is a cycle, it should happen throughout the strategy formulation and implementation process. All the above should be considered before the implementation of the strategy.

2.2.11 Implementation of strategy

A strategy has to be implemented carefully. Each manager has to check the relevance of the corporate strategy to his department and carry out the necessary part. This is more of an administrative part. Although strategists have to delegate this duty to managers, open communication is the key in this part coupled with developing competencies, capabilities, budgeting, policy making, motivating, culture building and leadership.

While implementing the strategy, evaluation of performance, monitoring of new developments and initiating corrective adjustments is key. Both the performance of staff and the organisation should be measured in accordance with the set objectives. The Chief Executive Officer (CEO) of a company is the custodian of a strategy including the making, implementation and responsibility for the success or downfall of a company (Thompson & Strickland, 2003). Parnell, (2003:19) is in agreement with the statement above because he argues that, "strategies should be formulated by top management, with assistance from others in the organisation to the extent they are able to contribute." On the contrary Burgelman and Grove (1996:21) view strategic plans as "abstract, far away, and give managers a lot of chances to reconsider as they go along... Clearly, the wisdom necessary to guide a company through transformational changes cannot, as a practical matter resides only in the head of the CEO".

Although the CEO is the custodian of the strategy he needs to continuously encourage intellectual debate amongst managers because strategic leadership means encouraging debate and bringing debate to a meaningful conclusion (Burgelman & Grove,1996).

Burgelman and Grove (1996) believe that strategy is born through the strategic action of managers.

Batemen and Snell (2002) emphasise the following steps in the implementation of a strategy:

- Definition of strategic tasks. Tasks should be defined in simple terms so that all employees can easily understand them. "...Research has found that white collar employees who understand their company's strategy and their corresponding strategically aligned job behaviours have higher performance and employer desired work attitudes, versus employees who do not understand their company's strategies or understand corresponding aligned job behaviours" (Gagnon & Micheal, 2003:25)
- Assessment of organisation capabilities. At this stage the entire task force is interviewed to identify tasks that hinder or help the strategy implementation and reports back to top management.
- Development of the implementation agenda. Staff interviews inform changes that need to be made in the management pattern including how critical dependencies will be managed what skills, structures, measures, information, and rewards might ultimately support required behaviour. Communication through a philosophy statement is paramount at this stage.
- Implementation plan. A plan to implement the strategy should be crafted by top management, employee task force and other relevant stakeholders.

The steps above offer a clear direction on how one should execute a strategy although basically stating the same ideas as in Thompson and Strickland (2003).

2.2.12 Strategic control

This is a critical stage as it determines the success or failure of a strategy. A strategy has to be controlled by continuous monitoring of new developments, evaluating performance and initiating corrective adjustments. This can be done through budgets and performance indicators for both employees and the company (Thompson & Strickland, 2003).

Strategy as discussed above undergoes change because of factors external and internal to the organisation, hence the review of literature on change management in the following section.

2.2.13 Summary and integration

Literature review on strategy has been the focus of this chapter. Arguments by various authors regarding the components of the strategy have been explained, namely, vision, mission, strategic objectives, types of strategy, SWOT, Porter's five forces and the value net. These form part of the formulation of strategy. Strategy is not complete without the implementation plan and control or evaluation plan which have been discussed above. These components of strategy formulation are the backbone of strategy formulation. Therefore, South African managers are assessed on the basis of this background. However, that will not be enough without the inclusion of theory review on change management because the writing is about assessing whether South African managers align change efforts to strategy. The following chapter will focus on theory review on change management.

CHAPTER 3

THEORY REVIEW ON CHANGE MANAGEMENT

3.1 INTRODUCTION

This chapter will focus on change management. The point of departure will be the discussion of the organisation and the environment of the organisation in which change occurs. Change is fuelled by specific reasons that in turn lead to the emergence of the types of change. Arguments regarding the change process models will be discussed in order to obtain an insight of steps one should follow when executing change and reasons thereof. This following discussion will help to analyse change in terms of the South African context.

In order to comprehend change, one should understand the context in which it occurs. As a point of departure we will look at organisational change. It is therefore important to understand the concept of an organisation and the environment in which it operates. The environment in which change occurs is a system and therefore, change in one part of the system necessitates change in another part of the system in order to achieve equilibrium. Organisational change manifests itself in various ways which therefore require various models in order to respond to it.

3.2 ORGANISATION

Various theorists portray the theory surrounding the concept of an organisation in different ways. In order to understand the nature of an organisation one has to look at the four paradigms in which groups of theorists have been grouped together in accordance with their views of the nature of an organisation (Van Tonder, 2004a). These paradigms explain the nature of the organisation as follows:

Radical humanists explain an organisation "as consisting of activity and shared meaning structures; managed through the management of meaning; symbolic in nature; a socially constructed reality; more a result of members own actions than they recognise" (Van Tonder, 2004a:22).

Radical structuralist theories view an organisation "as consisting of structures with inherent tensions; emphasising self-generated change; and empirical facet of an underlying organisational form embodied in the larger societal context, and being part of a larger context, only to be understood in terms of its role in this context" (Van Tonder, 2004a:22).

Interpretive theories have a view of the organisation as "consisting of activity and shared meaning; symbolic in nature; a socially constructed reality; more a result of members own actions than they recognise" (Van Tonder, 2004a:22).

Functionalist theories view the organisation as a formal, empirical entity; a phenomenon plagued by problems of effectiveness and efficiency; being structured and controlled to the point of efficiency and effectiveness; an entity that can be reduced to general principles which managers and practitioners can assess current practice; capable of minimising disruptive change by creating adaptability and organised change; being focused on the here and now; a web of ordered relationships, which is predictable and controllable; preoccupied with stability and certainty, viewing people as tools or resources" (Van Tonder, 2004a:22).

According to Nkomo (2005a) the system's perspective emphasises the interdependences in organisations because of the constant interactions of organisations with their environments in order to produce outputs through the inputs and thereby preventing death. The post modernist perspective on the other hand rejects attempts to build systematic explanations of history and human activity and which instead, concentrates on the ways in which human beings invent their world through language and cultural innovations and is by its very nature complex and fragmentary.

The paradigms explained above are reflective of the diverse views of an organisation and hence the diversity of organisations and diverse nature of management and leadership.

3.2.1 Environment of the organisation

Organisations do not operate in isolation. In their quest for survival they affect and in return are affected by their environments in a number of ways. Therefore, change is not independent of the environments in which organisations operate because in most occasions change is triggered by the environment.

It is important to understand the components of the environment in order to understand the environment of organisations and their effects on change. The environment of the organisation is composed of the external and internal components.

According to Nkomo (2005a) the external environment is composed of socio-cultural, technology, political-legal, economic and ecological influence. The internal environment is composed of informal and formal subsystem.

The informal subsystem is composed of politics, leadership and culture. The formal subsystem is composed of management, goals, strategy, structure, operations and technology.

3.2.1.1 External environment

Change in an organisation is influenced by various factors such as technology, culture of communities around the organisation, economy of the country in which the organisation operates and ecologieal issues. These factors can better be understood as triggers of change. Van Tonder, (2004b:21) states that, "...a wide array of change triggers have been identified, with external triggers typically including changes in the broader environment such as socio-political shifts, technological developments, changes in the economic and legal frameworks as well as industry specific trends and competitive initiatives by other organisations." Once one mentions industry specific conditions and competitive initiatives by other organisations, it is wise to revisit Porter's five forces of competitive advantage in this part of writing without leaving complements as discussed in strategy above. When change occurs there are normally actors recipients and roles that certain structures adopt and those will form part of the discussion in this section.

Nkomo (2005a) cites drivers of change as discovered in a recent African Change Leadership Research Project conducted by Professors Kriek and Nkomo, the drivers of change in South Africa have been found to be the following:

- New dispensation and social transformation
- Globalisation (i.e. to be world class business)
- Efficiency and streamlining demands which falls rather on the internal environment according to Van Tonder, (2004b)

The drivers of change determine the type of change required to address problems. These drivers of change are discussed below.

3.2.1.2 Drivers of change

Technology: The external environment influences the organisation because of the technological advances that occur globally. No organisation can resist the effects of technology. The amazon.com started selling books through the internet and the bookstores that thought were not going to be affected have now reduced their store sizes and are trying to catch up with it. Amazon.com is now selling music through the internet (Nkomo, 2005a). Van Tonder, (2004b:22) identifies major drivers of change that could prompt a revolutionary change which include, "an increasing amount of information, an expanding ability to communicate, the role and impact of technology, globalisation and global competition." Van Tonder, (2004b) refers to volumes of information processed through information technology which can traverse the globe in seconds reaching multitude of audiences. Information technology therefore has an ability of triggering a large scale change because it influences competition at a global scale through transmission of information quickly thereby expanding the ability to communicate.

Culture: This means values that have been learnt by people overtime. An organisation's survival also depends on understanding the culture of the people in an area where it operates. According to Hill (2003) McDonalds lost a lucrative deal in Beijing because with its origins in America it's management could not understand the culture of guanxi. "Guanxi literally means relationships, although in business setting it can be better understood as "connections" (Hill, 2003:87). When they lost the deal they went to court and did not win because their legal system also depends on guanxi whereby one should be well connected with the authorities and be able to win them through conversations without resorting to force. "China's legal framework lacks well defined property rights, which are critical in developing a market-based system" (Luo and Ho Park, 2001:142). This is an illustration of the manner in which culture and political system as external factors can influence the success of a business in a country, in particular if the country is a foreign country.

Economy: Organisations are influenced by the economy of the country in which they operate. A textile company operating in a country with a poor economy will have to decide whether it should export its products and offer jobs to the local people or manufacture cheap products in order to serve the local market.

Socio-Political shifts: South Africa in particular is characterised by a new dispensation and social transformation (Nkomo 2004a). This is a definite determinant of change characterised by a need to embrace diversity and unlearning the past belief systems in order to make a transition from an apartheid era to the democratic era (Booysen, 2005). This notion undoubtedly influences the way companies do business because companies in South Africa have to contend with issues like Black Economic Empowerment, Employment Equity Policies, Affirmative Action and Skills development to mention just a few initiatives of the new dispensation that affect the way companies do business in South Africa.

Ecological matters: Ecological influence cannot be ruled out. Bateman and Snell (2002) argue that we live in a risk society. That is, the creation of wealth and distribution of wealth generate by-products that can cause injury, loss or danger to people and the environment. The fundamental source of risk in industrialised world according to Bateman and Snell are the excessive production of hazards and ecologically unsustainable consumption of natural resources. Risk has proliferated through population explosion, industrial pollution and environmental degradation. The industrial pollution risks as argued above include but not limited to air pollution, smog, global warming, ozone depletion, acid rain, toxic waste sites, nuclear hazards, obsolete weapons arsenals, industrial accidents and hazardous products. These polluting activities by companies lead to various laws being introduced to protect nature hence the introduction of environmental laws that in turn prescribe how companies should ethically conduct business. This is a change trigger in that companies can choose to be proactive and not be subjected to forced alignment with the natural environment or reactive and be forced to align its production with natural environment resulting in heavy fines.

These external triggers cannot be complete without Porter's "Five forces" of industry analysis to achieve competitive advantage discussed above in the strategy section.

3.2.1.3 Porter's "Five forces" of industry analysis as trigger of change

Industry growth and dynamics of competitors do influence the competition and change in an industry. The threat of substitutes keeps businesses at their toes because of their relative price performance, buyer propensity and switching costs. The threat of new entrants encourages companies to strengthen their brand identities. Lastly, the bargaining power of suppliers and buyer necessitates change in companies because customers of today determine what businesses should supply. The external environment affects how business should be run and in such a way affects the internal environment of the organisation (Ghemawat, 1999).

In addition to Porter's five forces, there is value net which highlights the critical role of complimentors. This is rather a positive trigger of change as it sensitises companies to establish strategic relationships in order to survive. Brandenburger and Nabeluf (1996) in Ghemawat (1999:33) argue that, "Thinking [about] compliments is a different way of thinking about business. It's about finding ways to make the pie bigger rather than fighting with competitors over a fixed pie. To benefit from this insight, think about how to expand the pie by developing new compliments or making existing complements more affordable." This can be regarded as another change trigger.

3.2.1.4 Internal environment

The internal environment deals with the strategy as discussed above in the strategy section. This forms part of the formal subsystem. The informal part of the internal environment is crucial in the execution of the strategy. The culture of the organisation will determine whether change efforts will be successful or not. Change agents are normally faced with a task of changing culture first. Culture, leadership and politics cannot be separated in the way they influence business. Of all the change initiatives undertaken by organisations culture change is the least successful because of its complexity.

In a case study, in the IPM magazine Paddy Norton is quoted as saying, "We found the biggest challenge in the process of change was to change the culture of management" (Norton, 2003:16). "Several studies indicate resistance to change as the most important factor 70% failure rate of large organisational change projects; other reasons range from insufficient executive sponsoring to unrealistic expectations and ineffective leadership" (Norton, 2003:28). Based on the statements given above it becomes clear that formal sub-system is influenced in a big way by the informal sub-system. An organisation can have a good strategy in place but can also fail dismally if it cannot take into consideration the influence that leadership, culture and internal politics can have in an organisation. Therefore, the context of organisational change becomes an organisation's internal environment which takes its cues from the external environment.

3.2.1.5 Internal triggers of change

Van Tonder (2004b) mentions the most frequent internal triggers of change as uncovered by an empirical study of 187 companies located in the UK, Europe and the US as follows; changes in the competitive situation of the company which refers to an increase in the number of competitors, repositioning of competitors, a loss of market share; financial loss or lowered profitability; proactive change initiatives in response to anticipated opportunities or events such as restructuring, downsizing re-organising, re-engineering, relocating, buy-outs/takeovers, mergers and acquisitions; the replacement or arrival of a new CEO or managing director. In the midst of these internal triggers of change there are role players within an organisation who respond to the precipitating effects of the triggers in various ways. The internal triggers of change will be explained in terms of these players.

These internal players in an organisation are the workforce, leadership and organisation culture and are discussed below.

3.2.1.6 The value and experience of the change by the workforce

The workforce is composed of individual employees including lower level managers and supervisors. Van Tonder (2004:163a) says, "in order to come into grips with the experience of change at the individual level, we consider "personal transition" as a framework for viewing individual change and will use it more or less as a synonym for individual or personal change." Van Tonder (2004a) argues that people's different responses to change in organisations can be attributed to multitudes of schemata which are formed from schema. "A schema is a cognitive structure of substantial scale that is constructed from abstract and generic knowledge that will remain applicable or relevant across different situations and contexts, and is typically concerned with a specific object or concept" Van Tonder (2004a:118). Therefore a schemata serves to "draw on existing knowledge as an interpretive framework from within which new stimuli can be organised, analysed and interpreted and inferences made" Van Tonder (2004a:119). It is upon this basis that people respond differently to change.

"Organisational change should centre on how individuals are experiencing their current world of organisational change" Van Tonder (2004a:163). Depending on the change type change can evoke different types of transition associated with experiences that could range from anxiety, despair, resignation and despondency to hope, anticipation, emancipation, joy and excitement Van Tonder (2004a). According to Van Tonder (2004a) change can either be experienced as a risk or transition depending on the individual's previous experiences. If viewed as a risk the reactions of individual employees are likely to be characterised by the following:

- Shock which means will perceive change as a threat, immobilising, avoid and deny it is happening
- Defensive retreat which is characterised by anger, holding on still unsafe to risk
- Acknowledgement which is characterised by mourning, letting go, eventually with an increasing potential for risk taking
- Adaptation and change which is characterised by experiencing comfort with change, with increasing energy available for risk taking.

Those employees who respond to change as a transition will portray reactions similar to Lewins's change process theory:

- Ending phase which refers to letting go of the previous situation which is characterised by disengagement and disenchantment.
- Neutral zone which refers to completing endings and building energy for beginnings characterised by disorientation, disintegration and discovery and
- New beginnings which refers to new possibilities or alignment with a vision

In addition to the above, depending on how change has been carried out people are likely to resist or accept it and a distinction is made between immediate acceptors and immediate rejecters. In-between them one would find rational supporters or professional supporters who are likely to support the change on the basis of merit and rational resistors or honest opponents who disagree on rational grounds. Conformists pay a lip service to change while hiders and refugees maintain a low profile hoping that change will not succeed. The last one is the underground resistance which will covertly resist change to an extent of sabotage. At any point in time employees are likely to experience resistance which may be of a temporary nature.

i. Management role and experience

Management excluding senior management has a responsibility to scan, interpret and act on environmental information to maintain fit or a relationship between the environment and the organisation which necessitates an adaptation by the organisation and its employees. These managers, being employees themselves can be resistant to change especially if they have been through a bad one before. Van Tonder

(2004a:191) reflects in the work of Vaill (1989) by stating that, "managers face constant change that borders on chaos, and are consequently forced to engage in unpredictable organisational change endeavours, for which guiding parameters are only established as the change initiative progresses". Uncertainty may increase while the scope of change demands also increase on the manager which contributes to feelings of inadequacy and helplessness (Gersohn, 1989 in Van Tonder 2004a). Although lower level managers and general employees constitute the workforce they experience change differently if management is well informed about change as they tend to have control of the change process. They tend to have the same experience if change is happening in the boardroom (Van Tonder 2004a).

ii. The role of change by leadership

"Leadership, namely the CEO or other senior executives, sustain the manner in which change is brokered, experienced and dealt with, as well as the process of change at the employee level" (Van Tonder 2004a:189). While leaders usually leave it to the ill informed managers, the task of looking after employees well being during the process of change as discussed above, Smith and Carstens (2003) argue that the leader's ability to deal with the discomfort of individuals and resistance is a key role. Smith and Carstens (2003) developed an integrated role competence cluster model whereby they identify key four leadership roles, namely, initiator, shaper, monitor and assessor with the following associated competencies:

Initiator: setting a vision, communicating the vision and obtaining support for it.

Shaper: focuses on inducing and reinforcing the change initiative, the development of employees' competence and the empowerment of employees to meet the change requirements.

Monitor: encompass employee consultation, the handling of emotional reactions and the elimination of resistance and conflict.

Assessor: focuses on measuring and assessing change outcomes and the provision of focus areas for future change initiatives. "Undue emphasis on cost in the financial sense (a primary performance measure generally at managerial levels) drives managerial focus during change initiatives, which consequently leads to a neglect of the human and social costs of the change... Change impact negatively on the organisational system regardless of whether the change outcomes are deemed successful or otherwise" (Van Tonder 2004a:189).

Garvin and Roberto (2005) propose two major phases in a turnaround process namely the persuasion process and turnaround process. The persuasion process is owned by leadership, the CEO of the company in particular and therefore becomes the responsibility of leadership. The persuasion process is composed of the following stages:

Setting the stage: after the announcement of the plan, leadership should convince employees that radical change is imperative.

Creating the frame: leadership should position and frame preliminary plan, gather feedback and announce final plan.

Managing the mood: leadership should manage the mood through constant communication.

Reinforcing good habits: leadership should reinforce behavioural guidelines to avoid backsliding because the toughest challenge faced by leaders during a turnaround is to avoid backsliding into dysfunctional routines.

Van Tonder (2004a) argues that, change is experienced differently by leadership than the rest of the workforce as they normally have control of the change process. Therefore, leadership drives change while the workforce experience change in various ways. The culture of the organisation plays a significant role in the process of change.

3.2.1.7 Organisational culture

"Culture is what a group learns over a period of time as that group solves its problems of survival in an external environment and its problems of internal integration...if the organisation as a whole has had shared experiences, there will also be a total organisational culture" (Schein, 1990:111). "Organisational culture refers to the dominant beliefs, values and norms of the members of the group that form the organisation" (Struwig & Smith, 2002:21).

Schein (1990) proposes that, in order for one to analyse the culture of a particular organisation it is desirable to distinguish between three fundamental levels at which culture manifests itself, which are observable artefacts, values, and basic underlying assumptions.

Observable artefacts: These includes physical layout, the dress code, the manner in which people address each other, the smell and feel of the place, it's emotional intensity to records, products, statements of philosophy and annual reports. One should try and understand the underlying assumptions in order to understand the true meaning of the observable artefacts.

Values: These can be obtained through interviews and questionnaires or survey instruments. This will bring to the surface the inconsistencies between what is claimed and what is observed.

Underlying assumptions: These determine perceptions, thought processes, behaviour and feelings. Working with dedicated insiders can help bring to the surface how they perceive the world around them.

Struwig and Smith (2002:22) propose that "any changes in strategy should be accompanied by changes in organisational culture". Struwig and Smith (2002) used four types of organisational culture in their analysis of alignment of strategy change to organisational culture namely, power culture, role culture, task culture and person culture. They are explained as follows:

Power culture: In this type of culture power rests with the central figure. More faith is put on the central figure and size of the club might be a problem for the central figure.

Role Culture: This type is built around defined jobs, rules and procedures and is normally labelled as bureaucratic and slow to change even if the need arise. Its strength rests on specialities with little management span by management.

Task culture: This type is project oriented characterised by a matrix structure and easily adaptable. Influence within the firm is based on expertise rather than on personal authority.

Person Culture: This type is centred on a person. These organisations exist to help the individual rather than the individual helping out the organisation. Doctors, dentists and architects are types of this culture.

They argue that management can make the best strategy but these strategies are doomed to fail if implemented in an organisational culture that does not support the strategy coupled with individual aptitudes in the organisation to execute the strategy. The internal triggers of change drive management to respond by adapting the business to its environment. The role of leadership, in executing the change cannot be taken lightly as the way of executing the change affects people and the organisational culture.

3.2.1.8 Types of change

Ackerman in Nkomo (2005a) identifies three types of change. These are developmental, transitional and transformational.

Developmental change is incremental in nature and focuses on the continuous improvement of what is. Transitional change is concerned with the implementation of a known new state. Ackerman believes that the interim state can be managed over a controlled period. On the other hand the transformational stage is not easy to control because it takes place upon the emergence of a new state that cannot be predicated until it takes place.

According to Nkomo (2005a) in the recent research conducted by Nkomo and Kriek, the types of change have been found to be the following:

- Strategic repositioning (industry, market, position, vision and organisational identity
- Restructuring and downsizing
- Culture change (values, mindsets)
- Staff transformation
- Skills and knowledge development
- Black Economic Empowerment
- Becoming customer focused
- Movement of emphasis from labour relations to Human Resources Management
- Globalisation

Van Tonder (2004a:149) categorises change into two major types namely type I and type II and defines type I change as, " A steady state, incremental or step-by-step, sequential change which generally evolves over extended periods of time, does not have a disruptive influence on the system and is generally within the control of the system." This change is synonymous with first order change, alpha, formal logic, frame bending, normal, evolutionary, incremental, morphostasis and continuous change. Type II change is defined as, "A major, disruptive, unpredictable, paradigm-altering and system-wide change which has a very sudden onset and escalates rapidly to a point where it is perceive as being beyond the control of the system." This change is similar to change concepts like, transformation, second-order, gamma, trialectics, frame-breaking, paradigmatic, revolutionary, radical morphogenesis discontinuous and chaotic. Van Tonder (2004b) raises a concern over the reduction of the nature of change to a few discrete and absolute types that leave little room for hybrid forms of change. He contends that continuous or incremental change may have break points or be discontinuous because of environmental triggers and result in radical change. Research conducted by Brown and Eisenhardt (1997) in the computer industry in six companies between 1993 and 1995 has proven that the scale of continuous innovation that exists in those firms could not be adequately describe as incremental or radical because they seemed to overlap. Therefore, one should guard against inadequate distinction between these types of changes.

The change process models which are discussed below help to guide the change leader into developing one best change process model to adhere to while engaging change.

3.2.1.9 Change process models

The change process models will be limited to three because of their relevance and wide scope to the research, namely, Kotter's Eight Stage Model, Spiral Model of Change Process and Lewin's Process Model of change.

i. Kotter's eight stage model

Kotter (1995) highlights eight steps that should be followed as well as eight errors that should be avoided during the process of change. The Eight Steps that should be followed and mistakes that should be avoided are summarised in the following diagram for ease of reference in the discussion:

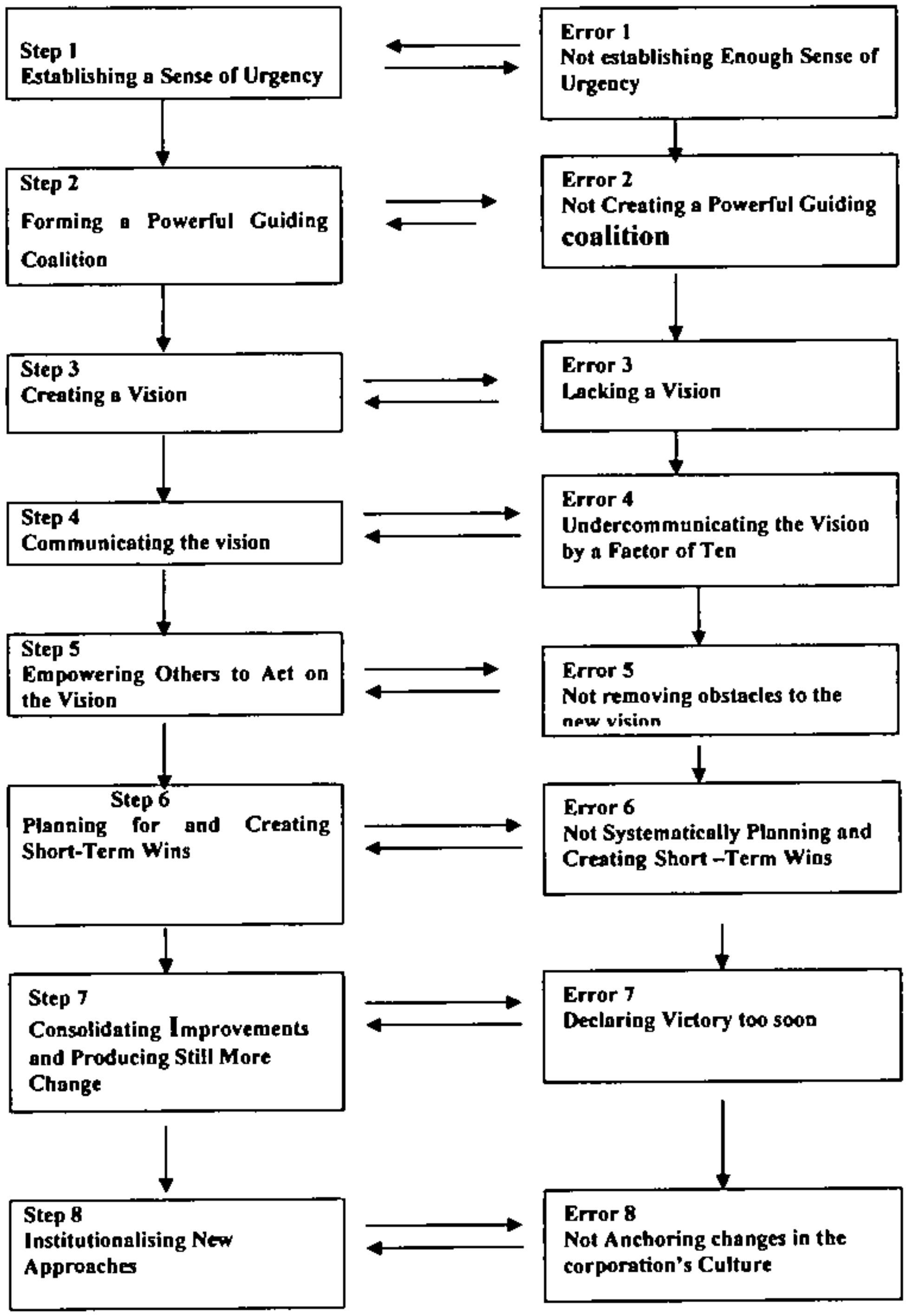


Diagram 1: Summary of Kotter's Eight steps to transforming an organisation

Establishing a Sense of Urgency: Although Kotter (1995) argues that this stage needs leaders not paralysed senior management. Paralysed Senior leadership is described as executives who become worried about downside possibilities such as, morale will drop, events will spill out of control and fear of potential chaos. It is good that people should be taken out of their comfort zones and make the status quo more dangerous than launching into the unknown and change leaders are reminded that there is also a risk in playing it too safe. The risk is that the transformation process cannot succeed and the long term future of the organisation can be in jeopardy. Therefore, a change leader should examine the market, competitive realities, identify crises, potential crises even if it is created and identify major opportunities if transformation is to succeed. One should make strides in this step in order to move to the next step.

Forming a Powerful Guiding Coalition: This is a group of people who help to guide the change efforts. They should be people who have powerful titles, information and expertise and portray a good reputation and relationship in an organisation. These people together with the CEO should assess their company's problems and opportunities and create a minimum level of trust and communication. These may even involve a key customer and a union leader where necessary. "A self renewing organisation can be built only on the bedrock of people who are willing to take personal initiative and to cooperate with one another, who have self-confidence and a commitment to the company, and who are able to execute relatively routine tasks with the same proficiency as they are willing to learn new skills and ways to take the company to the nest stages of its ambition." (Bartlett and Ghoshal, 1995:11). The CEO should at all times show support to the team by bringing the team together at all times. This is a team that will develop a strategy for the organisation by going of strategic sessions for a few days. A picture of the future starts with a vision.

Creating a vision: The guiding coalition should first and foremost develop a relatively easy to communicate vision that appeals to the organisation's customers, stockholders and employees. The vision helps to set direction for the company. Strategies to realise the vision can be formulated afterwards. Kotter's rule of thumb is that: A good vision should be communicated in five minutes or less and should be clear. Plenty of plans without a vision can never succeed. A vision should be thoroughly communicated as discussed in the following section.

Communicating the vision: Leadership should use every tool available to communicate the new vision that drives the new strategy. Integrity by the coalition members is paramount because messages carry more weight when the carrier walks the talk. Leadership should try and communicate the vision hour-by-hour to the employees, convince employees on how the proposed solutions fit into the bigger picture. These communication channels will include training, quarterly meetings, electronic communication, mail, company magazines, memos, media, using the guiding coalition to spread the news and any other form of communication available to the company. These measures will prevent under-communication of the vision and instead empower others to act on the vision.

Empowering others to act on the vision: The first step is to get rid of obstacles to change. The obstacles present themselves in various ways which may include, organisational structure, performance appraisal systems, bosses who refuse to change by paying lip service to change efforts. Encouraging risk taking, adoption of non-traditional ideas activities and actions can help to change the organisation. These ideas should be celebrated if they result in solutions.

Planning for and Creating Short Term wins: In the strategic planning of change, there should be room for short term wins. Some people will continue to downplay management efforts to engage change and some may continue to think it will fail like the previous ones. However, creating annual gaols leading to bigger goals which are recognised through celebrations, rewards or promotions once achieved sends a clear message to those who do not believe change will succeed and motivates those who have already bought into change.

Consolidating improvements and Producing Still More Change: Leadership should be cautious not to declare victory too soon because that can yield catastrophic consequences associated with killing the momentum already gathered. Transformation can take up to five to ten years in order to be consolidated into the corporate culture and short term wins should never be confused with overall victory. Instead, short term wins should be used as a vehicle to monitor the success and consistency of systems put in place and to improve on those systems if there is a need.

Institutionalising New Approaches: Leadership should use communication to articulate connections between the new behaviours and corporate success in its efforts to ensure that transformation is incorporated into the social norms and values of the organisation because it can never be complete until it is internalised. Change leaders should ensure that leadership development and succession planning are in place in order to avoid elevation of people into senior positions without any appreciation for change.

Leadership should be weary of committing mistakes by ignoring the eight steps discussed above. A properly communicated vision by the guiding coalition is paramount in order to ensure the success of a transformation effort. No one model can guarantee the success of change efforts by leadership hence the discussion of the next two models to help complement each other.

ii. Spiral model of change process

According to Nkomo (2005a), the spiral model emphasises three phases that look simple if everything is kept constant. These phases are as follows:

Initiating change: Once change is initiated it must be channelled towards the desired new state without doing everything at once. The initiation of transformation in this model is characterised by deep rooted incremental changes which take a spiral form in moving towards creating positive energy towards the desired new state. It is in this stage that leadership should determine the amount of change that the organisation can sustain. Nkomo (2005:19a) reflects on the work of Bridges (2002) by citing a suggestion that, leaders should ask themselves the following questions:

- "What is actually going to change?
- How will the change affect other areas of the organisation? What are the secondary changes that the change will probably cause?
- Who is going to have to let go of something?
- What is over for everyone?

- What crucial conversations are we not holding that are keeping us stuck in old patterns?
- How are we as leaders maintaining the status quo? "

The transition to a new state: During the transition one should be weary of unforeseen consequences that may seek to undermine the smooth transition into new state and seek to disturb them in a manner that approximates the desired outcome. This is an indication that, this theory is built around type I change whereby little incremental interventions can lead a bigger change outcome.

Momentum should be sustained: In order to sustain momentum, leadership must engage in crucial feedback conversations in order to ensure that momentum is sustained (Nkomo, 2005a)

iii. Lewin's process model of change

In this model there are three phases that entail unfreezing the status quo, movement into by building new attitudes refreezing once the target has been reached (Nkomo, 2005a). The three phases are made possible at the individual level through effective communication strategies because this will help employees to unfreeze the status quo by understanding the need for change and personal effects of the proposed change (Goodman & Truss, 2004). Persuasive communication is critical at the first stage. According to Nkomo (2005a) these stages unfold in the following way:

Unfreeze: refers to reducing forces for the status quo by encouraging individuals to discard old behaviours. In this way equilibrium would shake up. "Working with people to neutralise or reverse forces that cause them to resist change is the way to unfreeze a situation" (Levasseur 1992:116). The desired changes will stick if leadership would get people involved from the identification, planning and implementation of decisions that have been mutually agreed (Levasseur 1992).

Movement: refers to the development of new attitudes, behaviours and values. Active communication is critical at the moving stage because the strategy is applied at this stage.

Refreeze: Lastly, when the change goals have been achieved leadership has to manage information about the change in order to avoid backsliding. Establishment and reinforcement of new attitudes, values and behaviours are core in this stage. This would include rewarding and reinforcing new behaviours and provision of consistent leadership, support and resources (Levasseur, 1992). Goodman and Truss (2004:225) propose the change communication model reflected in figure I in the following page.

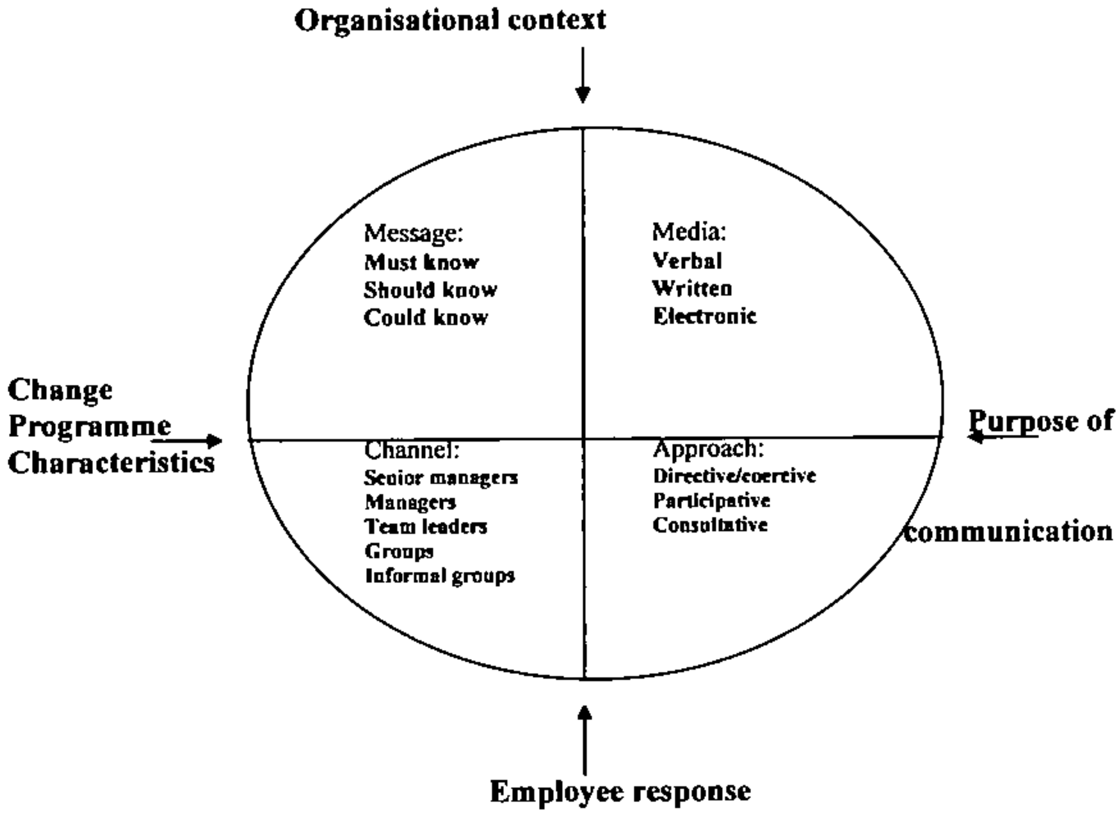


Figure 1. The change communication wheel

This model implies that the message, media, channel and approach of a communication strategy will be determined by the purpose of communication, the organisational context in which the communication is taking place, change programme characteristics and response of employees. In this situation continuous feedback will be necessary internal contents of the communication wheel in order to avoid mis-communication and to progress coherently through Lewin's stages of change (Goodman & Truss, 2004).

The three models discussed above compliment each other. Kotter (1995) emphasises radical change or type II change with a comprehensive checklist. The spiral model does not dismiss entirely the idea of radical change, however, for this transformation to occur there should be deep-rooted incremental changes that would ultimately lead to a positive new state. Lewin's model believes that type II change can occur by emphasising the positive attitudes about change and positively discouraging negative attitudes by involving resistors in your planning and implementation and actually utilising their energies in thinking about solutions.

While all the models discussed above are relevant to this research they cannot survive without fit to the environmental conditions. The alignment of change efforts to corporate strategy cannot be understood fully without the discussion of the theory from which it emanates. Therefore, the discussion of the contingency theory is relevant in this study.

3.3 CONTINGENCY THEORY

According to Yukl (2002:17), "contingency theory describes some aspects of leadership that applies to some situations but not to others and can either be prescriptive or descriptive." "Common to all contingency approaches is the proposition that performance is a consequence of the fit between several factors: structure, people, technology, strategy and culture" (Tosi & Slocum, 1984:9). According to Tosi and Slocum (1984) there is a complex relationship between environmental, organisational and individual group. Donaldson (1987) in his research proved that fit is a cause for performance. Environmental illiberality which occurs in situations where business conditions are stringent and cannot tolerate sub-performance. In such situations even a small disturbance can result in a necessity for change. This theory can best be explained by a model of Structural Adjustment to Regain Fit (SARFIT) used by Donaldson (1987) in his research.

3.3.1 SARFIT model

"A change in the contingency variable (such as size or degree of product diversification) leads to a misfit between the existing structure and the new value of the contingency variable" Donaldson (1987:4). According to Donaldson (1987) a mismatch can produce a range of dysfunctional behaviours in an organisation, namely, slow and poor quality decision making and miscommunication which can result in de-motivation which ultimately leads to low economic performance including low returns and loss of opportunities. The low economic performance motivates leaders to reorganise. Such low economic performance "occurs more readily in situations where business conditions are sufficiently stringent to prevent the company having slack resources which can be used to absorb sub-optimal performance without the necessity for change in structure" Donaldson (1987:5). This is referred to as environmental illiberality. Diagram 2 helps to illustrate the explanation above.

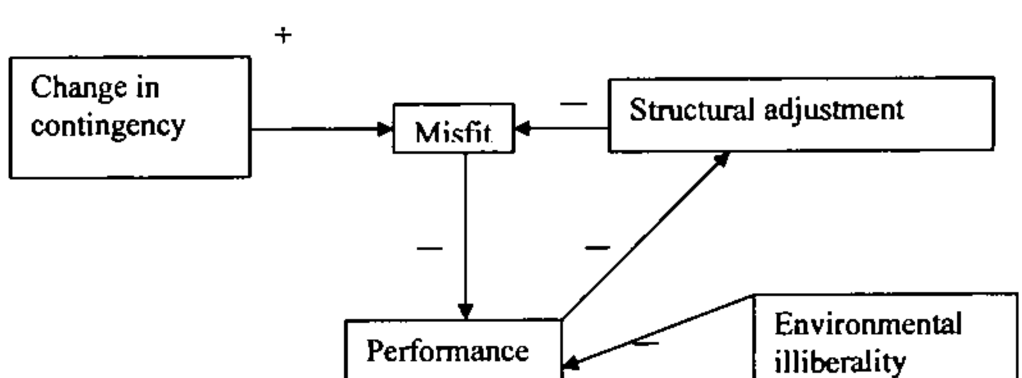


Diagram 2, Structural Adjustment model to Regain Fit

The contingency theory is basically composed of four components such as:

- A relationship between environmental and organisational factors
- A tension in this relationship depending of the level of environmental illeberality can lead into a desirability for change
- The desirable change that actually takes place compared to the desirable change can lead to a fit or a misfit
- A misfit will be reflected through the low company performance and a fit will be reflected through good performance (Zajac, Kraatz & Bresser, 2000)

The contingency theory forms the basis for organisational fit or alignment. The chapter that follows which constitutes alignment of change efforts to strategy will be guided principles of the contingency theory as discussed above. This chapter focused on theory surrounding change management. In order to be able to discuss alignment between change efforts and strategy one has to understand the concept of change. This change occurs in organisations which are surrounded by turbulent conditions which trigger change. The type of trigger informs the organisation about the type of change to adopt. The change models that have been discussed serve as a guideline on how this change should be approached and implemented in an organisation in order to maintain or achieve alignment needed by the organisation to achieve good economic organisational performance. Contingency theory forms a base upon which theories of change and strategy alignment of an organisation is formed. The following chapter focuses on the discussion of alignment of change to the strategy of an organisation.

CHAPTER FOUR

ALIGNMENT OF CHANGE TO STRATEGY OF AN ORGANISATION

4.1 INTRODUCTION

This chapter focuses on the review of literature on alignment of change to strategy of an organisation. Types of strategy by Miles and Snow (1978) and their relevance to the relationship and alignment of the strategy to the environment of the organisation is discussed. Exploration of a relationship between change management and strategy which leads to their alignment with reasons for the alignment and reasons for the maintenance of the alignment that results from the relationship. A model that will be used in this research is also explained in this chapter.

4.2 THEORY REVIEW ON ALIGNMENT OF CHANGE MANAGEMENT TO STRATEGY

The issue of alignment of strategy with the continuously changing internal and external environment of the organisation raises the importance of change in an organisation. Change management efforts should be aligned to the company's corporate strategy in order for the company to survive.

"While fit seems to imply a match at a single point in time, understanding dynamic fit requires that any new perspective on strategic fit must also come to grips with the question of strategic change." (Zajac et al, 2000:429). Miles and Snow in Zajac, et al (2000:431) suggests that, "the process of achieving fit begins, conceptually at least, by aligning the company to its market place ... this process of alignment defines the company's strategy." This alignment can best be understood in the context of alignment of corporate strategy with changing environment of the organisation.

4.2.1 Alignment of strategy with changing environment of the organisation

Zajac, et al (2000) criticises the SWOT framework in strategy to achieve better fit with environmental conditions because a change in the environment does not necessarily necessitate a change in the strategy if those changes would lead to a misfit. According to Donaldson (1987) change is also determined by the level of illiberality of the environment to accommodate low performance. This relationship between the organisation's strategy and its environment is explained through Miles and Snow's typology. According to the Free Dictionary (2005), "typology literally means the study of types or a theory or doctrine of types, as in spiritual studies."

4.2.1.1 A Miles and Snow typology

It explains a strategic fit through distinctive types of strategic configurations such as defenders, analysers and prospectors (Luo & Ho Park, 2001).

The defender: emphasises efficiency on existing operations through incremental improvements while ignoring to adjust internal configurations. Managers in these organisations tend to have a narrow focus as a result of their expert knowledge of their organisation's limited area of operation. These organisations seldom focus on making changes in their technology, structure or methods of operation and continuously strive to improve on efficiency (Gimenez, 2000).

Analyser: According to Luo and Ho Park (2001) analyser is described as fitting the transitional environment. These organisations operate in two differing market domains, one stable and the other changing. In their stable domains they resemble the defenders because they emphasize efficiency and in their turbulent domains they emphasize innovation by watching competitors for new ideas and quickly adopt the promising ones (Gimenez, 2000).

Prospectors: are continuously innovative in nature because these organisations emphasise the scanning, identifying and capitalising emerging market opportunities and use change to gain an edge over their competition (Luo & Ho Park, 2001). Gimenez (2000) regards these organisations as not completely efficient because of their continuous change. The essence of these typologies is to examine the effect of environmental conditions and change of market forces. Luo and Ho Park (2001) do not mention the fourth typology in their research, the reactors.

Reactors: are described by Gimenez (2000), as organisations in which managers perceive change, however, because of a lack of consistent strategy-structure are unable to make the necessary adjustments until forced by the environment to change. (Miles & Snow, 1978:82) views the inconsistency of reactor strategies as stemming from three sources such as, "(1) management fails to articulate a viable organisational strategy; (2) a strategy is articulated but technology, structure and process are not linked to it in an appropriate manner; or (3) management adheres to a particular strategy-structure relationship even though it is no longer relevant to environmental conditions." Gimenez (2000) has reflected on the work of Snow and Hrebiniak

(1980) in which it has been noted that, reactor organisations could outperform the other three types given a low degree of change in an environment.

Having noted the relationship between environment and change efforts and various types of organisations as discussed in Miles and Snow (1978) one can conclude that, the actions of leadership in the internal environment of the organisation determine a misfit or fit between the environment and the organisation. Leadership might choose to follow a strategic intent and defend it despite changes taking place around them. Alternatively, managers might choose to deviate from the strategic intent in their efforts to preserve their comfort zones. Therefore, there is a relationship between the strategic intent and strategic action by leadership and managers.

4.2.2 Strategic action versus strategic intent

The reason for failure of many strategies is that strategists prefer to delegate the implementation of a strategy. It is in the implementation phase that the change strategy might begin to loose meaning because it might be delegated to managers who quietly resist change, managers who do not want to take responsibility and keep on hiding behind their superiors when they issue unpopular statements. In this way the manager might be able to deviate from the main cause to achieve his own selfish ends (Anderson, 2002).

In a survey conducted by Chris Anderson of Royal Bank of Scotland to assess the gap between saying and doing, the results indicated a gap between formally presented strategy to the organisation and strategy implemented by managers (Anderson, 2002).

Managers did what was possible given their own working knowledge (Anderson, 2002). Royal bank recognised that "business actions, leadership signals and management behaviours, in combination, send out the most powerful messages within a large organisation" (Anderson, 2002: 9). Therefore, important for leaders not to distance themselves from the complex implementation stage and adhere to set performance targets which should be continuously monitored all the time.

As a consequence of the strategic action that is inconsistent with the strategic intent by management, strategic dissonance in the organisation may result (Burgelman & Grove, 1996). According to Burgelman and Grove (1996) there are three prerequisites for the alignment of strategic action to strategy and these are, strategic dissonance, strategic inflection point and strategic recognition. It is important to discuss these prerequisites in order to understand why companies need the alignment between their actions namely change and strategy.

Strategic dissonance: This begins with the setting of strategic dissonance in an organisation which can be simply described as the "divergences between intent and action" (Burgelman & Grove, 1996:9). Once this sets in management must be able to take advantage of this conflicting information by being able to sift through it to come up with a new aligned vision. However it should be noted that not all dissonance is strategic, it is strategic only when it signals the impending industry or corporate transformation (Burgelman & Grove, 1996). This can lead to the replacement of one winning strategy by another and that can be referred to as the strategic inflection point.

Strategic inflection point: The question one would ask is how does a company tell when it has reached a strategic inflection point? The answers to this question often come from middle management or sales people who are constantly exposed to the reality as dictated to them by market trends and needs of their customers. At first glance these ideas may seem peripheral, "but it is wise to keep in mind that when Spring comes, snow melts first at the periphery: That's where it is most exposed" (Burgelman & Grove, 1996:11). Therefore, it is wise for management to appreciate the strategic importance of managerial initiatives after they have come about but before unequivocal environmental feedback is available" (Burgelman & Grove, 1996:11). This statement is a definition of strategic recognition by senior management.

Strategic recognition: Top management has to recognise that the changing circumstances signal a strategic inflection point (SIP). This happens through the recognition of strategic dissonance, being able to recognise a SIP and being able to discern the newly emerging strategic picture while providing a framework in which divergence to combat divergence and formulation of the new strategic intent. Burgelman and Grove (1996) regard this as a fundamental test of the resilience of the company's culture and its leadership.

Burgelman and Grove (1996) propose a theoretical analysis framework composed of five forces. The five forces are basis of competitive advantage, distinctive competence, the company's official corporate strategy, strategic action and internal selection environment. This section deals with a role of leadership and managers on strategic intent and strategic action and relevance to alignment of change efforts to strategy. Therefore it becomes necessary that issues relating to strategy and how they unfold into change requirements to bring about alignment in an organisation be discussed in this section. These will help management determine whether the manifestations of dissonance are strategic or not and help to elicit relevant questions that help surface latent signs of strategic dissonance.

Basis of competitive advantage: This is determined by Porter's five forces of competitive advantage in the industry as attractiveness of an industry. One would ask questions around bargaining power of customers and suppliers, the nature of rivalry among incumbents, threat of new entrants and of substitution and one would in addition to the above consider technological change and effect of legislation on the industry.

Distinctive competence: These are the competences that make it possible for the company to create a competitive advantage to survive.

The company's official corporate strategy: This reflects top management beliefs about the basis of the firm's current success and anticipated changes in the familiar environment.

Strategic action: This is what the company actually does to execute strategy and is normally reflected in the actions of managers.

Internal selection environment: This helps to mediate the link between distinctive competence and the basis of competitive advantage. This comprises elements such as resource allocation policies and norms governing internal communication.

The forces above should be seen as an instrument to help uncover and manage strategic dissonance with an aim of identifying strategic inflection points which should be recognised in order to form new corporate strategy that is aligned to the actions of the organisation. The discussion that follows discusses the alignment of organisational processes and the vision of the organisations because every effort by management should be directly linked to the vision of the organisation.

4.3 RELATIONSHIP BETWEEN ORGANISATIONAL PROCESSES, VISION AND ORGANISATIONAL CHANGE

Management consulting companies have a vast experience in aligning company change to strategy. They have seen strategies fail and have taken companies out of trouble as they are not aligned in organisations in any way and are able to analyse business processes and strategy in an objective manner. The Revere Group (2005) has developed an organisation alignment approach that emphasises streamlined processes clearly tied to the vision. In their model, they include, strategy, processes, organisational design, capabilities, technology, measures and rewards.

Strategy: They emphasise that, a change agent should work with leadership to define strategies, mission, vision and guiding principles. Behaviour changes should be noted and key performance indicators to measure progress should be of paramount importance.

Organisation design: This includes identifying criteria to design the optimal organisation structure, staffing model, key roles and responsibilities, decision making authority, accountability and communications channels should also be linked to the vision and strategy.

Capabilities: The company should develop skills, knowledge, and behaviours needed to align with the organisational design. Ongoing development of staff that is aligned to strategy is necessary through the ongoing determination of training and staffing needs.

Technology: The company should develop technologies that maximise the benefits of organisation and drive processes and capabilities.

Measurement and rewards: A performance management strategy that enables employees to understand key expectations coupled with key measures and reporting strategy should be developed.

This approach makes every attempt to link all change efforts to the strategy of the organisation. Management should guard against being fixated on achieving quick results leaving out certain crucial phases that might cause it to regress to earlier stages at a later stage in the process. "Skipping steps creates only the illusion of speed and seldom produces a desired result" (Kotter, 1995:87). All processes should be linked to the strategy in order to see every piece to completion.

The Revere group (2005:1) maintains that, if all the processes discussed above are in synergy, they result in an aligned organisation that provides the following benefits:

- Streamlined processes clearly tied to the vision
- A "change ready culture" with the ability to quickly and effectively integrate changes with disruption
- Clearly defined accountabilities, roles and responsibilities

- Consistent-performance management processes that drive key organisational and individual competencies
- Improved communication
- Definition of decision-making authority across the organisation
- Knowledge transfer of organisation alignment concepts and application to the organisation
- Training gap analysis and curriculum development that aligns with and develops key organisational and individual competencies.

The Revere group claims to have implemented its model with success to a couple of organisations. Ackerman-Anderson and Anderson (No date) warn against overuse of external consultants to the extent of letting them handle human and cultural issues associated with the change. Consultants are not motivated to handle those matters as that would take their work away from them if they pass it on. They advise that, as the organisation is going to continue to change in years to come the best advice it to use external experts where needed to advise on what to change but develop your internal resources to support and invest in your people as they are the ones closer to real issues that need attention.

According to Higgins (2005:1) argue that, "much of successful strategy execution revolves around aligning key organisational factors with strategy... At a minimum, executives must align the following cross functional organisational factors, namely, structure, systems and processes, leadership style, staff, resources and shared values." The cross functional organisational factors are known as the eight 'S's of successful strategy execution alternatively an eight 'S' model. It is important to discuss these

'S's in this section because the 'S's deal with an alignment of organisational processes or strategy to change and have therefore been found to be relevant in this section and are also used as a tool to analyse strategy. The eight 'S' originated from McKinsey's Seven 'S's. The difference between two is the addition of "resources" as a replacement for skill because of the reasoning that no organisation can successfully execute strategy without additional resources such as Money, information, technology and time (Higgins, 2005). These eight 'S's are briefly discussed as follows:

4.4 THE EIGHT 'S'S MODEL OF STRATEGY EXECUTION

Strategy and purposes: These include, strategic intent, vision, focus, mission, goals, and strategic objectives. Besides other types of strategies mentioned and discussed in the strategy section such as corporate, business and functional strategy, mention is made of process strategies that normally cut across functions with an aim of integrating organisational processes across the organisation in order to make it more efficient and effective.

Structure: This consists of five parts which are; jobs, the authority to do those jobs, the authority to do those jobs; the grouping of jobs in a logical fashion, such as departments; the manager's span of control and mechanisms of co-ordination. The first four are normally defined in an organisation chart and the last two are incorporated into policies and procedures.

Systems and Processes: These are the systems and processes that enable an organisation to get things done from day to day namely, strategic planning systems, information systems, reward systems and processes and performance management systems.

Leadership and management style: This refers to the consistent pattern of behaviour exhibited by leadership when relating to subordinates and employees in general.

Staff: This refers to the number and types of employees matched with the type of individual and group competencies the company needs to meet its strategic purposes.

Resources: The most critical resources are staff, technology and money. These may include software research and development projects and technology. Particular emphasis should be made on the way in which the organisation leverages its resources.

Shared values (organisational culture): This refers to the management of cultural artefacts and values shared by members of the organisation that make it different from other organisations and also critical in the successful leading of change.

Strategic performance: This is a derivative of the other 'S's above and can be measured at any level. Financial performance is usually the one measured by organisations.

The non-alignment of change strategies to the vision may be the cause of failure of many change efforts. Once the organisation has achieved alignment, it should be monitored and monitoring alignment is tantamount to maintaining alignment. The following section will look at how organisations should maintain alignment.

4.5 MAINTAINING ALIGNMENT

Once strategic dissonance sets in, it leads to a strategic inflection point which should be recognised in order to bring about alignment. Once alignment has been obtained then it should be maintained until the cycle repeats itself. Michelman (2005) proposes the following three best practises in maintaining alignment such as:

- Connecting each project to strategy
- Measure and reward
- Wage war on short term thinking

Each practice is explained below as follows:

Connecting each project to strategy: Any project in a company, be it small or big should advance the company's goals hence completion of a project in time and within budget does not carry much weight if the project has no relevance to the achievement of the company's goals (Michelman, 2005).

Measure and reward: Well-aligned firms need to have "metric and reward systems custom built to support the strategy" (Michelman, 2005:1). This will help to ensure that any change project supports the strategy because nobody will be encouraged to continue with a project, which will not be rewarded.

Waging war on short-term thinking: "The pursuit of short-term gains is the common cold of strategic alignment efforts; no permanent cure exists, so it keeps creeping back in" (Michelman, 2005:1). This can best be addressed by allowing employees to create or establish goals which can be broken down into action items that are continuously monitored on a weekly basis whereby managers will meet with subordinates. These meetings will help aim to coach subordinates on their progress (Michelman, 2005).

4.6 Explanation of the models

Literature review on strategy, change management and alignment of the two has been explored. It is therefore important to devise a model that will be utilised in this research. The models are composed of theory from the literature review above. The models to be used in this study are models of dynamic strategic fit: Antecedents and consequences which were developed by Zajac, et al (2000) and Eight 'S's model that originates from McKinsey 7 'S' model (Higgins 2005). The two models and their relevance to this research is explained below.

4.6.1 Dynamic strategic fit: antecedents and consequences

This model has been adopted from a research conducted by Zajac, et al (2000) where it was used to assess fit in many organisations over an extended period of time. It will be adapted to a cross sectional study to assess an event which has occurred over a decade. It is argued in this model that, "...organisations face multiple environmental and these contingencies suggest a potential tension in a firm that seeks fit between strategy and environment versus a fit between a firm and its unique competencies. A problem exists when an organisation moves away from its traditional competencies because of change in its strategy.

This model serves as an analytical approach that "simultaneously considers how multiple organisational and environmental factors should affect strategic fit over time, as well as subsequent firm performance" (Zajac, et al 2000:432).

The following figure named figure 2 will assist in explaining the model:

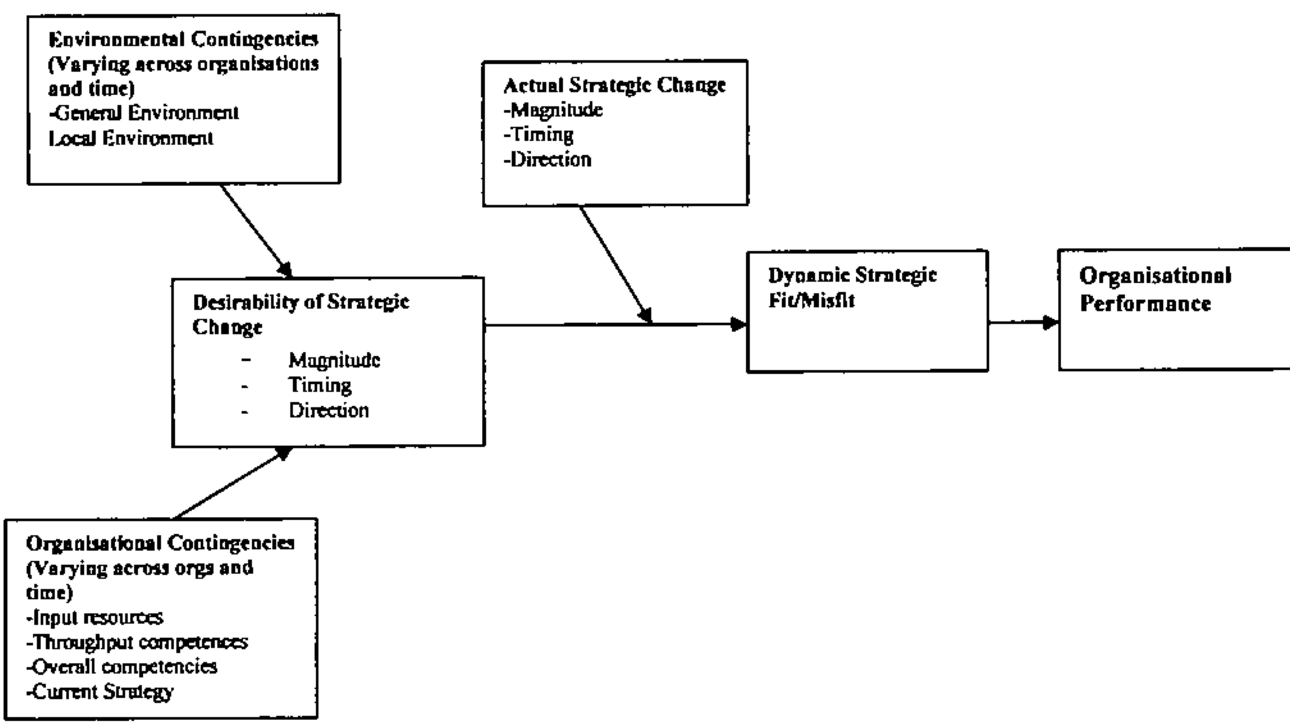


Figure 2. A generic model of dynamic strategic fit: Antecedents and consequences

This model can be explained in phases as follows:

- The first step entails the definition of a set of organisational and environmental factors that should theoretically define a strategic fit
- Variation of these factors necessitates strategic change across the organisation and time
- The comparison of the actual and necessary strategic change determines the dynamic strategic fit or misfit, which subsequently influence performance of an organisation.
- Once the strategic fit or misfit has been established it is necessary to identify whether Strategic Change is needed to establish alignment and if it occurs what benefits can the organisation enjoy in terms of performance.

Table 1 below will make it easier to explain this last leg of the model:

Does strategic change occur?

Is Strategic Change Needed to Establish Dynamic Strategic Fit?		**Yes**	**No**
	Yes	**Beneficial Strategic Change (Dynamic Fit)**	**Insufficient Strategic Change (Dynamic Misfit)**
	No	**Excessive Change (Dynamic Misfit)**	**Beneficial Inertia (Dynamic Fit)**

Table 1 Four possible scenarios in the pursuit of dynamic strategic fit

The four scenarios mentioned above are as a result of the connection between strategic change, dynamic strategic fit, and organisational performance and can be explained as follows

- The first quadrant of beneficial strategic change-dynamic fit portrays a situation whereby an organisation faces a necessity to change as required by environmental and organisational contingencies and does change as required by market forces resulting in a performance benefit
- The second quadrant of insufficient strategic change-dynamic misfit represents a situation in which the organisation faces the necessity to change as required by environmental and organisational contingencies and fails to change adequately resulting in a performance detriment
- The third quadrant of beneficial inertia-dynamic fit represents a situation in which an organisation is not facing any need to change and does not change its current strategy and enjoys a performance benefit
- The fourth quadrant of excessive change-dynamic misfit represents a situation in which the environmental and organisational contingencies of the organisation do not suggest a need for change and the organisation changes its strategy resulting in a performance detriment (Zajac, et al 2000).

4.6.2 The eight 'S's model

This model is going to be adapted to incorporate the relevant areas covered by this research. This model is normally used to analyse alignment of business processes or change to strategy.

4.6.2.1 Strategy and purposes

One cannot begin to explain alignment of strategy to change without Porter's Five forces, value net, triggers of change and SWOT which ultimately lead to the mapping of business landscape.

i. Porter's "Five Forces" framework for industry analysis

Industry competitors: In this force the degree of rivalry in an industry in which the company competes is analysed taking into consideration the following important points:

- The more concentrated the industry, the more likely that competitors will recognise their mutual interdependence and rivalry will be restrained,
- The presence of a dominant competitor may lessen rivalry because the dominant competitor will set industry prices while equally sized competitors,
- High fixed costs, excess capacity, slow growth and lack of product differentiation all increase the level of rivalry,
- Competitors are likely to compete aggressively if they are diverse, attach high strategic value to their positions in an industry, or face high exit barriers

The threat to entry: The most common forms of entry barriers are as follows:

- The scale and the investment required to enter an industry as an efficient competitor. This can be influenced by the reputations built overtime by existing company, fear of retaliation and differentiated products in the industry.

The threat of substitutes: This depends on the price to performance ratio of the different types of products or services to which customers can turn to satisfy the same need. This may include the switching costs such as retraining, retooling, or redesign that are incurred when a customer switches to a different type of product.

The power of buyers: The bigger the size and concentration of buyers the more power they have to squeeze industry margins by compelling competitors to either reduce process or increase the level of service offered without recompense.

The power of suppliers: The bigger the size and concentration of suppliers the more power they have to over buyers, in this case companies to accept higher prices.

ii. The Value net

The concept of value net emphasises the cooperative dimension to the competitive forces approach and is the mirror image of competitors. On the demand side they increase the buyers willingness to pay for the product and on the supply side they decrease the price the suppliers require for their inputs

iii. Mapping Business Landscape

- The company should identify relevant players with a direct impact on the company's business model namely, Porter's five forces and the compliments of the value net
- Relationships should be mapped based on two approaches such as in quantitative or categorical terms and mental decision models. The former is based on power and the latter is based on the understanding of the relationship. Both of these approaches need large chunks of information about the external environment taking into account the co-operative relationship and anticipation of changes such as:
    - Market growth,
    - Evolution of buyer needs,
    - The rate of product and process innovation,
    - Changes in the scale required to compete,
    - Changes in input costs and
    - Changes in exchange rates
    - Triggers of change as discussed in the change section should also be taken into consideration
- Once players have been identified and relationships mapped a strategist may decide to adjust or adapt the strategy to the business landscape to achieve an external fit. A business might also have an opportunity to shape the environment to its own advantage.

iv. SWOT analysis

A company also needs to look at its internal strengths and weaknesses to carry out a strategy. These include core competencies and capabilities. The external threats and opportunities cannot be ignored. Substitutes, new entrants and competitors always pose a threat to the business.

Once the strategy and purpose of the organisation have been analysed the structure of the organisation should follow suit as it plays an instrumental role in the support of strategy.

4.6.2.2 Structure of an organisation

The organisation chart of an organisation should include jobs, the authority to do those jobs, grouping of those jobs in a logical fashion, the manager's span of control. Mechanisms of co-ordination are described in a company's operating policies and procedures and they would include issues such as authority to delegate to organisational units and managers, product versus function or put differently one would think of centralisation versus decentralisation or mechanistic versus organic.

4.6.2.3 Systems and processes

The researcher will look at information systems, performance management systems and reward systems that make it possible for the organisation to carry out its day to day functions.

4.6.2.4 Style of leadership and management style

This is a consistent pattern of behaviour exhibited by leaders when relating to subordinates and other employees. In this research the leadership style is going to be adopted in the context of leadership role during change in organisations. Kotter's eight steps to transformation model, Kurt Lewin's model and the Spiral Models will be incorporated in this section to establish whether the change that took place was first order or second order change and whether all phases in Kotter were followed if it was second order change and how it was done in terms of adhering to phases in the models.

Kotter's phases as discussed above should all be implemented if the business needs to cope with a new, more challenging market environment. The spiral model is important if the business needs to gradually change and Lewin's model is important if the business would like to change by encouraging positive attitudes and discourage negative attitudes. These models sometimes overlap because a gradual change might turn into a disruptive change depending on environmental influences.

4.6.2.5 Staff

The number and types of employees and their competencies is important and how they assist the company to carry out its strategy.

4.6.2.6 Resources

A company needs resources like technology, money and staff to achieve it's objectives. These resources will help the company achieve its objectives unless the company uses them well to achieve competitive power.

4.6.2.7 Culture

These are the shared values that make the company different from other companies. Some values are embedded in policies and procedures of the company, some are unwritten beliefs and some reflected on cultural artefacts. The theories of Schein (1990) and Struwig and Smith (2002) will form the basis of this research on culture. The definitions of culture by Schein (1990:111) as a pattern of basic assumptions invented, discovered or developed by a given group, as it learns to cope with its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore is to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

Observable artefacts: The researcher will try to establish the meaning behind the observable artefacts by asking participants, how the why and how it evolved. This will include the physical layout, dress code, the manner in which people address each other, the smell and feel of the place, it's emotional intensity to records, products, statements of philosophy and annual reports. These reports include the reports such as Black Economic Empowerment, Employment Equity and Skills Development and Human Resources policies.

Values: The researcher has interview the participants to bring to the surface the inconsistencies between what is observed in observable artefacts above and what is claimed.

Underlying assumptions: Once the values are established it is very easy to establish the underlying assumptions, meaning the actual perceptions thought processes that that result in certain behaviour and thought processes.

Struwig and Smith (2002:22) categorised culture into four pillars and the researcher will use these four pillars to measure the extent to which these four pillars are observed in aligning culture to changes in strategy.

Power culture: The researcher will try and establish the extent to which the power rests on the central figure and if that is in line with observable artefacts. Role Culture: The researcher will try and establish if the culture of an organisation is built around defined jobs, rules and procedures. Its strength rests on specialities with little management span by management. That will determine if the company is bureaucratic, slow to change even if the need arise.

Task culture: The researcher will check the extent to which the company is project oriented, characterised by a matrix structure and easily adaptable. Influence within the firm is based on expertise rather than on personal authority.

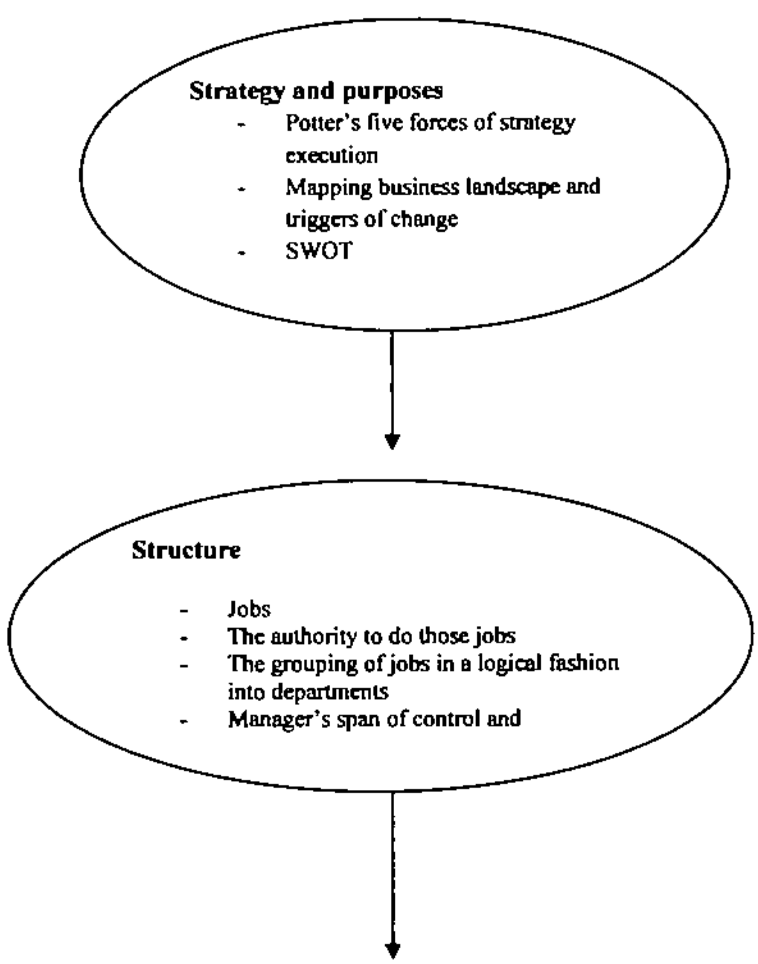
Person Culture: The researcher will check the extent to which the organisations exist to help the individual rather than the individual helping out the organisation. Doctors, dentists and architects are types of this culture.

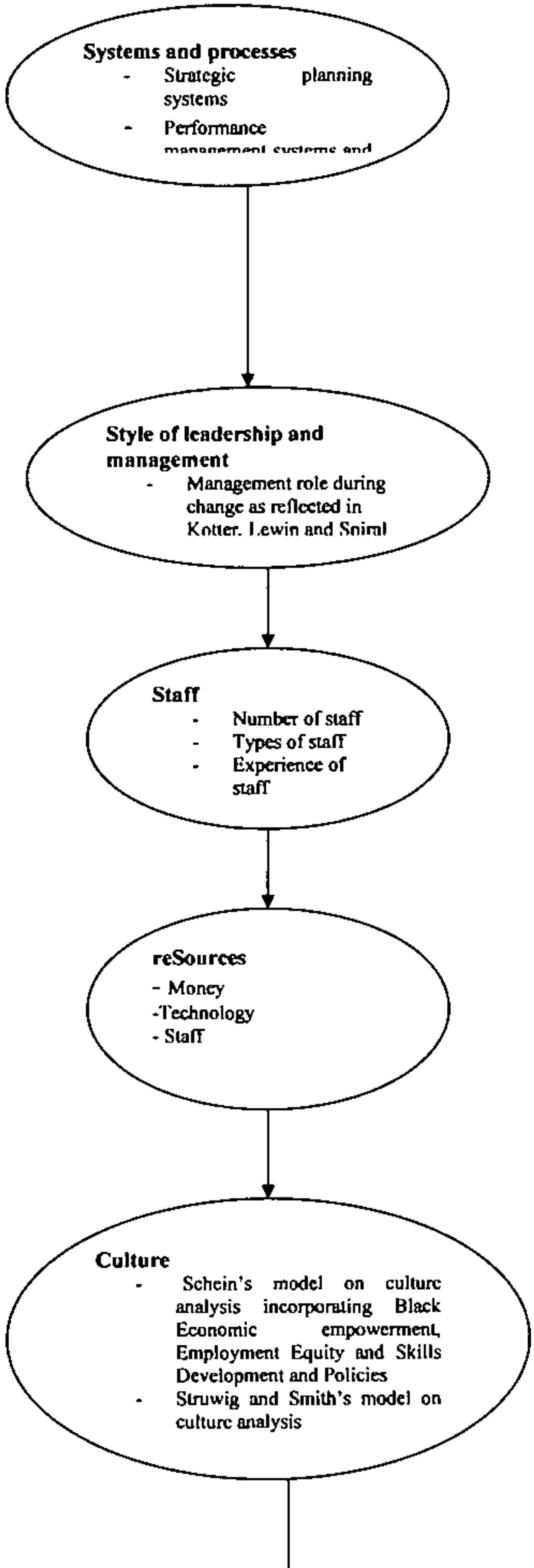
The researcher will be able to establish the type of culture of the organisation from the questions that will be raised and addressed.

Strategic performance: The researcher will be able to establish whether the company benefits from its strategy. Alignment of change to strategy results in good economic performance. This will be measured by way of financial statements.

4.6.2.8 Summary of the Eight 'S's model

This summary incorporates all the sub models that will be utilised in order support the 'S' model and make it complete.




Systems and processes
- Strategic planning systems
- Performance
Style of leadership and management
- Management role during change as reflected in Kotter, Lewin and Spiral
Staff
- Number of staff
- Types of staff
- Experience of staff
reSources
- Money
-Technology
- Staff
Culture
- Schein's model on culture analysis incorporating Black Economic empowerment, Employment Equity and Skills Development and Policies
- Struwig and Smith's model on culture analysis

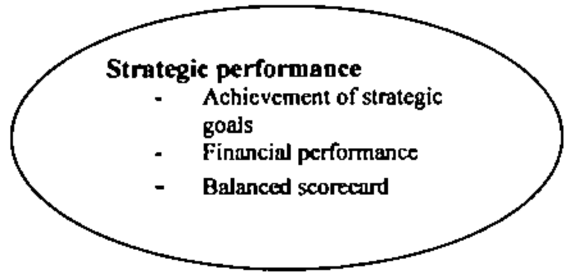


Figure 3 Eight 'S's model of strategy execution

4.7 ALIGNMENT OF CHANGE MANAGEMENT TO STRATEGY BY SOUTH AFRICAN COMPANIES

The change that has taken place in South African organisations will be the point of departure in this section. Some companies have recognised the change that has taken place in the country in general and have embraced it. According to Quinn (1996), when leaders recognise the need for change they have to make a choice between slow death or deep change.

He describes slow death as the pervasiveness, violation of trust and ultimately burnout associated with ignoring the need for change and loosing internal and external alignment. Deep change is described as change that is not incremental in nature, requires one to think out of the box and is discontinuous with the past (Quinn, 1996). "If an incumbent's top management is able to come up with new strategic intent that takes advantage of the new industry conditions, it can traverse the valley of death and enter a new era of profitable growth. Otherwise it continues to survive with severely reduced performance prospects, or dies" (Burgelman and Grove, 1996:10).

It is very important that companies recognise the divergence between what currently happens in a company and actions of managers (Burgelman and Grove, 1996). This will enable companies to determine whether to opt for deep change or slow dearth. Some companies opted for deep change rather than slow death because the reality is that everyone has to deal with the fact that South Africa is a changing country that requires new ways of thinking. Some examples of these South African companies that have undergone successful change are ABSA, Telkom, and Eskom. This research has focused on the analysis of the alignment of change management to strategy at Eskom, which is one of the South African Organisations being led by South African leaders.

CHAPTER 5

APPLICATION OF THE MODEL OF STRATEGIC FIT TO ESKOM

5.1 INTRODUCTION

In this chapter the models discussed above will be applied to Eskom. These models will be customised to this research and will be used respectively as follows:

- A generic model of dynamic strategic fit: Antecedents and consequences
- Eight "S" model of strategic change.

These two models have been explained above in detail and how they will be utilised. The survey questions and the interviews will be formulated in compliance with the models and to solicit any information that may be lacking from the secondary data.

5.2 APPLICATION OF THE GENERIC MODEL OF DYNAMIC STRATEGIC FIT: ANTECEDENTS AND CONSEQUENCES TO ESKOM

In an interview with the Chairman of Eskom, Mr Khoza which was conducted by Mangaliso and Nkomo (2001), they state that Eskom is a South African state owned electricity utility which has 24 power stations with a nominal capacity of 40,585 megawatts and is one of the lowest cost producers of electricity in the world. Eskom supplies 95% of the country's electricity requirements. In that interview, "Mr Khoza talked about Eskom's role in the transformation of South Africa and its Strategic intent to be the pre-eminent energy and related services business of global stature" (Mangaliso & Nkomo 2001:8).

In this analysis the researcher will highlight important factors that emanated from the interview which will help direct the research.

5.2.1 Environmental contingencies

Tosi and Slocum (1984) argue that organisations that come into terms with their environments survive, adapt and are effective. Environments in which organisation exist are differentiated into general environment and local environments and the research will identify components of the general local environment at Eskom.

Mr Khoza differentiated between the Micro and the Macro environments in which Eskom exists. The research considers the Macro environment to be the general environment and the micro-environment to be the local environment.

5.2.2 General environment

Eskom is operating in a global environment and therefore faces competition at the time from Enron and EDF of France. Social delivery was also very important for the company and at the time had to forgo 20 to 30 % of capacity to enable independent competitors to enter the market. This is done with an aim to create a major corporation on African soil that can compete against the best in the world. This was coupled with offering electricity in very large measures to the African nation. Therefore, global competition and a challenge to meet social delivery are the two components identified at Eskom.

5.2.3 Local environment

The components of the local environment Mr Khoza says that, South Africa under apartheid was characterised by politics of suppression of Black people. At an economic level it was characterised by economics of exclusion of Black people and the challenge was to transform all that. This was necessitated by the transformation that is taking place in the South African environment. The transformation to meet changing environmental conditions can only take place inside the organisation and hence the identification of the organisational contingencies in the following section.

5.2.4 Organisational contingencies

According to Zajac et al (2000) these consists of input resources, throughput competences, overall competences and current strategy.

Input resources: Mr Khoza put in place leadership and management development of previously disadvantaged employees which resulted in a management structure that is totally changed into a diverse structure. The state never had to subsidise Eskom instead it had to help with hedges for foreign exchange.

Throughput competencies: The chairman used communication and technology to achieve his goals of transforming Eskom. Mr Khoza said the formulation of a vision "was a two way process with people criticising both destructively and constructively and thank heavens, more constructively." A company called Eskom enterprises helped to locate all of the non-regulated divisions from the historical Eskom. Eskom enterprises consist of information technology, telecommunications, and engineering consulting activities.

Overall competencies: Overall competencies are the supply of electricity to the vast majority of the South African population at the lowest cost. Being one of the lowest cost producers of electricity in the world and transformation of Eskom from being a parastatal to an independent profitable company.

Current strategy: Eskom's **vision** is to provide the world's lowest cost electricity for South Africa, and by extension Southern Africa, and by further extension, Africa, for economic development and delivery of high quality of service. The **slogan** is to provide electricity for all.

Eskom's **mission** is to provide these services in the most cost efficient manner. The driving objective is that Eskom would like to be the pre-eminent African energy and related services corporation of global stature. The reason for mentioning the mission and vision while strategy is the relevant aspect is because Eskom's strategy is to "harness all of the resources at our disposal, to exploit our competencies and to render the vision and the mission we have committed ourselves real" (Mangaliso and Nkomo 2001:10) Eskom has adopted Porter's cost leadership strategy.

5.2.5 Desirability of strategic change versus actual strategic change

"Variation in organisational and environmental contingencies implies a variation in the necessity for strategic change" Zajac et al (2000:432). Eskom seems to have recognised the divergences between organisational factors and environmental factors and the importance of a necessity to change.

The actual change that took place was important given the time in which South Africa was at the beginning stages of democracy and seems to provide fit with the environment. One hears about the African Renaissance frequently in the media and therefore the decision to penetrate the African continent provides dynamic strategic fit between the organisation and the environmental contingencies, however that is yet to be tested.

5.2.6 Dynamic strategic fit and organisational performance

According to Lee and Miller (1996:732) "Strategic contingency theorists maintain that an appropriate fit between environment and strategy will result in superior performance." This performance depends on company goals which might be reflected as profitability and growth relative to competitors, and/or by satisfied customers and employees (Lee & Miller 1996).

In terms of Eskom, this was performance in terms of profitability and growth relative to competitors. "We are running Uganda's utility for them. They have been in existence for decades and had never made a dollar in profit. We seconded our management to go and run it, and in twelve months they turned the company around and declared a profit." This statement is an indication of a successful expansion into Africa. After 1994 international power companies like Duke Power, Enron and EDF were nosing around looking for opportunities and could not come into South Africa. One might assume that because of the low cost strategy of Eskom other companies experience a huge barrier to entry.

In terms of satisfied customers Eskom prides itself by providing light to children who could not read because they had to use self-improvised light and now can read under electrical light and people who were able to open cottage industries without much ado. In terms of satisfied employees Eskom also prides itself of a diverse work team and an Africa-centered leadership and management style characterised by caring, compassion, sharing and behaviour that reflects reciprocity.

5.3 APPLICATION OF THE EIGHT 'S'S MODEL OF STRATEGY EXECUTION

The eight 'S's model is applied to Eskom in order to enable the researcher to gather information that has led the researcher into making an informed decision on whether the change efforts were aligned to strategy.

5.3.1 Strategy and purposes

The strategy section includes aspects of the strategy such as vision, strategic intent, focus, mission, gaols, strategic choice, analysis of the industry through Porter, triggers of change, SWOT and mapping business landscape as discussed above and as they apply to Eskom.

Vision: The vision of Eskom is to provide the world's lowest cost electricity for South Africa, and by extension Southern Africa and by further extension, Africa, for economic development and delivery of high quality of service.

Mission: The mission of Eskom is to provide the world's lowest cost electricity to all in the most cost efficient manner.

Strategic intent: Eskom would like to be the pre-eminent African energy and related services corporation of global stature.

Industry competitors: The industry competitors of Eskom according to the case study are international competitors namely, Duke Power, Enron and EDF of France

New entrants: The industry is very difficult to penetrate because of barriers to entry that are pretty high. Eskom would have to forgo 20% to 30% of current capacity and make it available to any would be competitor.

The relative threat of substitutes: There are not substitutes at the moment.

The bargaining power of buyers: The bargaining power of buyers is weakened by the fact that Eskom is the only supplier of electricity. All South Africans who use electricity use Eskom.

Bargaining power of suppliers: The bargaining power of suppliers has been established through interviews and has been discussed in the research results section.

Compliments: All companies producing electrical appliances and the nature of relationship with those companies will be established.

Mapping business landscape and triggers of change: The researcher has established that Eskom is in the energy industry and relevant role players have been identified through interviews. Eskom has formed partnerships with companies such as Ariel technologies of Denel, Dalavia of Transnet and Dimension Data and therefore becomes impossible for one to call Eskom an electricity supplier without considering all these angles. Alternatively the supplier – buyer chain can help identify these role players. In terms of geographic scope, Eskom has identified business opportunities in Africa in general. Triggers of change that have played a role at Eskom include, globalisation, politics, technology advancement and economy of the country.

5.3.1.1 SWOT analysis

Strengths	Opportunities
- South Africa's sole supplier of electricity - Highest barrier to entry - Involvement of the entire management structure on strategic matters - Employment equity progress - Skills development progress - Formation of strategic partnerships with Denel, Transnet and Dimension data to create an information technology competence.	- To forgo 20 to 30 percent of current capacity where generation is concerned in order to stay competitive - Creation of opportunities for black companies through Black Economic Empowerment - Potential to become a continental player and a global player - Potential for the formation of more partnerships
Weaknesses	**Threats**
- Being the sole supplier of electricity.	- Global environment namely players such as Duck Power, Enron and EDF of France

5.3.2 Structure of the organisation

The researcher has established whether various types of jobs required by the company strategy are all reflected in the organisation chart. The authority to do those jobs, grouping of the jobs into departments and the manager's span of control has also been established from the organisational chart. It is not enough to put on paper manager's authority to do the job without indicating how the manager should exercise that authority and how employees should behave towards that authority. Therefore, the researcher established the presence of the mechanisms of co-ordination, which should be reflected in policies and procedures and whether those mechanisms support the strategy.

5.3.3 Systems and processes

The researcher has established the existence of systems and processes to support the strategy and whether they do support the strategy. The systems to be established are as follows:

- Strategic planning systems
- Performance management systems
- Eskom has formed Eskom enterprises, which include information technology and telecommunications and engineering consulting activities.

5.3.4 Style of leadership and management: This includes the management and leadership role during change. The models of Kurt Lewin, Spiral and Kotter's models will be applied in this section to establish if the strategy change process reflects all phases of change as prescribed by the models above. In order to accommodate all the models above the researcher has created main headings which are able to include all stages of all the models. These main headings are adopted from Smith and Carstens (2003) whereby an integrated role competence cluster model which includes the identification of four key leadership roles, namely, initiator, shaper, monitor and assessor as discussed above.

Initiator: This includes setting the vision communicating the vision and obtaining support for it. This encompasses third and fourth phases of Kotter's eight stages. The researcher has incorporateed all the relevant phases at this role in order to produce a complete checklist for the change process that supports the strategy.

- The researcher should establish whether a sense of urgency was created at any stage in the process of change.
- A powerful guiding coalition which comprised of the entire management formed at Eskom because Mr Khoza believed that, "You cannot develop a vision, or even a mission or strategic intent in limbo; you actually have to work with a team... In essence the entire management structure was involved." The top 200 were involved including managers who run Eskom throughout the country.
- The vision of Eskom is "to provide the world's lowest cost electricity for South Africa, and by extension Southern Africa and by further extension, Africa for economic development and delivery of high quality of service." This vision was created by the entire management structure.

- According to Kotter (1995) in the communication of the vision, the researcher will establish whether every tool available to communicate the strategy was used including but not limited to training, quarterly meetings, electronic communication, mail, company magazines, memos, media, using the guiding coalition to spread the news and any other form of communication available to the company hour by hour. It is stated in the case that a written strategic intent was circulated to the top 200 managers who were more involved in the formulation of it and it was a two way process with little resistance.

This has led the researcher to establish whether this was an incremental change according to the spiral model's first stage of initiating change (Bridges 2002) in (Nkomo, 2005a).

Alternatively, the researcher must establish whether the minimum resistance was due to the application of Kurt Lewin's unfreezing stage of encouraging people to discard old behaviours by reducing forces that drive the status quo. Alternatively, whether leadership involved people from the identification, planning and implementation of decisions that have been mutually agreed (Levasseur, 1992).

Shaper: focuses on inducing and reinforcing the change initiative, the development of employees' competence and the empowerment of employees to meet the change requirements. The researcher has incorporated in this role Korter's fifth and the sixth phases, the transition to a new state of the spiral model and the movement stage of Kurt Lewin.

Eskom empowered others to act on the vision by targeting an obstacle of organisational structure amongst others through setting a target of 18% to 20% of top management structure to be women. Performance appraisal systems were aimed at evaluating supervisors on the training and development of female managers to executive levels and supervisors or managers who fail to deliver are punished and held accountable and the ones that meet the target are rewarded both at individual level and at team level. Women with science degrees in engineering were recruited for training in the United Kingdom in order to explode the myth that women cannot be in an engineering industry and do well. Resistance is dealt with by engaging the resistors intellectually and at every turn. The researcher has established whether short-term wins are celebrated through promotions and recognised celebrations through interviews which are discussed in the following sections. The inculcation of these new attitudes is possible through ongoing communication and the researcher has established if ongoing communication has happened.

Monitor: encompass employee consultation, the handling of emotional reactions and the elimination of resistance and conflict. This includes consolidating improvements while producing still more change and institutionalising new approaches (Kotter, 1999). The spiral model advocates sustaining of momentum. The Lewin model advocates a refreezing stage once all goals have been reached as discussed above.

The researcher has established whether monitoring stage was reached and how Eskom engaged this stage. This is reflected in the discussion of research results chapter.

Assessor: focuses on measuring and assessing change outcomes and the provision of focus areas for future change initiatives. The researcher has established whether the change outcomes were measured.

5.3.5 Resources

This is the extent to which the company has adequate resources to meet its strategic goals. These include, technology, money and staff.

Technology: Through Eskom enterprises Eskom was able to locate all non-regulated business from the historical Eskom. This included information technology, communication and engineering consulting activities. Eskom IT, Ariel Technologies, Dalavia merged to form a competitive IT company. Eskom has got the technology to turn the company around.

Money: The organisation has been profitable from year one and for the full seventy-seven years. It contributed to the fiscal well being through the social tax, meaning the electrification of the outlying areas, which could not afford electrification. Eskom has the money to meet its strategic goals.

Staff: This is the extent to which Eskom has adequate staff to engage in research and development and software part of technology and systems such as knowledge management and organisational learning. The effectiveness of the resources above also depends on how the company leverages its resources.

5.3.6 Staff

The researcher has established the number, types of individuals and group competences needed to achieve organisational goals against the actual number and competencies that exist in the company and whether the latter supports the strategy. This cannot be separated to the manner in which managers and employees experience this change. The latter includes the concept of personal transition meaning how employees view this change including feelings of anxiety, despair, resignation and despondency to hope, anticipation, emancipation, joy and excitement as discussed above (Van Tonder, 2004a).

5.3.7 Shared values or organisational culture

The researcher has established through interviews and questionnaires the values and underlying perceptions behaviours and feelings which emanate from the observable artefacts to establish inconsistencies between what is observed and how employees feel in order to try and identify the actual culture that exist in the organisation as discussed in the culture section. The Black Economic Empowerment, Employment Equity, and Skills development policies will form part of the observable artefacts that will be analysed.

5.3.8 Strategic Performance

In this section the strategic financial performance of the whole organisation has been analysed. Analysis of the financial statements and whether the organisation's strategy goals have been achieved and aligned with change efforts has been conducted.

The two models that form the basis of an analysis of the nominated company have been applied. The following chapter focuses on the discussion of research design and methodology whereby the researcher explains the manner in which data has been collected.

CHAPTER 6

RESEARCH DESIGN AND METHODOLOGY

6.1 INTRODUCTION

This is empirical research has been carried out by means of a survey administered by e-mail. There are two ways of collecting research information. They are interviews and questionnaires. An explanation of the interviews and questionnaires is made under the measurement section, refer to table E. Advantages and disadvantages of interviews and questionnaires have also been outlined. Interviews have been conducted in order to supplement information received through questionnaires. In this study the secondary data obtained from the case study has been compared to existing practises and organisational policies through questionnaires and interviews as suggested by (Cooper & Schindler, 2003).

The research is cross sectional, descriptive and qualitative in nature as reflected by the research questions. Although questionnaires have been used, their analysis has been done qualitatively. The research design in question has enabled the researcher to obtain most of the required information in one organisation without having to use many companies.

It is important to appreciate the following characteristics of qualitative research in order to understand the process and outcome of this research. Cassel and Symon (1994:7) list the following characteristics of qualitative research:

6.1.1 Characteristics of qualitative research

- The focus of qualitative research is on interpretation of data rather than quantification;
- Emphasis is on subjectivity rather than objectivity;
- There is flexibility in the process of conducting research;
- There is an orientation towards process rather that outcome;
- There is a concern with context regarding the behaviour and situation as inextricably linked in forming experience;
- There is an explicit recognition of the impact of the research process on the research situation;

6.2 RESEARCH METHODOLOGY

This section focuses on the selection of the relevant sample, measurement, data collection, data analysis and interpretation. The unit of study is Eskom.

6.2.1 Sampling Design

The sample was restricted to senior managers, managers and staff of Eskom. A stratified simple random sampling has been used considering that the population has been divided into subpopulations of senior managers, the general staff. The results have been weighted and combined (Cooper & Schindler, 2003). Staff is inclusive of employee relations staff, union, supervisors and general staff based at head office in Megawatt Park, Eastern or Southern Region and Western Cape Region. Sixty questionnaires were sent to the sample of general staff. The researcher could not send to more than sixty as envisaged because of reliance on employees of the company to forward questionnaires. Direct access to the e-mails of all staff proved to be a challenge as the researcher was not working for the company. More discussion of the questionnaires will follow in the data collection section.

Initially the researcher targeted senior managers in particular branch managers who were involved or are involved in strategy formulation, bowever, the researcher later decided to interview seven senior managers from various divisions because of the busy schedules of branch managers and time constraints on the part of the researcher. These senior managers are inclusive of change managers, human resources managers, division managers and operational managers. All these managers are influential in strategy formulation including change at Eskom. "Many qualitative methods allow the researcher to change the nature of his or her intervention as the research develops in response to the changing nature of the context..." (Cassel & Symon, 1994:4). As reflected above the researcher has included Organisational Behaviour Managers as they arc both advisors and implementers of strategy. Division managers were targeted because of their involvement in strategy formulation and implementation. Senior managers in divisions also have a similar function as the division managers but at a slightly lower level.

6.2.2 Data collection

In this study both primary and secondary data has been used where applicable and has been collected by means of interviews and questionnaires administered by e-mail

(Cooper & Schindler, 2003). Secondary data refers to information which can be obtained from Eskom such as memos, letters, interviews or speeches, laws, financial statements and labour data. Any information such as relevant newspaper articles and cases has been utilised in this study. The collection of data and method of doing so is very important in qualitative research. The researcher followed the following process in the colleetion of data.

6.2.2.1 Process of collecting data

As a point of departure the researcher analysed secondary data, to be specific, a case study prepared by Mangaliso and Nkomo (2001). Because of the informative nature of the case study and its relevance to the chosen topic, the researcher selected Eskom as the organisation in which the academic research will be conducted. Permission to conduct an academic research at Eskom was solicited in writing from Corporate Head Office, Megawatt Park in the office of the Human Resource Director. This was followed up by further e-mails and telephone calls for a period not less that a month and a half until a positive response was received.

The unavailability associated with tight schedules of targeted top management posed a serious challenge for the researcher. This made the researcher appreciate the realities of the context in which one operates and the flexibility of qualitative research. "...with respect to organisational research – where we always have to be responsive to the organisational circumstances – this is crucial: not just in terms of what we are allowed to do, but also because the fact that we are working in complex situations means we cannot define exactly what we are interested in or how to explore the issue at the outset" (Cassel & Symon, 1994:4). The researcher still proceeded with collecting data through interviews, questionnaires and relevant primary and secondary data, however, the target population had to be revisited as has been explained in the discussion of the sampling design.

Interviews were conducted telephonically with participants in the Southern Region and Gauteng due to time constraints on the part of the interviewees and interviewer. Personal interviews with participants in the Western Cape were conducted. Questionnaires were sent electronically and delivered by hand to the company with the assistance of the interviewed participants. The instructions were made clear that the target audience was general staff below the level of senior managers. Some were returned electronically and some were faxed through. The faxed questionnaires were captured into the excel spreadsheet with an aim of organising the data in such a manner that it can be easy to understand and interpret.

According to Cooper and Schindler (2003:324) the researcher can choose to do either personal interviews or telephone interviews. Personal interviews are whereby a selected sample is interviewed in person by a trained interviewer whereas in telephone interviews the selected sample is interviewed on the telephone by a trained interviewer. A questionnaire is whereby a sample is intercepted or studied via paper or computerised instrument in central location without the interviewer assistance; questions may be mailed, faxed, or couriered to be self administered with return mechanism generally include and or questions may be computer-delivered via intranet, internet and online services whereby the computer will store and forward automatically. Interviews are divided into personal and telephone interviews. The following advantages and disadvantages of data collection techniques such as questionnaires and interviews were considered before they were utilised:

6.2.2.2 Advantages and disadvantages of questionnaires and interviews:

Table 2 below, gives a detailed explanation of the advantages and disadvantages of questionnaires, personal interviews and direct interviews.

Table 2, Advantages and advantages of interviews and questionnaires

Table 2	Personal interviews	Telephone interviews	Questionnaires
Advantages	Good co-operation from respondents Interviewer can answer questions about the survey, probe for answers, use follow up questions, and gather information by observation. Special visual aids and scoring devices can be used. Illiterate and functionally illiterate respondents can be reached. Interviewer can pre-screen respondent to ensure he/she fits the population profile With computer-assisted personal interviewing responses can be entered into a portable microcomputer to reduce error and cost.	Lower cost than personal interview. Expanded geographic coverage without dramatic increase in costs. Uses fewer, more highly skilled interviewers. Reduced interviewer bias Fastest completion time Better access to hard to hard-to reach respondents through repeated call-backs Can use computerised random-digit dialling With computer-assisted telephone interviewing, responses can be entered directly into a computer file to reduce error and cost.	Allows contact with otherwise inaccessible respondents such as CEOs Incentives may be used to increase response rate Often-lowest cost option Expanded geographic coverage without increase in cost Requires minimal staff Perceived as more anonymous Allows respondents time to think about questions More complex instruments can be used such as electronic communication Fast access to the computer literate Rapid data collection Respondents who cannot be reached by phone may be accessible Sample frame lists viable locations rather than prospective

			respondents Visuals may be used.
Disadvantages	High costs Need for highly trained interviewers Longer period needed in the field collecting data May be wide geographic dispersion Follow-up is labour intensive Not all respondents are available or accessible Some respondents are unwilling to talk to strangers in their homes Some neighbourhoods are difficult to visit Questions may be altered or respondents coached by interviewers.	Response rate is lower than for personal interview Higher costs if interviewing geographically dispersed groups Interview length must be limited Many phone numbers are unlisted or not working and directory listings are unreliable Some target groups are not available by phone Responses may be less complete Illustrations cannot be used	Low response rate in some modes No interviewer intervention available for probing or explanation Cannot be long or complex Accurate mailing lists needed Often respondents returning survey represent extremes of the population Anxiety among some respondents Directions or software instructions needed for progression through the instrument Computer security might prevent some messages going through Need for low distraction environment for survey completion

6.2.3 Measurement

The researcher summarised the contingencies and eight 'S's according to the chosen models in order to form a true perspective of the contingencies and processes involved at Eskom. Refer to tables A and B. The first set of questions are aimed at confirm whether the change that occurred at Eskom was as a result of a tension between the environment and the organisation contingencies which are listed on annexure A or the change occurred as a result of willingness of Eskom to change. These questions will be directed to managers and are listed in annexure B in appendices.

Proposition 1, which states that, change in strategy of an organisation is associated with change in the environment of the organisation in order to maintain fit has been measured by analysing information obtained through standardised set of questions for interviews. The eight 'S's model which seeks to explain the contribution of the organisation's elements to its effectiveness has been applied and is complemented by a generic model of dynamic strategic fit. Table B in appendices supports this discussion.

Proposition 2, states that, the match between desirability of strategic change and actual strategic change relative to magnitude, timing and direction of change is expected to be positively associated with dynamic strategic fit. This has been analysed by exploring the gap between desirability of strategic change and the actual change that has taken place. The models mentioned in the first proposition above have been applied.

Proposition 3, states that, the match between desirability of strategic change and actual strategic change relative to magnitude, timing and direction of change is expected to be positively associated beneficial strategic performance. The above Proposition was tested by means of questions of profitability which were asked to participants in order to fill the gaps left by secondary data. Analysing balance sheets, cash flows and income statements of the organisation for the last five years supplemented these questions. The two models mentioned above are also applicable to this model.

One of the key competencies claimed by Eskom is introduction of a diverse workforce through recruiting and developing staff from the previously disadvantaged groups. There are interview questions that are asked in this regard and that information will be supplemented by requesting access to Employment Equity Plan and Skills Development Plan on the onset of transformation and reports following five years of transformation. Refer to annexure B in appendices. As proof that this alignment has worked the organisational performance should display an improvement in successive years.

Staff survey has been conducted in order to confirm whether staff is aware of the changes and competencies claimed by management and whether their experiences are congruent to the claims of management.

Once data has been collected through the survey methods as discussed above, the researcher looked at data analysis methods. According to Cooper and Schindler (2003), there are various techniques in which data can be analysed, namely, exploratory data analysis, improvement and control analysis and geographic information systems. The researcher has focused on exploratory data analysis, confirmation data analysis methods and histograms because of their relevance to the study that is being conducted and the methods are discussed below discussed below.

6.2.4 Exploratory data analysis

Cooper and Schindler (2003) state that the exploratory data analysis is both a data analysis perspective and a set of techniques. The data itself guides the choice of analysis or a revision of the planned analysis rather than the analysis presuming to overlay its structure on data without the scrutiny of the analyst or researcher. There various types of the exploratory data analysis techniques, namely, confirmatory data analysis; frequency tables; Bar Charts; Pie Charts; Histograms; Stem and Leaf Displays; Boxplots; and transformation data analysis. The relevant techniques to this study are discussed individually below.

Confirmatory data analysis: In order to understand this form of analysis one has to compare it with the exploratory data analysis whereby the exploratory data analysis takes any form and can be likened to police detectives and the confirmatory data analysis can be likened to the judges. Therefore without information having been gathered the confirmatory data analysis cannot be used as it explores the validity of existing information.

Histograms: This is a conventional solution for the display of interval ratio data. Histograms are constructed with bars that represent data values where each value occupies an equal amount of area within the enclosed area. This is found to be useful by various analysts for two reasons namely; histograms display all intervals in a distribution, even those without observed values. Secondly, histograms examine the shape of the distribution for skewness, kurtosis and the modal pattern.

This chapter has helped to clarify methods for the interpretation of data which has been collected. As mentioned previously, in exploratory studies the data sets the method in which data will be interpreted. This data is in the form of research results in the following chapter has been outlined in order to enable a good interpretation.

CHAPTER 7

RESEARCH RESULTS

7.1 INTRODUCTION

This chapter focuses on reporting the research results. The researcher reports the actual nature of the results. In order to give perspective of the research it is important to give biographical profile of the respondents because of its relevance to the research. Following that, a description of the profile of a sample representing general staff. The researcher has given an outline of relevant information elicited from the participants through interviews questions and questionnaires.

7.2 BRIEF BIOGRAPHICAL PROFILE OF THE PARTICIPANTS

Participants in this research are senior managers, managers, supervisors and staff in general including the lowest rank at Eskom. Survey with senior managers was conducted through personal interviews and managers, supervisors and staff in general had to answer a questionnaire. The profile of the participants is relevant in that it shows their level of exposure, involvement and experience in strategy formulation including change that has taken place in the organisation. The reasons for conducting a survey through interviews and questionnaires were to fill out the gaps from secondary information and to verify some of the claims from the secondary information. A brief profile of the participants is discussed below.

7.2.1 Senior Managers

There were seven participants who were involved in the interview survey. Five out of seven of these senior managers have been involved with the change process from the beginning and two joined while the change was in process. This sample is complementary because the ones who started before 1994 were able to give an outline of the process as it unfolded and the others were able to give an outline as they observed from the time in which they arrived and are able to constructively criticise current processes.

The interview questions that were asked were organised in such a way that they can provide the gaps and were organised according to the propositions in the research. Reporting has started with the questions and answers as a point of departure followed by reporting in accordance with the models used.

7.3 INTERVIEW QUESTIONS AND ANSWERS

The researcher has arranged the answers in terms of the nature and number of responses. There were seven participants in total and the researcher has mentioned the number of participants per response.

With the following questions the researcher has tried to establish whether the alignment has been brought about by tension between environment and organisational contingencies or the company's willingness to align environmental and organisational contingencies.

1. **When did Eskom start to supply electricity to the vast majority of South Africans?**

   Six participants said that supply of electricity to the poor started prior 1994. The other participants even believe that electricity was supplied to the majority since 1944. One participant was not aware.

2. **When did Eskom start developing people from the previously disadvantaged? Was it prior or post 1994?**

   All participants agreed that Eskom started developing employees from the previously disadvantaged prior 1994.

3. **In your opinion, did Eskom change as required by market forces in terms of development of the disadvantaged, penetration of the African region and supply of electricity to the poor? Why?**

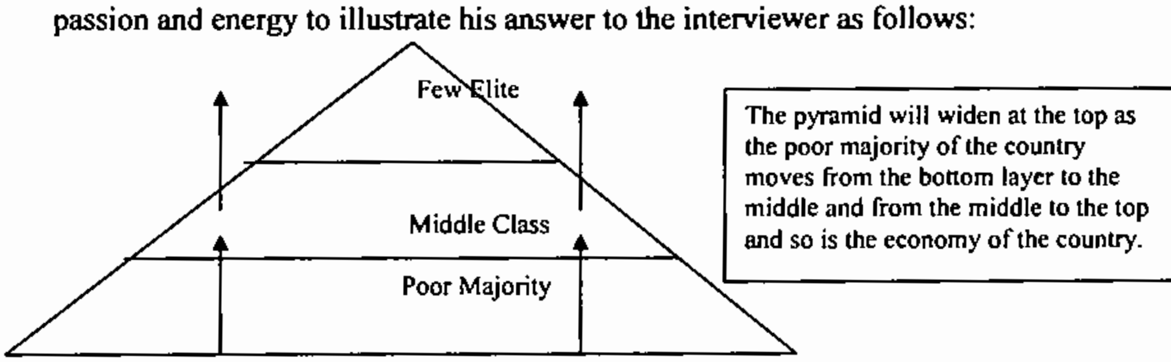
   Three participants believe that the market forces in terms of development of the previously disadvantaged influenced Eskom. In terms of penetration of the African countries, four participants believe that the market forces influenced Eskom while the other two believe the contrary. Two participants believe that in terms of supply of electricity to the poor and development of the previously disadvantaged Eskom took the lead. "Eskom started even before the African National Congress government took control." said one participant. One participant believes that although Eskom was not forced to change by any law market forces did play a role. One participant said yes in all facets and could not qualify her answer.

4. **What influence did the new labour relations requirements like employment equity, and skills development have on your development of your staff?**

Five participants believe that the new labour relations act had a positive influence because they complemented their strategies and made their vision quite easy to implement. One participant believed that the new labour relations in terms of employment equity is tantamount to reverse discrimination. He stated that, "ever since 1994, only people from the previously disadvantaged were appointed, my son has finished his studies and he will have to go overseas to find work."

5. **What motivated Eskom to supply electricity to the poor?**

Six participants believed that Eskom was motivated by profit and in order to do that Eskom had to collaborate with the government at a political level and contribute at a social level in order to uplift the economy of the whole country. One participant believes that the sole shareholder motivated Eskom. "In order to uplift the economy of the country you have to uplift the poor majority by providing electricity to small business enterprises for them to grow. If the poor majority of the country is enabled to grow economically, the economy of the country is likely to prosper" said one participant. He stood up with passion and energy to illustrate his answer to the interviewer as follows:



6. **What value did the transformation from being a parastatal to being a profitable company add to the economically disadvantaged customers and previously disadvantaged employees?**

   Six participants believe that being a profitable company has positive benefits to the economically disadvantaged customers in terms of social investment projects to the communities, education and training of employees, low cost of electricity and future plans of being a direct supplier of electricity. One participant was not aware of any value added by the privatisation of the company.

7. **Eskom has been a major supplier of electricity for a long time with huge barriers to entry by potential new entrants. Have you managed to forgo any percentage of current capacity to a small player or a Black Economic Empowerment company?**

   Six participants are in agreement of the fact that no percentage has been forgone to a small player. One participant said that, "the industry demands huge investments in billions of rands but returns are very slow and no emerging power company has been able to meet the financial requirements." And one participant is not aware of any percentage of the company that has been forgone to a small player.

8. **So far have you experienced any threat of substitutes?**

   All participants said that Eskom does not have any threat of substitutes.

9. **Since you are the major supplier of electricity you must have major suppliers. To what extent has your decision to force some suppliers to form partnerships or forgo a certain percentage to Black Economic companies has been influenced by their bargaining power?**

Six participants agree that suppliers do not have a bargaining power. There is a clear policy on Black Economic Empowerment. One participant believes that some do but not all of them.

10. **Are there any cooperative alliances you have formed with any of the companies that influence the use of your electricity or role players in the industry whether national or international?**

    Five out of seven participants believe there are alliances of a co-operative nature. One cited an example of research partnerships, the other participant cited alliances with overseas companies. Two participants could not answer the question.

11. **Besides being a continental player, have you explored any opportunities of becoming a global player as an example, penetration of the United States of America or other countries?**

    Five participants said the focus is on Africa at the moment and with other first world countries Eskom only offers power related services. Two participants could not answer the questions.

12. **The purpose of the following questions was to establish whether there was an actual match between desirable change and actual change which has resulted in a dynamic strategic fit or misfit.**

Magnitude

1. **If you were to rate the effectiveness of communication by leadersbip during the transformation out of ten from 1994 to 2005, how would you rate it?**

   Three out of seven participants said the communication at Eskom is excellent, giving eight and nine out of ten. Three participants gave seven out of ten citing a room for improvement, not preparing people and not being too vocal. One participant said not more than five because communication is not as rigorous as it was when the vision was first communicated.

2. **Has your communication strategy changed over the years? If yes, to what extent?**

   Five out of seven participants said that Eskom's communication strategy has changed for the better because of continuous communication. one believed it has deteriorated and one believed that the strategy has changed only methodology has changed but not the strategy.

3. **Have you encountered any resistance during your transformation? If yes, what was the nature of resistance and how does leadership deal with staff whether in senior management or union members or staff in general that resist change?**

   Five participants said there was some resistance which management has been able to deal with through the processes and procedures put in place and communication in the form of negotiation. Two participants do not think there was any resistance. One participant even said, "the process of transformation has been conducted with dignity, thanks to Mr Khoza, people were told that the process is going to take about ten years and was planned and properly implemented unlike other companies, like the City if Cape Town where employees are simply told to leave sometimes."

4. **To what extent is the structure of Eskom centralised and to what extent is the centralisation a barrier or enabler to the way of doing business in terms of your experience and feedback you receive from the branches?**

   Overall participants believe that Eskom is not centralised, however, corporate head office sets the tone and divisions need to align their policies with corporate head office. Sometimes this can serve as a barrier in doing business.

5. **Are there any policies governing the mechanisms of co-ordination in place and are they strictly adhered to?**

   Six participants said that there is mechanisms of co-ordination in place and are adhered to. There are ongoing audits to check adherence. One participant said only few policies are strictly adhered to.

6. **To what extent are your strategic planning systems and performance management systems adding value to your strategic goals?**

   Participants believe that the strategic goals are enhanced by the strategic planning systems and performance management systems.

7. **To what extent did the Eskom IT company that was formed as a result of the merger of Eskom IT, Ariel Technologies, Dalavia contributed to the ease of transformation and achievement with relative ease the set strategic goals of Eskom?**

   Four participants believe that Aravia.con has stifled the achievement of strategic goals with relative ease. 2 participants said Aravia.com is effective and one participant could not comment

Timing

1. **In your opinion was the timing of change at Eskom informed by transformation of the country?**

   Four participants said Eskom was a leader in transformation and therefore was not influenced by the transformation of the country instead it is the other way round. Three participants believe that Eskom was influenced by the transformation of the country.

2. **Do you think the time in which change took place was good?**

   Participants said the timing was good.

3. **Is transformation at Eskom a continuous process or a process informed by projects with a starting and finishing time?**

   Participants said change at Eskom is continuous, also informed by projects and sometimes tiresome because of its continuous nature.

Direction

1. **Has Eskom managed to form strategic alliances with emerging power companies?**

   Five participants said that there are no partnerships because there are no emerging power companies in South Africa. One was not sure and one mentioned countries in Africa.

2. **In your opinion is the direction of the company well communicated to staff? How?**

All participants said the direction of the company is well communicated to staff.

3. **Is that form of communication still ongoing in order to maintain alignment of strategy to the future?**

   All participants indicate that communication at Eskom is ongoing for maintenance of change that has taken place.

4. **Is Eskom considering any future possibilities of penetrating the global market?**

   Most participants said Eskom only focuses on Africa as per the strategic intent except for one participant who does not know.

5. **What is your staff complement?**

   Overall staff complement at Eskom is +_30 000.

6. **What types of skills do you need from individuals in order to achieve your organisational goals? In your opinion do you have all the types of individuals?**

   Five participants indicated the shortage of skills as a result of trained staff being poached by outside companies who want people that are trained already. Two participants believe that there are enough individuals who meet the required skills.

7. **Do you have enough staff in the following fields?**

   - **Research and development**

   Most participants could not comment or because research and development is based at corporate head office. Two indicated not, with one saying that, " technical staff are conducting research and development, that is how bad the situation can be" One participant said yes.

- **Software part of technology**

  Three participants indicated that there is enough staff. One said not enough staff in this category and the rest could not comment or were not aware.

- **Knowledge management and**

  There are mixed experiences in this field because three participants said yes, three said no and one does not know.

- **Organisational learning**

  Three participants said yes. One said staff in this field is outsourced and two said there in not enough staff and one said is not aware.

8. **Was there any form of consolidation to change that has taken place in terms of evaluating tbe achievement of your goals before any new change came about?**

   All participants indicated that consolidation does happen and one participant said not enough consolidation was done. "You see change does not stop here and sometimes people get tired of change."

9. **What is leadership doing to maintain the culture that has emerged as a result of change efforts?**

   One participant mentioned bonuses when targets are achieved. Another participant mentioned monthly regional performance targets to measure progress on set targets. Most participants mentioned training and development, good employment relationships, communication, transparency and motivation of staff.

The following questions are meant to evaluate whether the dynamic strategic fit to be proven above has resulted in a beneficial organisational performance.

1. **Has Eskom's profitability improved as a result of this transformation?**

Four participants said Eskom's profitability has improved. Three participants believe Eskom's profitability has improved but cannot say profitability is as a result of transformation.

2. **Has Eskom grown in terms of increasing its market share in other countries other than South Africa?**

Four participants said Eskom's market share has increased in African countries and three participants said growth in market share in terms of other countries is minimal.

3. **To what extent has Eskom realised the strategic intent of being the pre-eminent African energy and related services corporation of global stature?**

   Six participants believe that Eskom has achieved its strategic intent, while one participant believes that a lot has been achieved however a lot has been achieved but still Eskom still has a long way to go.

4. **To what extent has Black Economic Empowerment goals been realised?**

   Five participants said Black Economic Empowerment targets have been achieved. Two participants believe that in the shot term targets have been achieved, there is still a lot of room for improvement specifically in terms of the men on the street.

7.4 SURVEY RESULTS FROM QUESTIONNAIRES,

The target sample to whom questionnaires were sent comprised of junior managers and staff at a level lower than that of junior managers. The aim of the questionnaire was to establish the experiences of staff with regard to change. The questionnaires were utilised with an aim of validating the claims of management and to fill out the gaps as required by the models used. According to Anderson (2002) the company's words and actions is a critical measurement exercise if a company wants to achieve alignment. The researcher sent out questionnaires to a sample of sixty staff.

A response was received from thirty-four participants after several reminders and extensions for some participants. Nine of the questionnaires could not be used because some were not fully completed and others were sent back without being saved and therefore were blank. The researcher decided to take out the gender as demographic criteria because only a few participants completed that part. In total the researcher utilised twenty-five questionnaires. Participants were required to select a letter the best suited the statement by placing an X in the relevant block from the following categories: Strongly agree, Agree, Neither Agree nor Disagree, Disagree and Strongly Disagree. Each question of the questionnaire will be discussed separately below. The question will be stated followed by the nature of responses received.

7.4.1 Detailed results of the questionnaire

Table 3 below reflects summarised research results which are discussed in detail after the table. The accompanying graphs help to reflect the nature of the results which are reported in detail below. The researcher has divided the questionnaire into two parts. The first part is composed of questions one to four and the second part is composed of questions five to twenty two. The researcher has reported the results of the questionnaire in that sequence.

Table 3 is the first part of the questionnaire as explained above. The results of this first part have been explained below with the help of graphs for each question.

TABLE 3 STAFF QUESTIONNAIRE SUMMARY

Your assistance is hereby requested in this academic exercise of ascertaining whether change efforts at Eskom are aligned to strategy. Please choose a letter that best suits the statement by encircling the relevant letter.

Q. No.	Question	Category	Strongly disagree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1	The company's medium of communication when undergoing transformation can be characterised as:						
1.1		Verbal	13	8	4	0	0
1.2		Written	14	10	1	0	0
1.3		Electronic	14	9	2	0	0
1.4		Verbal & Electronic	14	7	4	0	0
2	The company's communication approach is usually:						
2.1		Coercive	2	2	2	19	0
2.2		Participative	4	14	2	3	0
2.3		Consultative	10	10	5	0	0
3	Management usually channels information through:						
3.1		Senior Manager	7	16	2	0	0
3.2		Managers	8	13	2	2	0
3.3		Team leaders	6	13	4	2	0
3.4		Groups	5	10	5	5	0

3.5		Informal groups	2	0	17	5	1
4	**Information communicated by management is information in the following categories:**						
4.1		Should be known	2	11	7	5	0
4.2		Must be known	8	12	3	2	0
4.3		Could be known	3	4	15	3	0
Sub-Totals of questions 1-4			**112**	**139**	**75**	**45**	**0**

1. The graph below helps to illustrate the responses received on the nature of the company's medium of communication when undergoing transformation. The discussion of this question follows immediately after the graph.

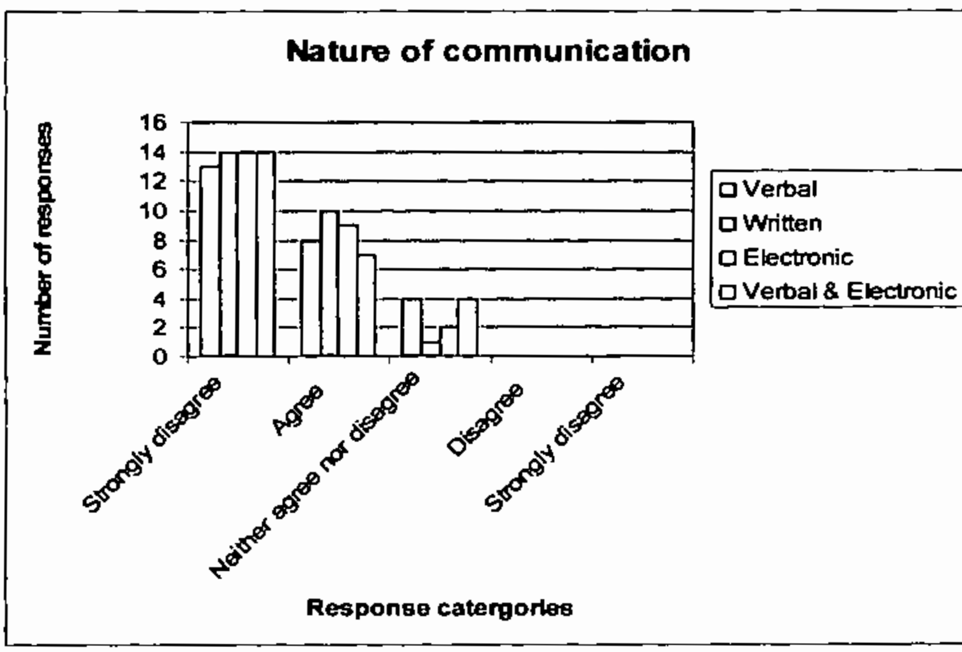


Figure 4, graphic illustration of responses on nature of communication during transformation

Thirteen participants strongly agreed and eight agreed while four participants neither agreed nor disagreed that the nature of communication is verbal during transformation at Eskom. The use of written communication during transformation has been confirmed by fourteen participants who strongly agreed, ten participants who agreed while one participant neither agreed nor disagreed.

The use of electronic communication during transformation has been confirmed by fourteen participants who strongly agreed, nine participants who agreed while two participants neither agreed nor disagreed. Lastly, the use of verbal and electronic communication during transformation has been confirmed by fourteen participants who strongly agreed, seven participants who agreed while four participants neither agreed nor disagreed.

The use of all the forms of communication mentioned above has been confirmed by the majority of participants. Figure 4 reflects a clear illustration of the statements mentioned above. Only a few participants could not decide and none of the participants rejected the use of the forms of communication mentioned above. Follo wing is a discussion of the company's communication approach.

2. Figure 5, below helps to illustrate responses on the communication approach during transformation at Eskom. The responses are reported immediately after the graph.

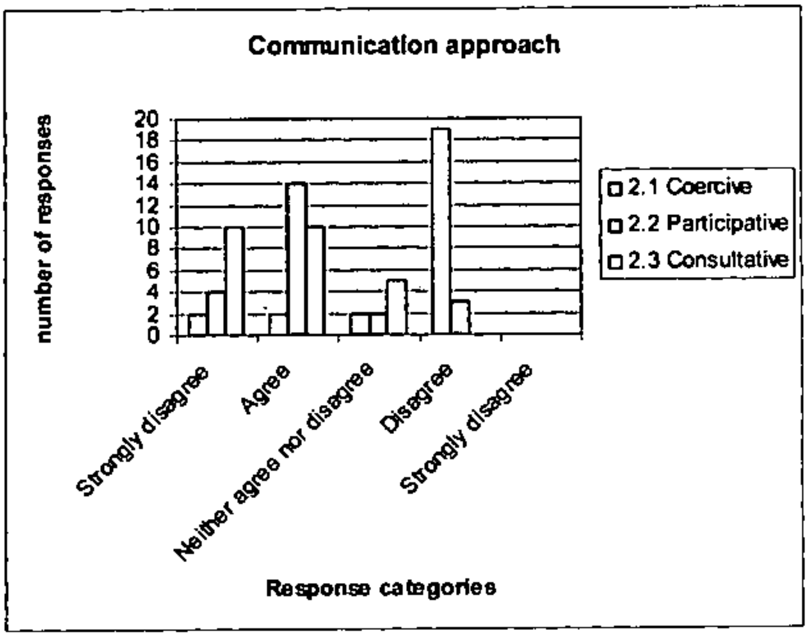


Figure 5, graphic illustration of responses on communication approach during transformation at Eskom

Following are the responses to question two as reflected in the staff questionnaire summary in table 3 and illustrated in figure 5. Two participants strongly agreed that the nature of communication during transformation is coercive, two agreed and two neither agreed nor disagreed while nineteen participants disagreed that the nature of communication when undergoing change is coercive. With regard to the participative nature of communication four participants strongly agreed, fourteen agreed, two neither agreed nor disagreed while three participants disagreed. Lastly, with regard to the consultative approach, ten participants strongly agreed that the communication approach is consultative, ten agreed, five neither agreed nor disagreed and nineteen disagreed that the communication approach is coercive and three disagreed that it is participative.

Only a few participants agreed that the nature of communication is coercive. The majority agreed that the nature of communication is participative and consultative and disagreed that it is coercive. Following is a report of responses on the manner in which management channels communication to staff.

3. Figure 6, below helps to illustrate responses on the manner in which information is channelled to staff during transformation at Eskom. The responses are reported immediately after the graph below.

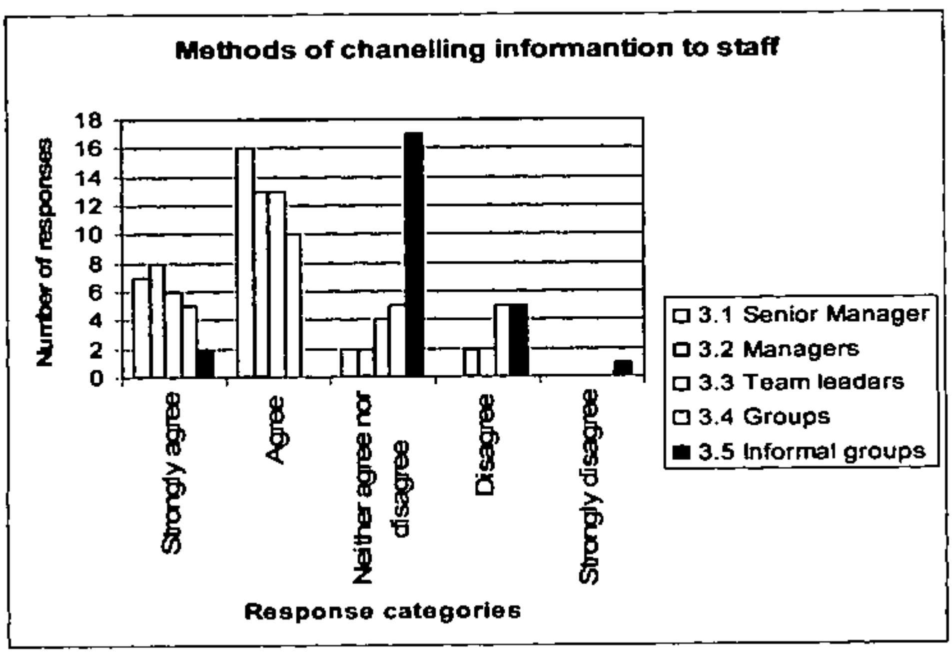


Figure 6, graphic illustration of responses on methods communicating information to staff

Seven participants strongly agreed that information is channelled through senior managers, sixteen agreed while two neither agreed nor disagreed. With regard to communication through managers, eight participants strongly agreed that they receive information about change from managers, thirteen agreed, two neither agreed nor disagreed while two participants disagreed. Six participants strongly agreed that information is channelled through team leaders, thirteen agreed, four neither agreed nor disagreed while two participants disagreed. Five participants strongly agreed that information is channelled through groups, ten agreed, five neither agreed nor disagreed five while participants disagreed. The use of informal groups to channel information is confirmed by two participants who strongly agreed, seventeen participants who neither agreed nor disagreed, five participants who disagreed and one participant who strongly disagreed.

As it is illustrated in figure 6, Most participants agreed that information about change at Eskom is channelled through senior managers, managers and few participants indicated agreed with team leaders, groups and informal groups. The majority of participants neither agreed nor disagreed when it comes to channelling of information to them through informal groups

4. Figure 7, below helps to illustrate responses on the categories in which information is channelled to staff during transformation at Eskom as per the questions reflected in table 3 above. The responses are reported immediately after the graph below.

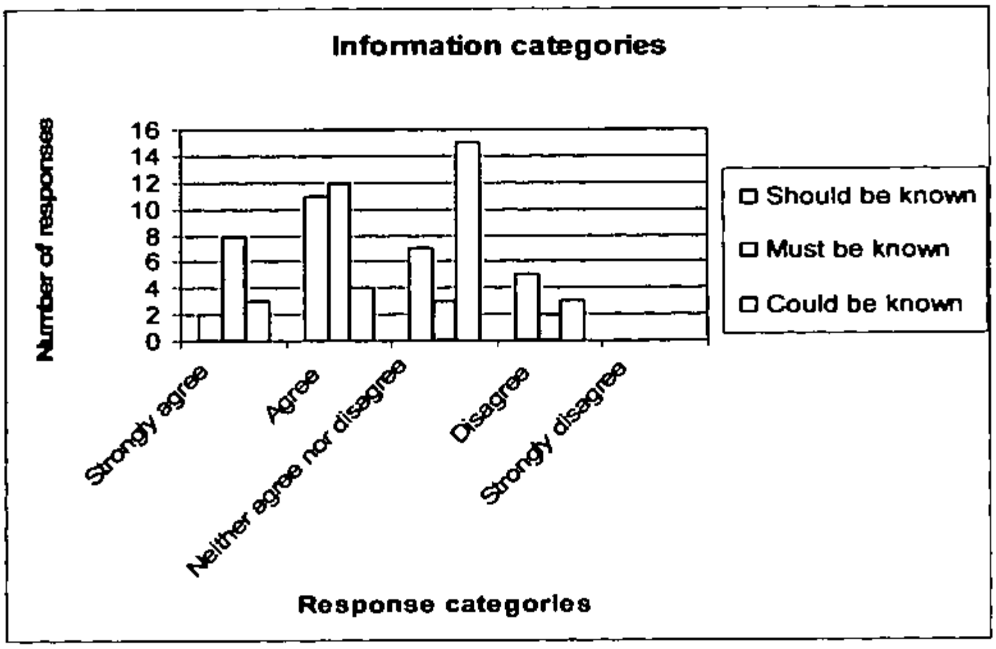


Figure 7, graphic illustration of responses on categories of information channeled to staff

The communication of information that should be known is confirmed by two participants who strongly agreed, eleven who agreed while seven neither agreed nor disagreed, five participants disagreed. Communication of information that must be known is confirmed by eight participants who strongly agreed, twelve who agreed while three neither agreed nor disagreed, two participants disagreed and none strongly disagreed. Lastly, three participants strongly agreed that information that could be known is channelled to staff, four agreed, while fifteen neither agreed nor disagreed and three participants disagreed.

From the illustration above it is clear that information that should be known and must be known is communicated to staff while information that could be known is less channelled to staff because the majority of participants could neither agree nor disagree.

The next section is the second and remaining part of the questionnaire which is discussed below. This part of the questionnaire is reported with the help of the second part of the table 3 and the accompanying graphical illustration labelled figure 8. Results from question five to twenty two are reported and discussed in this part. Responses for each question have been reported.

TABLE 3 CONTINUATION OF STAFF QUESTIONNAIRE SUMMARY

Q. No.	Question Category	Strongly agree	Agree	Neither Agree nor disagree	Disagree	Strongly disagree
5	Information about any potential change in the company is communicated to all staff on a continuous basis.	9	10	4	1	1
6	Reasons for change are clearly explained to staff.	12	5	6	2	0
7	Management style at Eskom can be characterised as caring.	8	6	4	4	3
8	Management style at Eskom can be characterised as compassionate.	5	8	8	3	1
9	Management style at Eskom can be characterised by sharing of ideas.	0	18	2	2	3
10	Management acknowledges and rewards an extra mile taken by employees in doing their work in some way.	5	11	3	5	1
11	Employees acknowledge and reward an extra mile taken by management in meeting their needs in some way.	5	10	3	7	0
12	The company's work teams are characterised by diversity in terms of gender.	13	5	3	4	0
13	The company's work teams are characterised by diversity in terms of race.	12	7	3	2	0

14	The company encourages development of staff from previously disadvantaged groups.	19	3	3	0	0
15	Eskom has put Black Economic Empowerment policies in place.	17	6	2	0	0
16	Eskom adheres to its Black Economic Empowerment policies through its procurement practises.	17	0	5	3	0
17	Eskom rewards good performance by staff.	7	12	4	2	0
18	Eskom discourages poor performance by staff.	9	9	7	0	0
19	Leadership at Eskom encourages celebration of the achievement of set departmental goals.	4	10	5	4	2
20	Leadership at Eskom encourages celebration of the achievements of set company goals.	6	13	4	0	2
21	Managers support the development of female employees into senior positions.	9	10	3	3	0
22	Eskom leadership encourages the development of all its employees.	11	5	7	2	0
Sub-Totals of questions 5-22		**179**	**148**	**76**	**44**	**4**
Totals		**291**	**287**	**151**	**89**	**14**
		36% of responses	36% of responses	60,4% of responses	12% of responses	4% of responses

Figure 8, below helped to illustrate the nature of responses to the statements reflected in the second section of table 3 above. The aim of this questionnaire is to confirm the claims of leaders on change as indicated in the interview section and secondary data.

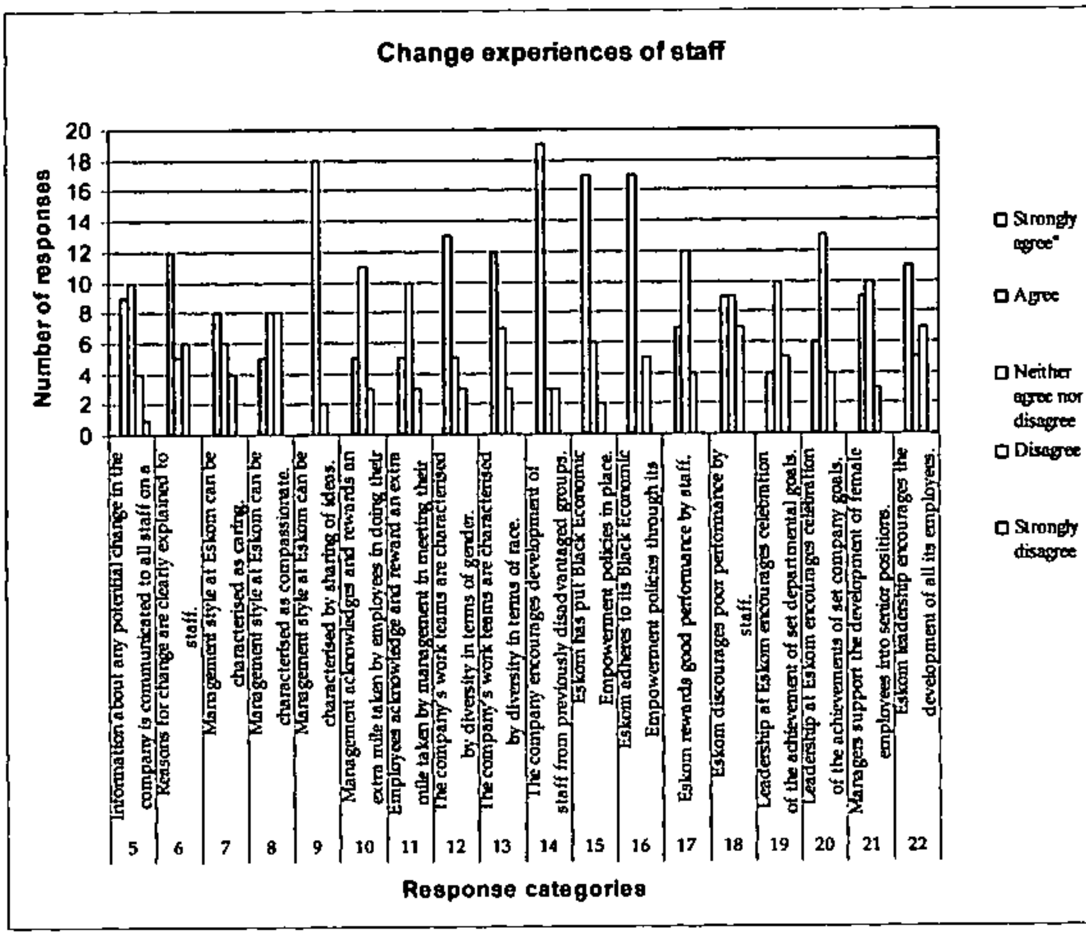


Figure 8, Change experiences of staff

5. Information about any potential change in the company is communicated to all staff on a continuous basis.

Nine participants strongly agreed, ten agreed, four neither agreed nor disagreed one participants disagreed and one strongly disagreed.

6. Reasons for change are clearly explained to staff.

Twelve participants strongly agreed, five agreed, six neither agreed nor disagreed two participants disagreed and none of the participants strongly disagreed.

7. Management style at Eskom can be characterised as caring.

Eight participants strongly agreed, six agreed, four neither agreed nor disagreed four participants disagreed and three of the participants strongly disagreed.

8. **Management style at Eskom can be characterised as compassionate.**

Five participants strongly agreed, eight agreed, eight neither agreed nor disagreed three participants disagreed and one of the participants strongly disagreed.

9. **Management style at Eskom can be characterised by sharing of ideas.**

None of the participants strongly agreed, eighteen agreed, two neither agreed nor disagreed two participants disagreed and three of the participants strongly disagreed.

10. **Management acknowledges and rewards an extra mile taken by employees in doing their work in some way.**

Five participants strongly agreed, eleven agreed, three neither agreed nor disagreed five participants disagreed and one of the participants strongly disagreed.

11. **Employees acknowledge and reward an extra mile taken by management in meeting their needs in some way.**

Five participants strongly agreed, ten agreed, three neither agreed nor disagreed seven participants disagreed and none of the participants strongly disagreed.

12. **The company's work teams are characterised by diversity in terms of gender.**

Thirteen participants strongly agreed, five agreed, three neither agreed nor disagreed four participants disagreed and none of the participants strongly disagreed.

13. **The company's work teams are characterised by diversity in terms of race.**

Twelve participants strongly agreed, seven agreed, three neither agreed nor disagreed two participants disagreed and none of the participants strongly disagreed.

14. **The company encourages development of staff from previously disadvantaged groups.**

    Nineteen participants strongly agreed, three agreed, three neither agreed nor disagreed no participants disagreed and none of the participants strongly disagreed.

15. **Eskom has put Black Economic Empowerment policies in place.**

    Seventeen participants strongly agreed, six agreed, two neither agreed nor disagreed no participants disagreed and none of the participants strongly disagreed.

16. **Eskom adheres to its Black Economic Empowerment policies through its procurement practises.**

    Seventeen participants strongly agreed, none agreed, five neither agreed nor disagreed three participants disagreed and none of the participants strongly disagreed.

17. **Eskom rewards good performance by staff.**

    Seven participants strongly agreed, twelve agreed, four neither agreed nor disagreed two participants disagreed and none of the participants strongly disagreed.

18. **Eskom discourages poor performance by staff.**

    Nine participants strongly agreed, nine agreed, seven neither agreed nor disagreed no participants disagreed and none of the participants strongly disagreed.

19. **Leadership at Eskom encourages celebration of the achievement of set departmental goals.**

    Four participants strongly agreed, ten agreed, five neither agreed nor disagreed four participants disagreed and two participants strongly disagreed.

20. **Leadership at Eskom encourages celebration of the achievements of set company goals.**

    Six participants strongly agreed, thirteen agreed, four neither agreed nor disagreed no participants disagreed and two participants strongly disagreed.

21. **Managers support the development of female employees into senior positions.**

    Nine participants strongly agreed, ten agreed, three neither agreed nor disagreed three participants disagreed and none of the participants strongly disagreed.

22. **Eskom leadership encourages the development of all its employees.**

    Eleven participants strongly agreed, five agreed, seven neither agreed nor disagreed two participants disagreed and none of the participants strongly disagreed.

As stated in the beginning of this section, the aim of sending out questionnaires was to validate the claims of management and establish the experiences of staff at large about change in the organisation. There was one negative category whereby two participants strongly agreed, two agreed and there are two who neither agreed nor disagreed that the company's communication approach is coercive. Nineteen participants disagreed with the category. Most participants in the second part of the questionnaire confirmed the claims of management and few disagreed as reflected in figure 8. Some information has been gathered through the secondary sources as required by the models used and has been discussed in the following chapter. For a summary of interview responses and questionnaire responses, refer to table C and D in the appendices respectively.

Interviews, both personal and telephonic interviews coupled with questionnaires provided the researcher with information that enables the researcher to validate the data through the discussion that follows in the following chapter. Limitations on this chapter have been noted in the limitation section. The following chapter will focus on the interpretation of data, conclusions and recommendations.

CHAPTER 8

DISCUSSION OF RESEARCH RESULTS

8.1 INTRODUCTION

The data that has been collected has been reduced into manageable size. The researcher will interpret any data in relation to the extent of alignment of change efforts to an organisation's corporate strategy (Cooper & Schindler, 2003).

The point of departure when analysing data will be the discussion of the research results with particular emphasis to the models of research, interviews, questionnaires, secondary data and literature review discussed above. The models utilised complement each other and have been used interchangeably in the collection of data. The results will be critically discussed according to the models used and information that has been gathered through secondary sources will also be incorporated.

8.2 CONTINGENCY MODEL OF DYNAMIC STRATEGIC FIT/MISFIT

As discussed in the explanation of the model above, the model of strategic fit seeks to analyse whether there is a fit or misfit between environmental and organisational contingencies (Zajac, et al, 2000). These environmental and organisational contingencies have been identified at Eskom as follows:

General environmental contingencies: Global competition and social delivery. The transformation of South Africa as a country has opened many opportunities for the business. Global power companies have been able to look for potential investments in South Africa and also Eskom has a challenge of competing globally. As an example EDF of France, a power company from France, was nosing in South Africa in the late 1990s.

Transformation at Eskom and in South African in general is inclusive of Social delivery to uplift the standard of the poor majority of South African citizens. This is one of the mandates allocated to Eskom by its major stakeholder, the government.

Local environmental contingencies: At the local environment Eskom had to deal with the legacy left by the Apartheid government characterised by politics of suppression and economics of suppression. Eskom leadership was faced with a challenge of making staff unlearn the past behaviours and norms enforced by the previous government such as, "West is best, to West is just but one way, there are also North, South and East to choose from" (Booysen, 2005:33). This situation presented a challenge for Eskom leadership to create strategies, which would embrace diversity.

Organisational contingencies: These are factors within the organisation that are in continuous interaction with the environment. These include, input resources, throughput competencies, overall competence and current strategy.

In terms of input resources, Eskom had to gather resources for the development of previously disadvantaged and staff in general. According to Higgins (2005) resources means the extent to which an organisation has adequate resources to achieve its strategy. The most critical resources are staff, technology and money. Hedges for foreign exchange can be regarded as another input resource from the government although it is no longer necessary.

In order to see its projects to fruition the company needs a catalyst, which in this case, communication, technology and staff are the major catalysts with which to carry Eskom to the next level. Three out of seven participants in the interviews said the communication at Eskom is excellent, giving eight and nine out of ten. Three participants gave seven out of ten citing a room for improvement, not preparing people and not being too vocal. One participant said not more than five because communication is not as rigorous as it was when the vision was first communicated. These results can be interpreted as good for Eskom, however, some improvement is necessary if all change initiatives are to succeed.

According to the first section of the questionnaire the majority of responses indicate that, verbal, written and electronic communication is utilised; the communication approach is usually participative and consultative; management usually channels information through senior managers, managers, team leaders and groups. It is information that must be known and should be known that is normally conveyed to general staff. The majority of questionnaire respondents also indicated that management style at Eskom could be characterised by sharing of ideas. According to Goodman and Truss (2004) an appropriate method of communication coupled with timing, content and media are important. Persuasive, active communication and sharing information about change is important to generate readiness for change.

Goodman and Truss (2004:218) reflect on the work of Klein, (1996); Johnson and Scholes (2002) by arguing that, "theories of communication make it clear that effective communication depends on the receiver hearing the message as intended by the sender, and the feedback loop enables both sender and receiver to check understanding...the role of line managers and opinion leaders as lynchpins in the communieation chain has also been recognised." Eskom has carried our most of these suggestions, however, some of the intended recipients either have stopped hearing the message or the message is no longer clear. These can be regarded as throughput competences (Zajac, et al, 2000).

Eskom's overall competence is being a major supplier of electricity in South Afriea at a lowest cost. Eskom competes on the basis of low cost strategy with its international counterparts (Ghemawat, 1999). Transformation from being a public enterprise into a public organisation having a share capital early in 2002 has led Eskom to become a profitable company.

The current strategy at Eskom is focusing on their core business of electricity to maximize shareholder value in economic, social and environmental returns. "Keeping the lights burning" through optimal utilization and operation of their asset, resource and skills base. Ensuring the sustainability of the business through balanced financial, social and environmental decision making. Managing their assets and future capital investments to ensure adequate electricity supply to meet the needs of the South African electricity market. Making focused and viable investments elsewhere in Africa to further the aims of NEPAD while creating the foundation for a continental business in the long term.

The organisational and environmental contingencies have been defined and the next stage is to verify whether the interaction between the environmental contingencies and organisational contingencies vary to such an extent that there is a desirability of strategic change.

8.2.1 Desirability for strategic change

8.2.1.1 General environment

Global competition was never a serious challenge in the past, however, in the recent past Mr Khoza says, "...the world has become a neighbourhood." Van Tonder (2004b) refers to volumes of information processed through information technology which can traverse the globe in seconds reaching multitude of audiences. Coupled with that challenge Eskom had to look in the transformation of South Africa as a country. With that came the challenge of providing electricity to the majority of South Africans which was never the case before.

Nkomo (2005a) reflects on the research conducted by Kriek and Nkomo whereby the drivers of change in South Africa have been discovered to be the new dispensation and social transformation and globalisation amongst others. Most participants in the research believe that Eskom was proactive in doing this because Eskom started exploring that possibility prior 1994. This was a good business opportunity which Eskom identified as one participant indicated. Had Eskom failed to identify the opportunity other power companies in the world would have and Eskom had to be proactive. Therefore, a major change was desired to align changing general environmental conditions with organizational contingencies.

8.2.1.2 Local environment

Eskom aimed at being a global player, major supplier of electricity in Southern Africa and developing disadvantaged employees to create a diverse workforce at all levels. Interview participants indicated that Eskom has achieved its strategic intent also indicating that it is a process. Eskom was also aiming at reducing barriers to entry in order to allow black empowerment partnerships. A goal to forgo 20 to 30 percent of current capacity to would be competitor was identified but never achieved because of high barriers to entry. In order for Eskom to achieve all the goals mentioned above there was a need to align its strategy to the local environment, rid the company of legacies of politics and economics of suppression. The impact of environment cannot be viewed in isolation from the organisational contingencies because of their continuous interaction.

8.2.1.3 Organisational contingencies

As discussed above the organisational contingencies have four pillars which are in constant interaction with the environment. In order to be a global player and deliver to the vast majority of the South African population, the development of the previously disadvantaged and employees in general became necessary in order to increase the human capacity and remove barriers associated with politics and economics of suppression. Government had to stop putting in hedges for foreign exchange, as capital did not seem to be a major challenge. Therefore there was a need to change focus on input resources in order to achieve the set goals. Most participants believe that the skills development and employment equity helped to enhance an initiative that did exist.

There has to be a vehicle in which the input resources are converted into the final product. A variation between the methods that existed and the required methods was identified. In order to meet the challenges above there was a need to revise communication methodology in a drive to Africanise it and to make use of advancing technology through empowered staff.

In order for Eskom to achieve its overall competency that it has today, Eskom identified a need to align all the contingencies mentioned above. This need was identified despite criticisms as mentioned by one of the respondents that, there was a belief among some people especially, technocrats and engineers that enforcing affirmative action and Black Economic Empowerment would only compromise the quality of products.

In order to achieve the current strategy Eskom identified a need to align its business processes with environmental contingencies. Working towards the core strategy needed breaking down stereotypes entrenched by politics and economics of suppression in order to compete globally and meet social demands was key. The interaction between the environmental contingencies and the organisational contingencies presented a need for strategic change. The following section focuses on the actual change that has taken place.

8.2.2 Actual strategic change

8.2.2.1General Environment

It is good to identify a need for change or new strategy. This does not add any value if the need is not followed through. A major change took place in terms of penetrating the Southern African Region and being the sole supplier of electricity at a lowest cost in the African region and creation of a diverse workforce through the development of previously disadvantaged.

Formation of a Section 21 company, Eskom Development Foundation that incorporates social investment initiatives of Eskom, which commenced operations in 1998, was one of the achievements of these identified needs. Eskom contributes 1% of it profits to this company for purposes of social investments.

Eskom electrified 3.2 million homes by 2005 from 600.000 in 1994 in its strategy of social delivery and supply of electricity to the majority of the country.

8.2.2.2 Local environment

At the local environment level Eskom has liberated many South Africans by supplying them with electricity which they did not have prior to South African transformation. The company changed internally by adhering to employment equity, skills development and Black Economic Empowerment practices during transformation of South Africa as a country. Eskom has created a diverse workforce at all levels and has utilized communication and technology to actualise its goals.

So far Eskom has not managed to reduce barriers to entry to allow partnerships with emerging power companies as projected. One participant explained that, that is due to the capital needed to start the business associated with low returns.

8.2.2.3 Organisational contingencies

Input resources: Eskom has made strides in terms of developing the previously disadvantaged. In terms of gender equity representation, women in management grew from 5% prior 1994 to 29% and 23% at all levels by 2005. Representation of previously disadvantaged in terms of race at Eskom has grown to 69% at all levels and 57,9% at managerial levels. Eskom has been so profitable that Government need not put in any hedges for foreign exchange. A sample of general staff has confirmed these claims.

Throughput competencies: Leadership at Eskom has revised the communication methodology through Imbizo, meaning a meeting with leadership and management and staff in general with an aim of exchanging ideas and obtaining feedback. Feedback from the first section of the questionnaires bears testimony to this claim. It is also an indication of Eskom's trying to narrow the gap between saying and doing (Anderson, 2002). Most of the participants such as company magazines and electronic communication is optimally utilised although few participants do not agree with this claim.

Overall competence: Eskom has managed to be a low cost electricity supplier globally. Transformation from being a parastatal to being a profitable company has allowed Eskom to plough back the profits into development of its staff by placing high priority into education and training of staff in order to enable them to build the organization. "Eskom's people have built the organisation" (Eskom Annual report, 2005:38).

Current strategy: Economics and politics of suppression have been replaced by empowerment of staff through training and development to meet the goals of the organization as prescribed in the strategic intent. Eskom delivers electricity to millions of poor people in South Africa because of its low cost strategy. A variation between the desirable strategic change and the actual strategic change determines whether Dynamic Strategic fit or misfit has been achieved.

8.2.3 Dynamic strategic fit or misfit

The dynamic strategic fit or misfit cannot be measured without establishing the cause of a desirable change.

8.2.3.1 Cause for strategic change

Although Eskom seems to have changed willingly, there was a tension between the environment and the organizational contingencies which resulted into a need for change. Eskom could sense a potential change in South Africa in terms of politics and had its strategy in place and was marking time. If Eskom was not constrained by the environment or did not take its tune from the environment the strategy that some of the participants claim was in place in the late eighties would have been implemented long before1994. These strategies were implemented from 1991 which is a good indication of the fact that there was a good inclination towards transformation of the country. As most participants indicated, Eskom's early change was enhanced by the introduction of labour laws and the implementation became smoother. The unburning of the liberation movements and the release of the former President Nelson Rholihlahla Mandela from jail in 1990 bears testimony to the statement above. A credit can only go to Eskom leaders because they responded earlier to the transformation of the country than most South African companies.

8.2.3.2 Variation between strategic desirability of strategic change and actual strategic change

The variation between the two determines whether there is a dynamic strategic fit or misfit. In terms of the general environment, Eskom has managed to match the desirable change to the actual change. Eskom has managed to form partnerships in the SADC region, namely being a member of the Southern African Power Pool, being an active participant in the union of Producers, Transmitters, and distributors of Electric Power in Africa. Therefore, Eskom is an active participant in Africa and offers energy related services in first world countries and that is testimony to the achievement of Eskom's strategic intent. Eskom has not managed to forgo 20% to 30% to a would-be emerging empowerment company as envisaged. That has been justified by one of the participants who mentioned a huge capital involved in setting up the business and low returns.

Most participants said Eskom's communication has changed for the better while some believe there is still a room for improvement. The latter helps the company against complacency. Some participants find technology a barrier to ways of doing business in particular, Aravia.con. However, communication has been found to be the best tool in resolving Eskom's problems. There is also a match between the overall competence and current strategy of the organisation.

8.2.4 Organisational performance

The proposition that the researcher must prove is whether Eskom the change that has taken place at Eskom has resulted in a performance benefit. This stage can be equated with the strategic control stage, which determines the success or failure of a strategy. A strategy has to be controlled by continuous monitoring of new developments, evaluating performance and initiating corrective adjustments. This can be done through budgets and performance indicators for both employees and the company (Thompson & Strickland, 2003).

Most participants in the interview indicated that consolidation does happen and one participant said not enough consolidation was done. They did indicate that for every project there is a business case, which is approved by a committee and continuous audits are carried out during implementation and after finalisation to check the effectiveness of projects.

March 2005 is regarded as the best in the financial position of Eskom. The balance sheet as at 31 March 2005 reflect a debt equity ratio of 0.18 (2003 – 0.30), making Eskom virtually debt free. The current assets are R31 747m and current liabilities are

R 21 799m and this is a healthy situation for a company. In 2000 it was a different case because the current assets were R12 050m and current liabilities were R14 505m. The profit has been rising in the past five years. Cash flow has also been good. The years that have reported less cash flow namely 2001 and 2003 show big investments and financing activities, which pay off the following year. It is also not good to have an abundance of cash flow. It must be invested otherwise it might end up being spent on non-important expenditure. Profit has been rising throughout the years. Refer to Annexures B, C D and E in appendices.

Eskom has exceeded it targets on Black Economic Empowerment, Employment Equity and has realised its strategic intent. An organisation's performance cannot only be judged on financial performance only. All the goals that the company sets are important.

8.3 ANALYSIS OF ALIGNMENT AT ESKOM ACCORDING THE EIGHT 'S' MODEL

The contingency model discussed above focuses on the interaction between the environment of the organisation with the organisation and the actualisation of fit between the two. The eight 'S' models on the other hand focuses on the analysis of alignment of key organisational factors with strategy (Higgins, 2005). This model has been explained above and table B has a summary of the analysis of alignment according to the eight 'S' model at Eskom. The following discussion focuses on the application and analysis of alignment of Eskom's organisational factors including change to strategy.

8.3.1 Strategy and Purposes

As discussed above the components of the strategy are applied.

8.3.1.1 Vision

The vision of Eskom is to provide the world's lowest cost electricity for South Africa, and by extension Southern Africa and by further extension Africa, for economic development and delivery of high quality of service. This vision is in line with strategic intent, a "big, hairy audacious goal, or BHAG, that is relentlessly pursued by the leaders of an organisation (Thompson & Strickland, 2003).

8.3.1.2 Mission

The mission of Eskom is to provide the world's lowest cost electricity to all in the most cost efficient manner. This mission has since been revised and the new mission reflected in 2005 Annual report states that, Eskom will grow shareholder value by exceeding the needs of local and foreign customers with energy-related services. This mission is also in line with the strategic intent because the previous one restricted Eskom to the world's lowest cost electricity only, while Eskom also provides services such as engineering services associated with energy to other countries including first world countries in the world. Strategy cannot be complete without Porter's five forces of industry analysis as discussed above.

8.3.1.3 Porter's five forces

Industry competitors: A company should be able to identify the industry competitors. There are twenty largest power companies in the world. Eskom is ranked number eleven in the world for generating capacity and number seven by generation sales. Refer to annexure H for top power companies in the world and the position of Eskom. The following three are important because they posed a threat to Eskom, as they were nosing-in after 1994.

- Duke Power,
- Enron and
- EDF of France

New entrants: Eskom has high barriers to entry. One participant indicated that it takes billions of rands to be in the business of energy generation and returns are very slow, therefore, it is not easy for Black Economic Empowerment companies to penetrate the company. Eskom has failed to forgo 20% to 30% of current capacity and make it available to any would be competitor although that was one of the goals. This is a convenient failure on the part of Eskom because Eskom needs to survive and creating competition for themselves is not a top priority.

The relative threat of substitutes: Substitutes are not a threat at the moment because Eskom also produces some of the substitutes such as solar energy. Eskom is also experimenting with producing electricity through wind, biomass gasification technology, ocean energy, fuel cell, nuclear energy by establishing a safe Pebble Bed Modular Reactor. All interview participants indicated the lack of threat of substitutes.

The bargaining power of buyers: Eskom is a monopoly in South Africa and all South Africans who use electricity use Eskom; therefore, buyers do not have any bargaining power, as they cannot be in a position to determine price.

Bargaining power of suppliers: Coal suppliers and suppliers of other required material and related needs exist. Suppliers do not have a bargaining power because Eskom has a lot of suppliers that it utilises. 70% of those suppliers are Black Economic Empowerment suppliers and Black Economic Empowerment targets have been exceeded over the years. Labour naturally has a bargaining power but because of continuous engagement the power is seldom used negatively.

Compliments from the value net: There is no evidence of co-operative partnerships with producers of electric appliances and bodies that indirectly promote the utilisation of electricity. However, a relationship does exist in that producers of appliances are persuaded from time to time to convert to electricity because of its convenience and low cost as indicated by one participant as indicated by one participant. Most participants were not aware of any co-operative alliances. This is the case because Eskom is not under any pressure to form these alliances, as it is a monopoly.

Mapping the business landscape: Role players are customers such as industrial, mining, commercial, agricultural, redistribution, residential customers locally and international customers in Southern Africa. Labour and shareholders such as government are role players at Eskom. Eskom formed partnerships with IT companies such as Denel, Dalavia of Transnet and Dimension Data to form Aravia.con. Eskom has identified business opportunities in Africa and globally in its efforts to actualise its strategic intent. Eskom provides electricity in Africa and electricity related services Globally. Eskom generates, transmits and distribute electricity to consumers directly or through municipalities.

Triggers of change: Triggers of change at Eskom have been discovered to be globalisation because Eskom has a ranking among the energy generation companies of the world as indicated in Table A, Politics have been a trigger for change at Eskom because of change in government and new legislation. Through technology the world has become a neighbourhood and Eskom cannot afford to be complacent in this regard. By uplifting the poor in terms of giving them affordable electricity, Eskom is contributing to the growth of the economy of the country.

8.3.1.4 SWOT analysis

Strengths

- South Africa's sole supplier of electricity
- Highest barrier to entry by new entrants
- Involvement of the entire management structure on strategic matters
- Employment equity progress
- Skills development progress through training and development
- Formation of strategic partnerships with Denel, Transnet and Dimension data to create an information technology competence.
- Formation of strategic partnerships African countries and NEPAD.

Weaknesses

- Not being able to reduce barriers to entry to support emerging black empowerment companies. Lack of a local competitor might create complacency in the long run.

Opportunities

- To forgo 20 to 30 percent of current capacity where generation is concerned in order to stay competitive
- Creation of opportunities for black companies through Black Economic Empowerment
- Potential to become a continental player and a global player
- Potential for the formation of more partnerships in Africa.

Threats

Threats are found in the global environment namely players such as Duke Power, Enron and EDF of France who once considered doing business in South Africa.

8.3.2 Structure

8.3.2.1 Types of jobs

The types of jobs required by Eskom range from technical, engineering, financial, managerial, professional to administrative jobs all the types of jobs exist. However, from the interviews there were mixed views about the availability of people that meet the criteria because of continuous poaching of Eskom employees by other companies.

8.3.2.2 Structure of Eskom

Structure of Eskom is neither centralised nor decentralised. Corporate head office is responsible for leading the organisation showing direction and formulation master policies. Divisions are fairly autonomous as reflected in annexure I has reference. Most interview participants also indicated that Eskom is not centralised although there is a head office, divisions customise their policies according to the particular needs of the division.

8.3.2.3 Grouping of the jobs into departments

Jobs are not grouped into departments instead departments dictate which jobs they require. A division like generation will require jobs ranging from human resources, to engineers and technical expertise.

8.3.2.4 Manager's span of control

Manager's span of control varies at Eskom, depending on the complexity of the area. One senior manager for an example has seven people reporting to her while a manager in information management has twenty-five people reporting to him.

8.3.2.5 Mechanisms of co-ordination

Managers are guided by policies and procedures which the company has in place. Eskom has an information overload in that it has about five thousand policies which are applicable to all employees. These policies are situated at the corporate head office and divisions develop their own policies which are aligned to the goals of the organisation and master policies at head office and customised to the operations of the division. Although one participant indicated that few policies are adhered to strictly, audits applicable to some areas are done.

8.3.3 Systems and processes

Systems and processes should be aligned to the goals of the organisation and below is a discussion of the manner in which Eskom's systems and processes are aligned.

8.3.3.1 Strategic planning systems

The strategy planning at Eskom involves all the stakeholders. It is top down and vice versa. Leadership at corporate head office visit divisions on a regular basis to discuss with managers and staff any potential change and to gather feedback, which they incorporate, into the final strategy.

8.3.3.2 Performance management systems

The system is objective, clear and automated according to the participants interviewed. It was also agreed with the union. The performance management systems support the goals of the organisation because they are in line with the organisation's goals.

8.3.3.3 Information technology systems

Eskom has formed Eskom enterprises, which includes information technology and telecommunications and engineering consulting activities. This is in line with the strategic intent of providing energy related services of global stature.

8.3.4 Style of leadership and management

In order to be able to analyse the style of leadership at Eskom this 'S' has been relevant theory from other models has been incorporated as reflected below. The leadership roles of Smith and Carstens (2003) have been incorporated in the discussion below.

8.3.4.1 Initiator

Change at Eskom was planned for a ten year period and reasons for change were explained thoroughly to all involved. The change was a type O change in that it incorporated the feelings of the people and was not completely radical, hence no sense of urgency was created instead a need for change was communicated and emphasised. The majority of participants including general staff believe that change was well communicated, rating communication between seven and nine out of ten and some cited a room for improvement. The room for improvement cited by some will help to guide the company against complacency.

Top two hundred managers from all regions served as a powerful guiding coalition. All stakeholders, labour and entire management structure were involved. Written strategic intent was circulated to the top two hundred managers. Leadership visited the divisions to communicate and explain strategy and gather feedback on strategy. Hence one responded ranked communication at Eskom not more than five out of ten because he says when the change started, communication was rigorous and now it has decreased in magnitude.

There was minimal resistance because stakeholders were engaged and there is transparency and ongoing communication through group-wise e-mail, company magazines and ongoing communication with leadership.

8.3.4.2 Shaper

Target of 18 to 20% women in management structure was set to overcome an obstacle of structure. The target was exceeded because the annual report of 2005 shows 29% of women in management positions. Responses from questionnaires bear testimony to this claim as nineteen out of twenty five respondents agreed that managers support the development of female employees into senior positions. Supervisors were held accountable for the training and development of females to executive management through performance appraisals. Resistors were engaged at every turn. Most interview respondents agreed that short-term wins are celebrated at Eskom through bonuses awarded to employees on achievement of set company goals. This response has the support of nineteen out of twenty five questionnaire respondents. However, in terms of the celebration of departmental goals only fourteen out of twenty respondents agreed. Departments need to take ownership of the strategy implementation because an organisation is as good as the department of the employee. There is ongoing communication through company magazines, electronic communication, verbal and memorandums.

8.3.4.3 Monitor

All change initiatives are consolidated and audited before any new initiatives are implemented. Most interview participants indicated that consolidation does take place at Eskom and is supported by the submission of a business case for each initiative, which is subject to approval by a relevant committee. Successful initiatives are monitored through ongoing audits.

8.3.4.4 Assessor

Change outcomes are measured on an ongoing basis through audits. A business case for each project and is audited before and after change.

8.3.5 Staff

Staff is very important at Eskom. In the 2005 annul report Mr Khoza says, "Eskom people have built the organisation." Eskom Leadership strived to make Eskom the best company to work for, and that had to be met in the context of full commitment to employment diversity and employment equity, in particular.

8.3.5.1 Number of total staff

Eskom has a total staff complement of about 29 845 including all its divisions. This is indicative of thousands of policies that the company creates.

8.3.5.2 Types of individuals

Eskom values integrity, excellence, customer satisfaction and innovation and hence the maintenance of the flow of graduates into the organisation.

8.3.5.3 Types of skills

Eskom has managed to attract competencies it requires, however, due to the ongoing training it provides people are poached and the actual competencies needed might not be available all the time. This is due to the time it takes to fill the position and the time it takes for individuals to beat the learning curve. There were mixed reactions from the interview respondents in this part, some indicated yes and some indicated the poaching of staff by other companies as a barrier in achieving this goal.

8.3.5.4 Personal transition

This is the manner in which employees view change. "Employees who could not accept change and could not go beyond the stage of anxiety have left the company a long time ago." This was a view of one interview respondent. Most participants did indicate that there was some resistance but management dealt with it through negotiations and was settled. Goodman and Truss (2004:219) reflects on the work of Kitchen and Daly (2002) where it is argued that three types of information affects employees during change namely, " what employees must know, including job specific information; second, what employees should know, including desirable information about the organisation and, finally, what employees could know, including relatively unimportant office gossip." The questionnaire response indicates that Eskom needs to improve on information that could be known to prevent resistance and minimise uncertainty. Only seven respondents out of twenty five indicated that Eskom provides information that could be known.

8.3.6 Resources

These are the resources that the company needs to achieve its goals. These include technology, money and staff.

8.3.6.1 Technology

Eskom IT, Ariel Technologies, Dalavia merged to form a competitive IT company known as Aravia.con. Although Mr Khoza seems to praise Aravia.con, staff has mixed experiences about it. Some believe it does not affect them, some believe it is hampering the business and some believe it has contributed to the achievement of the organisational goals.

8.3.6.2 Money

Eskom was profitable from day one, which means it does have the ability to carry out its initiatives. The balance sheet as at 31 march 2005 reflects a debt/equity ratio of 0.18(2003 –0.30) making Eskom virtually debt free. Annexure B has reference in appendices.

8.3.6.3 Staff

There were mixed responses from the participants with regard the availability in the company of staff in the following fields:

Research and development: One participant said the technical staff also do research and development. This contradicts the project management principles because researchers should be independent and only focus on research.

Software part of technology: One participant indicated that staff is outsourced in this field. There were mixed responses in this part as there are mixed responses with Aravia.con.

Knowledge management: Mr Khoza remarks that, "one of the greater challenges in this regard was gaining the ability to discard the industrial mindset and to operate in the information age. This required a great deal of investments in creating knowledge workers." This challenge was achieved through training and changing business processes and systems.

Organisational learning: Eskom has put in place a Vision E-learning to train its leaders. Put differently one would say there is an Eskom college located at corporate head office with competent facilitators. However, sixteen out of twenty five questionnaire respondents agreed that, Eskom leadership encourages the development of all its employees. Although it is the majority there is some room for improvement in terms of greater awareness of staff on this matter. Therefore, Eskom has enough staff on organisational learning.

8.3.7 Shared values or organisational culture

8.3.7.1 Observable artefacts

The researcher has established that Eskom continues to support small, medium and micro enterprises and large black businesses for the supply of goods and services thereby contributing to Black Economic Empowerment (BEE). Expenditure on BEE has grown from R201m a year in 1997 to more that R10bn in 2005. Eskom has exceeded targets on employment equity and has Vision E learning to develop its leaders. Most interview respondents indicated that there is an overload of human resources policies and procedures and they are adherence is checked through continuous audits.

8.3.7.2 Values

The values of integrity, caring and sharing are held in high esteem by leadership.

8.3.7.3 Underlying assumptions

These are inconsistencies between what is observed and the feelings of employees. There were inconsistencies with regard to the Aravia.con. Some participants believed that the programme hampered their business processes and others believed that it worked well. Some participants believe that the level of communication has decreased since the recognition of the vision by staff while Mr Khoza claims to have engaged staff at all levels.

8.3.7.4 Culture type

Eskom leadership values: Integrity, Excellence, Customer Satisfaction and Innovation. These are complimented by promotion of employee participation that has been supported by the questionnaire. Eighty percent of responses from general staff agrees and strongly agree that management encourages participation of staff and is caring and compassionate while a few believe that communication is coercive at Eskom.

8.3.8 Organisational performance

The proposition that the researcher must prove is whether the change that has taken place at Eskom has resulted in a performance benefit. This stage can be equated with the strategic control stage which determines the success or failure of a strategy. A strategy has to be controlled by continuous monitoring of new developments, evaluating performance and initiating corrective adjustments. This can be done through budgets and performance indicators for both employees and the company (Thompson & Strickland, 2003).

Most participants in the interview indicated that consolidation does happen and one participant said not enough consolidation was done. They did indicate that for every project there is a business case, which is approved by a committee, and continuous audits are carried out during implementation and after finalisation to check the effectiveness of projects. Refer to Table C in appendices.

March 2005 is regarded as the best in the financial position of Eskom. The balance sheet as at 31 March 2005 reflect a debt equity ratio of 0.18 (2003 – 0.30), making Eskom virtually debt free. The current assets are R31 747m and current liabilities arc R 21 799 and this is a healthy situation for a company. In 2000 it was a different case because the current assets were R12 050m and current liabilities were R14 505m. The profit has been rising in the past five years. Cash flow has also been good. The years that have reported less cash flow namely 2001 and 2003 show big investments and financing activities which pay off the following year. It is also not good to have an abundance of cash flow. It must be invested otherwise it might end up being spent on non-important expenditure. Profit has been rising throughout the years.

Eskom has exceeded it targets on Black Economic Empowerment, Employment Equity and has realised its strategic intent. The company's performance cannot only be judged on financial performance only. All the goals that the company sets are important.

8.3.8.1 Financial performance

i. Cash Flow Statements

By March 2005 Eskom had R9 961m in net increase in cash and cash equivalents. There were big investments made in 2003 which resulted in negative cash flows but in that year and a positive cash flow in 2005. Refer to Annexure E in appendices.

ii. Balance sheet

In 2000, current liabilities exceeded current assets but over the years that has been gradually improving. In 2005 the current assets far exceeds the current liabilities and the latter trend has been consistent in non-current liabilities. Refer to Annexure C in appendices.

iii. Income statement

Profit has been showing a gradual increase since 2000. Refer to Annexure D.

8.3.8.2 Strategic performance

The strategic intent has been realised although there is still a room for improvement as Eskom is aiming to dominate the African region. Eskom has far exceeded employment equity and Black Economic Empowerment targets. Refer to Annexure F and J in appendices. The Vision E-learning supports their skills development. Social investment has been achieved through the Eskom Development foundation, a section 21 company. The challenge facing Eskom is to forgo some capacity to a Skills Development company. Eskom does not have any co-operative alliances in South Africa due to it being a monopoly without any threats for substitutes.

8.4 CONCLUSION

The researcher explored the extent to which South African Leaders align change management efforts to corporate strategy. The organisation that has been used is Eskom. The researcher made use of two models to prove the propositions. The first proposition was to establish whether the tension between the environment and the organisational contingencies has led to a need for change. In order to prove this proposition the researcher explored secondary and primary data and supplemented information received by questionnaires and interviews. The researcher concluded that although participants seem to think that Eskom changed willingly, a tension did exist between the environment and the organisational contingencies, which resulted into a need for change. Eskom could sense a potential change in South Africa in terms of politics and had its strategy in place and was marking time. This is indicative of the time in which Eskom started implementing change as per information received from the participants, primary and secondary data.

The researcher also analysed whether the match between desirable strategic change and actual strategic change is associated with dynamic strategic fit or misfit. There was a variation in the local environment between the desirable change and actual change. This is as a result of failure to reduce barriers to entry. There was also a variation in terms of the manner in which participants experienced the effects of Aravia.con. It was not seen as contributing much to the goals of the organisation as claimed by Mr Khoza. Communication was rated fairly good, however, mention was made of less preparation of staff for change or not communicating enough. Most of the goals have been achieved as indicted in the strategic and financial performance of the organisation section above. Most activities were aligned to the desired strategic change and therefore created an alignment between the desirable and actual change that took place.

The researcher has analysed whether Eskom changed as required by the tension between the environmental and organizational contingencies and as required by its market forces, whether that fit/misfit which resulted from the match between the actual and desired change has resulted in an overall performance benefit. The match between change and corporate strategy reflected in the dynamic strategic fit is expected to be positively associated with good organizational performance. The organisation has met most of its goals and most of its "S"s are aligned hence the indication of a good strategic and financial performance above. If there was no alignment or the alignment went terribly wrong, the financial performance would bear negative testimony. If communication was seriously bad most of the goals that have been achieved would not have been achieved. Therefore, the researcher can conclude that most of the goals have been achieved and resulted in alignment of change to strategy although there is still a room for improvement in terms of variations mentioned above.

Some of the challenges experienced were the unavailability of target participants due to their busy schedules. Slow questionnaire responses also posed a challenge. A third challenge was to have to rely on nominated staff to distribute questionnaires to respondents because of a lack of access to the e-mail lists of staff members of Eskom considering that it was not the organisation for which the researcher works. The researcher followed up on several occasions with the nominated staff. The participants to the research arc considered to have relevant experiences to change at Eskom. Due to the constraints mentioned above, the researcher had to exercise flexibility in order to be able to conduct the research as explained in the section of limitations.

8.5 RECOMMENDATIONS

Recommendations are stated in bullet point form for sake of clarity and ease of understanding.

- Eskom should strive to achieve all its set goals. Reducing barriers to entry by encouraging emerging power companies will create some competition and help to prevent complacency. However, this should not be a top priority as being a monopoly works best for Eskom at the moment.

- A survey on the Aravia.con effects on Senior Managers and staff in general should be conducted or education of staff about the value that Aravia.con adds to their day-to-day experiences is necessary. There is either a lack of understanding on what Aravia.con provides or whether it is really hampering the business. This may also be as a result of a lack of communication.

- Communication was rated fairly good however, mention was made of less preparation of the staff for change or not communicating much. Leadership must find means to prepare staff on any change lest it be seen as coercive. Leadership training for managers that Eskom has embarked on is supported. However, training should also concentrate on line managers because although achievement of goals is celebrated by the organisation few questionnaire participants see this happening in departments. An organisation is as good or bad as the department in which an employee finds herself or himself.

- Leadership should focus on talent retention strategies. Employees are not motivated by compensation only to stay in organisations. Ensuring that departmental managers make life interesting and challenging by celebrating each little success might help to reduce employee turnover.
- Information that could be known can be detrimental in terms of creating negative perceptions, which ultimately lead to poor performance. Leadership should always strive to create an environment for ongoing communication. There should be continuous communication before, during and after the

change initiative in order to obtain ongoing feedback from employees about their experiences and feelings.

- Although Eskom does not seem to be a centralised organisation, its culture is characterised by several policies and procedures which apply to every single employee at Eskom. One interview participant even said there is an information overload. Leadership should attempt to look at these policies and streamline them according to business need and guard against a lit of policies which apply to no one, because employees should be aware of all these policies and consequences thereof in order for management to be able to adhere to them.

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Table A Summary of the contingency model of strategic fit				
	Desirability of strategic change due to variation between organizational and environmental change	**Actual strategic change**	**Dynamic strategic fit or misfit**	**Organisational performance**
General environment Global competition and Social Delivery	A major change was desired to align changing environmental conditions with organizational contingencies. Eskom had to change as a result of transformation of South Africa as a country.	A major change took place in terms of penetrating the Southern African Region and being the sole supplier of electricity at a lowest cost in the African region, creation of a diverse workforce through the development of previously disadvantaged. Formation of a Section 21 company, Eskom Development Foundation which incorporates social investment initiatives of Eskom which commenced operations in 1998. Electrification of 3.2 million homes by 2005 from 600.000 in 1994. Eskom is a global player by through striving to actualize its strategic intent of being the pre-eminent African energy and related services business, of global stature.	Although Eskom seems to have changed willingly, there was a tension between the environment and the organizational contingencies which resulted into a need for change. Eskom could sense a potential change in South Africa in terms of politics and had it strategy in place and was lying low waiting for the right time. In the general environment, there is a match between desirable change and actual change.	The researcher has analysed whether Eskom changed as required by environmental and organizational contingencies and as required by its market forces, whether the fit or misfit which is as a result of the match between actual and desired change, has resulted in an overall performance benefit.
Local environment Politics of suppression Economics of suppression	Eskom aimed at being a global player, major supplier of electricity in Southern Africa and developing disadvantaged employees to create a diverse workforce at all levels. Eskom was also aiming at reducing	Sole supplier of electricity to the poor who did not have it prior to South African transformation. The company changed internally by adhering to employment equity, skills development and BEE practices during transformation of	The researcher also analysed whether the match between desirable strategic change and actual strategic change is associated with	

	barriers to entry in order to allow black empowerment. A need to forgo 20 to 30 percent of current capacity to would be competitor was identified.	South Africa as a country. Eskom has created a diverse workforce at all levels and has effectively utilized communication and technology to actualize its goals. So far Eskom has not managed to reduce barriers to entry to allow partnerships with emerging power companies as projected.	dynamic strategic fit or misfit . There was a variation in the local environment between the desirable change and actual change. This is as a result of failure to reduce barriers to entry.	
INTERACTION BETWEEN ORGANISATIONAL AND ENVIRONMENTAL CONTIGENCIES				
ORGANISATIONAL CONTINGENCIES **Input resources** Development of previously disadvantaged and staff in general. Capital to carry out projects. Hedges for foreign exchange.	In order to be a global player, Eskom should deliver to the vast majority of the South African population. Development of the previously disadvantaged and employees in general became necessary in order to increase the human capacity and remove barriers associated with politics and economics of suppression. Government need not put in any hedges for foreign exchange as capital did not seem to be a major challenge.	Eskom has managed to develop the previously disadvantaged. In terms of gender equity representation of women in management grew from 5% prior 1994 to 29% and 23% at all levels by 2005. Representation of previously disadvantaged in terms of race at Eskom has grown to 69% at all levels and 57,9% at managerial levels. Eskom has been so profitable that Government need not put in any hedges for foreign exchange.	The researcher will analyse whether Eskom changed to achieve organizational fit as a result of a tension between environment and organizational contingencies or willingly. In terms of input resources Eskom has achieved a match between the desirable change and actual change.	The match between change and corporate strategy reflected in the dynamic strategic fit is expected to be positively associated with good organizational performance.
Throughput competencies Communication Technology Staff	In order to meet the challenges above there was a need to revise communication methodology in a drive to Africanise it and to make	Leadership at Eskom has revised the communication methodology through imbizo, meaning a meeting with leadership, management and staff in general with an aim of exchanging ideas	The majority of participants said Eskom's communication has changed for the better although there are a	

	use of advancing technology.	and obtaining feedback. Magazines and electronic communication is optimally utilized.	few leaders who believe there is a room for improvement	
Overall competence The ability to develop and manage the entire extended electricity value chain so as to deliver high quality, low cost electricity using low grade and scarce resources such as coal and water in a challenging business, social, natural and political environment. Transformation from being a parastatal to profitable company.	In order to sustain the overall competence there is a need to align all the contingencies mentioned above.	Eskom has managed to be a low cost electricity supplier globally. Transformation from being a parastatal to being a profitable company has allowed Eskom to plough back the profits into development of its staff by placing high priority into education and training of staff in order to enable them to build the organization. Reuel Khoza says, "Eskom's people have built the orgainsation" (Annual report 2005).	There is a match between the desirable change and actual change.	
Current strategy Focusing on our core business of electricity to maximize shareholder value in economic, social and environmental returns. "Keeping the lights burning" through optimal utilization and operation of our asset, resource and skills base. Ensuring the sustainability of the business through balanced financial, social and environmental decision making. Managing our assets and future capital investments to ensure adequate electricity supply to meet the needs of the South African electricity market.	There is a need to align the core strategy with the environmental contingencies. Persuading the core strategy which needs breaking down stereotypes entrenched by politics and economics of suppression in order to compete globally and meet social demands.	Economics and politics of suppression have been replaced by empowerment of staff through training and development to meet the goals of the organization and strategic intent.		

Making focused and viable investments elsewhere in Africa to further the aims of NEPAD while creating the foundation for a continental business in the long term.				

Table B Summary of the Eight 'S's model of strategy Execution

Strategy and purposes					
Vision The vision of Eskom is to provide the world's lowest cost electricity for South Africa, and by extension Southern Africa and by further extension Africa, for economic development and delivery of high quality of service.	**Mission** The mission of Eskom is to provide the world's lowest cost electricity to all in the most cost efficient manner. (2001) The key driver is that, Eskom will grow shareholder value by exceeding the needs of local and foreign customers with energy related services.	**Strategic Intent** The pre-eminent African energy and related services corporation of global stature.	**Porter's five forces** **Industry competitors:** International competitors such as: - Duke Power, - Enron and - EDF of France, there are more. The listed ones are the ones that were considering coming into South Africa. **New entrants:** - High barriers to entry - Eskom has not managed to forgo 20% to 30% of current capacity to emerging power companies because of high barriers to entry. It takes billions of rands to be able to penetrate the energy industry and the returns and efficiency is long term. **The relative threat of substitutes:** - Substitutes are not a threat at the moment because Eskom also produces some of the substitutes such as solar energy. Eskom is also experimenting with producing electricity through wind, biomass gasification technology, ocean energy, fuel cell, nuclear energy by establishing a safe Pebble Bed Modular Reactor. The bargaining power of buyers: - Only supplier of electricity - All South Africans who use electricity use Eskom therefore, buyers do not have any bargaining power. **Bargaining power of suppliers:** - More suppliers to be verified, coal suppliers and labour exist, - Suppliers do not have a bargaining power because Eskom has a lot of suppliers that it utilises. Labour naturally has a bargaining power but because of continuous engagement the power is seldom used negatively. **Compliments from the value net:** - There is no evidence of co-operative partnerships with producers of electric appliances and bodies that indirectly promote the utilisation of electricity. However, a relationship does exist in that producers of appliances are persuaded from time to time to convert to electricity because of its convenience and low cost.	**Mapping the business landscape** - Role players are customers such as industrial, mining, commercial, agricultural, redistribution, residential customers locally and international customers in Southern Africa. Labour and shareholders such as government are role players at Eskom. - Formed partnerships with IT companies such as Denel, Dalavia of Transnet and Dimension Data to form Aravia.con. - Eskom has identified business opportunities in Africa and globally in its efforts to actualise its strategic intent. Eskom provides electricity in Africa and electricity related services Globally. - Eskom generates, transmits and distribute electricity to consumers directly or through municipalities. **Triggers of change** - Globalisation - Politics - Legislation - Technology advancement - Economy	**SWOT analysis** **Strengths** - South Africa's sole supplier of electricity - Highest barrier to entry - Involvement of the entire management structure on strategi matters - Employment equity progress - Skills development progress through training and developmen - Formation of strategic partnershi with Denel, Transnet and Dimension data to create an information technology competence. **Weaknesses** - Not being able to reduce barriers entry to support emerging black empowerment companies. **Opportunities** - To forgo 20 to 30 percent current capacity where generat is concerned in order to s competitive - Creation of opportunities for bl companies through Bl Economic Empowerment - Potential to become a continer player and a global player - Potential for the formation of mo partnerships in Africa. **Threats** - Global environment namely play such as Duke Power, Enron EDF of France.

Structure					
	Types of jobs - The types of jobs required by Eskom range from technical, engineering, Financial, managerial, professional and administrative jobs - All the types of jobs exist together with people that meet the required skills.	**Authority to do those jobs** - Sturcture of Eskom is neither centralised nor decentralised. Corporate head office is responsible for leading the organisation showing direction and formulation master policies. Divisions are fairly autonomous.	**Grouping of the jobs into departments** - Jobs are not grouped into departments instead departments dictate which jobs they require. A division like generation will require jobs ranging from human resources, engineers and technical expertise.	**Manager's span of control** - Manager's span of control varies at Eskom, depending on the complexity of the area. A senior manager in transmission for an example has seven people reporting to her while a manager in information management has twenty five people reporting to him.	**Mechanisms of co-ordination** - Managers are guided by policies and procedures which the company has in place. Eskom has an information overload in that it has about five thousand policies which are applicable to all employees. These policies are situated at the corporate head office and divisions develop their own policies which are aligned to the goals of the organisation and master policies at head office and customised to the operations of the divion.
Systems and processes					
	Strategic planning systems - The strategy planning at Eskom involves all the stakeholders. It is top down and vice versa. Leadership at corporate head office visit divisions on a regular basis to discuss with managers and staff any potential change and to gather feedback which they incorporate into the final strategy.		**Performance management systems** - The researcher will establish the presence of performance management systems and whether they are in line with Mr Khoza's claims and whether support the strategy. - The performance management systems support the goals of the organisation because they are in line with the organisation's goals. The system is objective, clear and automated according to the participants interviewed.	**Information technology systems** Eskom has formed Eskom enterprises, which include information technology and telecommunications and engineering consulting activities	

Style of leadership and management				
	Initiator - Change at Eskom was planned for a ten year period and reasons for change were explained thoroughly to all involved. The change was a type O change in that it incorporated the feelings of the people and was not completely radical, hence no sense of urgency was created instead a need for change was communicated. - The powerful guiding coalition was created by the top 200 managers from all regions. All stakeholders and labour were involved. - Vision was created by entire management structure - Written strategic intent was circulated to the top 200 managers. Leadership visited the divisions to communicate and explain strategy and gather feedback on strategy. - There was minimal resistance because stakeholders were engaged and there is transparency and ongoing communication through groupwise e-mail, company magazines and ongoing communication with leadership.	**Shaper** - Target of 18 to 20% women in management structure was set to overcome an obstacle of structure. The target was exceeded because the annual report of 2005 shows 29% of women in management positions. Supervisors held accountable for the training and development of females to executive management through performance appraisals. - Resistors were engaged at every turn - Short term wins are celebrated at Eskom through bonuses awarded to employees on achievement of set company goals. - There is ongoing communication through company magazines, electronic communication, verbal and memorandum.	**Monitor** - All change initiatives are consolidated and audited before any new initiatives are implemented. There should be a business case for each initiative which is subject to approval by a relevant committee. Successful initiatives are monitored through ongoing audits.	**Assessor** - Change outcomes are measured on an ongoing basis through audits.

Staff				
	Number of total staff - Eskom has a total staff complement of about 29 845 including all its divisions.	**Types of individuals** - Eskom values integrity, Excellence, Customer satisfaction and innovation and maintains the flow of graduates into the organisation.	**Group competencies against the actual competencies needed** - Eskom has managed to attract competencies it requires, however, due to the ongoing training it provides people are poached and the actual competencies needed might not be available all the time. This will be due to the time it takes to fill the position and the time it takes for individuals to beat the learning curve with due consideration that Eskom believes in training.	Personal transition or how employees view change - Employees who could not accept change and could not go beyond the stage of anxiety left the company a long time ago.
reSources				
	Technology - Eskom IT, Ariel Technologies, Dalavia merged to form a competitive IT company known as Aravia.con. - Although Mr Khoza seems to praise Aravia.con, staff have mixed experiences about it. Some believe it does not affect them, some believe it is hampering the business and some believe it has contributed to the achievement of the organisational goals.	**Money** - Eskom was profitable from day one, which means it does have the ability to carry out its initiatives. The balance sheet as at 31 march 2005 reflects a debt/equty ratio of 0.18(2003 –0.30) making Eskom virtually debt free. Refer to Annexure?	**Staff** There were mixed responses from the participants with regard the availability in the company of staff in the following fields: - Research and development, one participant said the technical staff also do research and development. This contradicts the project management principles because researchers should be independent and only focus on research. - Software part of technology; one participant indicated that staff is outsourced in this field. There were mixed responses in this part as there are mixed responses with Aravia.con. - Knowledge management; Mr Khoza remarks that, "one of the greater challenges in this regard was gaining the ability to discard the industrial mindset and to operate in the information age. This required a great deal of investments in creating knowledge workers." This challenge was achieved through training and changing business processes and systems. - Organisational learning Eskom has put in place a Vision E-learning to train its leaders. Put differently one would say there is an Eskom college located at corporate head office with competent facilitators. Therefore, Eskom has enough staff on organisational learning.	

Shared values or organisational culture				
	Observable artefacts The researcher will establish the existence of the following: - Eskom continues to support small, medium and micro enterprises and large black businesses for the supply of goods and services thereby contributing to Black Economic Empowerment (BEE). Expenditure on BEE has grown from R201m a year in 1997 to more that R10bn in 2005. - Eskom has exceeded targets on employment equity and has vision E learning to develop its leaders. - HR policies and procedures There is an overload of HR policies and procedures and they are adherence is checked through continuous audits. - Management has enclosed offices and general staff stay in cubicles.	**Values** The values of integrity, caring and sharing are held in high esteem by leadership	**Underlying assumptions** These are inconsistencies between what is observed and the feelings of employees. There were inconsistencies with regard to the Aravia.con. Some participants believed that the programme hampered their business processes and others believed that it worked well. Some participants believe that the level of communication has decreased since the recognition of the vision by staff while Mr Khoza claims to engage staff at all levels.	**Culture type** Eskom leadership values: Integrity, Excellence, Customer Satisfaction and Innovation. These are complimented by promotion of employee participation that has been supported by the questionnaire. Eighty percent of responses from general staff agrees and strongly agrees that management encourages participation of staff and is caring and compassionate while a few believe that communication is coercive at Eskom.
Strategic performance				
	Financial performance Cash Flow Statements - By March 2005 Eskom had R9 961m in net increase in cash and cash equivalents. - Balance sheet and - Income statement.	**Strategic performance** The researcher will establish whether the strategic goals were achieved through the analysis of the above.	.	

Table C Interview questions and answers

With the following questions the researcher will try and establish whether the alignment has been brought about by tension between environment and organisational contingencies or the company's willingness to align environmental and organisational contingencies.	Senior manager 1	Senior manager 2	Senior manager 3	Senior manager 4	Senior manager 5	Senior manager 6	Senior manager 7	Consolidation	
1. When did Eskom start to supply electricity to the vast majority of South Africans?	Eskom started with an electricity for all project in 1992 and in 1993 supply of electricity to the vast majority started.	She placed it on record that she has been with the company for a year and might not be able to answer some questions spot on. I think that transformation at Eskom started at about 1993 or 1994.	Eskom is 81 years old and it started providing electricity to the vast majority of South African twenty years later.	In 1991 or 1992. Feasibility studies on informal electricity were conducted. Challenges of reluctance to accept change by both community leaders and some Eskom managers were experienced until a point of compromise was reached and informal settlement electrified.	Eskom started Prior 1994. In 1994 I would say we started gaining momentum as you can see in the electirification graph.	I was personally involved. The project started in 1993.	Not aware	Six participants believe that supply of electricity to the poor started prior 1994. The other participants even believes that electricity was supplied to the majority since 1944. One participant is not aware.	
2. When did Eskom start developing people from the previously disadvantaged? Was it prior or post 1994?	It was prior 1994, actually in 1993	Approximately in 1991 to 1992	Prior 1994, actually it strateted in 1986. In 1986 there was a plan put in place by the then chairman	Prior 1994. Eskom educated both staff and the community on Eskom's goals.	Prior 1994. Eskom set themselves targets.	It was prior 1994 and it escalated in 1995.	Prior 1994	All participants agreed that Eskom started developing employees from the proviously disadvantaged prior 1994	

3. In your opinion, did Eskom change as required by market forces in terms of development of the disadvantaged, penetration of the African region and supply of electricity to the poor? Why?	Yes, Eskom has an important stakeholder, government. Transformation was required by government. There was also a need to embark in projects in Africa and African people had to be brought in as they were going to understand ways of conducting business in other African	Yes, because of the pressures brought about by changes in South Africa	In terms of the development of the disadvantaged Eskom took the lead. In terms of the penetration of the african region Eskom responded to market forces. In terms of supplying electricity to the poor Eskom is the only company that could provide electricity.	Definitely, Eskom started even before the ANC government recommended changes. Eskom identified a market from the previouly disadvantaged communities with a justification of starting at the foundation of the economy, the poor.	Eskom was not really influenced by the market forces. Eskom started out of its own to do that and of cause, the market forces could not be ignored.	Yes, Eskom changed as required by the market forces in all three. This was significant in terms of development of black women who used to collect wood in order to have cooking energy or fire.	Yes.	Three participants believe that Eskom was influenced by the market forces in terms of development of the previously disadvantaged. In terms of penetration of the African countries. Four participants believe that Eskom was influenced by the market forces while the other two believe the contrary. Two participants believe that in terms of supply of electricity to the poor and development of the previouly disadadvantaged Eskom	Page 2
4. What influence did the new labour relations requirements like employment equity and skills development have on your development of your staff?	They complimented our strategies.	It was significant. Eskom wanted to do the right thing quite earlier and the introduction of the regulations made things much easier.	In the new labour relations the requirements were well defined, consistent and was an empowering legislation for employers in that it made legitimate the plans already put in place.	Because of Labour relations, there is reverse discrimination at Eskom. Ever since 1994 only people from the disadvantaged were appointed into vacant positions and also targeted for promotions. The composition of Eskom changed.	Labour relations requirements intensified efforts that were in place. Eskom set a target of 50% to have blacks at managerial level and provided R450m on education and develoment to meet its targerts.	It provided the framework to appoint on potential rather than experience. Some people in particular whites were complaining because they felt that development was closing to them.	Does not have any staff reporting to her, overall in the company it had a signinficant effect.	5 participants believe that the new labour relations act had a positive influence because they complemented their strategies and made their vision quite easy to implement. One participant believed that the new labour relations in terms of employment equity is tantamount to	

5. What motivated Eskom to supply electricity to the poor?	Eskom conducted a study on growth strategies. It was concluded that growth of the country depends on growth of small business which would not grow without electricity. Pupils should have access to electricity in order to study and contribute to the economy of the country at a later stage.	It was the drive for transformation and profit.	The first one is improvement of of quality of life and economic prosperity. It is economic prosperity in that if poor people are provided with electicity their quality of life will imporove and so is economic economic performance of the country.	Eskom identified a business opportunity and social investment. Electricity supply is subsidised by the department of minerals and energy.	Government is a sole shareholder.	The reasons can be catergorised into three, such as social, political, and economic.	It made business sense.	Six participants believed that Eskom was motivated by profit and in order to do that Eskom had to collaborate with the government at a political level and contribute at a social level in order to uplift the economy of the whole country. One participant belives that Eskom was motivated by the sole shareholder.	
6. What value did the transformation from being a parastatal to being a profitable company add to the economically disadvantaged customers and previously disadvantaged employees?	Customers benefited through low cost of electricity. Production increased and there was cross subsidisation. Profits are used to subsidise further education and training of employees.	Eskom improved the quality of life of the disadvantaged customers and made it a preffered employer to its disadvantaged employees.	Being a profitable company has allowed Eskom to contribute 1% of Eskom's profit to Eskom Development Foundation (ESDEF)wich is an independent section 21company mainly providing grants for development of the poor. In that way it improves the quality of life. To employees it provides better bonusses, which in return improves their quality of life.	Eskom's electricity is still the cheapest and therefore that pushes profit. In the future Eskom is going to be able supply electricity directly to the public thereby benefiting the end user because of the removal of the middle men.	Eskom is the lowest cost producer of electricity and that produces direct benefits for customers. Eskom works smarter by using profit for the development of its employees.	This was indirect in terms of tax, the government was able to plough back the to the economically disadvantaged by subsidising electricity. Through profits Eskom managed to provide the training and development to the previously disadvantaged employees and changd the face of the organisation to almost 65% black	Not aware	Six participants believe that being a profitable company has positive benefits to the economically disadvantaged customers in terms of social investment projects to the communities, education and training of employees, low cost of electricity and future plans of being a direct supplier of electricity. One participant was not aware of any value added by the privatisation of the company.	

7. Eskom has been a major supplier of electricity for a long time with huge barriers to entry by potential new entrants. Have you managed to forgo any percentage of current capacity to a small player or a Black Economic Empowerment company?	No.	No, but Eskom is a socially responsible company.	new strong players. Now there is a clear Grid code that has been put in place that outlines clearly what the requirements for small players will be. May be three years from now will see BEE	Not. Small companies do not have the capacity.	No.	Not aware	No, because Eskom is a state owned company.	Six participants are in agreement of the fact that no percentage has been forgone to a small player. And one participant is not aware of any percentage of the company that has been forgone to a small player.	
8. So far have you experienced any threat of substitutes?	No.	There is no threat so far. The Solar system is far from taking over.	No. The Solar system is not a threat so far because besides the huge amount of electricity we generate we also produce the Solar electricity	Not because gas and alternative enery cannot compete with Eskom	No, because we also produce some of the subtitutes to electircity like gas. We are also experimentint with Solar. Alternatives cannot be able to compete against our efficiencies.	No. Gas and parafin are at a small scale.	No. Eskom's production is environmentally friendly.	All participants said that Eskom does not have any threat of substitutes.	
9. Since you are the major supplier of electricity you must have major suppliers. To what extent has your decision to force some suppliers to form partnerships or forgo a certain percentage to Black Economic companies has been influenced by their bargaining power?	It has not been influenced by their bargaining power.	Eskom has not been forced by the bargaining power of suppliers. Suppliers have to be BEE complient and when it comes to the bargaining power it is vice versa, meaning we have more bargaining power than suppliers.	Not. Companies have to comply to Black Empowerment legislation or they will simply go out of business.	Suppliers do not have a bargaining power.	There is a clear policy on Black Economic Empowerment. R200bn has been put aside for that. Suppliers do not have a bargaining power instead Eskom has the bargaining power against suppliers.	Yes, they do but not all of them	Suppliers do not have a bargaining power.	Six participants agree that suppliers do not have a bargaining power. There is a clear policy on Black Economic Empowerment. One participant believes that some do but not all of them.	

10. Are there any cooperative alliances you have formed with any of the companies that influence the use of your electricity or role players in the industry whether national or international?	Yes, as an example with companies that manufacture stoves. We even asked a company to manufacture small affordable stoves for us to give to customers that had recently been connected to electricity in order to show them the benefits of electricity. We have managed to convince some of stove manufacturers to produce electric stoves in order for people to use electricity, which is cheaper than other sources of energy.	Although I cannot mention names we have a lot of those alliances. Sasol is an example of the partneships we have because of its production of coal. We are the only nuclear plant in Africa and that gives us an edge over other plants in the continent.	None of commercial value. Only research Partnerships have been formed.	Not aware of any alliance, I may say with NEPAD. Corporate head office would have an idea.	Yes, in the industry. Eskom has alliances with overseas companies. We purchase some of our products from overseas as an example transformers.	Could not answer that one	Not aware	Five out of seven participants believe there are alliances of a co-operative nature. One cited an example of research partnerships, the other participant cited alliances with overseas companies. Two participants could not answer the question.	
becoming a global player	Not in the same way as the African countries. We sell engineering services to those countries.	We can be cosidered as a global player at this stage because of the nuclear plant but not to the extent of being directly involved like in South Africa.	Yes, our strategic intent does not encourage that, we need to focus home and only provide engineering and related services globally.	Not the first world. We are looking at Africa first.	The strategy has changed over the years. The focus is on sub-saharan Africa and eleven SADC countries.	Could not answer that one	Not aware	Five participants said the focus in on Africa at the moment and with other first world countries Eskom only offers power related services. Two participants could not answer the questions.	
ch between desirable change and actual change which has resulted in a dynamic strategic fit or misfit.									
Magnitude									

1. If you were to rate the effectiveness of communication by leadership during the transformation out of ten from 1994 to 2005, how would you rate it?	8/10 because it is good.	7/10, because people should be prepared by the company for change and their readiness for change should be checked.	7/10 because Eskom has not been too vocal. May be that is a strategic decision because if you say much you might end up unnecessarily provoking feelings not worth provoking. Although communication has been good it has not been up to scratch.	9/10 because we are proactive in communicating strategy.	9/10 because communication is very effective. Use of company magazines is made.	Not more than 5. The vision was well communicated and then stopped after that. Strategy is changing but there is no new communication strategy.	7/10, because there is room for improvement.	3 out of seven participants said the communication at Eskom is excellent, giving eight and nine out of ten. 3 participant gave 7 out of 10 citing a room for improvement, not preparing people and not being too vocal. One participant said not more than five because communication is not as regorous as it was when the vision was first commuicated.	Page 6
2. Has your communication strategy changed over the years? If yes, to what extent?	Yes, initially it was through management only and now communication happens at all levels through e-mails, memorandums, company magazine known as Eskom News and this happens almost on a daily basis.	My observation is from June 2004. Yes, it is changing. A change management office which has been put in place at head office monitors the directs communication about change through change projects. These change projects are facilitated by human resurces managers in the branches.	It has improved. It is more sensitive. There has even been an employee satisfaction survey in place to evaluate the feelings of employees towards change that has happenned over recent years.	It was good from the onset. We see eskom chairman often to discuss issues of strategy.	Yes, it has changed. Use of e-mail has improved with the introduction of groupwise e-mail system. Raodshows are held with target groups. The introduction of change management office has prompted human resources road shows.	Yes. Refer to number 1.	The strategy has not really changed, but methodology has changed. We make use of cell phones and e-mails.	5 out of 7 participants said that Eskom's commuication strategy has changed for the better because of continious commuication. 1 believed it has detorated and I believed that the strategy has changed only methodology has changed but not the strategy.	

3. Have you encountered any resistance during your transformation? If yes, what was the nature of resistance and how does leadership deal with staff whether in senior management or union members or staff in general that resist change?	Yes, because of a fear of loosing jobs and scaling down of promotions. Management dealt with the resistance by explaining to the people that the change is planned to take place over a ten year period. People were treated in a with in a dignified manner.	Yes, as an example, the issue of service leave whereby the employer and the union differed on whether it should be paid out or kept. Management dealt with it by negotiation and clarification of issues and it was settled.	Yes, on the union side have not experienced any problems, however, there was employee dissatisfaction which resulted in resignations and immigration. Managem would deal with the matter by reffering employees to the EAP and try to explain to employees why change is necessary until the employee adapts to the situation.	Does not think so. Change was well accepted. Those that silently resisted it are not here. They took packages.	There was some resistance to the with some projects like the employment equity and eyethu projects. The introducton of the change management office, SAP Human Resources employee self service modules, opco communication, engaging the employees and transparency were some of the ways in which leadership dealt successfully with resistance.	Yes. Resistance came from white males and technocrats. Technocrats are engineers and technical people who believed that Eskom was compromising quality and will be producing inferior products in the future by employing people from the previously disadvantanged. Regional commuination helped because it was explained t those people that the change was for the country and was not aimed at anybody in the company.	No.	Five participants said there was some resistance which management has been able to deal with through the processes and procedures put in place and communication in the forms of negotiation. Two participants do not think there was any resistance.	Page 7
4. To what extent is the structure of Eskom centralised and to what extent is the centralisation a barrier or enabler to the way of doing business in terms your experience and feedback you receive from the branches?	Eskom is not centralised in all aspects. Regions are fairly autonomous and policies are standardised. Although standardisation helps the company to provide same service it stifles entrepreneural skill sometimes.	Eskom is not really centralised. Althouth each division should stirve to align its policies with the rest of the company but divisions are failry autonomous. They can formulate own strategies and can conduct business in their own unique way.	The structure of Eskom is decentralised operationally and is much more efficient than the centralised commercial division. Centralissation in the commercial section can act as a medium barrier to service delivery.	Eskom is closely knitted. Different groups function autonomusly. I would say operationally we fuction fairly autonomusly. Strategically we are part of Eskom.	I do not think Eskom is centralised because there are operational clusters. In that way decisions are made quicker.	There is corporate head office and branches. That can be a barrier sometimes. I am both a participator in the formulation of strategy and sometimes criticise.	Eskom has an Apex structure. Therefore would neither say it is centralised or decentralised.	Overall participants believe that Eskom is not centralised, however, corporate head office sets the tone and divisions need to align their policies with corporate head office. Sometimes this can serve as a barrier in doing business.	

5. Are there any policies governing the mechanisms of co-ordination in place and are they strictly adhered to?	Yes, there are policies and they are strictly adherred to, we are audited.	Yes there are policies in place and strictly adhered to because there are lots of audits for every project or function both internationally and nationally.	There are mechanisms of co-ordination in place. Although there is a commitment to embrace them, few policies are stricly adhered to.	Yes, certainly. We have about 5000 policies and pocedures that we constantly revise. These policies are adhered to because there are annual audits in place.	There are lots of policies and are adhered to. There are regular audits carried out to examine that.	There are more that 3000 policies. In most cases the audit system helps to ensure adherence to these policies.	There are policies governing the mechanisms of poertion in place and should be adhered to and they are adhered to.	6 participants said that there are mechanisms of co-ordination in place and are adhered. There are ongoing audits to check adherence. One participant said only few policies are stricly adhered to.	
6. To what extent are your strategic planning systems and performance management systems adding value to your strategic goals?	They enable us to compare costs on differences in unit distribution.	To a significant extent, we continuously strive for strategic alignment, staff contracts are clear and precise and support strategic goals.	To a large extent or add value very well.	The performance management system is structured, objective, automated linked to the goals of the organisation. It was was agreed with the union. In terms of strategic planning systems, planning happens from top down and vice versa and would regard our systems as enabling.	To a greater extent. Performance management system is cascaded down down from top strategy.	The board sets goals. Each business unit's goals are set around those goals. The process is vice versa and that helps to enhance the strategy.	They do add value.	Participants believe that the strategic goals are enhanced by the strategic planning systems and performance management systems.	
el Technologies, Dalavia c	It is a burden to the organisation at the moment. As an example my e-mail system has not been working for the past two days. Have reported it and issued with a reference number and nobody came to assist.	Aravia provides effective information management and very good. All our project systems which support strategic goals are produced through their assistance.	Aravia.com improved service delivery to a large extent.	It has been a stumbling block to the way of doing business.	Not qualified to make a statement because I am not directly involved there.	Aravia.con is mostly responsible for installing software technology. It has hammpered the achievement of set strategic goals.	Aravia.con supports the server and and its performance is fairly good.	4 participants believe that Aravia.con has stifled the achievemem of strategic goals with relative ease. 2 participants said Aravia.com is effective and one participant could not comment	
Timing									

1. In your opinion was the timing of change at Eskom informed by transformation of the country?	Yes, because our biggest stakeholder required Eskom to change.	Certainly.	No, it started well before the transformation of the country in 1986.	Transformation at Eskom started prior to the transformation of the country. There was a strategy for change even in the 80's.	Eskom changed prior to the introduction of change in the country and was therefore a leader in transformation.	Eskom was a little bit ahead.	Yes.	4 participants said Eskom was a leader in transformation and therefore was not influenced by the transformation of the country instead it is the other way round. 3 participants believe that Eskom was influenced by the transformation of the country.	
2. Do you think the time in which change took place was good?	Yes it was good.	Yes, because of its alignment with South African change.	Very good.	Yes.	Yes.	The time was good although there were some teething problems.	It was good.	Participants said the timing was good.	
3. Is transformation at Eskom a continuous process or a process informed by projects with a starting and finishing time?	Continuous.	Continuous.	Transformation is a continuous process. Besides gender and racce there are other projects which have a starting and a finishing time.	It is continuous.	It is continuous.	It is continuous sometimes to the detriment of the organisation because people can get tired of change.	It is a continious proces informed by projects.	Participants said change at Eskom is continuous, also informed by projects and sometimes tiresome because of its continuous nature.	
Direction									
1. Has Eskom managed to form strategic alliances with emerging power companies?	There are no emerging power companies, however, strategic alliances have been formed with EDF of France.	No strategic alliances have been formed because there are no emerging power companies.	In Africa with countries like, Mali and Nigeria. There are no partnerships in South Africa because of a lack of emerging power companies.	Magnitude is so small to the extent that it is not significant because there are no big power companies	I would say with countries and companies in those countries. As an example Namibia and Mozambique are some of those countries.	I would say yes but I am far removed from that, it happens at corporate head office.	Not aware of any partnerships.	Most participants said that there are no pertnethships because there are no emerging power companies in South Africa. One was not sure and one mentioned countries in Africa.	

2. In your opinion is the direction of the company well communicated to staff?	Yes, through the Legend (company magazine), strategy, e-mails and management bulletin every second day. Every six months there is an indaba with staff and managers.	Yes and even improving.	Yes.	Yes, very much so.	Yes.	Yes	Yes.	All participants said the direction of the company is well communicated to staff.	Page 10
3. Is that form of communication still ongoing in order to maintain alignment of strategy to the future?	Yes.	Communication is ongoing and even improving and I would say Eskom is even improving.	Yes.	It is ongoing. The chairman communicates to staff twice per annum.	Yes, it is ongoing. There is interaction with the top guys all the time.	Yes, through company magazines.	Yes.	All participants indicate that communication at Eskom is ongoing for maintanance of change that has taken place.	
4. Is Eskom considering any future possibilities of penetrating the global market?	Only the African market so far because of the African Renaissance and the vision of Eskom.	Eskom's strategic intent is to be the pre-eminent African enery and related services business of global stature. Eskom has already penetrated countries like Uganda.	Not. Except the indication in the strategic intent.	No.	Eskom focuses on Africa. We have dicided to consolidate efforts from South Africa and then Africa.	Only Africa.	I do not know.	Most participants said Eskom only focuses on Africa as per the strategic intent except for one participant who does not know.	
5. What is your staff complement?	30 000	At the Koeberg plant it is 1200 permanent employees and 500 contractors.	1760 in the transmission division.	In the information management we have about 25.	In my deartment is seven.	9 in my division	Does not have any staff reporting to her.	Overal staff complement at Eskom is + 30 00.	

6. What types of skills do you need from individuals in order to achieve your organisational goals? In your opinion do you have all the types of individuals?	We need technical skills. We are struggling to get all those individuals because we train and recruit and people leave after they have been trained.	We do not have all the types of individuals to achieve organisational goals. We keep building talent and we keep on loosing it. We keep on training new people.	Engineering, Senior Technicians, Finance, HR, Environmental, Safety, Risk, planning, commisioning meaning understanding the philosophy of testing the electrical units. Eskom does have individuals that meet this criteria	Since 1994 Eskom has been bringing 100% employees from the previously disadvantaged groups. In order to get the skills we need we have to bring them up through the ranks meaning, we need to train them. People leave the company once they have the skills to compete somewhere else and that is not viewed in a bad light because we feel we have contributed to the upliftment of the economy of the country. We just bring in new people and train them. The company has taken a stand not to overpay people for what they do for fear of them being poached because that would not be correct. People leave because we have empowered them with the skills to compete elsewhere. At least that we feel good about.	We are a peak power generation division. We provide power during peak hours like mornings and evenings. We need technical skills and we have it.	We need strong technical and project management skills. We have 80% Black Female Engeneers.	Project management, Engineering, Finance and commercial and theose individuals are not easily available.	Most participants indicated the shortage of skills as a result of trained staff being poached by outside companies who want people that are trained already. Two participants believe that there are enough individuals who meet the required skills.	Page 11
7. Do you have enough staff in the following fields?									
Research and development		No. Technical staff do research and development	Yes	Not in my department because of budgetory contsratraints.	Cannot comment	Cannot comment	Not aware.	Not aware.	Most participants could not comment or because research and development is based at corporate head office. Two indicated not and one said yes.

Software part of technology		No.	Yes	Staff is outsourced	More than enough	Cannot comment	Not aware.	Not aware.	3 participants indicated that there is enough staff. One said not enough staff in this catergory and the rest could not comment or were not aware.
Knowledge management and		Not enough.	No.	Not enough and we have made plans in the budget for two mor positions.	Yes	Yes	Not aware.	Yes.	There are mixed experiences in this field because 3 participants said yes, 3 said no and one does not know.
Organisational learning		Not enough. We are stretching people to the limits. Our highest risk is skills shortage.	Not. There is a difference between having a person and a skill.	Outsourced	Yes	Yes	Not aware.	Yes.	3 participants said yes. One said staff in this field is outsourced and 2 said there in not enough staff and one said is not aware.
8. Was there any form of consolidation to change that has taken place in terms of evaluating the achievement of your goals before any new change came about?	Yes, through regular benchmarking.	Every project is evaluated and audited after completion. Whenever a new project starts there is a business case is compiled and tested before application.	Definitely.	Projects are evaluated before approval and after completion. Managers in divisions make business cases for purposes of approval.	Consolidation happens from time to time.	Not enough.	Yes. Each project has to have a business case with is evaluated before and after implementation.	Participants all indicated that consolidation does happen and one participant said not enough consolidation was done.	Page 12
9. What is leadership doing to maintain the culture that has emerged as a result of change efforts?	The company maintains it through bonuses when targets achieved.	Eskom has implemented vision e-learning. This is a leadership development center where leaders are trained to be effective leaders.	Leadership maintains this culture through dialogue, good employment relationships and transparency.	There are monthly regional performance audits that are conducted. Targets are set at the beginning of the year on which training skills projects will be undertaken.	Vision e-leaning has been introduced for employees. Managers are prepared for globalisation.	We measure the effectiveness of each project, use communication and motivation of staff .	A combination of communication and training is applied.	One participant mentioned bonuses when targets are achieved. Another other mentioned montly regional performance targets to measure progress on set targets. Most participants mentioned training and development, good employment relationships, communication, transparency and motivation of staff.	

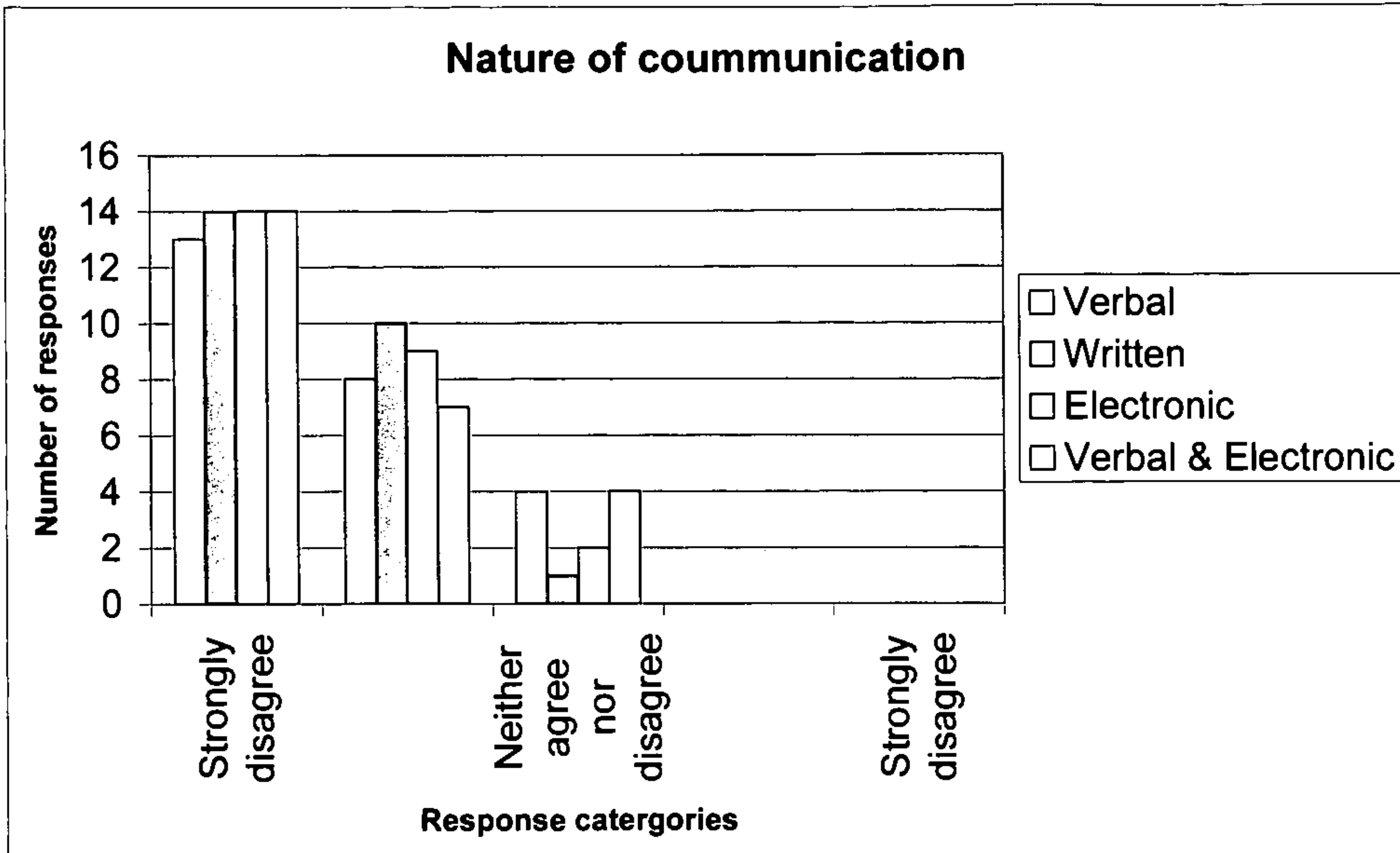
The following questions are meant to evaluate whether the dynamic strategic fit to be proven above has resulted in a beneficial organisational performance									
1. Has Eskom's profitability improved as a result of this transformation?	Yes, it has increased.	Yes.	It has improved but cannot say as a result of transformation.	Eskom's profitability has improved but cannot say it is because of this transformation.	Yes.	Yes.	Eskom's profitability has improved by almost 70% but cannot say it is due to transformation.	4 participants said Eskom's profitability has improved. 3 participants believe Eskom's profitability has improved but cannnot say profitability is as a result of transformation.	
2. Has Eskom grown in terms of increasing its market share in other countries other than South Africa?	Yes, by penetrating the African countries.	Yes.	No. Eskom is looking inwardly. The intellectual market share has increased because Eskom is a well known and respected company overseas in terms of its intelectuall capital.	Yes, a little bit. I would mention the skills sharing in Uganda.	Yes, for an example Eskom has a 20 years in Uganda to manage their electricity for them. I have also had an opportunity of being involved in the project. In that way I would say the market share has increased.	Not aware	The growth of market share is minimal.	4 participants said Eskom's market share has increased in African countries and 3 participants said growth in market share in terms of other countries is minimal.	
3. To what extent has Eskom realised the strategic intent of being the pre-eminent African energy and related services corporation of global stature?	Eskom still has a long way to go because of the turbulent environment in Africa including their budget being subject to the policies of the Interantional Monetory Fund.	Eskom is targeting countries which it has divided into varous zones such as Tunisia, Ghana, Gabon, Ivory Coast, Zambia, Mozambique, Senegal, Uganda and Nigeria and has penetrated most of them. Eskom is running Unganda's electricity for them.	100%	10/10 because of Eskom's will to deliver in Arica	To a greater extent.	We are still on track.	Eskom is an African company.	6 participants believe that Eskom has achieved its strategic intent, while one parrticipant believes that a lot has been achieved however a lot has been achieved but still Eskom still has a long way to go.	

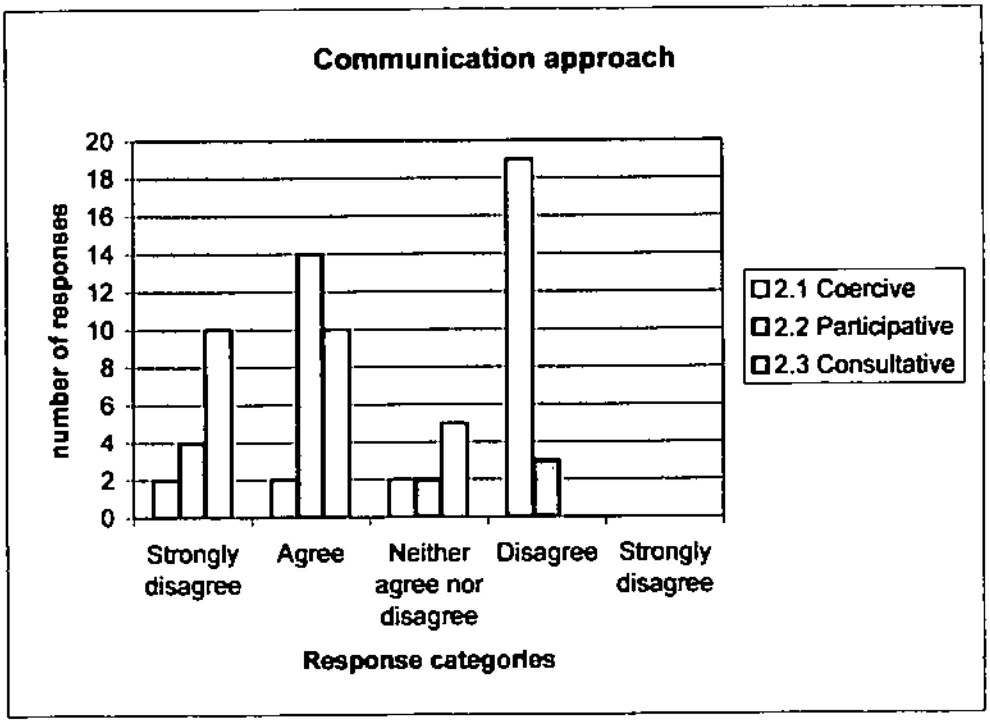
4. To what extent has Black Economic Empowerment goals been realised?	Eskom is above target in this regard.	We have to comply and we have achieved targets.	Eskom has a noble gaol. Statistically, very well. In terms of the men on the street, not enough.	Eskom is a major player because 70% of business is offered to Black Economic Empowerement Companies.	To a greater extent. We started with an initial target of 29% .	Short term targets have been achieved, but a lot of work still needs to be done.	They have been realised. I am not in a position to evaluate that.	5 participants said Black Economic Empwerment targets have been achieved. 2 participants believe that in the shot term targets have been achieved, there is still a lot of room for improvement specifically in terms of the men on the street.	Page 14

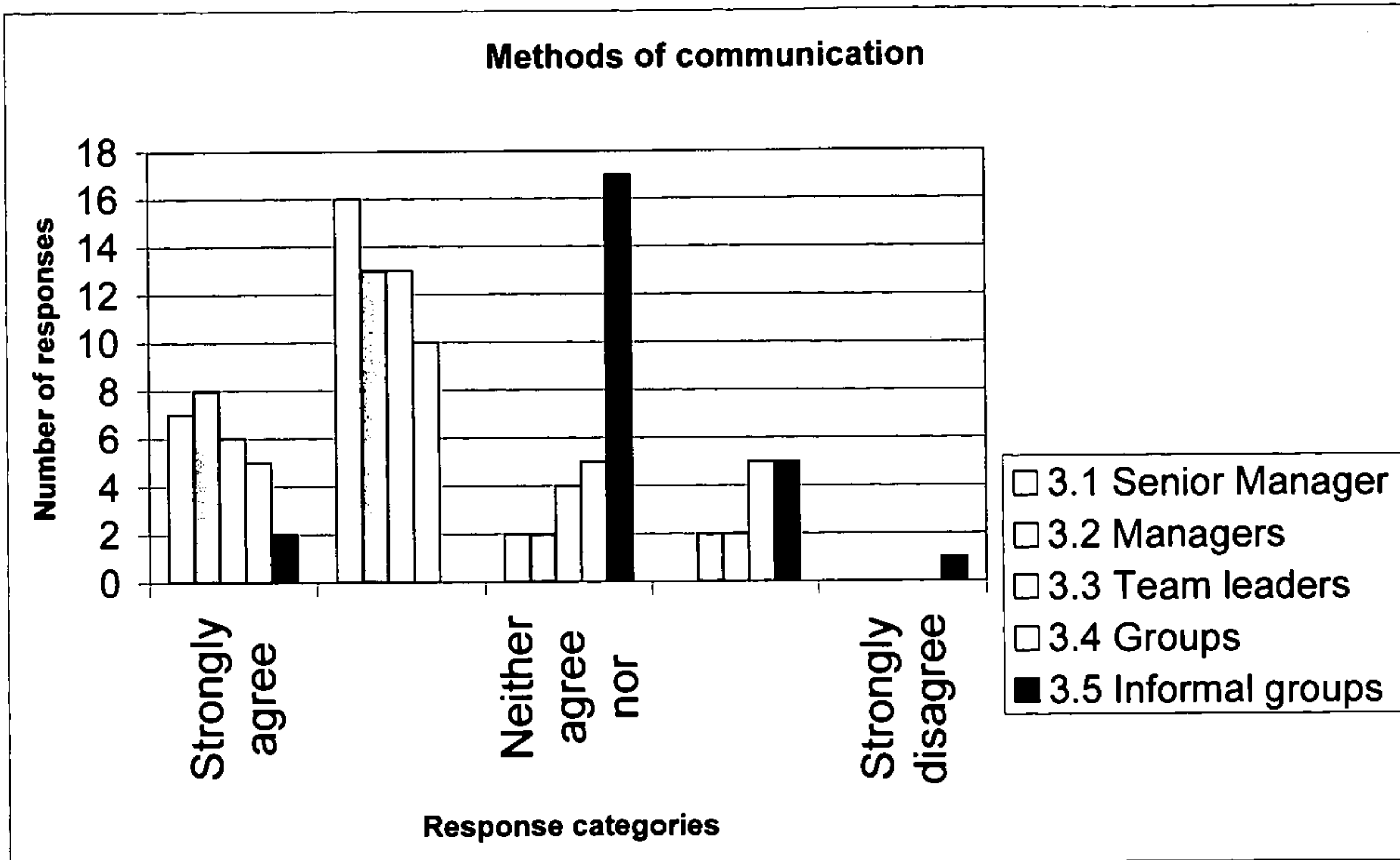
Annexure A							
STAFF QUESTIONNAIRE SUMMARY							
Your assistance is hereby requested in this academic exercise of ascertaining whether change efforts at Eskom are aligned to strategy. Please choose a letter that best suits the statement by encircling the relevant letter.							
1	**The company's medium of communication when undergoing transformation can be**						
Q. No.		**Category**	**Strongly disagree**	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
1.1		Verbal	13	8	4	0	0
1.2		Written	14	10	1	0	0
1.3		Electronic	14	9	2	0	0
1.4		Verbal & Electronic	14	7	4	0	0
2	**The company's communication approach is usually:**						
Q. No.		**Category**	**Strongly disagree**	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
2.1		Coercive	2	2	2	19	0
2.2		Participative	4	14	2	3	0
2.3		Consultative	10	10	5	0	0
3	**Management usually channels information through:**						
Q. No.		**Category**	**Strongly agree**	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
3.1		Senior Manager	7	16	2	0	0
3.2		Managers	8	13	2	2	0
3.3		Team leaders	6	13	4	2	0
3.4		Groups	5	10	5	5	0
3.5		Informal groups	2	0	17	5	1
4	**Information communicated by management is information in the following categories:**						
Q. No.		**Category**	**Strongly agree**	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
4.1		Should be known	2	11	7	5	0
4.2		Must be known	8	12	3	2	0
4.3		Could be known	3	4	15	3	0
Sub-Totals			**112**	**139**	**75**	**45**	**0**
Q. No	**Question**	**Category**	**Strongly agree**	**Agree**	**Neither Agree nor disagree**	**Disagree**	**Strongly disagree**
5	Information about any potential change in the company is communicated to all staff on a continuous basis		9	10	4	1	1

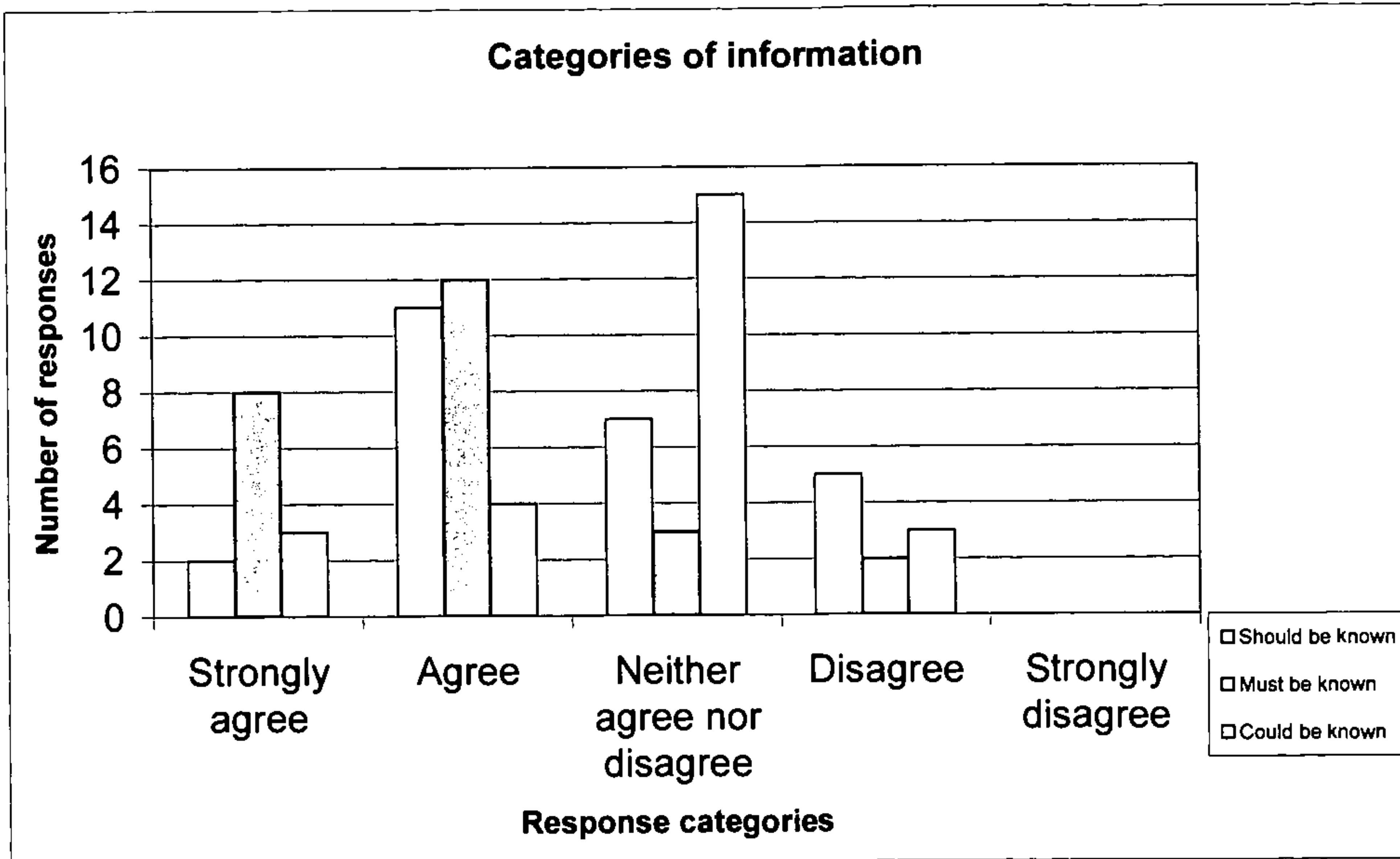
6	Reasons for change are clearly explained to staff.	12	5	6	2	0
7	Management style at Eskom can be characterised as caring.	8	6	4	4	3
8	Management style at Eskom can be characterised as compassionate.	5	8	8	3	1
9	Management style at Eskom can be characterised by sharing of ideas.	0	18	2	2	3
10	Management acknowledges and rewards an extra mile taken by employees in doing their work in some way.	5	11	3	5	1
11	Employees acknowledge and reward an extra mile taken by management in meeting their needs in some way.	5	10	3	7	0
12	The company's work teams are characterised by diversity in terms of gender.	13	5	3	4	0
13	The company's work teams are characterised by diversity in terms of race.	12	7	3	2	0
14	The company encourages development of staff from previously disadvantaged groups.	19	3	3	0	0
15	Eskom has put Black Economic Empowerment policies in place.	17	6	2	0	0
16	Eskom adheres to its Black Economic Empowerment policies through its procurement practises.	17	0	5	3	0
17	Eskom rewards good performance by staff.	7	12	4	2	0
18	Eskom discourages poor performance by staff.	9	9	7	0	0
19	Leadership at Eskom encourages celebration of the achievement of set departmental goals.	4	10	5	4	2
20	Leadership at Eskom encourages celebration of the achievements of set company goals.	6	13	4	0	2

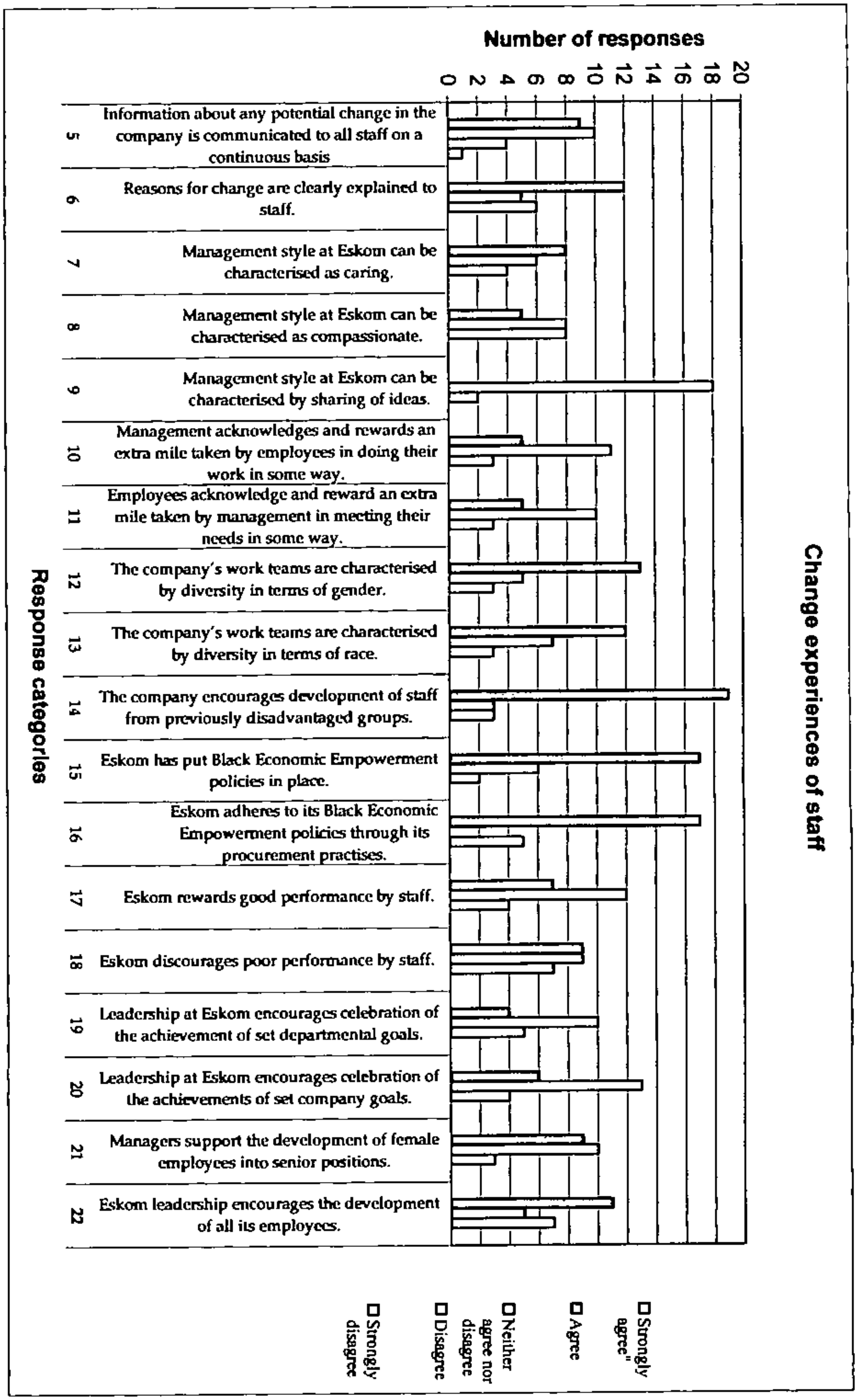
21	Managers support the development of female employees into senior positions.		9	10	3	3	0
22	Eskom leadership encourages the development of all its employees.		11	5	7	2	0
Sub-Totals			**179**	**148**	**76**	**44**	**4**
Totals			**291**	**287**	**151**	**89**	**14**
			36% of responses	36% of responses	60,4% of responses	12% of responses	4% of responses


Nature of coummunication
Number of responses
16
14
12
10
8
6
4
2
0
Strongly disagree
Neither agree nor disagree
Strongly disagree
Response catergories
Verbal
Written
Electronic
Verbal & Electronic


Communication approach
number of responses
20
18
16
14
12
10
8
6
4
2
0
Strongly disagree
Agree
Neither agree nor disagree
Disagree
Strongly disagree
Response categories
2.1 Coercive
2.2 Participative
2.3 Consultative


Methods of communication
Number of responses
0
2
4
6
8
10
12
14
16
18
Strongly agree
Neither agree nor
Strongly disagree
Response categories
3.1 Senior Manager
3.2 Managers
3.3 Team leaders
3.4 Groups
3.5 Informal groups


Categories of information
Number of responses
16
14
12
10
8
6
4
2
0
Strongly agree
Agree
Neither agree nor disagree
Disagree
Strongly disagree
Response categories
Should be known
Must be known
Could be known



Change experiences of staff
Number of responses
0
2
4
6
8
10
12
14
16
18
20
Response categories
5 Information about any potential change in the company is communicated to all staff on a continuous basis
6 Reasons for change are clearly explained to staff.
7 Management style at Eskom can be characterised as caring.
8 Management style at Eskom can be characterised as compassionate.
9 Management style at Eskom can be characterised by sharing of ideas.
10 Management acknowledges and rewards an extra mile taken by employees in doing their work in some way.
11 Employees acknowledge and reward an extra mile taken by management in meeting their needs in some way.
12 The company's work teams are characterised by diversity in terms of gender.
13 The company's work teams are characterised by diversity in terms of race.
14 The company encourages development of staff from previously disadvantaged groups.
15 Eskom has put Black Economic Empowerment policies in place.
16 Eskom adheres to its Black Economic Empowerment policies through its procurement practises.
17 Eskom rewards good performance by staff.
18 Eskom discourages poor performance by staff.
19 Leadership at Eskom encourages celebration of the achievement of set departmental goals.
20 Leadership at Eskom encourages celebration of the achievements of set company goals.
21 Managers support the development of female employees into senior positions.
22 Eskom leadership encourages the development of all its employees.
Strongly agree"
Agree
Neither agree nor disagree
Disagree
Strongly disagree

TABLE E SAMPLE STAFF QUESTIONNAIRE

Your assistance is hereby requested in this academic exercise of ascertaining whether change efforts at Eskom are aligned to strategy. Please choose a letter that best suits the statement by placing an X in the relevant block. Please also indicate your gender by placing 1 in the boxes provided below for demographic reasons.

Male		Female	

Q. No.	Question	Category	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1	**The company's medium of communication when undergoing transformation can be characterised as:**						
1.1		Verbal	0	0	0	0	0
1.2		Written	0	0	0	0	0
1.3		Electronic	0	0	0	0	0
1.4		Verbal & Electronic	0	0	0	0	0
2	**The company's communication approach is usually:**						
2.1		Coercive	0	0	0	0	0
2.2		Participative	0	0	0	0	0
2.3		Consultative	0	0	0	0	0
3	**Management usually channels information through:**						
3.1		Senior Manager	0	0	0	0	0
3.2		Managers	0	0	0	0	0
3.3		Team leaders	0	0	0	0	0
3.4		Groups	0	0	0	0	0
3.5		Informal groups	0	0	0	0	0
4	**Information communicated by management is information in the following categories:**						
4.1		Should be known	0	0	0	0	0
4.2		Must be known	0	0	0	0	0
4.3		Could be known	0	0	0	0	0
Q. No.	**Question**	**Category**	**Strongly agree**	**Agree**	**Neither Agree nor disagree**	**Disagree**	**Strongly disagree**
5	Information about any potential change in the company is communicated to all staff on a continuous basis		0	0	0	0	0
6	Reasons for change are clearly explained to staff		0	0	0	0	0
7	Management style at Eskom can be characterised as caring		0	0	0	0	0
8	Management style at Eskom can be characterised as compassionate		0	0	0	0	0
9	Management style at Eskom can be characterised sharing of ideas		0	0	0	0	0

10	Management acknowledges and rewards an extra mile taken by employees in doing their work in some way	0	0	0	0	0
11	Employees acknowledge and reward an extra mile taken by management in meeting their needs in some way.	0	0	0	0	0
12	The company's work teams are characterised by diversity in terms of gender	0	0	0	0	0
13	The company's work teams are characterised by diversity in terms of race.	0	0	0	0	0
14	The company encourages development of staff from previously disadvantaged groups.	0	0	0	0	0
15	Eskom has put Black Economic Empowerment policies in place.	0	0	0	0	0
16	Eskom adheres to its Black Economic Empowerment policies through its procurement practises.	0	0	0	0	0
17	Eskom rewards good performance by staff.	0	0	0	0	0
18	Eskom discourages poor performance by staff.	0	0	0	0	0
19	Leadership at Eskom encourages celebration of the achievement of set departmental goals.	0	0	0	0	0
20	Leadership at Eskom encourages celebration of the achievements of set company goals.	0	0	0	0	0
21	Managers support the development of female employees into senior positions.	0	0	0	0	0
22	Eskom leadership encourages the development of all its employees.	0	0	0	0	0

Annexure B

Annexure B

Eskom

Five-year financial review

Group

	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm
Balance sheet					
Non-current assets	74 103	70 997	65 577	59 643	61 436
Current assets	35 190	25 995	16 905	17 266	12 773
Total assets	109 293	96 992	82 482	76 909	74 179
Capital and reserves	44 867	40 683	37 717	34 148	30 989
Non-current liabilities	41 722	32 893	31 701	26 672	28 479
Current liabilities	22 614	23 417	13 064	16 089	14 781
Total equity and liabilities	109 293	96 992	82 482	76 909	74 179
Income statement					
Revenue	42 984	32 948	29 787	26 112	24 459
Operating expenditure	(34 073)	(26 130)	(21 466)	(19 409)	(17 979)
Net operating income	8 911	6 818	8 321	6 703	6 480
Interest income	4 298	4 024	2 506	3 325	1 057
Interest expenditure	(5 346)	(5 328)	(5 281)	(6 099)	(4 332)
Profit after interest before fair value (loss)/gain	7 463	5 514	5 546	3 929	3 205
Fair value (loss)/gain on financial instruments	(29)	(283)	(118)	(157)	129
Profit before tax	7 434	5 231	5 428	3 772	3 334
Income tax expense	(2 308)	(1 859)	(1 727)	(1 211)	(1 466)
Profit after tax	5 126	3 372	3 701	2 561	1 868
Share of profit of associates and joint ventures	71	45	26	-	-
Profit for the period	5 197	3 417	3 727	2 561	1 868
Cash flow					
Cash generated from operations	14 821	13 535	12 911	11 209	9 983
Net interest received/(paid)	367	(238)	(1 053)	(2 498)	(2 294)
Income tax paid	(334)	(84)	(52)	(70)	(30)
Dividends paid	(569)	(549)	-	-	-
Cash flows from operating activities	14 285	12 664	11 806	8 641	7 661
Cash used in investing activities	(8 467)	(4 980)	(3 750)	(3 711)	(3 538)
Cash effects of financing activities[1]	5 356	(7 459)	(3 515)	(3 491)	(2 413)
Net increase/(decrease) in cash and cash equivalents for the year	11 183	(1 775)	2 541	1 439	1 710
Ratios					
EARNINGS PROTECTION (Profitability indicators)					
Return on total assets, %[2]	12,73	10,35	13,07	15,01	10,43
Return on average equity, %	12,13	8,71	10,37	7,86	6,39
Total operating expenditure/revenue, %	66,35	67,34	60,38	60,00	60,66
Net pre-tax interest coverage	2,53	2,16	2,12	2,07	1,87
EBITDA interest coverage	3,87	3,39	3,23	3,91	2,77
Liquidity	1,83	1,11	1,37	1,07	0,86
Solvency	1,70	1,73	1,84	1,80	1,73
CASH FLOW PROTECTION (Cash flow adequacy indicators)					
Funds from operations/average total debt, %	40,81	41,03	41,43	28,50	49,34
Funds from operations/capex, %	170,97	183,80	197,60	238,04	233,07
Funds from operations/interest coverage, %	9,47	9,41	4,31	3,07	2,38
CAPITAL STRUCTURE					
Debt:equity	-	0,09	0,24	0,41	0,66
Debt:equity (including long-term provisions)	0,10	0,30	0,46	0,63	0,85
Interest cover	6,83	4,30	2,83	2,29	1,06
OTHER					
Value created per employee, R'000	771	578	570	318	428

Eskom

	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm
Balance sheet					
Non-current assets	73 247	70 333	65 484	59 536	61 303
Current assets	31 747	23 559	14 702	15 173	12 050
Total assets	104 994	93 891	82 186	74 709	73 353
Capital and reserves	41 556	39 203	36 413	33 361	30 582
Non-current liabilities	42 639	32 079	31 099	26 176	28 266
Current liabilities	21 799	22 649	12 675	15 172	14 505
Total equity and liabilities	104 994	93 891	82 186	74 709	73 353
Income statement					
Revenue	41 387	31 780	28 161	24 983	23 569
Operating expenditure	(33 260)	(26 946)	(20 777)	(18 791)	(17 441)
Net operating income	8 027	6 834	7 484	6 192	6 128
Interest income	4 091	3 851	2 664	3 523	1 318
Interest expenditure	(5 761)	(5 354)	(5 290)	(6 109)	(4 354)
Profit after interest before fair value (loss)/gain	6 357	5 331	4 858	3 606	3 094
Fair value (loss)/gain on financial instruments	19	(277)	(107)	(182)	119
Profit before tax	6 386	5 034	4 751	3 426	3 213
Income tax expense	(2 033)	(1 808)	(1 566)	(1 154)	(1 454)
Profit after tax	4 353	3 226	3 185	2 272	1 759
Share of profit of associates and joint ventures	-	-	-	-	-
Profit for the period	4 353	3 226	3 185	2 272	1 759
Cash flow					
Cash generated from operations	13 179	13 305	12 608	9 911	9 101
Net interest received/(paid)	81	(470)	(975)	(2 447)	(2 063)
Income tax paid	(45)	(30)	-	-	-
Dividends paid	(569)	(549)	-	-	-
Cash flows from operating activities	12 827	12 256	11 633	7 464	7 038
Cash used in investing activities	(8 096)	(6 723)	(5 319)	(3 384)	(3 463)
Cash effects of financing activities[1]	5 320	(7 474)	(3 853)	(3 762)	(2 423)
Net increase/(decrease) in cash and cash equivalents for the year	9 961	(1 941)	2 461	318	1 152
Ratios					
EARNINGS PROTECTION (Profitability indicators)					
Return on total assets, %[2]	11,67	10,58	11,92	10,21	9,79
Return on average equity, %	10,65	8,53	9,13	7,11	6,09
Total operating expenditure/revenue, %	67,80	66,70	61,04	60,48	61,33
Net pre-tax interest coverage	2,31	2,15	2,06	1,65	1,87
EBITDA interest coverage	3,86	3,19	3,01	2,42	2,69
Liquidity	1,46	1,04	1,16	1,00	0,83
Solvency	1,68	1,72	1,83	1,81	1,73
CASH FLOW PROTECTION (Cash flow adequacy indicators)					
Funds from operations/average total debt, %	35,97	39,63	43,71	25,70	21,20
Funds from operations/capex, %	160,75	184,24	221,18	236,00	221,60
Funds from operations/interest coverage, %	7,43	7,84	4,30	2,97	2,30
CAPITAL STRUCTURE					
Debt:equity	0,04	0,14	0,30	0,48	0,71
Debt:equity (including long-term provisions)	0,26	0,35	0,52	0,67	0,89
Interest cover	4,89	3,80	2,74	2,34	2,10
OTHER					
Value created per employee, R'000	784	635	587	506	441

Definitions of ratios

- Return on total assets: [illegible]
- Return on average equity: [illegible]
- Total operating expenditure: [illegible]
- Net pre-tax interest cover: [illegible]
- EBITDA interest coverage: [illegible]
- Liquidity: Current assets/current liabilities
- Solvency: Total assets [illegible]
- Funds from operations: [illegible]
- Funds from operations: [illegible]
- Funds from operations: [illegible]
- Debt : equity: [illegible]
- Debt : equity (including long-term provisions): [illegible]
- Interest cover: [illegible]
- Value created per employee: [illegible] divided by number of [illegible]

1. Includes [illegible]
2. Total assets are [illegible]

ANNEXURE C

Balance sheets

At 31 March 2005

		Group		Company	
		March	December	March	December
	Notes	2005	2003	2005	2003
		Rm	Rm	Rm	Rm
Assets					
Non-current assets		74 105	70 997	73 247	70 332
Property, plant and equipment	2	56 701	53 475	55 635	52 198
Goodwill	3	-	70	-	-
Negative goodwill	4	(126)	(174)	(126)	(174)
Intangible assets	5	462	428	462	402
Future fuel supplies	6	2 471	2 781	2 471	2 781
Financial instruments	7	11 576	11 187	11 572	11 187
Loans receivable	9	2 464	2 580	-	-
Investment in associates and joint ventures	10	370	292	99	93
Investment in subsidiary companies	11	-	-	3 087	3 638
Deferred tax	12	140	151	-	-
Trade and other receivables	13	47	207	47	207
Current assets		35 100	25 995	31 747	23 559
Inventories	14	2 817	2 397	2 598	2 224
Trade and other receivables	13	5 073	4 224	4 938	3 836
Financial instruments	7	27 210	19 374	24 211	17 499
Total assets		109 205	96 992	104 994	93 891
Equity and liabilities					
Capital and reserves		44 867	40 683	42 556	39 203
Non-current liabilities		41 722	32 892	40 639	32 039
Financial instruments	7	22 871	18 324	22 549	18 015
Retirement benefit obligations	16	4 820	4 264	4 640	4 103
Nuclear decommissioning and waste management	17	2 224	1 914	2 224	1 914
Other decommissioning	17	1 063	918	1 063	918
Closure, pollution control and rehabilitation	17	776	679	776	679
Other provisions	17	505	793	498	573
Deferred income	18	2 925	1 713	2 623	1 713
Deferred tax	12	6 538	4 287	6 266	4 124
Current liabilities		22 616	23 417	21 799	22 649
Trade and other payables	19	6 710	5 382	6 208	4 806
Taxation		47	76	-	-
Financial instruments	7	14 739	15 871	15 015	16 178
Retirement benefit obligations	16	166	1 434	160	1 348
Provisions	17	954	654	416	317
Total equity and liabilities		109 205	96 992	104 994	93 891

Eskom

Income statements

ANNEXURE D

For the 15-month period ended 31 March 2005

	Notes	Group March 2005 Rm	Group December 2003 Rm	Company March 2005 Rm	Company December 2003 Rm
Revenue	22	42 984	32 948	41 387	31 780
Other income		246	328	660	1 258
Changes in inventories of finished goods and work in progress		(441)	(13)	(373)	(51)
Work performed by the entity and capitalised		10 831	6 382	10 511	6 057
Raw materials and consumables used		(14 890)	(10 884)	(13 822)	(9 670)
Employee benefits expense	23	(9 576)	(7 514)	(9 017)	(7 362)
Depreciation and amortisation expense	24	(5 691)	(4 070)	(5 436)	(3 817)
Impairment expense		(110)	(698)	(110)	(852)
Other expenses	25	(14 442)	(9 671)	(15 773)	(10 509)
Operating profit		8 911	6 818	8 027	6 834
Net finance costs		(1 477)	(1 587)	(1 641)	(1 800)
- Interest income	26	4 298	4 024	4 091	3 811
- Interest expense	27	(5 746)	(5 328)	(5 761)	(5 334)
- Fair value (loss)/gain on financial instruments	28	(29)	(283)	29	(277)
Profit before tax		7 434	5 231	6 386	5 034
Income tax expense	29	(2 308)	(1 859)	(2 033)	(1 808)
Share of profit of associates and joint ventures	10	71	45	-	-
Profit for the period		5 197	3 417	4 353	3 226
Attributable to:					
Equity holders of the company		5 190	3 534	4 353	3 226
Minority interest		7	(117)	-	-
		5 197	3 417	4 353	3 226

ANNEXURE E

Cash flow statements

For the 15-month period ended 31 March 2005

	Notes	Group March 2005 Rm	Group December 2003 Rm	Company March 2005 Rm	Company December 2003 Rm
Cash flows from operating activities					
Profit before taxation		7 434	5 231	6 386	5 034
Adjustments for:		7 331	7 523	7 061	7 369
Depreciation and amortisation expense	24	5 691	4 070	5 436	3 817
Net impairment losses		110	698	110	852
Net profit on disposal of property, plant and equipment and intangible assets		(233)	(144)	(230)	(140)
Net movement in provisions		(1 105)	764	(1 003)	479
Increase in deferred income		1 409	591	1 107	591
Other		(18)	(43)	-	(30)
Interest income	26	(4 298)	(4 024)	(4 091)	(3 811)
Interest expense	27	5 746	5 328	5 761	5 334
Net fair value gain/(loss) on financial instruments	28	29	283	(29)	277
		14 765	12 754	13 447	12 403
Increase in inventories		(420)	(13)	(374)	(51)
Increase in trade and other receivables		(849)	(449)	(1 102)	(171)
Increase in trade and other payables		1 325	1 243	1 399	1 124
Cash generated from operations		14 821	13 535	13 370	13 305
Interest received	30	4 088	3 669	3 861	3 450
Interest paid	31	(3 821)	(3 907)	(3 780)	(3 920)
Income taxes paid	32	(234)	(84)	(45)	(30)
Dividends paid		(569)	(549)	(569)	(549)
Net cash from operating activities		14 295	12 664	12 837	12 256
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment and intangible assets		347	318	341	288
Expenditure on property, plant and equipment		(8 642)	(6 241)	(8 539)	(5 943)
Expenditure on intangible assets		(356)	(155)	(358)	(211)
Future fuel supplies		(124)	(841)	(124)	(841)
Investment in associates, joint ventures and subsidiary companies		23	(31)	424	(72)
Non-current trade and other receivables		160	56	160	56
Loans receivable		123	(86)	-	-
Net cash used in investing activities		(8 469)	(6 980)	(8 096)	(6 723)
Cash flows from financing activities					
Debt raised		14 130	33 954	14 112	33 785
Debt repaid		(15 035)	(34 470)	(15 078)	(34 454)
Increase/(decrease) in non-current financial instruments		6 261	(6 943)	6 186	(6 805)
Net cash generated/(used) in financing activities		5 356	(7 459)	5 220	(7 474)
Net increase/(decrease) in cash and cash equivalents	33	11 182	(1 775)	9 961	(1 941)
Cash and cash equivalents at beginning of the period	33	2 445	4 220	276	2 217
Cash and cash equivalents at end of the period	33	13 627	2 445	10 237	276

[redacted]

Eskom

ANNEXURE F.

2.5 Equity

Employment equity

Eskom aims to demonstrate exemplary corporate citizenship and harmony with society through the continued focus on affirmative action and actively promoting women and disability equity. Employment equity policies have been implemented that are inclusive of race, gender, and people with disabilities to ensure that Eskom builds an organisation that is representative of all the people of South Africa.

The transfer of 1 370 staff members from Eskom Enterprises into Eskom, of whom 964 were at a managerial[2] level, has had a negative impact on both Eskom's race and gender equity statistics at managerial level, as the percentage equity achievements in Eskom Enterprises were lower than those in Eskom.

Employment equity	Target December 2004	Actual March 2005	Actual December 2004	Actual December 2003
Eskom				
Race:				
- Black[1] staff at managerial[2] level, %	57,9	57,9	58,5	56,3
- Black staff at all levels, %	n/a[3]	69,1	69,7	69,3
Gender:				
- Women at managerial level, %	29,1	28,9	30,0	27,8
- Women at all levels, %	n/a[3]	23,3	22,9	21,6
- People with disabilities, %	1,9	2,0	1,9	1,4
Internal promotions				
- Black staff at all levels, %	n/a[3]	75,3	91,7	82,5
- Women at all levels, %	n/a[3]	44,4	16,7	26,9
Eskom Enterprises				
Race:				
- Black staff at managerial[2] level, %	50,0	39,6[4]	49,5	49,4
- Black staff at all levels, %	n/a[3]	52,6[4]	53,0	51,0
Gender:				
- Women at managerial level, %	18,0	14,4[4]	18,1	17,5
- Women at all levels, %	n/a[3]	14,9[4]	19,6	24,8

ANNEXURE G.

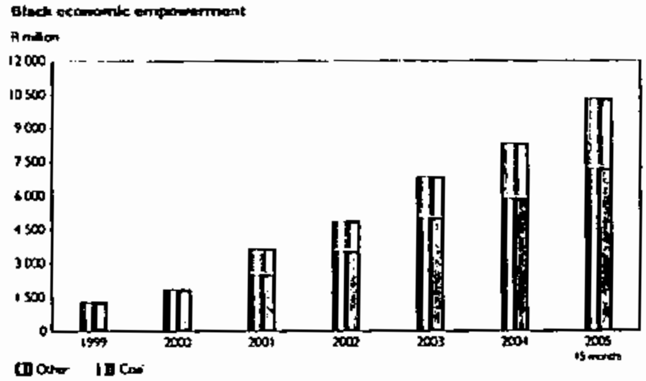
ANNEXURE G.

Black economic empowerment (BEE)

As part of its procurement policies and managerial support programmes, Eskom continues to support small, medium and micro enterprises and large black businesses for the supply of goods and services thereby contributing to BEE. The amounts reported include expenditure on both coal and demand-side management referred to elsewhere in this report.

In line with Eskom's policy framework for the economic empowerment of women, there is an increased focus on the promotion and empowerment of black women entrepreneurs to facilitate their participation in the mainstream economy.

	Target 2005 (15 months) Rm	Actual[1] 2005 (15 months) Rm	Actual[1] 2004 (12 months) Rm	Actual[1] 2003 (12 months) Rm
Total BEE expenditure	9 652	10 334	8 323 (target 7 465)	6 861
Black women owned business (included in total BEE expenditure)	695	1 086	840 (target 521)	517



Eskom spent R28.9 billion over a six-year period with BEE.

1. Amounts inclusive of VAT.

ANNEXURE H.

Top utilities

Largest Power companies in the world by generating capacity

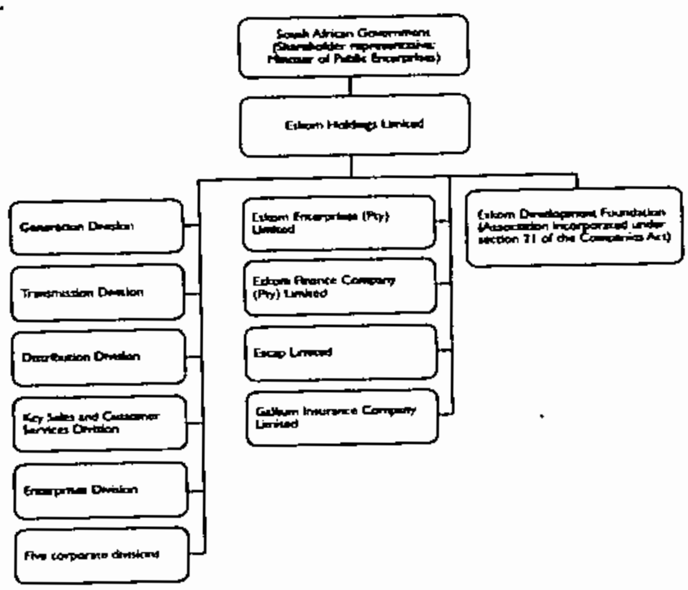
Company	Country	Generating capacity (MW)	Rating by Capacity
RAO UES	Russia	156600	1
EDF	France	122600	2
TEPCO	Japan	62660	3
E.On	Germany	54000	4
Korea Electric Power Company (KEPCO)	South Korea	50432	5
Enel	Italy	47000	6
AES	USA	46000	7
RWE	Germany	45000	8
Endesa	Spain	43000	9
Eletrobras	Brazil	40854	10
Eskom	**South Africa**	**39810**	**11**
Southern	USA	39000	12
Duke	USA	38748	13
Exelon	USA	38000	14
AEP	USA	36000	15
Kansai Electric	Japan	35434	16
Hydro Quebec	Canada	34000	17
Taiwan Power (TaiPower)	Taiwan	33290	18
TVA	USA	33189	19
Vattenfall	Sweden	33000	20

Largest Power companies in the world by generating sales

Company	Country	Sales TWh	Rating by Sales
RAO UES	Russia	636	1
EdF	France	473	2
E.On	Germany	404	3
Korea Electric Power Company (KEPCO)	South Korea	294	4
TEPCO	Japan	281	5
RWE	Germany	230	6
Eskom	**South Africa**	**206**	**7**
Vattenfall	Sweden	186	8
Eletrobras	Brazil	178	9
Hydro Quebec	Canada	169	10
Taiwan Power (TaiPower)	Taiwan	159	11
Enel	Italy	156	12
TVA	USA	155	13
Kansai Electric	Japan	142	14
Electrabel	Belgium	137	15
Endesa	Sapin	134	16
Chubu	Japan	123	17
AEP	USA	118	18
AES	USA	108	19
FPL	USA	103	20

Organisational structure

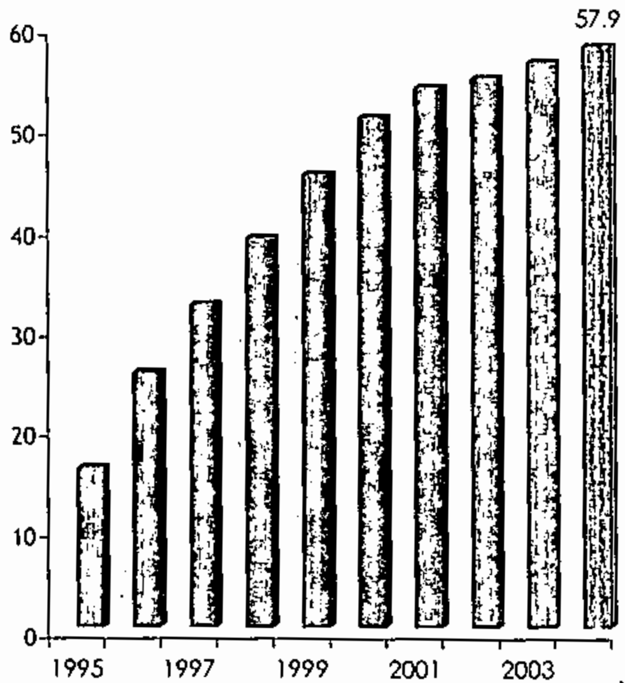
NNEXURE I



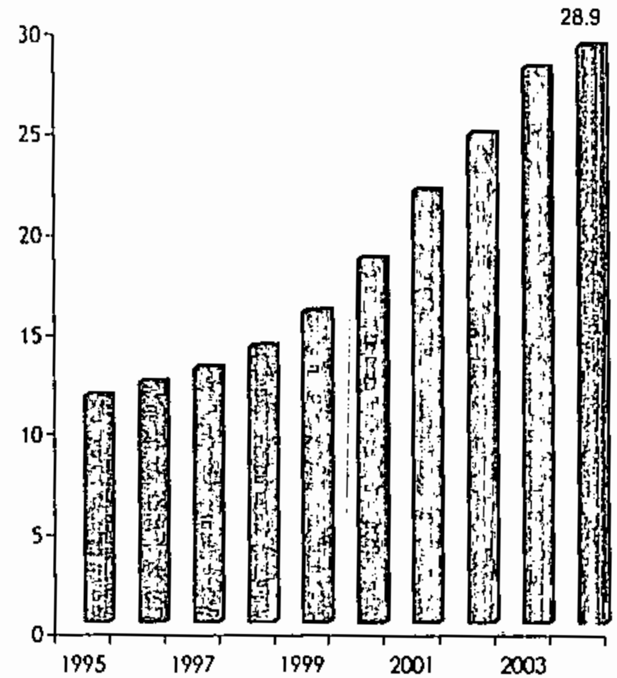
ANNEXURE J

Equity

% Racial Equity



% Gender Equity



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