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Certification

I certify that, except as noted above, the report is my own work and all references used are accurately reported.

Abstract

We race into a century that guarantees nothing but constant change, uncertainty and the promise that yesterday's success will count for little in tomorrow's world. The blinding pace of change across most fronts supports the notion that leaders today are under far greater pressure than ever before. Of course the study of leadership is not new but the countless theories promising quick-fix answers have little impact on today's changing environment.

The very nature of organisations are changing, so what then about the leadership within those organisations? It is obvious that the type of leadership that worked in the old style organisation would not suffice in the new, emerging one. Gone are the automatic respect that previously came with the title and rank and the notion that leaders think and workers work. Leadership thus needs to reorganise and recreate itself.

An additional force confronting leaders in South Africa relates to the increasing diversity of the workforce, specifically post the apartheid era. The myriad of cultural differences within the country places enormous pressure on understanding each other's motivations, attitudes and behaviour in the organisational world. It is these differences that could lead to unavoidable, unhealthy conflict where the leader is unable to understand and manage this diversity. Ultimately, the success of an organisation would suffer the consequences of such unhealthy conflict.

This research report is thus focusing on the dual challenge faced by South African leaders.

"One line I liked to summed up what I thought about leadership: 'The people with whom I have been associated have worked harder, enjoyed it more, although not always initially, and in the end, gained increased self-respect and self-confidence from accomplishing more than they previously thought possible.'"

- Jack Welch -

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1 CHAPTER 1

1.1 Introduction

Change management is, and has been for quite some time, synonym to any organisation's existence around the world. Integral to the existence of an organisation is the ability to be competitive. Changes in the competitive environment, i.e. changes in markets, market and customer expectations, the nature of customers, informationalism, etc. has been major driving forces behind the need for organisations to be able to identify these changes and to adapt in the most appropriate way in order to utilise these changes as a tool for increased competitiveness.

Organisations in South Africa have not been excluded from these changes but are facing them head-on since the historic developments toward the establishment of a democratic government. South African organisations are no longer sheltered by an isolated environment and ensured markets and thus, cannot escape the forces of globalisation. South African organisations therefore have to establish themselves as world-class competitors.

Traditionally competitiveness was narrowly focusing on increasing quality in terms of productivity and market share, quality, cost and innovation. Mbigi, 1993, argues however that there is a dire need to broaden the competitive definition to include the relations and speed of delivery involved in the process of wealth-creation.

In reality, we can derive from the above that South African organisations specifically, are exposed to at least two major forces driving change, i.e. increased global competition and a diversified workforce, especially since 1994. For South African organisations this means facing a dual challenge in managing change. South African organisations, which are not focused on these change forces and not forgetting the other more generic change drivers, do probably not have a very positive future ahead of them.

1.2 Research Objectives

The research objective was first and foremost to assist organisational managers and leaders in appropriately managing change, specifically within a South African context.

The significant organisational changes relevant to Momentum Employee Benefits, member of Momentum Group Ltd., were researched with specific emphasise on the role of specific leaders and leadership in meeting the dual challenges as described above. Momentum Employee Benefits has undergone very significant changes in its relative short existence. The changes comprised of a merger, strategic changes, changes in business strategies, etc. These changes were broadly in response to social and economic changes, mostly focused on their competitive position within the financial industry and country, taking into account global trends. Affirmative action and employment equity, however, has been an underlying strategic focus point representing one of the change driving forces. These factors support the criteria justifying the selection of the organisation for the African Change Leadership project. Additionally, to manage change effectively, an understanding of the driving forces underlying change was required, the dynamics of change and what can be changed, and the steps involved in implementing the change process. The research project specifically looked at the impact of strategic decisions, organisational structure and management systems on the success of the change initiatives described.

1.3 Limitations of the study

Momentum Employee Benefits as a division of Momentum Group Ltd. has not been in existence prior to 1990. A separate company was only formed in 1998. This research project therefore only covered the timeframe from inception of the separate division.

1.4 Assumptions

The research project was undertaken as part of a broader research team. The assumption was that the combined results of all the participating organisations would be utilised in the formation of grounded change management theories, which could be applied within an educational environment.

2 CHAPTER 2

2.1 Literature Review

Central to South Africa is the diverse workforce inherent to the country's demographics and diverse cultural make-up. With this, South African organisations are faced with major challenges due to the conflict and struggle, which has been based on racial issues. Although the end of apartheid presented a world of opportunities for the previously disadvantaged groups, it did not include the instant erasure of historical cultural differences, future fears by the resource-rich minority or a smooth power shift from the white minority to the black majority.

Several strategic challenges are thus threatening the success of an organisation. Firstly, a basic management principle during the apartheid years was that of exclusion, which directly contradicts the demand for inclusion by the post-apartheid era. Mbigi and Maree, 1994, argues that the destiny of any particular organisation does not depend on budgets or strategic plans, but rather on how one harnesses the various self-organised circles of influence within that organisation. Organisational change would be impossible if you do not have total buy-in and an unshakable support from the self-organised groups and key players in the organisation.
Secondly, the historical conflict and exploitation between labour and capital in South Africa resulted in suspicion of business and institutions by previously disadvantaged groups. Mbigi, 1993, states that increased competitiveness can be materially retarded by adversarial unionism and adversarial management practices by generating paralysing polarity in the workplace.

This obviously has such a major negative impact on the all important trust relationship necessary for thriving business relationships, which can only be salvaged if legitimacy of management and institutions is somehow established. Clearly, it would not be enough to just adopt best operating practices, but what is crucial is to change people's perceptions and perspectives.

This would require a definite paradigm shift. Booysen and Beaty, 1997, points out that there are constant and daily challenges to people's views, perceptions, basic assumptions and values.

Thirdly, in the face of globalisation and a new competitive environment, demand for quality and performance is becoming primary driving forces for competitiveness. In the post-apartheid South Africa this means that organisations need to become world-class in order to survive. According to Mbigi & Maree, 1994, the appropriate response to this is to move away from professional and managerial prerogative to participative performance and decision-making.

Fourth, the political forces in the post-apartheid South Africa have been instrumental in creating enormous worker expectations throughout organisations. Change leaders is therefore under an obligation to manage these expectations, otherwise a social crisis could be the result.

Lastly, with this in mind, the resource-rich minority has become increasingly negative toward the establishment of the new South Africa. Generically whites fear that the increased black expectations and power shift toward the black majority is equal to black retribution, affirmative action, black anarchy, punitive taxation or redistribution of wealth and nationalisation to reduction of their own wealth, status and required business existence. This has been the source of speculation that fears among whites are one of the main reasons why businesses do not necessarily perform as well as expected in the post-apartheid era. The inability of the new ruling elite to identify and manage white fears as described in Mdigi and Maree, 1994, would thus be detrimental to the transformation process of South Africa and the growth of the country as a global competitor.

An integral part of transformation for a South African organisation would thus be to start off with the identification of the various fears experienced by the various racial and cultural groups thereby focusing on interdependence and developing a mutual trust.

But let us not ignore the fears among black South Africans, which are caused by the so-called solidarity principle or ubuntu; i.e. surviving through collective consciousness and collective unity on survival issues.

Mbigi & Maree, 1994, describes the five major fears among blacks in South Africa as the fear of being a sell-out, of being sold out, the fear of cooption, white manipulation or victimisation.

Organisational success not rooted in cultural realities and the spirit of the people, would seem impossible. Mangaliso, 2001, adds that observable workplace behaviour is strongly influenced by latent, unobservable social attitudes. He states that such social attitudes manifest the philosophical thought system or ubuntu of the group from which the individual comes. He argues that ubuntu can guide development of managerial practices for healthy competitive advantage.

This means that for an organisation to be effectively managed in the new South Africa, both indigenous and traditional corporate cultures need to be harnessed and harmonised. South African managers should therefore become familiar with these values and incorporate them into their policies. Not incorporating ubuntu into management practices may result in a decrease in competitive advantage, where competitors who do apply these principles utilise the superior approaches to managing their organisations.

A primary concept of ubuntu refers to the notion of a person becomes a person only through others, which impacts the every day operational interactions between people within organisations. Another aspect relating to relationships with others refers to teamwork. This concept supports the view that people are more motivated when they feel worthy and valued, which in turn creates mutual respect and empathy.

Another concept of ubuntu refers to communicating in the world of the African. Ubuntu emphasises the importance of language and communication in creating a sense of community, belonging and shared heritage that supports the common welfare of all where unity and understanding among group members are valued more than efficiency and accuracy of language.

Applying the ubuntu concept to decision-making represents a circular, inclusive process. Mangaliso, 2001, states that although consensus-based decision-making is initially costly in terms of time and effort, it is outweighed by the improved commitment to organisational goals

Western cultures recognise time as a strategic commodity, which should be prudently used, whereas the ubuntu concept treats time as a healer. Attempting to enforce the Western concept of time management in the African context would irrevocably be ineffective and dysfunctional.

The competitive forces increase the emphasis on productivity and efficiency to ensure survival and business viability. In contradiction to traditional management theory of maximising efficiency, the ubuntu concept emphasises the optimisation of efficiency.

This would directly impact for example performance evaluation systems, cross-country productivity comparisons and business relationships. In the African context, the solution that leads to the most favoured outcome for the widest possible group of stakeholders would be the preferred solution.

Mangaliso, 2001, explains that in African, leadership is easier to accept from a more experienced (read and older) individual. This would thereby create very different principles to be applied in advancement programs, structure and role definitions, etc. that organisations in the new South Africa need to adopt.

Until recently, Western norms were accepted as the modus operandi in business (Mangaliso, 2001). Other traditions are however gaining commonplace acceptance, forcing organisations to treat each cultural exigency with caution, care and understanding if they want to be successful.

But the question still remains; what does it take for an organisation to reap the real and full benefits of a diverse workforce? This is what Thomas & Ely (1996) is attempting to answer. They are of the opinion that there is a distinct way to unleash the powerful benefits of a diverse workforce; one of which is the ability to adjust rapidly and successfully to market changes. The desired transformation is said to require a fundamental change in the attitudes and behaviours of an organisation's leadership. Their research soon found that thinking of diversity simply in terms of identity-group representation, inhibits effectiveness. Diversity should be understood as the varied perspectives and approaches to work, that members of different identity groups could contribute.

The potential rewards will only become reality when organisations think about diversity more holistically, as providing fresh and meaningful approaches work and not assuming that it simply relates to how a person looks or where people come from.

According to Thomas & Ely (1996) two perspectives have guided most diversity attempts, i.e. the discrimination-and-fairness paradigm and the access-and-legitimacy paradigm. They have however identified a new, emerging approach referred to as the learning-and-effectiveness paradigm. This paradigm incorporates the aspects of the first two but goes beyond them by concretely connecting diversity to approaches to work. The emphasis is on how an organisation defines diversity and what it does with the experiences of being a diverse organisation that delivers on the promise of organisational effectiveness.

The discrimination-and-fairness paradigm entails leaders who view diversity as focusing on equal opportunity, fair treatment, recruitment and compliance with Employment Equity requirements. Progress is usually measured by achieving set recruitment and retention targets in contrast to the degree to which conditions in the organisation allow employees to draw on their personal assets and perspectives to perform their work functions more effectively.

The valuable explanations offered in their research include some of the characteristics and leadership approaches shared by organisations that use the different paradigms. For the first paradigm the research shows that these organisations are usually bureaucratic in structure with control processes for monitoring, measuring and rewarding individual performance and are run by leaders who value due process and equal treatment. The cultures in these organisations are normally easily observable and values such as fairness are firmly represented with clear and unambiguous codes of conduct. The downside of this paradigm is that it assumes all people are the same or aspire to be the same thereby ignoring the diversity that could be generated resulting in effective ways of working, leading, learning, managing and viewing markets. Differences seemingly do not count and genuine disagreements are frequently incorrectly interpreted. Organisational learning is hampered and people are kept from identifying strongly with their work, which is a critical source of motivation and self-regulation.

In contrast to the discrimination-and-fairness paradigm, the access-and-legitimacy paradigm accepts and celebrates differences. Organisations using this paradigm almost always operate in business environments with increased diversity among customers, clients and/or the labour market thereby representing a clear opportunity or imminent threat to the organisation. On the negative side organisation this paradigm normally emphasises the role of cultural diversity without effectively analysing these differences to determine their actual effect on the work. Leaders do not understand the diversified capabilities that the different groups bring to the table and how they can be integrated into the organisation's mainstream work to capitalise on diversity in the long term. This results in many of the individuals feeling devalued and used when they start to sense that they are only applied to the particular niche-market segment relevant to them and that opportunities in other parts of the organisation are closed to them.

The third emerging paradigm connects diversity to work perspectives and makes the most of diversity through incorporating employees' perspectives into the mainstream work of the organisation to enhance the work by rethinking primary tasks and redefining strategies, products, markets, business practices and even cultures. Individuals in organisations using the learning-and-effectiveness paradigm feel they are really contribution and are not just "brought along as window dressing". This paradigm changes the substance of the work and in that sense, increases the quality thereof. It also enhances openness, commitment, trust and interest.

The learning-and-effectiveness paradigm promotes equal opportunity like the discrimination-and-fairness paradigm and it acknowledges and values cultural differences like the access-and-legitimacy paradigm. But, it internalises these differences to enhance organisational learning.

Thomas & Ely (1996) describes eight preconditions for making the paradigm shift based on their research conducted:

- Leaders must value variety of opinion and insight, which requires an understanding that a diverse workforce brings with it different perspectives and approaches.

- Leaders must recognise that different perspectives present both learning opportunities and challenges for an organisation.
- An expectation of high standards of performance from all must be created through the organisational culture.
- Additionally, the organisational culture should stimulate personal development.
- The organisational culture must encourage openness.
- The organisational culture must make the workforce feel valued.
- The organisation's mission should be well articulated and widely understood.
- An egalitarian, non-bureaucratic structure must support the organisation.

Adopting the third paradigm holds benefits for an organisation, which is embodies in the actions taken by employees in general, i.e. they make a mental connection, legitimate open discussion, actively work against forms of domination and safeguard organisational trust.

Booysen & Beaty, 1997, defines transformation as the move an organisation takes to "start everything from scratch", thereby enquiring into the underlying paradigm of the organisation and a systematic attack on the strategy and operations of existing organisational elements. On the other hand, organisational change is about tweaking strategy and operations thereby referring to incremental or continuous change.

External and internal forces are underlying the need to change within organisations. The major external forces driving change in South Africa can be summarised as massive political, economical and social changes to create alignment with the realities facing the country. Booysen & Beaty, 1997, includes the pressures from globalisation, shifting demographics, changes in the availability of the labour force, reduced technological cycles, changing expectations among workers and customers and government legislation as material change drivers affecting South African organisation's quest to survival.

The internal change forces applicable to most South African organisations relates to organisational life cycle evolutions, the reinvention of core structures and processes, culturally diverse workforce talent and a highly unionised workforce.

Drawing from the field of psychotherapy, stability needs to be built into the process of change for change recipients to be able to cope with the enormous extent and impact of change. Change recipients respond differently in terms of the methods and timing to change, irrespective if the change is driven by internal or external forces.

Realistically, most South African leaders are in the unfortunate situation that they can not always control and plan change, but that reactive change to the realities facing their organisations are becoming more and more of a reality on its own. For change leaders to effectively manage change, they would therefore need to understand the dynamics of change, resistance to change, and change leadership principles and practices.

The driving forces behind the change initiatives would obviously result in different responses. Booysen & Beaty, 1997, states that where the major driving forces are from the external environment change normally requires revitalising, which implies discontinuous, multilevel, frame-breaking or second order change.

In any change event the change leader will have to address and manage inherent resistance to change, either from the individual change recipient, the organisation or both. The fears of white and black South Africans involved in the changes to the new South Africa were mentioned above, which ultimately represent a major source of resistance to change. However, several more generic reasons for resistance to change, which relates directly or indirectly to these fears, also need to be recognised. The sources of individual and organisational resistance to change have been summarised by Robbins (1997), Carrell et al. (1997), Greenberg & Baron (1997) and identify it as follows:

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Individual resistance -

- The fear of the unknown the changes in the new workplace will bring, also taking into account the by-products of diverse workplaces, i.e. distrust and negativity towards diversity including the perceived barriers to successful careers for newly affected groups.
- Change is requiring changing of old habits, inherently uncomfortable for any person irrespective of their role played in the change initiative.

- The protection of self-interest, especially relevant to the previously advantaged groups.
- Again mostly relevant to the previously advantaged groups is the economic insecurity that organisational change can bring.
- The disruption change can bring to the integrity of friendship groups in the organisation, which provide valuable social rewards for the members of these groups.
- Selective perceptions, i.e. negative by the previously advantaged and positive by the previously disadvantaged.

Organisational resistance –

- Several processes and structures, which were put in place under very different circumstances than those existing today, cause structural inertia due to the inability to maintain stability for which they were designed.
- Similarly cultural inertia can result from frame-breaking change, upsetting cultures normally emphasising stability and tradition.
- The resource allocation and power shift from the white minority to the black majority is another driver of resistance.
- Firm group norms, the impact of technology and global competitiveness places pressure on performing jobs in a certain way resulting in work group inertia.

In support of the sources of individual resistance to change, Strebel (1996) touches on an additional dimension, which could explain why specifically employees resist change. Research conducted with more than 200 managers from 32 countries indicated that the widespread difficulties resulting in change management failures have at least one common root, i.e. managers and employees view change differently. He states that both managers and employees understands that vision and leadership drive successful change, but that very few leaders recognise the ways in which individuals commit to change to bring it about. Top-level managers normally view change as a source of opportunities while most employees view change as disruptive and intrusive. Change leaders consistently misjudge the impact of this gap on their relationships with subordinates and on the buy-in to the change effort.

The relationship between employees and organisations are defined by reciprocal obligations and mutual commitments. Strebel (1996) calls these agreements personal compacts. He emphasises that change initiatives, whether proactive or reactive, modify their terms. Therefore, managers would be unrealistic to expect buy-in and commitment from employees into change initiatives that alters the status quo without redefining those terms and the subsequent acceptance of the new terms by employees.

The three dimensions shared by compacts in all organisations are identified as the formal, psychological and social dimensions. The formal dimension for an employee captures the basic tasks and performance requirements for a specific job. The psychological dimension incorporates the elements of mutual expectation and reciprocal commitment arising from feelings like trust and dependence between the employee and organisation. The social dimension is measured by employees through the organisation's culture, i.e. what the organisation says about its values, the interplay between company practices and management's attitude and behaviour toward them. Unrevised personal compacts would thus serve as a major block to change, as employees often misunderstand or worse, ignore the implications of change to their individual commitments. Thus, unless the revision of personal compacts is treated as an integral part of the change process, the organisation will not accomplish its goals.

Strebel (1996) sets out three systematic phases for the revision of the personal compacts in order to improve the alignment of employees' commitments and the organisation's necessary change outcomes:

- Drawing attention to the need to change and establishing the context for revising compacts,
- Initiating a process enabling employees to revise and buy into new compact terms, and
- Locking in commitments with new formal and informal rules.

Based on the discussion of the reasons and nature of individual and organisational resistance to change, South African managers can only effectively lead change if they are able to create a change conducive culture, bring about employee understanding and support and are able to maintain the appropriate balance between stability and instability within the change process.

Past isolation and the lack of competition have created South African organisations that are similarly isolated and inward looking. However recently documented evidence (Hofmeyer, Rall & Templer, 1995) suggests that South African managers are beginning to acknowledge the critical importance of change management. This brings us to the point where managers are faced with the specific challenge of changing the workforce demographics so that the cultural diversity is managed by culturally diverse leaders. This inherently includes the influences that female and male management styles will have on followers and change recipients. Appelbaum & Shapiro (1993), Govender & Bayat (1993), Smith & Smits (1994), Wilkenson (1995) and Rosener (1990) compiled a comparison of masculine and feminine leadership styles. From this it is evident that females tend to lead more in a transformational way whereas males tend to lead in a more directive style. Therefore their research notes concluded that a "feminine" leadership style is much more conducive to effective change and transformation than autocratic and directive styles.

But, ultimately, everyone wants to know what makes an effective leader and even further, what makes a successful change leader. Using the words of Goleman (1998:93) "... identifying individuals with the "right stuff" to be leaders is more art than science." Very few individuals and organisations are privileged to have answered this mystery. This question is far better understood if it is taken into account that basically no quantitative research exist describing leadership behaviours which yields positive results, the personal styles of superb leaders are very different from each other and different situations call for very different types of leadership.

First we have a look at the conventional leadership styles described in most textbooks, i.e. transactional leadership style, transformational leadership style and laissez-faire. The behaviours of leaders using these leadership styles can be defined within certain subcategories.

Transformational leadership is defined by four basic factors, i.e.:

- *Idealised influence.* The leader acts as a role model for followers that generates admiration, trust and respect. This factor is divided into idealised attributes (attributed charisma) and idealised behaviours.
- *Inspirational motivation.* Leaders motivate and inspire those around them by providing meaning and challenge to their followers work by focusing on team spirit.
- *Intellectual stimulation.* Leaders stimulate their follower's efforts to be innovative and creative by questioning assumptions, reframing problems and approaching old situations in new ways, thereby encouraging creativity.
- *Individualised consideration.* Leaders pay attention to the individual employee and his or her needs rather than treating all followers alike and having the same needs.

Transactional leadership behaviour can be defined by three basic factors:

- *Contingent reward.* Leader gives compensation top employees when they perform according to contract or expectation.
- *Passive management–by–exception.* Used only by leaders who only interfere in the employees work if the desired goals are not met.
- *Active management–by–exception.* Intervening in the people's work when they are not putting forth the effort expected of them.

Laissez faire leadership behaviour shows passive indifference about the task and subordinates. This behaviour is best described as an absence of any effective leadership.

Goleman (1998), however states that most effective leaders are alike in one crucial way, i.e. they all have a high degree of emotional intelligence.

Research conducted by Goleman (1998) indicated that although intellect was a driver of outstanding performance and cognitive skills were particularly important, emotional intelligence proved to be twice as important as technical skills and IQ when calculating the ratio of the ingredients of excellent performance. Researchers such as David McClelland confirm in his studies that emotional intelligence not only distinguishes outstanding leaders but also provides a direct link to strong performance. Additionally, Goleman's (1998) research shows that emotional intelligence played an increasingly important role at the higher levels of an organisation, i.e. the more senior the individual leader the more emotional intelligence capabilities appeared as the reason for increased effectiveness.

Emotional intelligence consists of five components, i.e. self-awareness, self-regulation, motivation, empathy and social skill.

Self-awareness means the individual has a deep understanding of his/her emotions, strengths, weaknesses, needs and drives. Self-aware individuals mesh with their values; they show candour and have the ability to assess themselves and the organisation realistically.

Self-regulation frees individuals from being prisoners of their feelings and enables them to find ways to control them and even channel those feelings in useful ways. Self-regulated individuals are able to create environments of trust and fairness; they are able to roll with changes or even lead the way and finally self-regulation enhances integrity. Leaders are motivated by a deeply embedded desire to achieve for the sake of achievement and not by external factors such as money or status. Motivated individuals are forever raising the performance bar, they usually like to keep score in order to keep track of performance and remain optimistic even when the score is against them.

Empathy relates to thoughtfully considering employees' feelings in the process of making intelligent decisions. Empathetic individuals sense and understand the viewpoints of everyone around the table, they are attuned to subtleties in body language and they can hear the message beneath the words being spoken.

Social skill on the other hand refers to friendliness with a purpose, i.e. moving people in the direction you desire. Socially skilled people normally have a wide network and they have a knack for finding common ground for people of all kinds.

We therefore now know that, for the sake of performance, emotional intelligence capabilities are ingredients that all leaders "need to have".

However, Goleman (2000) refers to new research performed by the consulting firm Hay/McBer, which takes much of the mystery out of effective leadership. The research found six distinct leadership styles, each springing from different components of emotional intelligence. This research also shows that leaders with the most effective results use most of these styles in a given week, seamlessly and in different measure, depending on the specific situation.

According to Goleman (2000), the six leadership styles identified are:

- Coercive leaders who demand immediate compliance,
- Authoritative leaders who mobilise people toward a vision,
- Affiliative leaders who create emotional bonds and harmony,
- Democratic leaders who build consensus through participation,
- Pacesetting leaders who expect excellence and self-direction, and
- Coaching leaders who develop people for the future.

The research findings indicate that leaders who have mastered four or more of these management styles, specifically the authoritative, democratic, affiliative and coaching styles have the best climate and business performance.

Christensen & Overdorft (2000) touches on a critical aspect of major change, i.e. that organisations themselves have their own capabilities independent of the people and other resources within the organisation. Thus, leaders need to think about their organisational capabilities as carefully as they think about their people's capabilities. The framework offered by Christensen & Overdorft (2000) introduces that the very capabilities that make an organisation effective also define that organisation's disabilities. In attempting to transform an organisation, change leaders could destroy the very capabilities that sustain it. They emphasise that when an organisation faces major change or disruptive innovation, the worst possible approach may be to make drastic adjustments to the existing organisation.

The research conducted by Christensen & Overdorft (2000) suggests that an organisation's capabilities reside in its resources, its processes and its values and each of these factors require assessment to determine an organisation's capacity to change. Although abundant, high quality resources definitely increase an organisation's changes of coping with change, they don't come close to telling the whole story.

Processes on the other hand are meant not to change, as they are normally set up so that employees can perform activities in a consistent and repetitive way. Therefore a process that creates a capability to perform one task concurrently defines disabilities in performing other tasks and it is in fact in those processes that many organisation's disabilities in coping with change reside.

Christensen & Overdorft (2000) defines values as the standards by which employees set priorities that enable them to judge whether an order is attractive or not, whether a client is more important or less important, whether a new product idea is attractive or marginal, etc. This implies that the training of employees to base decisions about priorities on consistent criteria increases in importance the larger and more complex an organisation becomes.

Otherwise alignment of these decisions with the business model and strategic direction would not be possible. Two sets of values, i.e. the way acceptable gross margins are judged and the size of a business opportunity to be interesting, tend to evolve in most organisations in very predictable ways. Christensen & Overdorft's (2000) research states the it is in fact the inevitable evolution of these two values that make organisations progressively less capable to address disruptive changes successfully.

Additionally, Christensen & Overdorft (2000) explains that the factors defining an organisation's capabilities and disabilities evolve over time. That is why in the start-up stages of an organisation the capabilities and disabilities mostly reside in the resources. As the organisation matures, those capabilities and disabilities are defined by the more visible, articulated processes and values and finally by the organisational culture.

Therefore changing capabilities in organisations where those capabilities reside primarily in people, could be less complicated than changing capabilities residing in processes and values and even more difficult when the capabilities have become embedded in the culture.

Successful organisations are normally good at responding to evolutionary changes in their markets - what Christensen & Overdorft (2000) referred to as sustaining innovation – but it is managing or initiating revolutionary changes in their markets, i.e. disruptive innovation, that poses serious problems. The reason for this is because disruptive innovations creates entirely new markets through the introduction of a new product or service, which is initially actually worse as judged by the performance metrics valued by the mainstream clients. That explains why established industry leaders almost always develop and introduce sustaining innovations, as they are organised to develop processes for evaluating the technological potential sustaining innovations and for assessing their clients' needs for alternatives. Routine processes could not handle disruptive innovations due to their intermittent occurrences and thus it would make sense that often smaller, more disruptive organisations are more capable of pursuing such innovations than large organisations.

Furthermore, Christensen & Overdorft (2000) emphasises that despite the beliefs of popular change management and reengineering programs, processes are not nearly as flexible or adaptable as resources and values are even less so. So, where organisations require new processes and values because it requires new capabilities; new organisational space has to be created to develop those capabilities. Christensen & Overdorft (2000) describes three possible ways to do this:

- Creating new organisational structures within corporate boundaries facilitating the development of new processes,
- Spinning out an independent organisation from the existing organisation and developing within it the new processes and values necessary to solve the new problems,
- Acquiring a different organisation whose processes and values closely resemble the requirements of the new activity.

It is stated that where capabilities reside in its processes and the change requires new processes, capabilities should be created internally by forming dedicated teams. However, when a disruptive innovation requires a different cost structure in order to be profitable or competitive, or when the current size of the opportunity is insignificant relative to the growth needs of the mainstream organisation; a spinout organisation is necessitated.
Lastly, where purchased capabilities are embedded in processes and values, integration is not advisable. However, if the acquired resources were the reason for its success and the primary rationale for the new acquisition, then integration would make sense.

Pascale, Millemann & Gioja (1997) attribute change management problems to the fact that the number of people at every organisational level who make committed, imaginative contributions to that organisation's success; is far too small. This represents the type of fundamental change, commonly called revitalisation of transformation, which more and more organisations are seeking but all too rarely achieve. They describe the major reason for the frustration organisations encounter with this type of change as being the remarkable capacity of most large organisations to resist change of all kinds.

This kind of change is far more radical and uncomfortable than anything required by a shift in strategy or process or corporate structure.

According to Pascale, Millemann & Gioja (1997), three types of interventions will restore organisations to vital agility and keep them in good health, i.e.:

- "Incorporating employees fully into the process of dealing with business challenges,
- Leading from a different place so as to sharpen and maintain employee involvement and constructive stress, and
- Instilling mental disciplines that will make people behave differently and then help them sustain their new behaviour into the future."

Incorporating employees means not only engaging employees as doers but as meaningful contributors in the principle challenges the organisation is facing. Furthermore, incorporation encompasses the utilisation of concrete, urgent business problems in generating a sense of urgency, cascading involvement of every member from the very top down through the ranks and generating initiatives conceived and staffed by organisational members across hierarchy and function.

Leading from a different place necessitates that traditional leaders undergo a change in mindset and adopt a new approach to leadership. Pascale, Millemann & Gioja (1997) describe that organisations get out of control to a degree, as they become unfrozen under an overload of experimentation and new ideas; a terrifying thought for many traditional leaders. But what the new approach to leadership requires is for them to establish focus and urgency, maintain healthy levels of stress and not feel compelled to have an answer for every problem. Thus, leading from a different place requires a transformation in the operating state of leaders themselves. In the words of Pascale, Millemann & Gioja (1997:135): "We are all much more likely to act our way into a new way of thinking thank to think our way into a new way of acting and that is the essence of leading from a different place."

It is a given fact that when incorporation slackens or vanishes completely stagnation and entropy are almost inevitable. What is necessary is for people to internalise a set of principles or disciplines, which shape their reactions and govern their behaviour. Pascale, Millemann & Gioja (1997) describes seven disciplines encountered during their research, which are all very relevant in business:

- Building an intricate understanding of the business, which bridges the gap between overall strategy and individual performance.
- Encouraging uncompromising straight talk.
- Managing from the future to avoid drift and loss of vitality where organisational members believe they have reached the future.
- Harnessing setbacks thereby re-contextualising failure, treating breakdowns as breakthroughs and seeing defeat as an opportunity.
- Promoting inventive accountability.

- Understanding the quid prop quo. A truly transformational employment contract and subsequent transformational participation has four levels, i.e. compensation, employability, a sense of meaning and employee understanding of where the organisation is going and having an impact in shaping its destiny.

Four "vital signs" are identified whereby an organisation's overall health and adaptability as well as the strength and vigour of their functional systems can be assessed:

- Power. Do employees believe they can affect the performance of the organisation and that they have the power to change things or make things happen?
- Identity. Do individual employees identify with the organisation as a whole or with their functional units, working teams or professions?
- Conflict. Do organisational members smooth over problems or are problems confronted and resolved?
- Learning. How does the organisation learn and deal with new ideas?

These vital signs deteriorate, as organisations grow older and larger. In contrast to start-ups, organisational members loose their initial sense of individual and collective power and develop a sense of resignation in response to seemingly insurmountable obstacles or lack of support from their superiors in the daily activities. People lose their sense of teamwork and alignment with the entire enterprise and start to look for safety they normally find in their particular profession, union, function or team. They tend to avoid conflict for fear of blame or of having someone take their disagreement personally and Pascale, Millemann & Gioja (1997) also adds that these organisations are less receptive to new ideas.

3 CHAPTER 3

3.1 Research Proposition

South African professionals need to realise that South African challenges can only be successfully managed by South African ideas, which are appropriate to the specific circumstances facing South African organisations.
South African professionals thereby need to identify the new survival rules facing the country and the organisations within the country for positive results to be generated. American and European ideas are not relevant and realistic for application in South Africa and should therefore be parted with. Thus, the published literature on leadership and change, which is set on assumptions reflecting Western industrialised culture, are of lesser relevance to South African organisations. Almost all leadership theory and empirical evidence on leadership effectiveness are based on research studies conducted in America and Europe and would in nature reflect American and European situational factors and cultures. Again these factors and cultures do not address the specific challenges faced by South African organisations.

Additionally, Ferreira (1997), calls for research that stresses the need for institutional detail and attention to the internal dynamics of the change process. Broad consensus is apparent that research is required that provides rich evidence of a longitudinal nature, which could lead to grounded theories of large system change. Greiner & Bhambri (1989) identified the need for research that examines the internal dynamics of deliberate strategic change at corporate level, and Guth & Ginsberg (1990) for research into the processes by which executives inspire and energise large organisations to innovate and to renew themselves. (Ferreira, 1997)

With the democratic processes now firmly in place, the emphasis for South African organisations is toward economic revitalisation. For this to be successfully achieved traditional management practices also require revitalisation.

For managers in South Africa the challenge hinges on the successful harnessing and harmonising of both indigenous and traditional corporate cultures. For most managers this represents applying management principles for which they do not necessarily have any managerial experience and/or training.

Taking into account that most of these principles are foreign to the manager's own culture and historic experience and is not easily obtainable or in existence, this presents a very daunting task to any level of business leader. Research results shedding light in assisting business leaders with this task are therefore regarded to be in great demand.

list major research questions

4 CHAPTER 4

4.1 Research Methodology

4.1.1 Secondary data sources

Secondary data sources utilised in gathering information about the change initiatives and the relevant leadership relevant to the organisation consisted mostly of:

- Minutes of Board and Executive Committee meetings containing strategic decisions,
- Business plans of each business unit containing business models and operational decisions in response to the strategic decisions,
- Organigrams and job profiles containing organisational structures and organisational roles,
- Annual reports containing organisational developments and changes,
- Relevant press releases,
- Minutes of management meetings containing the implementation plans of decisions taken.

4.1.2 Research design

The research project was based on performing qualitative research. Behaviour of South African managers influenced by the physical, socio-cultural and psychological environments formed the basis of the research. The research also included researching the subjective meanings and perceptions of these managers.

Two research methods were applied and used in combination, i.e. case study research and life history methodology.

The case study research focused on the critical change incidents found in the organisation's history and the change processes applied in implementing the change initiatives. The change initiatives included in the research were focused on revolutionary, frame-breaking change or otherwise referred to as second order changes.

Evidence for the case study was obtained mainly from collecting data contained in documents, archival records and interviews. Evidence was gathered from sources internal to the organisation as well as from external sources. Additionally, interviews were conducted with key players in their roles as facilitators of change as well as with some of the recipients of change. These data collection methods support the overriding principle of gathering data from multiple sources, thereby substantially increasing the quality of the case study investigation. Additionally, all data collected from the sources mentioned were recorded, irrespective from the source used. Thus, building up a case study database, which ultimately formed the basis for the final research report. The case study research thereafter proposed to link change initiatives to the unique South African realities, i.e. the results from the interviews and the secondary data collected were evaluated against the change leadership applied to bring about the change in order to establish an adequate chain of evidence. Conclusions were drawn from this evaluation with regards to the successful management of the change initiatives, which is presented in the final research report.

According to Naumes, 1999, case study research is also designed to be used as a teaching tool to develop decision-making skills at a variety of levels and could therefore be successfully used in assisting managers in managing change effectively.

Musson, 1998, describes life history methodology as a methodology that focuses on the ways individuals account for and theorise about their actions in the social world over time. The subjective interpretation of the situation in which people find themselves, past and present, forms the cornerstone of the approach.

Leading change involves inspiring others to change, creating a new vision for followers and creating the necessary buy-in from all the relevant stakeholders. A leader would undoubtedly bring to this role as change leader his/her already constructed set of assumptions, norms and values. The leader's past experience would also greatly determine how the change initiatives are approached and structured.

These leadership activities would naturally involve a magnitude of experiences of confusion, indecision and conflicts.

The approach is said to provide a fundamental source of knowledge about how people experience and make sense of themselves and their environments, thus allowing the leaders to speak for themselves in their roles as change "instruments". Knowledge of these experiences would be of material importance in understanding the complex dynamics underlying the change processes and the internal rationale followed by the change leader.

As described by Musson, 1998, life history methodology is best used in circumstances where the researcher seeks to understand the complex processes which people use in making sense of their organisational realities. These experiences would not necessarily, and are very often not evident from documentary information and facts contained in the archival and secondary data. Thus, emphasising the usefulness of utilising life history methodology in capturing the sense of reality that leaders have about their world, which in this case was represented by the South African workplace arena.

Interviews were conducted with the two key change leaders, i.e. Mr. Don Brown: Managing Director and Mr. Etienne de Waal: Business unit head, who drove the change initiatives in Momentum Employee Benefits. The questions asked in the interviews are included in Appendix A. In addition to these interviews, each of the change leaders' leadership styles were evaluated according to transactional, transformational, laissez faire or servant leadership criteria. From the theory it became evident that different leadership styles are not precisely defined by boundaries and that different researchers attributed different qualities and behaviours to each style.

Although Burns (1978) conceived leaders to be either transformational or transactional, research has shown that both leadership styles are not mutually exclusive. A leader may display various degrees of transactional or transformational leadership depending on the situation according to Bass (1997). Burns adds that transforming leadership appeals to the moral values of followers in an attempt to raise their energy and resources to reform institutions whereas transactional leadership motivates followers by appealing to their self-interest.

The behaviours within these leadership styles can be defined within certain subcategories, which are defined within the 'Multi – factor Leadership Questionnaire' (MLQ) developed by Bass and Avolio (1990).

In 1970, Robert Greenleaf proposed the concept of servant leadership. Leadership, according to Greenleaf, must first and foremost meet the needs of others. A servant leader has to attend to the needs of followers and help them become healthier, wiser and more willing to accept their responsibilities. The servant leader must empower followers instead of using power to dominate them. Yukl (2002) states that servant leaders establish trust by being completely honest and open, keeping actions consistent with values and showing trust in followers. Values are the core elements of servant leadership, as the very concept of servant leadership is based on the values of humility and respect for others. The values of servant leaders yield observable attributes, which include: Vision, Credibility, Trust, Service, Modelling, Pioneering, Appreciation of others and Empowerment.
The MLQ defines 7 leadership factors that can be shown to be indicative of the three basic leadership types: Transformational, Transactional and Laissez faire.

The MLQ does not make specific mention of the servant leadership style and therefore an index was developed according to the perceived importance of the values/behaviours that define servant leadership to evaluate the change leaders:

Behaviour	**Weight**
Empowerment	35
Service	30
Modelling	25
Appreciation of others	10
Total	**100**

A score of above 70 indicate high servant leadership style, 40 – 70 moderate and below 40 as low. Based on the biographies and/or interviews, the leaders were scored by using the MLQ and self-developed Servant Leadership index.

There are however several contributing factors to the style that a leader adopts. These factors cannot necessarily be measured but was interpreted from events and actions during the leaders life.

4.1.3 Nature of the results

A comprehensive case study is presented of change and leadership relevant to Momentum Employee Benefits, which could have high educational value specifically in the fields of leadership development and change management.

5 CHAPTER 5

5.1 Change Processes

The approach to the project was structured as follows:

- Discussion of the initial forces resulting in the formation of the organisation under review, i.e. Momentum Employee Benefits. Thus, the overall merger between Momentum and Southern.
- Discussion of the overall vision and change strategies resulting from the overarching merger.
- Breaking down the change strategies into three main change processes, i.e. merger of individual businesses, the new business paradigm and the employment equity project.
- Discussion of the change factors for each of these three projects, i.e. forces for changes, specific change process, change vision, change strategy, staff/personnel processes, systems & IT, organisation structure, power structure and culture.
- Discussion of the role change leaders played in the change processes.
- Linking leadership theory to change leader roles and the success/non-success of change initiatives.

Refer to Figure 1 for a depiction of the approach.

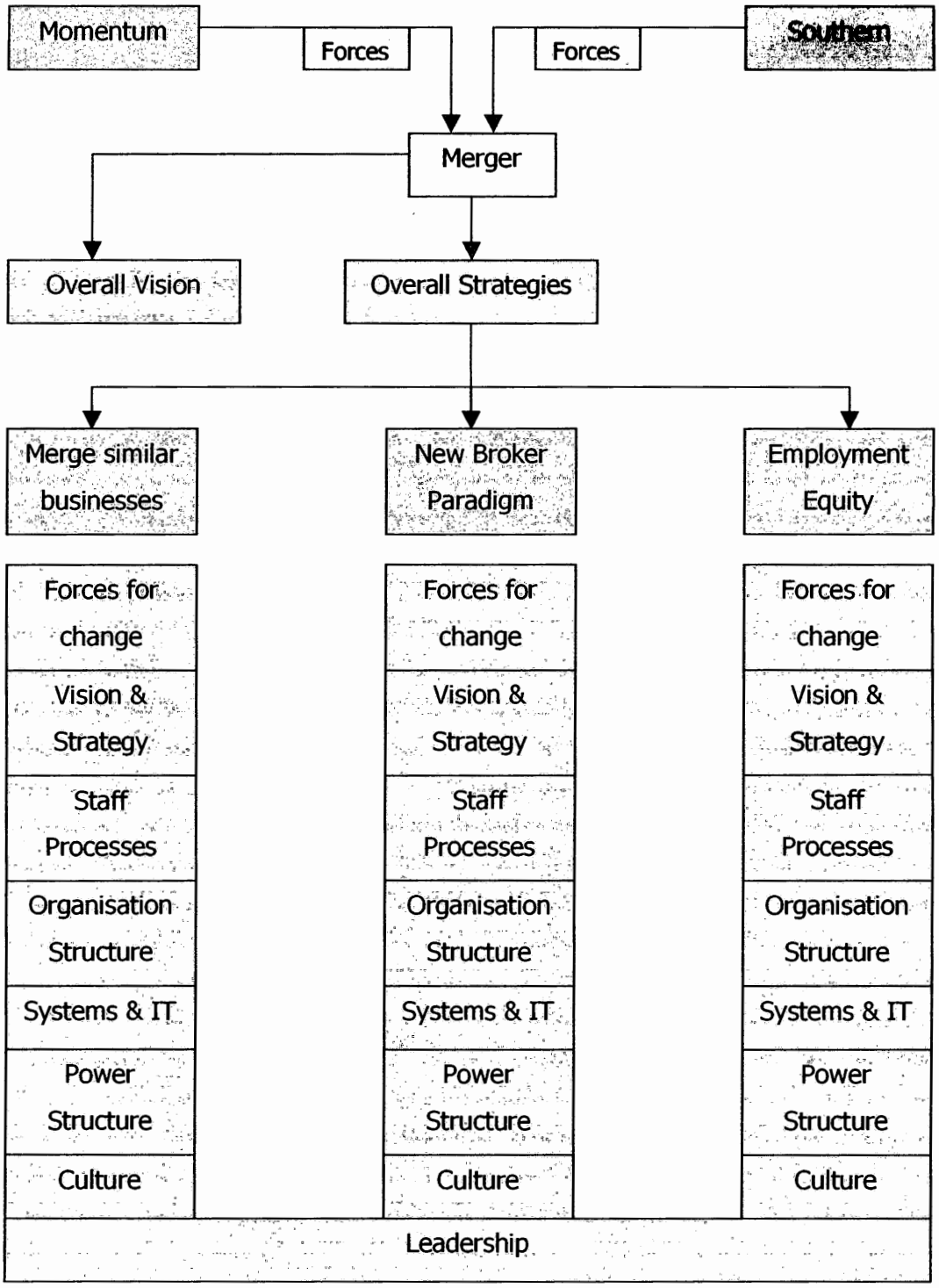


Figure 1: Change Processes

5.1.1 Southern & Momentum Merger

5.1.1.1 Forces for change - Southern

Apartheid, sanctions, economic barriers and other effects of the apartheid-era heavily influenced the South African economic structure during the 70's and 80's. Thus, an artificial economy was created whereby companies and major shareholders withdrew from South Africa, mergers and buy-outs were undertaken to ensure economic survival, etc. One of the results of this artificial economy was Anglo-American, Southern Africa's biggest mining company, ending up to be the major shareholder of a big insurance company, Southern Life and South African bank, FNB. Anglo-American was the sole shareholder of Anglo-American Life, which during the early 80's merged with Southern Life. Anglo-American therefore became the sole shareholder of Southern Life by default, as they stepped-in to try and mitigate the negative effects of this artificial economy. Additionally, with the withdrawal of Barclays from South Africa, Anglo-American again stepped-in to try and prevent a banking collapse and eventually found them to be firmly positioned in the insurance and banking industries. Anglo-American's primary business however was mining and their distinctive capabilities were focused on that primary business.

During the early 90's and with the end of the apartheid era in 1994, sanctions started to disappear and organisations responded by restructuring their strategies, goals and objectives. Similarly, Anglo-America took a hard look at what they wanted to be and where they were going. The organisation decided to become a global resource player and not to engage themselves into industries for which they do not have the appropriate expertise and capabilities. Their activities could no longer be location bound and they had to have the capability to raise finance wherever it was required. Thus, the organisation needed to become global in order to compete and create a competitive edge. Anglo-American realised that their management was out-of-touch with the developments and characteristics of the banking and insurance industries and with the continuous poor investment returns earned by the organisations' assets, it was inevitable that Anglo-American had to separate their core capabilities from the other businesses.

5.1.1.2 Forces for change - Momentum

In the late 80's Momentum existed only as a very small life insurance company. During 1990 an opportunity presented itself whereby Momentum could take over a book of business several times their own size, which represented the type of volumes required to become a competitor in the insurance industry. This could be achieved via a take-over of a company called Lifegrow.

Lifegrow pursued questionable practices whereby a large number of guaranteed products were sold in the market. With the sharp drop of the markets at the end of the 80's, Lifegrow found themselves trying to balance the much lower investment returns with the solid product guarantees. Subsequently, the Lifegrow business was seriously threatened by insolvency. The Momentum take-over thus rescued Lifegrow from going under on the one side and Momentum obtained a material book of business for a "bargain" price given Lifegrow's circumstances, on the other side. This merger signified the start of Momentum Group.

Additionally, in 1992 Rand Merchant Bank (RMB) got involved with the Momentum business, which had a significant influence on their business. The influence of the merchant bankers, merchant type thinking and a much more driven profit focus created a totally different flavour to the Momentum business. Therefore Momentum digested the new book of business, improved their processes dramatically and started moving to the forefront of the industry with regards to technology. This re-engineering of their processes had immense benefits for the company specifically regarding processing of new business, handling client queries and managing information. These capabilities were the beginning of the differentiation of Momentum from several of the other insurance organisations.

5.1.1.3 Merger

Anglo-American deliberated with several parties including RMB regarding the merging of their non-core businesses with an expert in the insurance and banking industries, which would be to the benefit of all the parties. RMB and Momentum were distinguished from most of the other parties based on the fact that a package deal could be negotiated to involve both the insurance and banking businesses, ensuring material benefits for Southern compared to selling the businesses individually.

In addition, the structure of the industry supported this type of merger. Refer to Figure 2 for a graphical depiction of the mayor players in the insurance industry during the late 1990's.

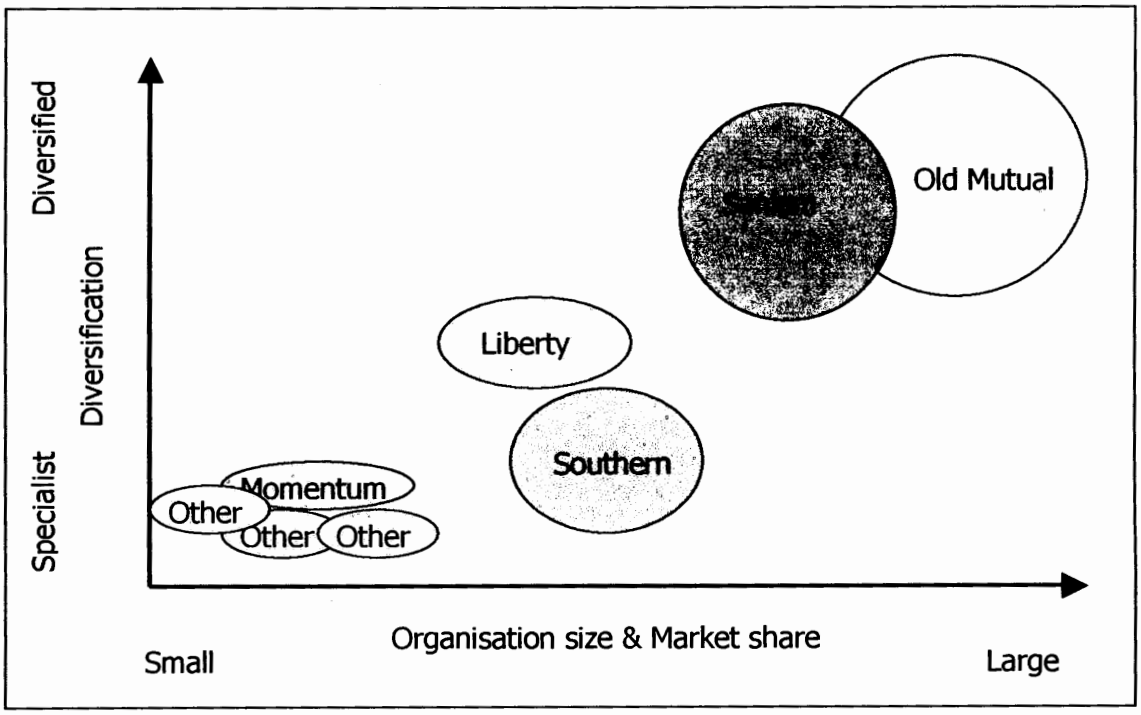


Figure 2: Industry Map

The two large mutual organisations, i.e. Old Mutual and Sanlam, competed mainly on size and market share. In the insurance industry volumes are essential to reduce cost structures but it also builds market rapport and client confidence. Thus, size and volumes are important factors in this industry. Both these organisations prepared for globalisation and focused on demutalisation. Liberty was a smaller organisation but was very well run with a high focus on profits. Momentum was at that stage much too small to effectively compete in the market, while Southern lacked the appropriate management skills resulting in an unprofitable business. Lastly a few other small players were represented in the industry, however without any real competitive threats or high profitability.

The merger therefore presented Momentum with the opportunity to compete in a different league in terms of size, dramatically increase profitability and unlock value through cost savings and efficiencies.

Summary

To summarise the forces for change with regards to Southern and Momentum, refer to Figure 3 and Figure 4.

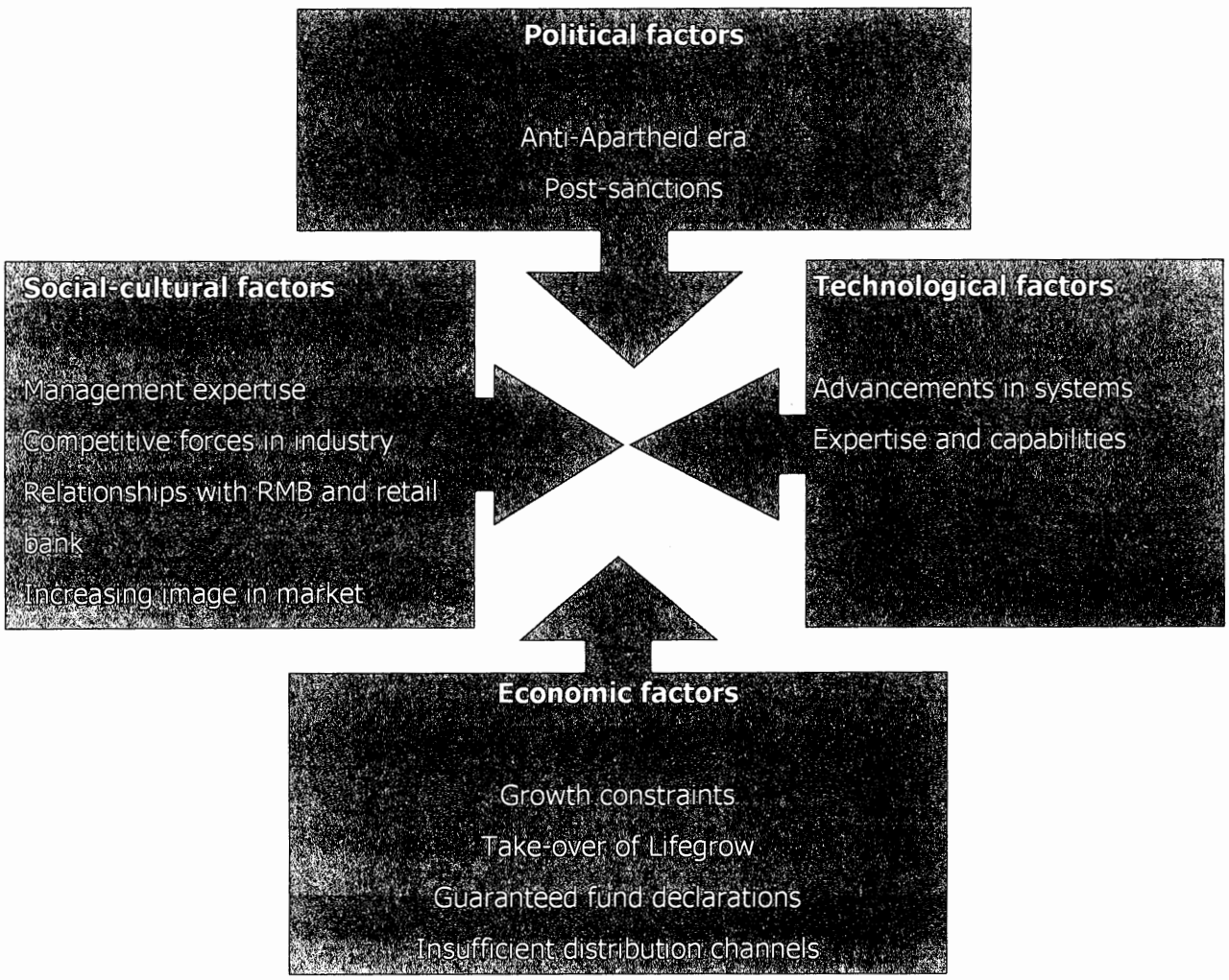


Figure 3: Forces for changes – Momentum

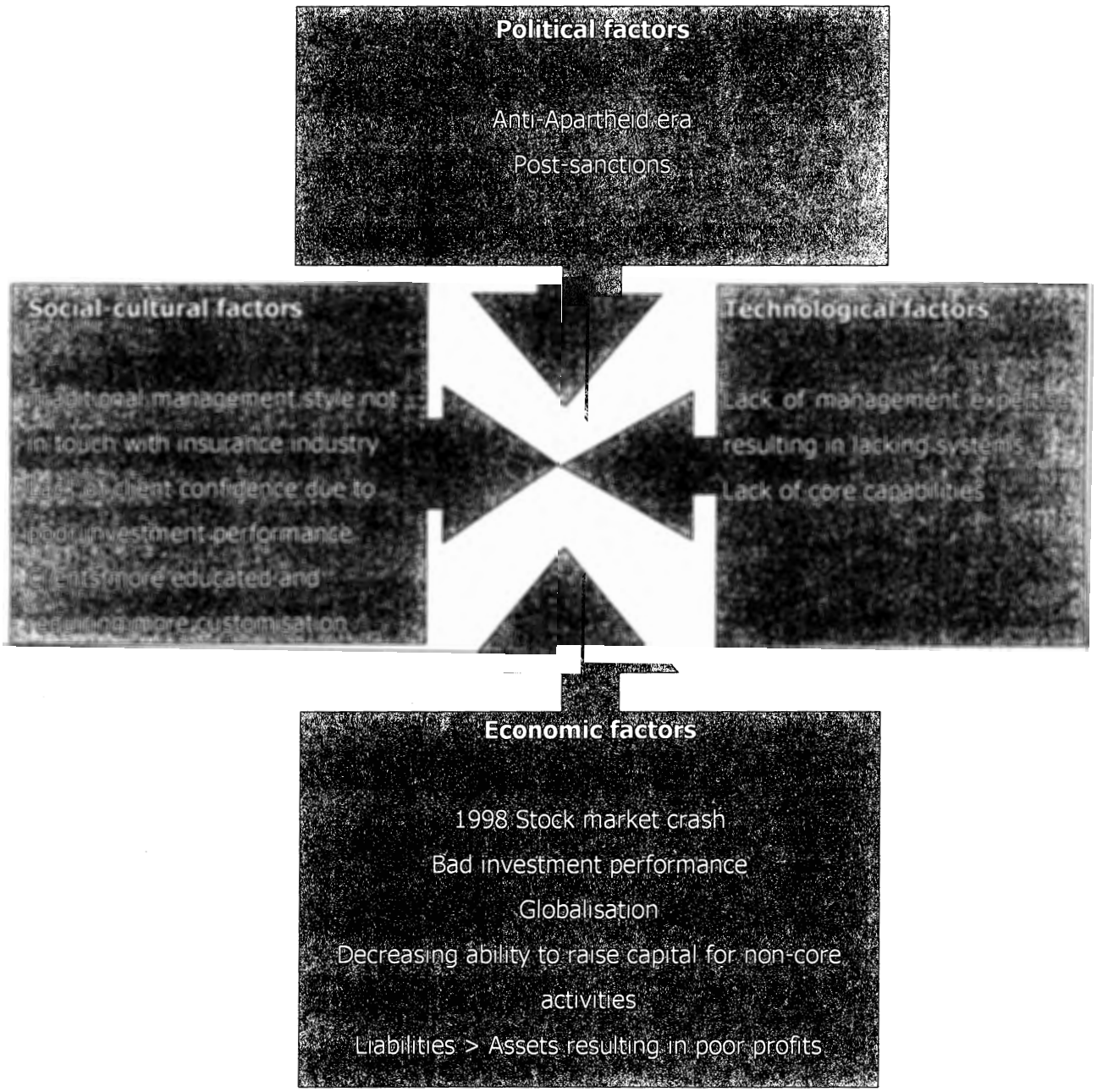


Figure 4: Forces for change – Southern

5.1.1.4 Change vision

A visionary Southern business unit manager, Mr. Don Brown, was appointed as the Managing Director for the "new" organisation. He, together with his executive team, developed the following vision for the "new" organisation subsequent to the merger:

- Move into a new way of doing things, i.e. "Business for the future",
- Build sustainable profit growth, and
- Make all business areas profitable.

5.1.1.5 Strategies for change

At the time of the merger the business areas and operations of Momentum and Southern were as follows:

Table 1: Business Areas

Southern		**Momentum**	
Business Area	**Location**	**Business Area**	**Location**
Risk Business	Cape Town	Small Risk Business	Gauteng
Union Business	Gauteng		
Broker Business	Cape Town		
Consulting & Administration Business	Cape Town	Consulting & Administration Business	Gauteng

Prior to the merger the Southern risk business was the main profit generating business sector by contributing approximately 75% of the total profits. The union business was a loss-making business area but was identified as a sector with business potential based on the economical and political changes in South Africa. The broker business also represented a loss-making business area, which was mainly due to outdated products and business models. The consulting and administration business area was sold-off to a competitor at the merger and did no longer form part of the business.

The Momentum business areas prior to the merger consisted of a small risk business area and a consulting and administration business area. The latter was also a loss-making business area, mainly due to the small scope of operations.

In line with this, the MEB executive team developed the following change strategies for the merged organisation:

- Reorganising the existing Momentum and Southern structures in order to merge similar business sectors.
- Maintaining a non-integrated business model with no immediate changes in geographical distribution.
- Developing a new paradigm for the broker business by developing products for the future and entering new markets.
- Developing an appropriate employment equity model to support a profitable organisation and portrays social responsibility.

5.1.1.6 Staff processes

Pre-merger

The personnel procedures of the two merging organisations were very different pre-merger. Southern was characterised by a formal procedural environment, whereas Momentum functioned very much on an informal procedural environment. Human resource processes were therefore naturally much more formalised within the Southern environment than in the Momentum environment.

Formal team structures were also more evident within Southern than Momentum. Within the Momentum environment temporary teams were easily formed as required by tasks and projects and more individualised activities were perceived as normal. Additionally, the actual structure of teams and task responsibilities as well as reporting lines also differed dramatically. Within the Southern structure a team was responsible for the entire administration of a specific fund/client, i.e. administration and finance functions. The finance department only acted as a pay office. Within the Momentum organisation Finance performed the financial functions such as credit control, fund accounting, payments, etc. This obviously also had a material influence on work methods applied within the two organisations.

Post-merger

The impact of the merger on staffing was however limited, as most of the positions were retained with only limited downsizing applicable in specific areas, for example the marketing function in Cape Town.

5.1.1.7 Systems and Information Technology processes

Pre-merger

The systems and information technology (IT) procedures in use by the two organisations were no different than the staffing procedures in that basically everything was different. Different platforms, operating systems and applications systems were used in all the business areas, even within the same organisations. These differences were also characterised by geographic location, i.e. the Cape Town operations had very different systems and IT strategies from the Gauteng operations. Different systems architecture, infrastructure rules, office automation, outsource agreements and contractors were at the order of the day.

Thus, no organisation-wide systems and IT strategy existed, which was mainly due to the autonomous nature of the different business areas especially within Southern.

Post-merger

The merger envisioned the unlocking of value by cost saving and efficiencies. The systems and IT areas represent one of the main areas where this could be achieved. The merger facilitated the development of one IT solution for the whole organisation and specifically with the following strategies in mind:

- Migration of all businesses onto one administration, workflow and financial platform,
- Migration of all operations off the mainframe to the new solution as a priority due to the materiality of costs and maintenance agreements relevant to the mainframe environment,
- Implementation of one IT architecture, which would also be in line with the Momentum Group policies to ensure group-wide benefits and efficiencies,
- Implementation of one office automation solution, and
- Standardising of all IT contractor contracts and firms used.

5.1.1.8 Organisation structure

Pre-merger

At a high level Southern's organisational structure was geographically influenced, i.e. each geographical area was operating autonomously and structured accordingly. On the first level a divisional structure was evident with a functional structure on the second level and the functional areas were operated as cost centers. This organisational structure thus led to a high overhead structure due to obvious duplication and other inefficiencies.

Momentum, on the other hand, portrayed a lean, flat structure based on the different market segments on the first and second levels. A functional structure was also applied on the lower levels and the functional areas were operated as profit centres. This therefore gave rise to a lower overhead structure compared to the Southern structure.

Post-merger

The first level structure was by market segments, which was influenced by the Momentum Group strategy on structure. On the second level the risk business area was structured by product while the broker business area was based on a team structure by customer focus. These structures were determined by the influence of the external environment on the business operations. The influence of technology on the organisational structure led to a centralised IT function and centralised specialised team structures.

5.1.1.9 Power structures

Pre-merger

As explained above, Anglo American became the sole shareholder of Southern Life by default resulting in the senior management team lacking specialised insurance industry expertise and experience. Middle managers therefore had much authority, as they normally had higher levels of industry specific expertise and experience and senior management relied heavily on middle management for advice and operational decisions. Shareholders, as a result, had no expert representation.

This led them to frequently exercise negative power by withholding approvals due to the lack of necessary information and expertise for decision-making.
The management team could be characterised as "smart" people, as the selection procedures of managers in Southern were based on finding people with the most potential and not necessarily formal training or experience. Potential was signified by high intellect and actuarial potential. Business people naturally did therefore not represent the management team. The de-facto head office was situated in Cape Town.

In contrast, strong capable managers with expert insurance industry experience represented the Momentum senior management team. Additionally strong shareholder representation existed, which was supported by focused and direct decision-making practices. Focus was on business principles to ensure a work future and the head office was situated in Pretoria.

Post-merger

The management team for the merged organisation was selected based on industry experience and expertise. Business principles played an important role in management decision-making and power exercising practises. A strong shareholder view on business was followed resulting in strong power influence by the shareholders.

5.1.1.10 Company culture

Pre-merger

Southern's cultural paradigm can be described as a people-orientated organisation where people have the opportunity to try anything within the "boundaries". Focus was on innovation with much less focus on converting innovations into opportunities. Lifelong employment was the norm and career advancement and authority was based on seniority. Job descriptions and hierarchy set limits on responsibilities and operations. The culture encouraged loyalty over performance and personal relationships played a significant role.

Refer to Figure 5 for a depiction of the cultural web relevant to the Southern organisation.

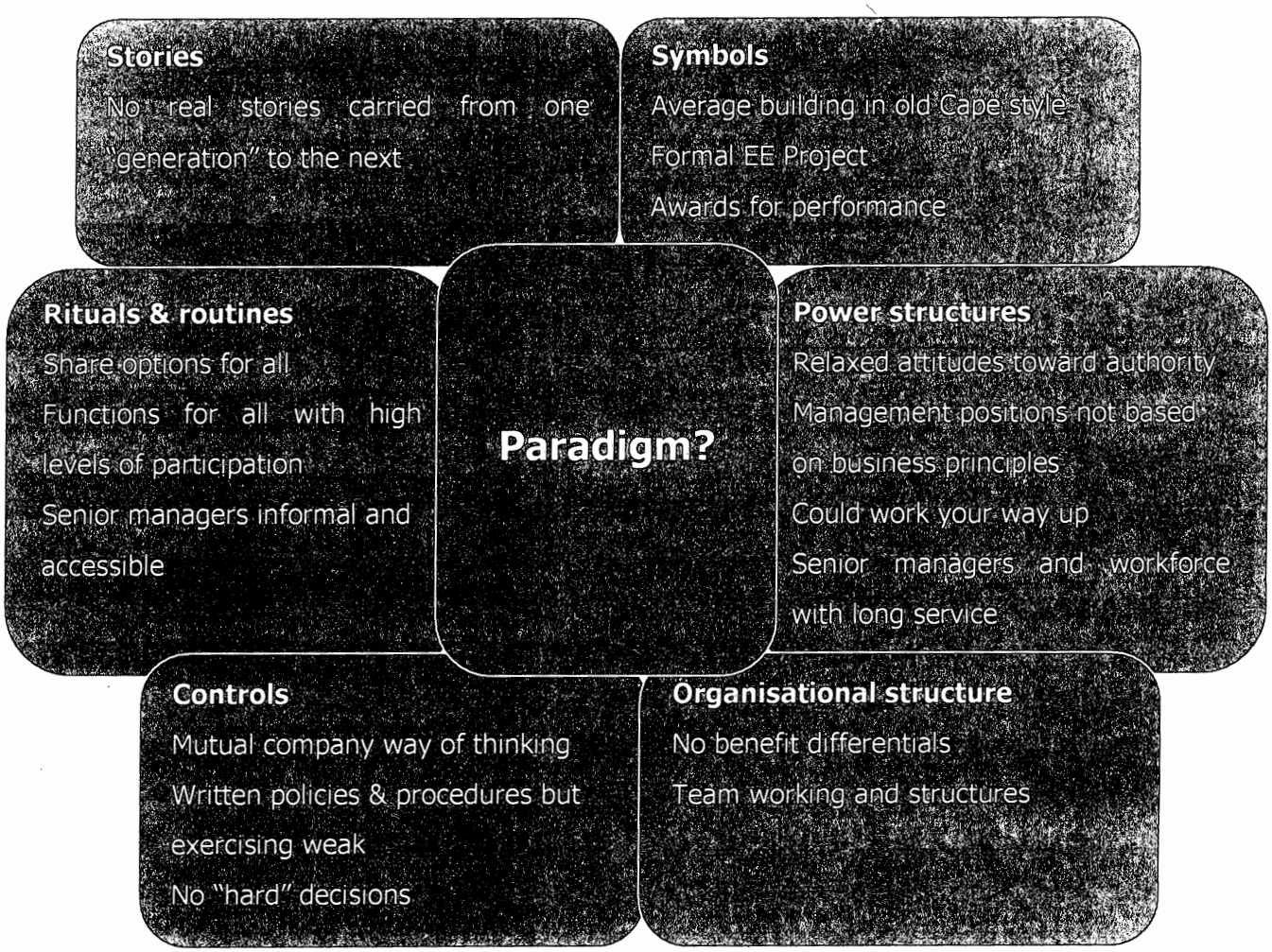


Figure 5: Cultural web - Southern

The cultural paradigm within the Momentum organisation, refer Figure 6, could be described as more balanced between people-orientation and performance focused. Career advancement and authority was based on expertise and performance results. Informal rules dominated formal systems and job descriptions and hierarchy did not put limits on performance and initiative. Individual competition was a driving force for better performance within a relationship driven environment.

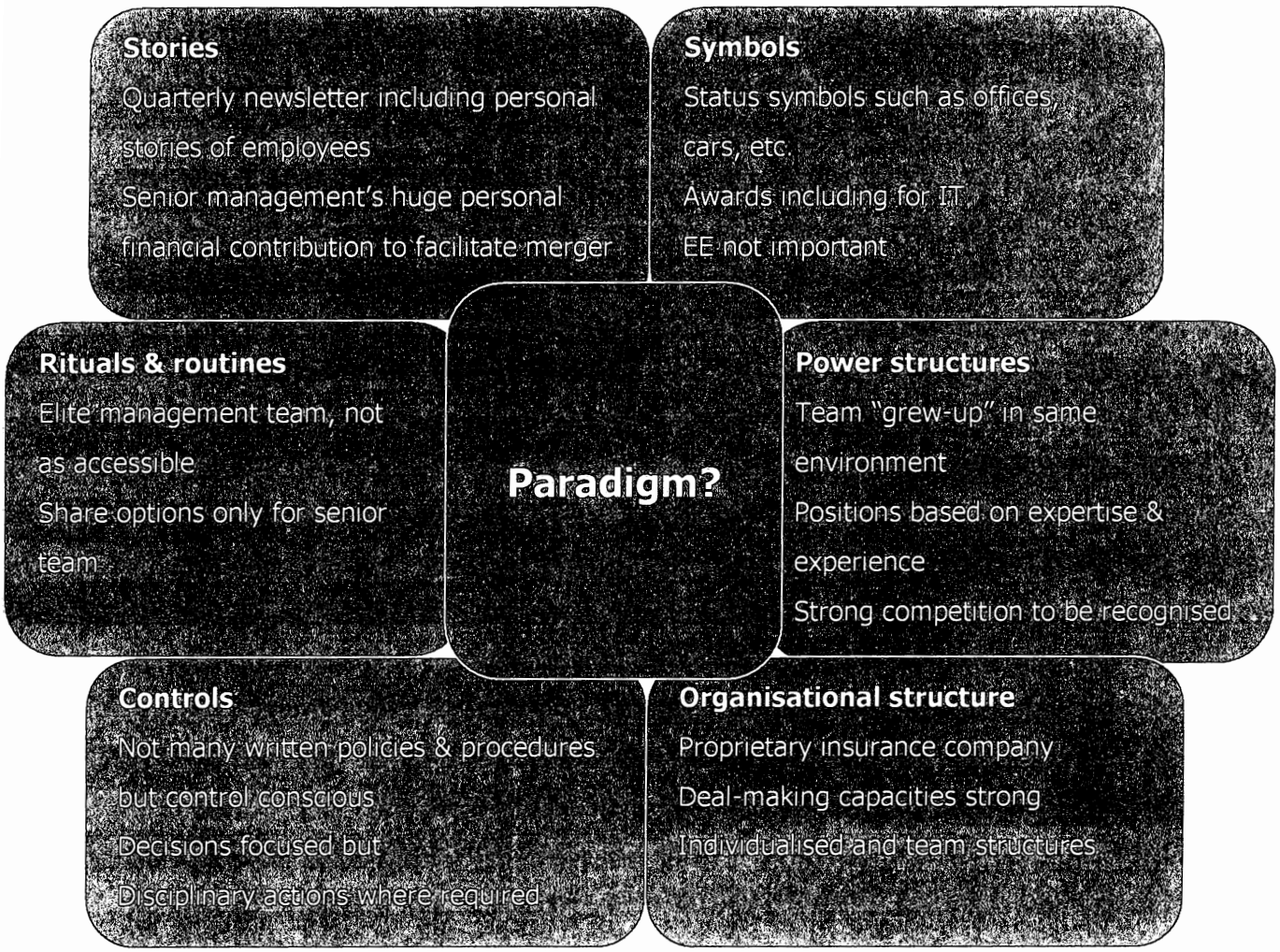


Figure 6: Cultural web - Momentum

Post-merger

The strategies for change supported the maintenance of a non-integrated business model with no immediate changes in geographical distribution. This strategy therefore favoured maintaining the status quo relevant to the existing culture relevant to the pre-merger organisations. Standardisation with regards to policies and procedures and the control environment were attempted but with regards to the other spheres of the cultural web, very little immediate effect was orchestrated.

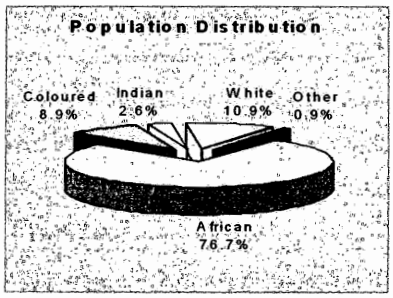
5.1.2 New Broker Business Paradigm

5.1.2.1 Forces for change

Political environment:

The political environment in South Africa has changed dramatically over the last decade due to the end of the apartheid era. The end of apartheid resulted in a power shift from a white minority to the black majority resulting in highly influential forces within the political environment, which affects all aspects of our lives in South Africa.

Affirmative action and employment equity have become the main tools whereby rectification of past injustices is being proposed in the organisational world, thereby presenting a multitude of opportunities for the "previously disadvantaged" population of South Africa. These shifts in power and ultimately economical resources result directly in a change in the structure of the economical environment whereby the previously disadvantaged communities are gradually playing an increasingly important role in the country's economy.



The black, coloured and Indian communities today represent the fastest growing economical sectors in the country, which is exacerbated by the fact that for example the African sector is currently representing 76,6% of the county's total population. This is therefore contributing to the flooding of black South Africans in the economic active pool and medium to higher income groupings.

In support of this line of thought, information obtained in a survey conducted by the Department of South African Statistics during September 2001, shows that the majority of economically active individuals are contained within the African sector of the population by a considerable margin.

Taking these circumstances into account, it is clear that organisations would have to focus their product lines onto the most desired sectors of the market in order to obtain a competitive edge.

The broker business was pursuing an aggressive growth strategy and was trying to achieve critical mass in terms of membership, which was facilitated by the focusing of their product lines.

Economic environment:

Economical survival in a developing country such as South Africa is becoming more difficult and complex every day. South Africa is struggling with gross socio-economic inequality that was created throughout our society as a by-product of the end of the apartheid era. Alarming is the population statistics whereby the South African population almost doubled over the past three decades but the unemployment rate increased by almost 115% since 1995.

Against this backdrop it was evident that the broker business needed to pursue only product lines, which they could successfully convert into sustainable money makers.

The increased economical pressures that all South African organisations are feeling only increase competition in economically viable industries. Organisations will also protect their competitive edge more vigorously due to the huge effect losing it may have on their survival in an economic climate such as in South Africa.

For organisations to differentiate themselves in the current economic climate, they need to add value to clients. Value to clients in the retirement product market can be related to customising a product to the clients' individual needs, providing world-class service and products. Obviously too much customisation will result in a too high premium payable by the client and/or organisation. Thus, the challenge for the broker business was to provide product lines that provided an appropriate level of customisation within reasonable cost limits supported by value-added service. The new product lines and supporting strategies of the conversion project was fully focused on achieving these goals.

Socio-cultural environment:

The age distribution of South Africa is typical of a developing country. South Africa has a young and expanding African population and an ageing, shrinking white population. The population grew at an annual rate of approximately 2,3% over the past two decades of the previous century.

This is a strong indication that customer needs are changing. For the broker business this meant providing products for the "young" growing population. This was in contrast with their previous target market, which focused largely on the white-collar sector. The products in this sector were mostly directed towards the higher-income individuals with conservative, lower-risk inclinations. Today's customers are younger, have less knowledge and experience on financial products and would want higher-risk product options included in their portfolios. Subsequently, these changes also affect the requirements of intermediaries, distribution channels, and relationships with clients, etc.

Technological environment:

Until the advent of the printing press, we lived in an "oral" world where history was spoken. Then came the "linear" world of reading. Now children no longer read left to right: they follow a computer screen from top to bottom and are guided by icons and graphics in our new symbolic world. Thus, a revolution has been taking place in the field of technology over the past decade, especially in the field if information and communication technology. The move from the industrial age into the information age has resulted in an almost boundary-less world with individuals, businesses, governments, etc. becoming more and more interconnected through computers and online systems like the Internet. Information flow and distance have become crucial variables in transactions between countries and organisations. Revolutionary technological developments have thus created the foundation for more free trade and for faster moving economic transactions and systems across the globe.

Clients today can search the Internet and find information on several retirement products from a range of different suppliers within a very short period of time and without much effort. With saying this, it is imperative to also take cognisance of the importance of the physical person-to-person contact, which is still very alive in this industry. Most individuals still need advice on the technical aspects of the products as well as the differences in similar product offering in order to make the most appropriate decision. Additionally, due to technically advanced systems, product offerings can also be customised to specific client requirements, which again requires a face-to-face relationship with the client.

Thus, the MEB product lines needed to address client needs as far as possible and customisation were required where possible without an uneconomical burden to the organisation or the client, which was what the broker business was projecting with their two new product lines.

5.1.2.2 Change Process

In developing a new paradigm for the broker business by developing products for the future and entering new markets, management made a strategic decision in 2000 to focus its product lines and support only these two product lines in future:

- Customised business where there was a clear potential for income from other sources that just administration fees.
- Commoditised Retirement Savings Vehicles that have standardised benefit structures and invest solely in the business unit's in-house products.

The business area where this change process was applicable was known as the broker business and provided pension fund administration, investment and retirement products to group schemes.

The decision was largely based on the profitability of administration intensive products. However, most of the business units' schemes at the time did not purely fit into either of the above categories:

- All the schemes had customised benefit structures, however very few of the schemes were large enough to afford the customised fee scales.
- Not all scheme assets were invested in the business unit's in-house portfolios.
- Many schemes generated less income from administration fees, risk fees and investment rebates than the economically feasible minimum of R30 000 schemes.

A conversion process was therefore required to align these schemes with the two product lines. The primary change role player in this conversion process was the business unit manager, Mr. Etienne de Waal.

5.1.2.3 Change objectives

The main business objectives of the business areas, the broker business was:

- World-class service

  To provide a world-class service to clients, the broker business needed to administer funds on a real-time basis and make effective use of technology and e-commerce. This means staff that was fully trained and operationally effective including adequate staffing to meet existing needs as well as new business growth. Ultimately, the broker business would need to meet the needs of the employers and employees, retain existing clients and consistently add value, all of which could be accomplished by the focusing of their product lines. Training could be focused ensuring better trained and efficient staff, which was made increasingly difficult in very broad product lines. Systems could be consolidated to provide all information required and provide real-time service, which would ensure more satisfied clients and ultimately add value to clients.

- Profitability

  To achieve profitability the broker business was required to grow their business, achieve critical mass in terms of membership, maximise internal efficiencies and effectiveness and exercise financial discipline to control expenses. Focusing their product lines, the broker business were facilitating increased profitability by:

  - Achieving economies of scale,
  - Consolidating IT systems, and
  - Instituting uniform processes and procedures

- Cross-selling of financial products

  Focusing the product lines would leverage the opportunity to cross-sell financial products to their members.

5.1.2.4 Change strategy

Several conversion options were evaluated to accomplish the change objectives:

Option 1:

Offer all schemes the opportunity to convert to the commoditised product. Encourage conversion by reducing the minimum administration fee for existing business. A higher minimum administration fee would apply to new business.

Offer the customised option to the larger funds against the standard minimum fee.

For funds that were profitable, offer a budget customised option in order to retain them.

The decision for conversion or termination was with the client for unprofitable funds.

Option 2:

Offer all schemes the opportunity to convert to the commoditised product. The initial minimum administration fee as in Option 1 will apply but would increase with a higher margin at revision than in Option 1. This would bring the minimum fees on the existing book of business in line with the minimum fees for new business.

Offer the customised option with investment choice to the larger funds against the standard minimum fee.

A conversion deadline applied leaving a client with the option to either convert or transfer to another service provider.

Option 3:

Retain all the profitable schemes and convert them to either the commoditised or customised product at a predetermined deadline. A new standard fee scale would apply to existing schemes, which would approximate the existing fees charged on profitable schemes.

Offer all schemes the option to convert to the commoditised product based on a new fee scale. A minimum administration fee would be applied.

Offer the customised product to large funds that already exceeded the standard minimum fee.

Offer unprofitable funds termination of administration services with the assets retained in in-house portfolios for the guaranteed fund conversion period.
Offer a reduced administration fee for early conversion in order to incentivise conversion.

After evaluation of the options, refer to Table 2, Option 3 was recommended for implementation.

Table 2: Evaluation of conversion options

Performance objectives	**Option 1**	**Option 2**	**Option 3**
Conversion time period	Long term	Medium term	Short term
Service levels	Low and expensive due to tedious nature of handling "old" and new clients.	Higher	High
Profitability	Send a negative message to broker market, affecting ability to source new business.	Send a negative message to broker market, affecting ability to source new business. Stand to loose profitable schemes in conversion. Face allegation of constructive termination of schemes.	Only left with profitable schemes. Create market goodwill. Cost savings due to shortening of project.
Cross-selling opportunities	Good	Good	Good

Systems requirements	Costly and tedious. Need to keep and support two systems for "old" and new products.	Can develop one system with all required specifications.	Can develop one system with all required specifications.

A "big bang" implementation strategy was proposed, as it would speed up the conversion, which was important due to the effects of the conversion on existing client relationships and the market. The details of the implementation were planned in detail to reduce the risk of failure.

The strategy was to retain all profitable schemes and convert them to either of the two product lines. All other schemes would be terminated as soon as possible.

"Profitable schemes" were defined as schemes with a total income of R30 000 or more. Total income constituted administration fees, risk administration and asset rebates.

5.1.2.5 Staff/personnel processes

Three teams were created to facilitate the conversion process. The first team, i.e. the budget customised team consisted mostly of the existing team who knew the business and clients and could make the appropriate analysis and proposals necessary for the successful conversion. The second team, i.e. the broker business team, represented the "new" team who would be responsible for the business after conversion. The third team, i.e. the termination team, were responsible for winding up the "old" business and transferring to the new. Detail responsibilities were defined to ensure a smooth transfer of business and are presented in Table 3.

Table 3: Responsibilities of conversion teams

Budget Customised Team	The broker business Team	Termination Team
Analyse broker book	Provide risk quotes	Stop billings
Schedule client visits	Assign client managers	Wind up broker account
Request quotes	Complete installation	Finalise administration functions
Make proposals	Deliver employer communication	Prepare regulatory transfers
Obtain written agreements	Send out employer communication	Forward transfers to other teams
Advise other teams of results	Take over all functions	

Unavoidably, the product conversion and organisational restructuring resulted in the termination and/or relocations of staff and operations from Cape Town to Sandton. Staff affected by this was in the region of 250 individuals but also included some outsourced IT contractors. Actual retrenchments affected approximately 100 staff members where the rest of the staff either resigned, were redeployed or broke away to form their own businesses. The retrenchment process was managed as a consultative process in accordance with the Labour Relations Amendment Act of 2002 and general communications were send out after each consultation meeting to staff informing them about the status of the process. The organisation acknowledged the traumatic nature of such a restructuring process and consequently implemented the following measures to enable staff to understand and cope with the large-scale changes:

- A third party conducted change management workshops to all affected staff.
- Onsite counselling was made available for this purpose.
- A Human Resources consultant was recruited on a contract basis with the objective of running an Employment Centre to facilitate opportunities for the affected staff to secure alternative employment. Skills development programs were also run.

- A financial planner was also identified to assist staff with their personal financial planning.

The opportunity to provide staff positions within the risk business unit in Cape Town was also utilised in order to provide alternative employment instead of possible retrenchment. Additionally, material incentives were offered to the conversion teams to ensure staff priority and dedication to the conversion project.

5.1.2.6 Systems & IT

The restructuring and conversion process brought major challenges to IT, i.e.:

- Consolidation of IT systems to achieve flexibility and cost savings with focus on speed and cost,
- Building and/or enhancing the future IT solution for MEB with a focus on quality, and
- Recruiting and retaining of quality IT staff.

The main challenge was seen to be managing the "appropriate" balance between speed and quality.

The role of IT was depicted as to help the business areas to achieve their objectives and thus, IT was required to update its strategy to be in alignment with the changes in the business strategies. The IT strategy consisted off:

- A detailed understanding of the MEB business drivers
- A good understanding of the technology drivers
- A documented IT governance policy
- Frameworks (technology and architectural framework)
- Methodologies (development, deployment and project management methodology)

The output of the above was the design and building of critical systems by making use of technology that made business sense, as technology was regarded as a fundamental tool for the organisation to:

- Automate business processes in ensuring business efficiency
- Protect the organisation's large IT investments

The importance of business alignment was imperative and therefore technology decisions were taken place in consultation with the heads of the various business areas.

IT's vision was to be a provider of excellent IT services and solutions to all the business area. With objective in mind, it was decided that IT would be managed as a "business" in moving towards a "solution provider" approach. This meant that IT:

- Needed to live their IT value statement
- Had to understand the needs and requirements of the business areas
- Had to establish strong relationships with the business areas

To achieve this a project management framework was adopted and complied with. A result of this was be a process where IT would supply the business with work orders for projects. This gave the business the opportunity to get a better understanding of the cost and time impact of their requirements to help them in making their business decisions.

Thus, one cost effective technology direction for the whole organisation was required, as IT is an enabler, not a driver of business solutions.

The new business model is depicted in **Figure 7**:

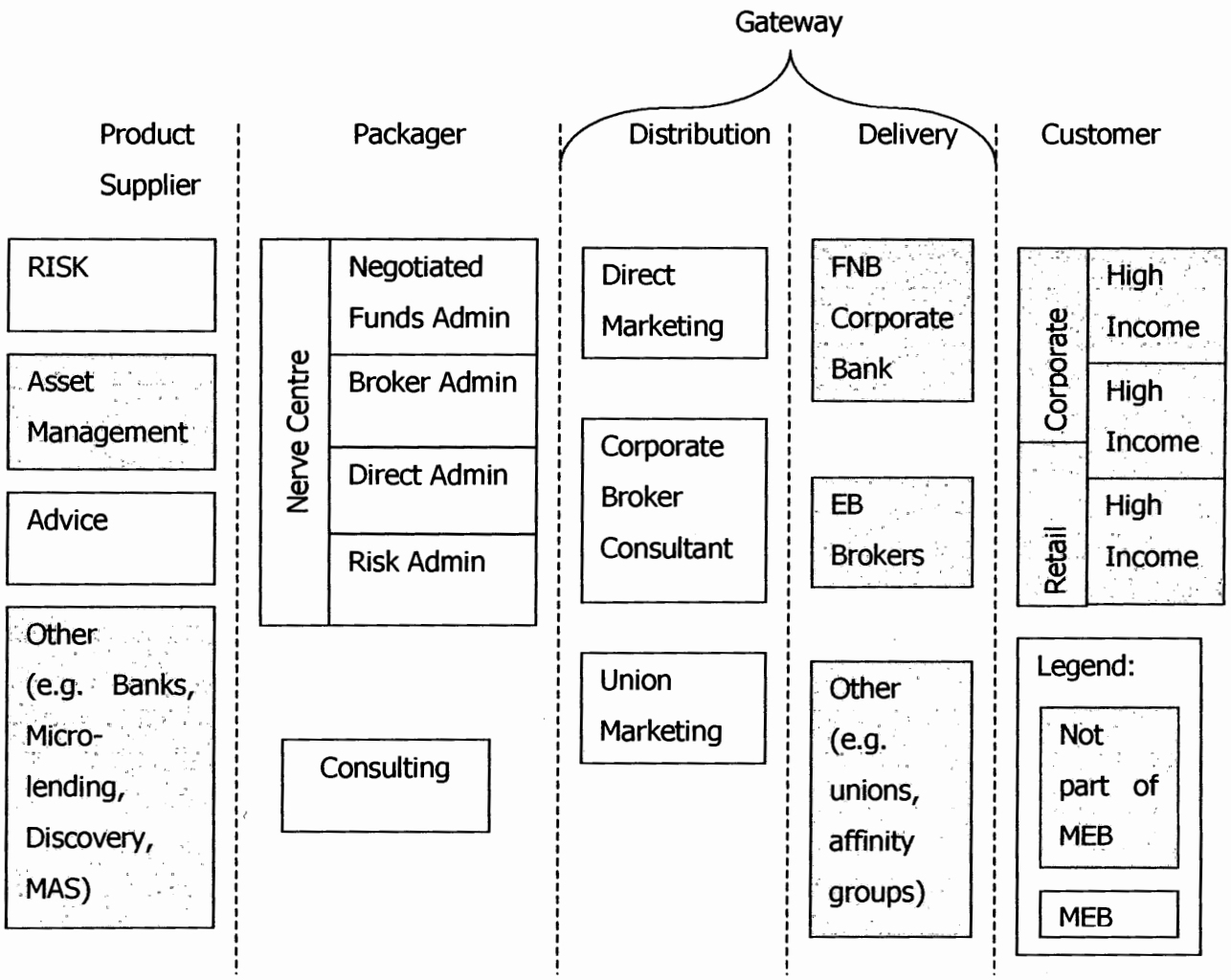


Figure 7: Business model

The technology solutions therefore were built in such a way that the various components of the business were able to implement their strategies as easily as possible. Some of the considerations were:

- Value chain integration required an open architecture.

  The value chain consisted of the packager, various gateways and product suppliers and the client's payroll system. To have seamless integration to various systems of these components an open architecture was required.

- The packager, i.e. the core of the business, was used for administration for group and investment business.
  The packager therefore required only one administration system.
- The gateways and product suppliers needed to view their clients' information.
  A three tier, component architecture was thus required for product suppliers and gateways to have seamless integration to their clients' information and to provide for their specific needs.

5.1.2.7 Organisation structure

A new business unit was established, which represented a merger between the previous broker business structures within the merged organisation under one operational structure. This restructuring resulted in the establishment of Sandton as the strategic and operational headquarters based on the following:

- The bulk of existing business were in Gauteng,
- Gauteng was by far the best geographical area for new business opportunities,
- IT infrastructure and the team designing this structure were all located in Gauteng,
- Operating a decentralised operation was found to not be cost effective, and
- Client interactions were web and call centre enabled, which made centralisation possible and attractive.

The business area were structured based on a team structure by customer focus. Specialised teams such as annuities and IT were centralised.

5.1.2.8 Power structure

The strategic decision-making process leading to the restructuring and new product focus only involved top management, i.e. top-down, resulting in senior and middle management never forming part of the strategic decision-making process. Senior and middle management were however tasked with the responsibility to implement the agreed changes.

Although all staff was given the opportunity to be considered for any and all positions in the new structure; physical location, experience and product specific expertise as well as current relationships played an increasingly important role. Power structures suddenly changed dramatically and senior management who was seen as important role players and decision-makers were dethroned within a matter of weeks, as the new strategic direction became a reality. Thus, expert power and information power were of high importance.

5.1.2.9 Culture

The culture in the organisation were becoming much more profit-orientated, as the strategic decisions were focused on survival and achieving business objectives. The restructuring and retrenchments instilled fierce competition between colleagues and the morale of staff deteriorated dramatically. Perceptions of management were growing worse with the notion that everyone needed to look out for themselves substantially influencing the culture of the organisation. Thus, loyalty towards the clients and organisation were declining and several personal relationships suffered heavily.

5.1.3 Employment Equity Model

5.1.3.1 Forces for change

Political environment:

As described earlier, the end of apartheid brought vast changes to the political environment within South Africa. Government introduced several legislative changes applicable to all organisations in order to facilitate the post-apartheid strategies. The Employment Equity Act, no. 55 of 1998, represents legislation that has serious implications for South African organisations but became a key business driver to ensure ongoing success and relevance of the organisation to its shareholders, clients, employees and other stakeholders.

Economic environment:

It is believed that only organisations who subscribe and commit to a better world for everyone should themselves benefit in order to finally rid the country of apartheid and the gross past injustices. Thus, organisations that cannot visibly show their commitments, progress achieved and future plans are being hit at the bottom line. Obtaining new business and securing current business are no longer possible without these formal commitments and plans. Tender procedures, negotiations and sales pitches all have formal requirements with reference to employment equity, without which organisations could not be successful applicants in new business prospects and retaining existing business.

Unemployment has been one of the most detrimental forces to the country's future prospects and is affecting all our lives in one or other way. In the pursuit to decrease unemployment, developing the necessary skills base is just as important as creating the required opportunities for people in our country. The unavailability of skilled workers would be a major constraint on the growth of any organisation. Thus, skills development programmes and learnership programmes are vital to the employment equity drive and economical survival.

Socio-cultural environment:

All its stakeholders have put organisations under scrutiny, as their social responsibility towards a "better" South Africa has such a direct impact on every South African's life. The values and requirements prescribed by the employment equity legislation influenced the norms to which South Africans subscribe to and believe in, as they are deemed to be relevant irrespective of geographical, cultural, status, monetary or any other borders. These values represent the principles of equal opportunity, fair employment practices and development of human capital.

5.1.3.2 Specific change process

The development and implementation of an Employment Equity Plan was required to facilitate the process of maximising returns for all stakeholders, achieving long-term sustainable growth in profitability and building effective relationships with both employees and clients. This change initiative was sponsored and driven by the Managing Director, Mr. Don Brown.

The Employment Equity change process included the development and consultation regarding the introduction of new policies and procedures that complement and enhance the Equity process in the organisation, specifically policies and procedures for:

- Recruitment and Selection
- Corrective Action, Discipline and Dismissals
- Sexual Harassment in the workplace
- Employment Equity
- Equity Dispute procedure

The change process also included the developing of the skills development strategy and training strategy to meet the future skills needs of the organisation.
Performance incentive programmes were furthermore designed to support the drive for business growth, change and equity.

Additionally, a number of affirmative action initiatives were identified for development and implementation:

- Targets
    - The organisation would maintain a documented and updated action plan to realise a more representative employment profile, reflecting the population of South Africa. This would be targeted at 2005. These plans took account of both regional, national demographics and the pool of suitably qualified candidates from designated groups available for recruitment or promotion.
    - Each manager were be responsible for ensuring that the targets and plans are met and will take full accountability for this.
- Training Plans
    - Training and development were at all times be focussed on increasing employee's capabilities and competencies in meeting the requirements of the job, whether this was their current job or the next. To this end, development plans were designed with each employee and particular attention was paid to the enhanced requirements that employees from designated groups had in developing an understanding and competencies in areas where they previously may not have had experience.
- Graduate Trainee Program and Plans
    - In support of the policy of the organisation regarding developing talent from educational institutions, the organisation developed a graduate trainee programme. This programme was aimed at recruiting young graduates from university of college with either no experience or at most one year's experience.
    - The graduates were recruited on the basis that they will spend one year working in all the different departments of the organisation in order to gain practical knowledge and experience.
    - The graduate trainees were informally evaluated constantly and formally on their performance and learning every three months.

- In the event that a trainee wished to remain in one area, a position existed for the trainee in that area and the trainee met the job requirements, an appointment could be made into the area.
  The trainee would then move off the formal training programme. In the event that the trainee continued with his/her programme and a position presented itself at the end of the period, the trainee would receive preferential attention at the recruitment and selection stage.
- Trainees were encouraged to further their studies part time while on the graduate trainee programme and were eligible for study assistance in terms of the organisation's policy.

- Bursary Program
  - The organisation developed an educational assistance program, which enabled employees to further their studies and improve their qualifications.
  - Employees received loans from the organisation to study towards higher qualifications in fields that support the business of the organisation.
  - The employees repaid the loan over the period of study and when successfully completed, were reimbursed for the costs of the study.
- International Opportunities
  - Employees from designated groups who were identified as high flyers with the potential to move into senior management positions within five years were identified to spend time on an overseas assignment, receiving international orientation and learning.
- Diversity Sensitisation Plans
  - The organisation recognised that the South African society was in transition and that constant attention would be required to ensure transformation as planned takes place not only with regards to the employment of people from designated groups but also in the manner in which people of the country relate and understand one another. This was in the context of truly developing and appreciating diversity and the rich contribution that it would make to the organisation.

- Employee satisfaction surveys would be conducted annually as well as socialisation occasions and diversity workshops for all staff were planned.
- New appointed members of the organisation were expected to support the values of the organisation and those of employment equity in particular and would be enunciated both in the letters of appointment and during the induction.

5.1.3.3 Change vision

The vision was set to achieve the promotion of equal opportunities in the workplace in order to ensure that the organisation developed into being more representative of the demographics of South Africa and the regions within which it operates.

5.1.3.4 Change strategy

The strategies supporting the vision were as follows:

- Ensuring that no unfair discriminatory policies and practices existed within the organisation.
- Developing employment relationships that were based on mutual respect and dignity.
- Providing accelerated opportunities for suitably qualified people from designated groups in order to ensure their ultimate participation in the economy.
- Providing of access to employees from designated groups to learning, experience and personal growth.
- Acknowledging and understanding that the process of achieving employment equity is a sensitive process and that people from non-designated groups may feel isolated, and ensuring the inclusion of those groups in the process.
- Ensuring the implementation of policies and practices aimed at achieving employment equity would be consulted upon and managed transparently and openly.

5.1.3.5 Staff/personnel processes

The following structures were developed to facilitate the employment equity programme:

- Steering Committee: This represented a permanent committee with the accountability for Employment Equity in Momentum Employee Benefits and comprised of four senior managers, one of whom was the Managing Director.
- Employment Equity Forum: This was a representative forum constituted in terms of the Section 16 of the Employment Equity Act. The term of office for the forum was twelve months. The role of the forum was to be consulted with regards to Employment Equity planning, reporting, analysis and monitoring as defined in the Employment Equity Act. The forum had a constitution, which was developed in consultation with the forum and ratified by the Steering Committee. The forum has recommendatory duties and was charged with the responsibility of making suggestions, monitoring and reporting on matters related to Equity.

Decisions related to the implementation of Employment Equity were the duty of management and as such were devolved from the Executive Committee through the Steering Committee, in consultation with the Equity Forum.

5.1.3.6 Systems & IT

As a starting point to the Employment Equity Plan, senior management requested an external Employment Equity audit in order to identify discriminatory practices, employment barriers, income differentials and to analyse the workforce composition. Several discriminatory issues were identified during this audit, which had to form part of the corrective plan. It also became very apparent that adequate systems did not exist to supply all the appropriate information regarding human resources and employment equity practices.

5.1.3.7 Demographic profile

The race distribution of the organisation at the start of the Equity Plan was as follows as depicted in Table 4:

Table 4: Race Distribution

RACE	PERCENTAGE
Asian	18,90%
African	26,59%
Coloured	9,23%
White	45,28%

The demographics by occupational category are depicted in Table 5.

Table 5: Demographics by Occupational Category

CATEGORY	ASIAN	AFRICAN	COLOURED	WHITE
1 (Managerial)	4,55%	0%	9,09%	86,36%
2 (Professional)	14,29%	0%	0%	85,71%
3 (Associate Professional)	4,12%	7,22%	12,37%	76,29%
4 (Clerical)	11,08%	24%	32,92%	32%
5 (Sales & Service)	0%	25%	0%	75%

Source of these numbers

The demographics by occupational level are depicted in Table 6.

Table 6: Demographics by Occupational Level

LEVEL	ASIAN	AFRICAN	COLOURED	WHITE
1 (Top Management)	0%	0%	0%	100%
2 (Senior Management)	5,56%	0%	0%	94,44%
3 (Middle Management & Professionals)	4,62%	4,62%	12,37%	78,46%
4 (Junior Management & Skilled)	9,39%	19,74%	33,33%	37,54%
5 (Semi-Skilled)	14,75%	36,07%	16,39%	32,79%

The gender demographics are depicted in Table 7.

Table 7: Gender Demographics

OCCUPATIONAL LEVEL	PERCENTAGE WOMAN PER LEVEL
1	0%
2	16,67%
3	64,06%
4	67,53%
5	54,10%

The recruitment distribution for the period 1 January 1999 and 1 January 2000 per total percentage and gender distribution is depicted in Table 9 and Table 9. Only 1 person with a disability was employed between 1 January 1999 and 1 January 2000.

Table 8: Recruitment Distribution

RACE	PERCENTAGE
Asian	8,08%
African	12,12%
Coloured	13,13%
White	66,67%

Table 9: Gender distribution of employees recruited

GENDER	PERCENTAGE
Male	33,33%
Female	66,67%

The turnover percentages for the same period as percentage of the workforce per race and gender is reflected in Table 10 and Table 11 respectively.

Table 10: Turnover as percentage of workforce

RACE	PERCENTAGE
Asian	25,81%
African	16,13%
Coloured	12,90%
White	45,16%

Table 11: Turnover as percentage of workforce by gender

GENDER	PERCENTAGE
Male	29,03%
Female	70,97%

The percentages for the South African active population by race and gender, as per Annexure 1 to the Regulations for the Employment Equity Act, are show below in Table 12.

Table 12: SA Economically Active Population by Race and Gender

RACE		GENDER	
African	71,73%		
Coloured	10,36%		
Asian	3,00%	Male	54,56%
White	14,11%	Female	45,44%
Other	0,79%		

From this table it can be determined that within the organisation Africans and Coloureds are under-represented compared to the national EAP percentages. The gender distribution of the organisation is 63,08% female and 36,92% male indicating an over-representation of women compared to the national EAP figures.

However, no women were employed at Top Management level and only 3 women were employed on Senior Management level.

There were 4 disabled persons employed by the organisation, i.e. 0,88% of the workforce, which was significantly lower than the national percentage people with disabilities, which were estimated at 5%.

Table 13 represents the occupational categories by race in South Africa:

Table 13: Occupation Categories by Race

CATEGORY	ASIAN	AFRICAN	COLOURED	WHITE
1 (Managerial)	7,50%	26,66%	8,32%	56,37%
2 (Professional)	4,83%	48,98%	8,62%	36,40%
3 (Associate Professional)	6,71%	32,60%	10,26%	49,32%
4 (Clerical)	7,58%	34,91%	14,81%	41,49%
5 (Sales & Service)	4,34%	62,47%	11,39%	20,92%

Compared with the organisational figures, Africans were under represented in all occupational categories. Coloureds and Asians were under represented in categories 2 and 5, and 1,3, and 5 respectively.

It was also noted that Africans, Coloureds and Asians were not represented at Top Management level. Africans and Coloureds were also not represented at Senior Management level.

5.1.3.8 Power structure

Power structures dramatically changed due to employment equity, as "previously disadvantaged" individuals were now suddenly a sought after commodity. Career advancement for "previously disadvantaged" individuals with potential was looking very prosperous. The downside however related to the previous advantaged individuals who now feel they have to protect themselves against the majority. Job insecurities and uncertain futures led to individuals using their power ultimately not to the advantage of the organisation but rather to serve individual purposes.

Several irregular human resource practices were identified at the commencement of this process leading to the proposal of a formal procedural environment to guide all recruitment and selection practises including skills development and training.
Thus, the power managers could previously exercise declined regarding future candidates, as the process was now much more regulated. Power could only be exercised within these parameters. Frequent and formal reporting structures were also implemented whereby the progress of the project was monitored.

5.1.3.9 Culture

No official value statement, mission or vision existed within the organisation. The culture within each business area therefore did not necessarily support the same values and employees were forming their own perceptions of what the organisation actually stood for. The Employment Equity Plan formalised the organisation's statement to be an equal opportunity employer though establishing an EE policy. A value statement and code of conduct were developed as part of the project to try and present to employees what they should be striving at.
The organisation, just as every other organisation in South-Africa, had to adopt and manage the shift towards affirmative action and equitable practices.

5.1.4 Leadership

Change leader 1: Don Brown

Background to the change leader:

Our first change leader was born and bred in Nieu-Zealand and only moved to South Africa in 1983. This move was undertaken during the early stages of the leaders' career as manager and leader. His childhood heroes ranged from several sporting idols to renowned scientific and literary heroes. This leader fulfilled several leadership role from an early stage during his school career through to his adult career. He depicted his major childhood influences as being mostly family based, which still represents the majority of his adult support structure.

Leadership values and ideas:

The leader defined his core values as honesty, integrity, concern for others, the need for understanding and adding value. He views people as complex, multifaceted creatures and are very excited about the magic of entering new worlds through reading. He greatly appreciates the power of mathematics to describe a situation and is driven by the need to be successful and achieve. He views himself as a visionary.

Power and influence:

The leader identifies the needs of his constituency through thinking, talking and experimenting. His approach to influencing people is to create a vision and then motivating the people towards that vision. He freely delegates responsibility and tasks and believes that the right ideas come along without having to promote ideas and views too strongly. The leader is described as a leader who focuses on people above the business at hand and focuses heavily on identifying the main motivators of people.

He shapes his influence over others by trying to "excite" them to achieve the organisation's goals and strives to involve people rather than getting things done by instructing them. He utilises empowerment to create capacity.

Conflict handling:

In support of the methods of exercising power and influence, the leader involves people in solving conflict and avoids instructions on a specific solution. Additionally, he is normally hesitant to criticise people to harshly. He is in most cases slow to take action, as he prefers to gather all the possible information first resulting in a longer process but usually with more cooperation from the involved parties.

Approach to leadership:

This leader realised through the years that leadership can become very lonely and often leaders think about issues most other people do not want to be bothered with. Furthermore, he became increasingly cautious with his visions, as they mostly seem more important to him than to many others.

He struggles with the seemingly natural behaviour of people not to take personal responsibility for strategic visions but their apparent need to just be told what to do. He however, knows that although persuasion without engagement is futile, he cannot do everything himself and needs to create a constituency that can influence the rest of the organisation accordingly.

MQL and servant leadership scores are presented in Table 14:

Table 14: MQL and Servant Leadership Scores

Transformational leadership	High
Transactional leadership	Moderate
Laissez-faire leadership	Low
Servant leadership	High

Change leader 2: Etienne de Waal

Background to the change leader:

Our second change leader was born and grew up in Ladysmith, Kwa-Zulu Natal. His childhood heroes mostly consisted of sport stars and his father portrayed the main childhood influence. He fulfilled leadership roles from an early age and was seen as someone with leadership potential throughout his adult career.

Leadership values and ideas:

This leader defined his core values as those of honesty and integrity. He views people as individuals, i.e. some are brilliant and creative while others are lazy and unreliable. He does not view himself as a visionary but believes every situation must be analysed and a decision made based on the immediate facts including projecting the unknown parameters.

Power and influence:

The leader identifies the needs of his constituency by discussion and analysing the responses. He believes in his ability to influence people and to work together rather than focusing on individual achievements. His approach to influencing people is based on soundly motivating ideas with reasoning that is clear and understandable. He is a great believer of empowering people, as it ensures the team feel they are achieving the goals and driving the operations. However, the leader stresses the importance of the "right" team for empowerment to bear the fruits and prefers to change team compositions when responsibility is compromised. This leader focuses on the business at hand first and foremost with regard for appropriate rewards for the people in the short and long term. He also emphasises the role of trust in teams and the subsequent effect on the performance of the team and ultimately the organisation.

Conflict handling:

The leader approaches conflict in an honest and direct way. He does not shy away from taking responsibility or making tough decisions.

He is perceived as very forthright and does not suffer fools easily. Furthermore, he could get carried away and dominate discussions.

Approach to leadership:

This leader defined a leader's role first and foremost as to form a strategic plan. Thereafter, he believes the leader should be able to communicate the plan well and sell it to his/her team. Additionally, he believes that an effective leader needs to excite the team of followers about the goals of the organisation and thereafter direct their efforts towards those goals. He adds that the most important lesson learnt from his leadership experiences was that it takes belief and determination to succeed and that a leader's success is often not dependent on the quality of the strategic plan but on the quality of the team of followers and their will to succeed.

MQL and servant leadership scores are presented in Table 15:

Table 15: MQL and Servant Leadership Scores

Transformational leadership	Moderate
Transactional leadership	Moderate
Laissez-faire leadership	Low
Servant leadership	Moderate

6 CHAPTER 6

6.1 Analysis of change processes

6.1.1 Conclusion: Forces of change

In conclusion, the primary force for change within Momentum was mainly that of financial and/or economic considerations and ultimately achieving the desired level of competitiveness. The secondary driving forces for change were mostly extensions of the economic forces.

Firstly, the initial merger was on the one side primarily driven by Anglo American's desire to focus on their core capabilities in order to increase competitiveness and financial prosperity. On the other side, Momentum grabbed the merger opportunity to obtain critical mass again to achieve financial growth and competitiveness in the market.

Secondly, the new broker paradigm was a direct result of the change strategy to ensure financial and organisational existence. New products and processes addressing the needs of the market were imminent to ensure competitiveness.

And then, thirdly, employment equity and social responsibility was identified as paramount for economic success. As a third-world country organisation and with the political forces at work in South Africa, Momentum realised that in order to survive and compete in these circumstances changes toward equality and responsibility were imperative.

6.1.2 Weaknesses in change processes

Momentum/Southern merger

The merger supported a non-integrated business model, which was based on autonomous business units and autonomous functional areas within the Momentum Employee Benefits business unit.

Although the business philosophy was driven from a Group level, it was almost impossible to create a uniform set of values and norms and ultimately one culture amongst and within the different business units. Also, middle and lower management structures remained mostly in tact, which furthermore resulted in legacy cultures remaining in the different business areas. Additionally, this trend was increased due to the fact that Momentum Employee Benefits' business areas were geographically dispersed, each area again with its own culture and "way of doing business" characteristics.

Effective communication was also made difficult by the autonomous and dispersed nature of the MEB business. Most of the communications were performed via memorandums, which limited interactive response and questioning. Uniform communications were furthermore not always achieved creating mistrust, as different people were saying different things. It was a case of who should the staff believe and what are management hiding. Then again, this may be natural in most frame-breaking change initiatives but it seemed management did not manage these problems timeously and effectively. It was allowed to manifest within the organisation, which made damage control extremely difficult.

New Broker paradigm

The main focus of this change project was the achievement of financial and organisational goals but specific people goals were not set. The change initiative involved changes in products, processes, team structures and it seemed as if management underestimated the human resource impact of such a frame-breaking change.

Additionally, several change sub-processes were attempted simultaneously, which made alignment and holistic management of these projects difficult. Staff also sometimes felt "trapped" in this maze of changes. Specific change support strategies, i.e. change management workshops and training, were only initiated at a very late stage, which obviously reduced its success tremendously.

Employment Equity

Naturally to this type of change initiative are the insecurities of the minorities and the resistance to knowledge sharing. Development and mentoring therefore suffered with an equally detrimental effect on the overall success and progress of such a project. Although business sense could be made of this change process, the natural inclination for anyone would still be to protect your own future. It is also important to realise that change leaders were in this instance not protected from the changes but were equally subjected to the same insecurities and natural inclinations as the other change recipients.

The lack of immediate results and visible benefits from employment equity and affirmative action as well as years of embedded political friction made this an extremely volatile scenario. South African managers and leaders were exposed for the first time to these circumstances and no framework or evidence of past experience to draw from existed.

Conclusion

It is important to note that most of the weaknesses or reasons for constraints within the MEB change initiatives were related in some form or another to people issues and human behaviour. Resistance to change, culture, ability to cope with change, etc. are all main themes of why change was not successfully implemented in MEB. Thus, it is imperative to manage to human side if you intend to successfully implement change, especially frame-breaking change.

6.1.3 Evaluation of leadership in change processes

6.1.3.1 Trait theory

Senior (2002) categorises leadership theories of what makes a good leader into two broad categories. It is inferred that a good leader would also include a successful change leader.

The first of theses categories include the theory that there is a "one best way" of leading and that successful leaders all have a set of particular characteristics. However, no research currently exists which outright proves this theory without contention. Tichy and Ulrich (1984) argue that transactional leaders normally only make minor adjustments in an organisation's vision, structure, culture, human resources, etc. It is however the transformational leaders, they say, that affect major frame-breaking changes including fundamental changes in the basic political and cultural systems of an organisation. In support to this viewpoint, Bass (1990) argues that only transformational leadership can ensure increased organisational performance on all levels. Furthermore, support exists from other researchers for the suggestion that transformational leadership approaches are the most appropriate in conditions of change.

If we look at our two change leaders', their scores look very different based on the MLQ and servant leadership evaluations performed:

Leadership styles	**Change Leaders**	
	D Brown	**E de Waal**
Transformational leadership	High	Moderate
Transactional leadership	Moderate	Moderate
Laissez-faire leadership	Low	Low
Servant leadership	High	Moderate

No indication however could be found from the research conducted that a specific leadership style affected changes more successfully or less successfully. Although, it is argued that transformational leadership would be an asset in leading change, as any type of change would require some of the transformational characteristics to affect the change. However, if transformational leaders could be distinguished as more successful change leaders, is not so certain and could not be proven as such through the change initiatives of Momentum Employee Benefits.

6.1.3.2 Situational theory

The second of the categories include the theory that there might be a specific type of leadership behaviour, which is most appropriate in situations of change. This means that leadership style and behaviour varies according to the different characteristics of different organisational situations but also according to the different characteristics of the specific nature of the change process. In line with this view, the forces for and against the specific change initiative as well as the nature and extent of resistance to the change initiative may furthermore have a major impact on the most appropriate leadership style. Thus, one style of leadership may be most appropriate to a particular type of change where that same leadership style may not be as successful for a different type of change.

Support for this viewpoint can be found in that our one leader, the Managing Director Mr. Don Brown, were simultaneously the change leader of more than one change initiative, which had very different levels of success. Additionally, the other change leader again had very different levels of success with the different change sub-processes.

The different levels of success could however also be due to the differences in the human make-up of the people involved in the change. People almost never react exactly the same in two different situations purely because they are never affected exactly in the same manner by two different situations. This is true about change situations as well. This could be because of a number of reasons, e.g. lessons learnt during previous changes applied in the current change process, different group dynamics in each change process, additional or less resistance to specific change processes because of personal interest or identified opportunities, etc.

Also, although a change leader may apply the same leadership approach, the leaders' reactions and practical execution are not always exactly comparative in each situation, which would lead to different reactions from the change recipients.

The multitude of variables affected by change may be one of the primary reasons why it is so difficult to provide a framework of what works best in which situation. There are just too many different combinations.

6.1.3.3 Emotional intelligence

With reference to the above viewpoint, it is argued that this is where emotional intelligence would play such an important role. Leaders and/or change leaders need more than a specific leadership style and behaviour, they need to have a well developed intuition and sense of awareness. All five components of emotional intelligence must play a role in successfully managing change. Self-aware change leaders would be able to make realistic assessments in the change processes, understand the impact of their behaviours and decisions on others much better and uphold the values required for successful change. Furthermore, self-regulated change leaders could successfully create environments of trust and fairness, elements absolutely critical to any change process. Also, empathetic change leaders should be much more in tune with where resistance to change would originate as well as the reasons for it ultimately leading to better management thereof. Lastly, socially skilled change leaders could be more able to move people in the desired direction therefore more successfully affecting change.

6.1.4 Lessons learnt

Lesson learnt specific to the main change processes in Momentum could be described as follows:

- Change management workshops and training as well as professional support must form part of phase one of any change initiative, more or less depending on the nature of the change and/or resistance expected.
- People-orientated and specific objectives must be set and managed together with the strategic, operational and financial objectives of any change process.
- The role of effective communication and trust between the change drivers and recipients must never be underestimated. Reliable and effective measures should be identified and managed on a continuous basis throughout the change processes.

- Change management does not stop as soon as a change process is implemented, change needs to be maintained. This is especially true in cases of culture changes, changes in behaviour, etc.
- Resistance to change will always occur to a greater or lesser extent. It is however crucial for the change leader to identify where this resistance comes from and the underlying reasons for it in order to manage it appropriately.
- High emotional intelligence is a crucial element to a successful change leader.

7 CASE STUDY: MOMENTUM EMPLOYEE BENEFITS

In the beginning

FirstRand was established in April 1998 through the merger of the financial services interests of Anglo American Corporation of South Africa Limited and RMB Holdings Limited. The major companies involved during this time included the following listed entities:

- Southern Life Association Limited, which were controlled by Anglo American Corporation of South Africa Limited,
- Momentum Life Assurers Limited, the holding company of Discovery Health Limited,
- First National Bank Holdings of South Africa Limited, and
- Rand Merchant Bank Limited, which was controlled by RMB Holdings Limited.

Momentum was used as the vehicle to facilitate the merger and the terms of the arrangement specified that Southern Life and First National Bank Holdings shareholders would receive 675 Momentum shares in exchange for every 100 shares held. Momentum furthermore raised R5,1 billion through a rights issue whereby 572,7 million shares were issued at a price of 900 cents per share in order to eliminate the cross-holdings that existed between Southern Life and First National Bank Holdings.

Momentum changed its name to FirstRand Limited. FirstRand listed on the Johannesburg stock exchange on 25 May 1998 and a day later on the Namibian Stock Exchange.

The overarching Group vision was to create a new group of companies structured with critical mass in order to take advantage of the convergence of banking and insurance products and services without the limitations imposed by minorities in operating companies.

The control structure of the FirstRand group after the merger in 1998 is visualised in Figure 8.

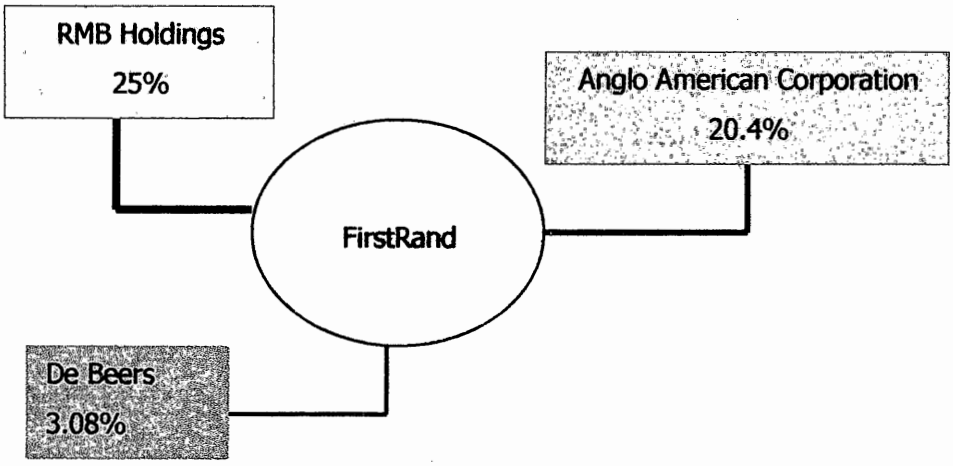


Figure 8: Control structure 1998

The FirstRand Group

However, shareholders were applying increased pressure on the Anglo American Corporation and De Beers to focus efforts on their core competencies, i.e. mining and resources related activities. Thus, the Anglo American Corporation and De Beers decided to reduce their holdings in FirstRand and also announced that further reductions would follow as soon as prices were appropriate.

The Anglo American Corporation and De Beers shareholdings were acquired by Remgro Limited, who again swapped some of their newly acquired FirstRand shares for shares in RMB Holdings Limited. A management agreement was established between Remgro and the directors and management of FirstRand, at which point Figure 9 portrays the control structure:

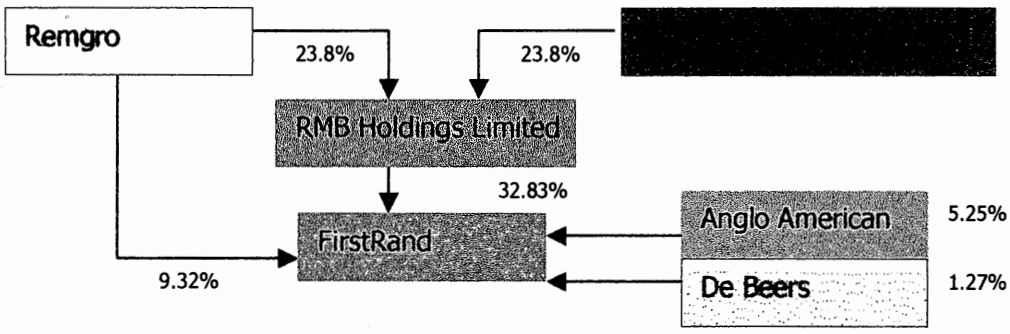


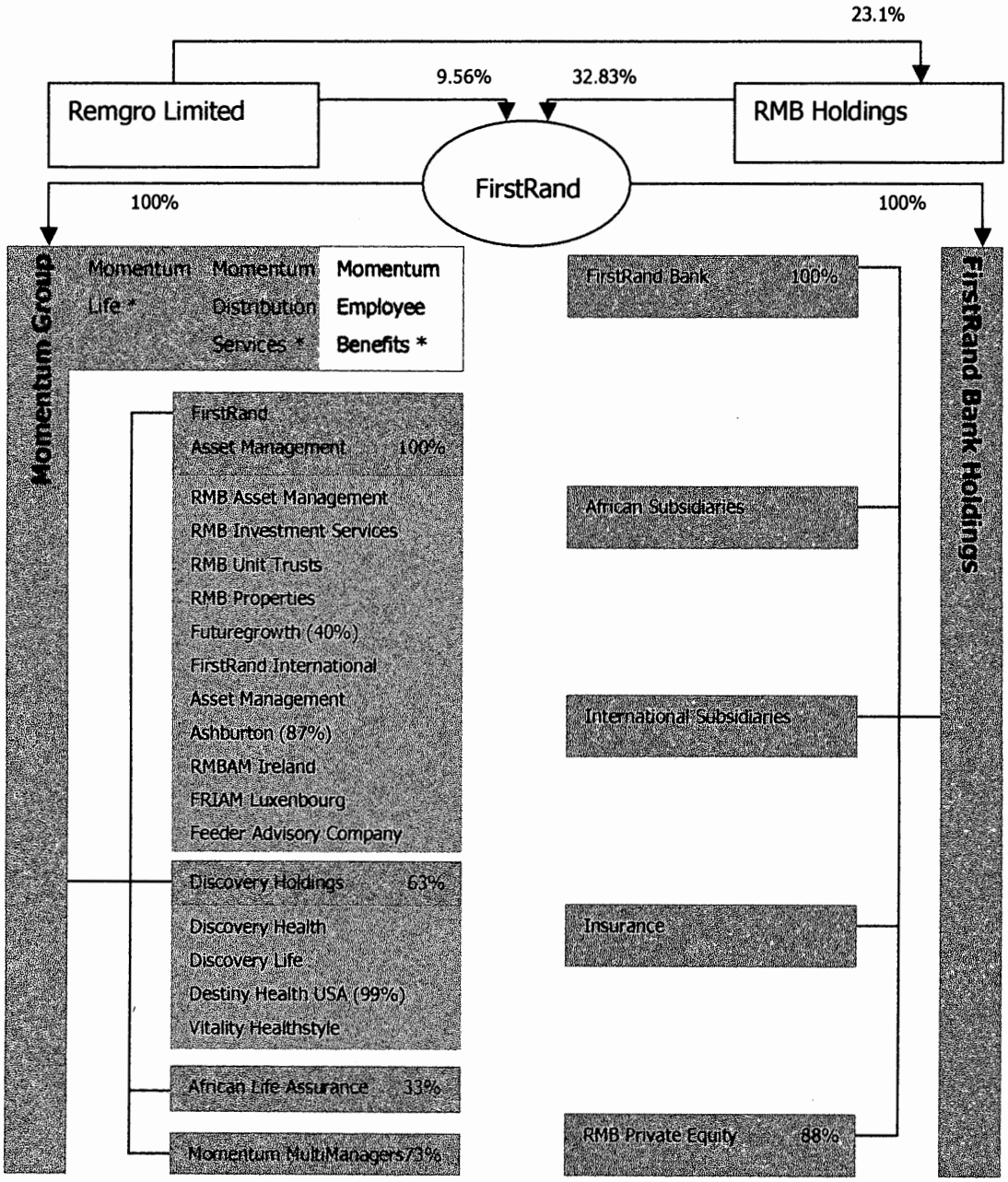
Figure 9: Control structure 2001

The main successful strategies deployed by the executive leadership in their three to five year vision of an integrated group included:

- Creating stand-alone business units such as Momentum Employee Benefits to provide product and customer focus and to allow an entrepreneurial culture to demonstrate itself,
- Extracting cost efficiencies through the merger of similar operations,
- Engineering turnarounds in divisions through benefits from new management and lateral thinking, and
- Inspiring employees to adopt the FirstRand business philosophy, which endorses the belief that continuous long-term growth requires a balance of the demands of all stakeholders.

The banking and insurance activities of the FirstRand Group are consolidated in the wholly owned subsidiaries FirstRand Bank Holdings Limited and Momentum Group Limited. The FirstRand Group is mainly South African based and the companies are involved in financial services activities including retail, corporate, investment and merchant banking, short-term insurance, life insurance, employee benefits, health insurance and asset management.

The focus in this case study will be on the Momentum Group Limited structure and specifically on the employee benefits division, i.e. **Momentum Employee Benefits (MEB)**. The total FirstRand structure as in 2003 is depicted in Figure 10.



* Divisions of Momentum Group Limited

Figure 10: FirstRand Group structure

Momentum Employee Benefits

Nature of Business

At the time of the merger in 1998, the employee benefit business areas and operations of Momentum and Southern were structured as follows:

Table 16: Business Areas

Southern		**Momentum**	
Business Area	**Location**	**Business Area**	**Location**
Risk Business	Cape Town	Small Risk Business	Gauteng
Union Business	Gauteng		
Broker Business	Cape Town		
Consulting & Administration Business	Cape Town	Consulting & Administration Business	Gauteng

The merger resulted operations to be focused mainly in three distinct business areas, i.e. administration of employee benefit funds, providing of group risk products and providing of consultation services. Administering of funds mainly include the provision of administration functions for pension, provident and/or preservation funds. Providing of risk products encompasses the providing and administration of death and disability products. The consulting portion of the business provides financial planning advice to clients both at retirement age and for future planning.

Business Vision

The Managing Director, together with his executive team, developed the following vision for the "new" organisation subsequent to the merger:

- Move into a new way of doing things, i.e. "Business for the future",
- Build sustainable profit growth, and
- Make all business areas profitable.

Business Strategy

In response to increased industry competition and business trends, the Managing Director of Momentum Employee Benefits, Mr. Don Brown, headed the drive to a new business strategy in order to utilise the opportunities available in the insurance market.

In line with this, the following change strategies for the merged organisation was developed:

- Reorganising the existing Momentum and Southern structures in order to merge similar business sectors.
- Maintaining a non-integrated business model with no immediate changes in geographical distribution.
- Developing a new paradigm for the broker business by developing products for the future and entering new markets.
- Developing an appropriate employment equity model to support a profitable organisation and portrays social responsibility.

Successful implementation of these business strategies depended on the development of new products and business processes as well as developing new systems, which exploits the latest Information Technology and e-commerce trends. Executive management believed that it would take approximately 3 to 5 years to successfully implement and receive value from these change strategies.

Target market

To generate revenue, MEB requires a loyal and satisfied client base through which a win-win relationship is created. An obsession with client service is therefore required to achieve this but with the realisation that you cannot be all things to all people. Thus, MEB believes in market segmentation, target market selection and strict target market focus. MEB targets only group scheme business and was not involved in the individual market.

For MEB to attract and retain clients, innovative retirement solutions are needed. Effective service, product development and pricing, distribution and branding could only be achieved if they serve the needs of the selected target market. MEB therefore operates as a focused niche player in the markets in which it elects to operate, aspiring to differentiate its offerings by fine-tuning it to the specific needs of those target markets. This however requires constant change.

MEB operated mainly in three geographical areas namely Cape Town, Pretoria and Johannesburg. The Johannesburg operations were divided between Sandton and Johannesburg city. The Cape Town business focused primarily on the provision of risk business but also had a small business operation in Sandton. Fund administration and consulting services were provided in Pretoria and Johannesburg with a union orientated division in Johannesburg city. Two small branch offices were located in Port Elizabeth and Durban, which consisted mostly of sales staff and were mainly focused on bringing in new business.

Products and services

Union business

This business unit focuses mainly on the fund administration function and is recognised as the industry expert in:

- Defined contribution scheme administration relevant to both worker-based and union-driven schemes.
- Consulting on appropriate benefit provisions to meet the need of larger, member-driven funds.
- Communication and education for a larger and diverse membership base requiring individualised information.
- Recording and rollup of individual member and employer contributions.
- Development and maintenance of customised member driven systems required to support this business, and
- The ability to price these services competitively.

In addition to the expert services mentioned above, the unit also administers housing loans. This housing loan mechanism via a provident fund has become, for many members, the only access to reasonable housing facilities in a society where access to basic housing facilities by previously disadvantaged communities were limited.

Broker business

This business area was by far the most affected by the merger in 1998 where the strategic direction was to develop products for the future and enter new markets. This would mean to provide world-class service to clients, the broker business needed to administer funds on a real-time basis and make effective use of technology and e-commerce.

Additionally, in support of this line of thought, the organisation would have to focus their product lines onto the most desired sectors of the market in order to obtain a competitive edge. For the broker business this meant providing products for the "young" growing South African population. This was in contrast with their previous target market, which focused largely on the white-collar sector. The products in this sector were mostly directed towards the higher-income individuals with conservative, lower-risk inclinations. Today's customers are younger, have less knowledge and experience on financial products and would want higher-risk product options included in their portfolios. Subsequently, these changes could also affect the requirements of intermediaries, distribution channels, and relationships with clients, etc.

Furthermore, for organisations to differentiate themselves in the economic climate within South Africa, they need to add value to clients. Value to clients in the retirement product market can be related to customising a product to the clients' individual needs, providing world-class service and products. Obviously too much customisation would result in a too high premium payable by the client and/or organisation. Thus, the challenge for the broker business was to provide product lines that provided an appropriate level of customisation within reasonable cost limits supported by value-added service.

In pursuit of an aggressive growth strategy and trying to achieve critical mass in terms of membership, the business unit decided to focus their product lines and support only these two product lines in future. The business unit head, i.e. Mr. Etienne de Waal, therefore initiated a conversion project during 2000 in order to align the merged schemes with the two new product lines.

This business unit provides pension fund administration, investment and retirement products to group schemes. The result of the conversion process was the establishment of an umbrella fund consisting of an approved defined contribution pension and provident fund. Three options were offered within each fund and flexibility was such that each employer could belong to either or both funds and had members spread across the three options. The defined contribution fund offered members the opportunity to make their own investment choices, as they carried the investment risk. Investment choice was however not the only flexibility that members required and in response to members' requirements, the unit also offered life cover choice and contribution choice to suit each member's needs and goals. On the other hand, there were members who were not comfortable with choice and would rather leave retirement fund matters in the hands of the trustees and/or an advisory body, which was also addressed by the product choices. Thus, the three choices provided varying degrees of choice and the employer, aided by the financial advisor, determined the option most appropriate to its members. The relevant options were then offered to the members who chose the one most suitable to them. The options can be summarised as follows:

Options	Investment choice	Life Cover choice	Contribution choice
▪ Provider	None	Not available	Not available
▪ Trader	Limited	Available	Available
▪ Entrepreneur	Wide	Available	Available

Members can oversee the administration of their funds and benefits in a user-friendly way using an online facility, another beneficial feature provided by this unit. Investment risk profiles can be assessed, life cover increases or decreases can be affected, contribution rate adjustments can be made, retirement savings accounts can be analysed and financial statements could be downloaded, all with the click of a mouse.

Financial calculators are also available through the online facility enabling calculations such as:

- Retirement planning, i.e. calculating the appropriate levels of retirement savings,
- Payslip calculations indicating the impact of contribution rate changes on take home salary,
- Life insurance calculations, which determines sufficient levels of life cover, and
- Risk profiler, guiding the member through investment choices.

Risk business

This business unit's primary focus is on wellness and disability management. Disability in the workplace has changed from an insurer and pension/provident fund trustee responsibility to that of the employer. Employers were in the past only passive spectators and most employees uninformed and ignorant of their benefits. This unit is therefore mainly assisting employers with this changing role and products and services include basically the following:

- Wellness programmes that focus on exit medicals, executive medicals and occupational assessments,
- Early detection and intervention practices, which includes absentee analysis and pre-benefit medicals,
- Disability management covering pro-active hands-on claims management, fair and consistent claims assessment and a special team for contentious or disputed claims,
- Rehabilitation strategies relating to access to a dedicated in-house rehabilitation team, an extensive country-wide network of service providers and resources as well as the constant monitoring and feedback to stakeholders, and lastly

- Claims monitoring and data management that focus on ongoing feedback to involved parties and access to in-house legal experts specialising in risk management issues such as disability equity, compliance and labour practices.

Another major area of focus for this unit is within AIDS modelling. To date there has been no indication that South Africa's experience of the AIDS epidemic would be any different from that observed in other African countries. The epidemic might take longer to reach "critical mass" than was originally envisaged; however, it has not diminished as a serious social and economic issue. This business unit therefore combines with specialist partners to deliver practical strategies to employers that could be implemented and were relevant to the specific client.

In support to the above products and services, the unit also provides general risk consulting such as auditing the current health status of a client's workplace, investigating the demographic structure to identify health and wellness issues and analysing the environment for health and safety compliance to name but a few.

Changes due to the merger between Momentum and Southern seemingly affected this unit to a minimum due to the fact that operations were still autonomous and increasingly because the operations were mainly located in Cape Town and thus geographically separated.

Financial Management

The primary objective of the FirstRand group is the generation of sustainable profit. Therefore any division within the group that is not profitable and has no such potential is seen to have no right to exist within the group. Stretch financial targets are set by Momentum Group Limited in the achieving of the overall group objectives but divisional strategies are determined autonomously based on the specific business design. The role of the holding company is thus to facilitate and not to control.

Prior to the 1998 merger and establishment of MEB, the Southern risk business was the main profit generating business sector by contributing 75% of the total profits. The union business was a loss-making business area but was identified as a sector with business potential based on the economical and political changes in South Africa. The broker business also represented a loss-making business area, which was mainly due to outdated products and business models.
The Momentum business areas prior to merger consisted of a small risk business area and a consulting and administration business area. The latter was also a loss-making business area, mainly due to the small scope of operations.

The financial results for Momentum Employee Benefits for the years ending 1999 to 2003 are summaries in Table 17.

Table 17: Financial Results

	1999 R' Million	**2000 R' Million**	**2001 R' Million**	**2002 R' Million**	**2003 R' Million**
Operating profit	122.9	78.1	103.0	129.3	96.9
Investment Income	10.9	26.8	27.1	16.4	13.7
Disclosed profit	78.2	98.0	123.2	110.6	131.3

The Group allocates capital to business units on the basis of best return bearing in mind portfolio risk. Capital is treated as a scare resource and a small company mentality prevails regarding the use of capital; a new venture is funded incrementally as it proves itself.

Although profits mostly grew steadily from the 1999 year-end, the stretch targets set for the organisation seemed more out of reach with each passing year. The financial burden of the restructuring and change initiatives, for example new systems, processes, etc. obviously contributed heavily to the lack of financial performance. Additionally operational disruptions that are naturally associated with changing to new systems and processes, especially within client service areas, were many and impacted negatively on the image of the organisation.

Operations

Momentum emphasises good housekeeping and corporate governance; prudent and accurate score keeping. Business units such as MEB are expected to clearly understand and monitor the cost and revenue implications of all actions. The Group aborts centralised or corporate support systems unless such systems exist at the request of specific profit centres that sponsor it financially, or are required for good corporate governance. Thus, cross-subsidisation is not encouraged. This requires constant examination and evaluation and therefore constant change.

Organisational structure

FirstRand promotes a flat hierarchical structure, which was adopted within the merged MEB organisation as part of the business philosophy. Flat structures were inherent to Momentum prior to the merger but not as natural within the Southern structures.

In support of the adopted structure lies participative, non-hierarchical decision-making in the context of vigorous debate of the business case with no holy cows and no barriers to communication.

Information Technology

Technology is viewed as fundamental to giving the client what it wants cost effectively. Using leading edge technology and appropriate technical experts to change business boundaries were therefore crucially important to MEB's business success. Internet technology including full online facilities and value-added facilities such as financial calculators were developed and implemented to differentiate and establish MEB in their specific niche market.

With the merger of Momentum and Southern in 1998 different platforms, operating systems and applications systems were used in all the relevant business areas. Different systems architecture, infrastructure rules, office automation, outsource agreements and contractors were also at the order of the day.

Thus, in order to unlock value by cost savings and efficiencies, as envisaged by the merger, one IT solution was developed for the total new organisation.

This organisation-wide IT strategy included the following main areas:

- Migration of all business areas onto one administration, workflow and financial platform,
- Migration of all operations off the mainframe to the new solution as a priority due to the materiality of costs and maintenance agreements relevant to the mainframe environment,
- Implementation of one IT architecture, which would also be in line with the Momentum Group policies to ensure group-wide benefits and efficiencies,
- Implementation of one office automation solution, and
- Standardising of all IT contractor contracts and firms used.

The change processes resulting from the merged organisation have brought major challenges to IT, i.e.:

- Consolidation of IT systems to achieve flexibility and cost savings with focus on speed and cost,
- Building and/or enhancing the future IT solution for MEB with a focus on quality, and
- Recruiting and retaining of quality IT staff.

The importance of business alignment was imperative and therefore technology decisions were taken in consultation with the heads of the various business areas. IT's vision was to be a provider of excellent IT services and solutions to all the business area, i.e. to act as a business enabler.

Culture and organisational behaviour

The founding culture of the FirstRand group was strongly influenced by the success of the Group's merchant banking interests, where entrepreneurial flair was emphasised over adherence to accepted convention.

The merger's inner logic also colours group ethos. The intention was to unlock the benefits of size through a larger balance sheet, greater market credibility and numerous synergies across various customer bases without losing the competitive edge achieved from focus and the can-do team spirit within the accountable business units.

Today's group is a network of largely autonomous but interdependent profit centres of which MEB is an integral part. An entrepreneurial, owner-managed mindset is rewarded. The role of the holding company is that of facilitation and not controlling.

The Group culture and behaviour impact strongly on the culture and behaviour of the business divisions. The establishment of seven guiding principles as their code of conduct portrays MEB's alignment with the Group culture and behaviour. The seven guiding principles can be summarised as follows:

- "Our integrity is not negotiable"
- "We act in good faith"
- "We respect the confidentiality of information"
- "We get it right the first time"
- "We tell the truth"
- "We respect each other"
- "We are law abiding citizens"

Refer to Appendix C for the formal code of conduct.

MEB seeks win-win relationships with stakeholders in which traditional values apply and it follows the spirit, not the letter, of agreements. MEB also strives to fully support the Group in becoming leaders in good corporate citizenship.

Human resource practices

Momentum Employee Benefits' staff numbers grew from about 430 people in 1998 to around 560 in 2003. Personnel practices within the two organisations prior to the merger were very different.

Southern was characterised by a formal procedural environment, whereas Momentum functioned very much on an informal procedural environment. Human resource processes were therefore naturally much more formalised within the Southern environment than in the Momentum environment.

Recruitment and selection

Recruitment, promotion and selection decisions are based on the basis of the individuals' formal qualifications, prior learning, relevant experience and the ability to do the job. MEB's impression of the type of candidate it wishes to employ and develop is entrepreneurial self-starters that have a passion for what they do. MEB empowers their staff, hold them accountable and reward them appropriately.
Refer to Appendix D for the formal policy.

Training

Most positions within MEB brings the incumbents into contact with people possessing very different skills and provides a major opportunity for development of related business skills such as IT, management, retirement administration, provision of broader financial services. This firmly supports the organisation and industry trend towards multi-skilling.

Compensation and rewards

Remuneration within MEB are structured on a total cost-to-company basis. Flexibility is achieved through individual choice regarding retirement savings, risk benefits, car allowances, medical aid, annual leave, etc.

Turnover

Several career opportunities exist within the Group and employees are not restricted to only look for outside opportunities when new growth opportunities are required. The organisation does not subscribe to "job-for-loyalty" security but rather creates and maintains an environment in which employees can ensure their own employability, inside and outside the organisation.

Employment equity

In support of the stated aims of Employment Equity Legislation, MEB believes that economic competitiveness and social justice in employment are inextricably linked. To this end the company subscribed to the principles of equal opportunity, fair employment practices and the development of human capital.

The organisation values diversity in its people, especially for the way that it contributes to innovative thinking and entrepreneurship.

An Employment Equity change process, led by the Managing Director, Mr. Don Brown, was established with the following strategies in support of the vision:

- Ensuring that no unfair discriminatory policies and practices exist within the organisation.
- Developing employment relationships that are based on mutual respect and dignity.
- Providing accelerated opportunities for suitably qualified people from designated groups in order to ensure their ultimate participation in the economy.
- Providing of access to employees from designated groups to learning, experience and personal growth.
- Acknowledging and understanding that the process of achieving employment equity is a sensitive process and that people from non-designated groups may feel isolated, and ensure the inclusion of those groups in the process.
- Ensuring the implementation of policies and practices aimed at achieving employment equity will be consulted upon and managed transparently and openly.

Refer to Appendix E for the formal plan as well as Appendix F for the Affirmative Action Policy.

Leadership

With the merger between Momentum and Southern, strong leadership was required to lead the "new" organisation into the unknown future. This responsibility was given to a visionary business unit manager from the Southern side of the business, Mr. Don Brown, who was appointed as the Managing Director. The early stages of his career started in Nieu-Zealand, where he was born, as he only moved to South Africa in 1983. Mr. Brown is a qualified actuary with a great appreciation for the power of mathematics to describe a situation. Others view him as a visionary predominantly because he was the primary architect of the vision for this new organisation. He was able to create excitement midst all the insecurity and frame-breaking changes suggested. It was clear that such a major change would not be an easy and straightforward task but Mr. Brown was driven by his passion to achieve success.

The strategic objectives were identified through a lot of thinking, talking and experimenting. Decision-making was orchestrated through free delegation and the belief that the right ideas would come along without having to promote his own ideas and views too strongly. Thus, many rich ideas and views came about but unfortunately also lots of conflict between senior management in deciding whose ideas would be accepted. Debating the different options seemed to stretch over long periods of time in order to obtain full information and not to directly attack anyone's viewpoints.

Mr. Brown once said, "I have learnt over the years that leadership can become very lonely", as he often felt that leaders thought about issues most other people do not want to be bothered with. This made him increasingly cautious with his visions, as they mostly seem more important to him than to many others.

The Managing Director was also the driver and main sponsor of the Employment Equity initiative of the new organisation. Employment Equity was seen as a primary business driver in Southern prior to the merger. Employment Equity in the Momentum arena, however, was not viewed with the same level of emphasis.

This was thus one of Mr. Brown's projects, which was close to his heart. He believed strongly that business success would be dependent on complying with the principles of equal opportunity, fair employment practices and the development of human capital. This was in support of his strong concern for others and people focus.

The other primary leadership figure was that of Mr. Etienne de Waal, the business unit head and driver of the new broker business paradigm. Born and bred in Kwa-Zulu Natal, this analytical individual believes that decisions should be based on the immediate facts including projecting the unknown parameters. He focuses on teamwork rather than individual achievements.

Orchestrating the new broker paradigm necessitated changes to systems, processes, team structures and much more. The business unit head emphasises that his approach to influencing people is based on soundly motivating ideas with reasoning that is clear and understandable. He is a great believer of empowering people, as it ensures the team feel they are achieving the goals and driving the operations. However, what became clear throughout the different sub-processes of change was the importance of the "right" team to bear the fruits. Mr. De Waal therefore preferred to change team compositions when responsibility was compromised. His ultimate realisation was however that the role of trust within teams and the subsequent effect on the performance of the team and ultimately the organisation could never be emphasised enough.

Insecurities and unfamiliar ground resulting in conflict is a natural product of many frame-breaking change initiatives, and this was no different. The business unit head is perceived by others to be very forthright and normally meets conflict head on. He does not suffer fools easily and could sometime get carried away, subsequently dominating discussions. But the most important lesson learnt from his leadership experiences amongst all the change, in his own words, was "It takes belief and determination to succeed and a leader's success is often not dependent on the quality of the strategic plan but on the quality of the team of followers and their will to succeed".

Momentum Employee Benefits today

It is now almost five years since the initial merger between Momentum and Southern and the same question is on everyone's mind: Did we implement all the planned change strategies and did we achieve full value as predicted from these change strategies? This might be a debateable question but large support exists from internally and externally that the organisation is spinning around in circles. The frequency of change initiatives has not stopped since the merger; in fact it just increased. Insecurity around individual survival as well as organisational direction amongst staff is still a daily experience. It could be argued that this is an integral part of the volatile financial services industry but arguments also exist that too much change could be detrimental to an organisation's success.

There is consensus that material wins were achieved in several areas but something that is consistent throughout is the negative staff morale. This is of a major concern to management, as yet another frame-breaking change in business strategy is envisioned, i.e. to break-up the Momentum Employee Benefits business units to be incorporated in different other existing Momentum Group business areas. The question now is how would staff react to this, how is management going to manage the resistance to this change and what impact is going to have on the success of the change initiative.

8 APPENDICES

8.1 Appendix A: Interview Questions

1. Where were you born?
2. Who were your childhood hero's?
3. Who had the greatest influence on you when growing up?
4. What was influence of family and friends on you?
5. What early leadership roles did you occupy at school?
6. What would you define as your core values?
7. What were your significant educational experiences?
8. What is your opinion of people (lazy, creative, boring, and unreliable)?
9. Do you see yourself as a visionary?
10. Describe your career experiences and their impact on ideas about leadership
    - 10.1. Describe your career to date, beginning with first position
    - 10.2. What have been the most significant assignments of your career? What did you learn from them?
11. What are you values and ideas about leadership?
12. How do you get things done?
    - 12.1. Create a vision and motivate people do it?
    - 12.2. Realise what is necessary and start to organise and do some of the work yourself?
    - 12.3. Would you attribute your success more on your personality or on previous individual achievements?
13. Did you have a lucky break in life?
14. How do you identify the needs of your constituency?
15. What do you put first, your people or the business at hand?
16. How do you get people to do what you want them to?
17. How do you manage responsibility?
    - 17.1. Do you share it localise to yourself?
    - 17.2. What do you do when responsibility is compromised?

18. What are your views on empowerment?
19. What personal attributes do you think your followers admire in you?
20. What do they dislike in you?
21. Describe an incident or event that challenged your leadership.
    21.1. What happened?
    21.2. What were the options?
    21.3. What process did you use to derive a decision? How did this incident shape your approach to leadership since then?

8.2 Appendix B: MLQ and Servant leadership scores

Appendix A1

D Brown

Questions	0	1	2	3	4	Factor
1. I make others feel good to be around me			√			1
2. I express with a few simple words what we could and should do			√			2
3. I enable others to think about old problems in new ways				√		3
4. I help others develop themselves			√			4
5. I tell others what to do if they want to be rewarded for their work			√			5
6. I am satisfied when others meet agreed upon standards				√		6
7. I am content to let others continue working in the same way as always				√		7
8. Others have complete faith in me			√			1
9. I provide appealing images about what we can do				√		2
10. I provide others with new ways of looking at puzzling things				√		3
11. I let others know I think they are doing well				√		4
12. I provide recognition/rewards when others reach their goals				√		5
13. As long as things are working, I do not try to change anything		√				6
14. Whatever others want to do is OK with me		√				7
15. Others are proud to be associated with me				√		1
16. I help others find meaning in their work					√	2
17. I get others to rethink ideas that they had never questioned before					√	3
18. I give personal attention to others who seem rejected				√		4
19. I call attention to what others can get for what they accomplish				√		5
10. I tell others the standards they have to know to carry out their work			√			6
21. I ask no more of others than what is absolutely essential	√					7

Scoring: 0 = Very low to 4 = Very high

Factor					
1	Idealised influence	7	Moderate		
2	Inspirational motivation	9	High		
3	Influential simulation	10	High		
4	Individualised consideration	8	Moderate	9 High	Transformational
5	Contingent reward	8	Moderate		
6	Management by exception	6	Moderate	7 Moderate	Transactional
7	Laissez-faire	4	Low	4 Low	Laissez-faire

Behaviour	Weight *	Rating / 10	Score		
Empowerment	35	9	31.5		
Service	30	8	24		
Modelling	25	7	17.5		
Appreciation of others	10	8	8		
Total	100		81	High	Servant leader

Appendix A2

E de Waal

Questions	0	1	2	3	4	Factor
1. I make others feel good to be around me				√		1
2. I express with a few simple words what we could and should do				√		2
3. I enable others to think about old problems in new ways				√		3
4. I help others develop themselves			√			4
5. I tell others what to do if they want to be rewarded for their work			√			5
6. I am satisfied when others meet agreed upon standards				√		6
7. I am content to let others continue working in the same way as always	√					7
8. Others have complete faith in me				√		1
9. I provide appealing images about what we can do				√		2
10. I provide others with new ways of looking at puzzling things					√	3
11. I let others know I think they are doing well				√		4
12. I provide recognition/rewards when others reach their goals				√		5
13. As long as things are working, I do not try to change anything	√					6
14. Whatever others want to do is OK with me	√					7
15. Others are proud to be associated with me			√			1
16. I help others find meaning in their work			√			2
17. I get others to rethink ideas that they had never questioned before				√		3
18. I give personal attention to others who seem rejected		√				4
19. I call attention to what others can get for what they accomplish			√			5
10. I tell others the standards they have to know to carry out their work				√		6
21. I ask no more of others than what is absolutely essential	√					7

Please complete your score against EACH question. Only one score can be added to each question.

Scoring: 0 = Very low to 4 = Very high

Factor					
1	Idealised influence	8	Moderate		
2	Inspirational motivation	8	Moderate		
3	Influential simulation	10	High		
4	Individualised consideration	6	Moderate	8 Moderate	Transformational
5	Contingent reward	7	Moderate		
6	Management by exception	6	Moderate	7 Moderate	Transactional
7	Laissez-faire	0	Low	0 Low	Laissez-faire

Behaviour	Weight *	Rating / 10	Score		
Empowerment	35	7	24.5		
Service	30	7.5	22.5		
Modelling	25	6	15		
Appreciation of others	10	7	7		
Total	100		69	Moderate	Servant leader

8.3 Appendix C: MEB Code of Conduct

GUIDING PRINCIPLE # 1

Our integrity is not negotiable:

We do not use confidential or privileged information for personal gain (insider trading). We do not accept gifts or entertainment that could (or could be seen to) adversely affect our integrity or objectivity.

1. INSIDER TRADING

We should not use information, which is not available to the general public, for personal financial gain, because this would be unethical and may also be illegal.
Some examples:

a) If I know that Momentum is about to make an announcement, which could affect the price of its own shares, I should not buy or sell such shares until after the announcement has been made public;
b) If I know that Momentum is about to make a purchasing decision that could affect the share price of another company, I should not buy or sell in that company until the information has been made public;
c) If I know that Momentum is about to purchase land or buildings or build a new facility, I should not invest in any property near the site until this information has been made public; and/or
d) I should not trade in any shares based on inside information that I have about the company.

In exceptional circumstances I may need to buy or sell shares at a time when it may appear that I would be acting contrary to the spirit of this principle, in such circumstances I should obtain the chairman's written permission to buy or sell the shares by directing a request to the company secretary.

2. GIFTS AND ENTERTAINMENT

All our business dealings are honest and fair, we do not give anybody preferential treatment, nor do we do business with anyone on condition that they do business with us in return (or visa versa). We do not give or accept bribes. Small gifts and entertainment are acceptable if the receiver is not influenced to do any favours for the giver. Some "innocent" gifts or entertainment could create that wrong impression and should be avoided. Some examples:

a) It is acceptable to pay for or accept a business lunch if the expenses involved are kept at a reasonable level,
b) It is acceptable to give and/or receive advertising novelties, which are normally distributed widely;
c) I should not accept any gift, other than an advertising novelty, from any of Momentum suppliers; and/or
d) My manager should approve any out-of-town business trips where I am not paying for all or some of the travelling and/or accommodation (hunting trips, fishing trips, diving trips, holidays, etc.).

Important!

These principles may not be avoided by acting (or receiving something) through someone else. These are only guidelines and are not intended to deal with all possible integrity issues. These examples do not cover all possible situations where this guiding principle applies.

GUIDING PRINCIPLE # 2

We act in Good Faith:

We have to balance the "best interests" of all our stakeholders, in particular:

a) Our primary responsibility is to Momentum and its stakeholders;

b) We jealously protect our collective reputation (industry, company, group and stakeholders);
c) When we give advice, we act in the best interest of the other party, even if this at the expense of our own best interest;
d) We fully disclose personal business interests which could (or could be seen to) conflict with Momentum's best interest and
e) We conduct our personal affairs in a responsible manner.

1. PRIMARY BUSINESS RESPONSIBILITY

Our primary business responsibility is to Momentum and its stakeholders. We avoid doing things that are likely to prevent us from giving Momentum our best effort. Some examples are:

a) Managing a private investment portfolio which takes so much time that my work suffers as a result;
b) Being tired and ineffective at work because of, for example, one or more of the following:
    i. Running a private business in my spare time or using most of my annual leave to earn "extra income"
    ii. Being too involved on external bodies (school boards, community service, civic/political activities, etc.).

2. OUR COLLECTIVE REPUTATION

We jealously protect the reputation of the industries in which our group operates, the companies in our group, and all our stakeholders. The relevant industries include Banking, Life Assurance, Financial Advice, Health Insurance, Reinsurance, Employee benefits, Funds Management, Property Investment and Short-term Insurance. Our most important stakeholders include fellow employees, clients and shareholders. Some examples:

a) We don't "knock" our competitors or "run them down" but rather emphasise our competitive edge;
b) Momentum is a member of the Life Offices' Association (LOA) and we are bound by, and fully support, all directives, agreements and regulations issued by the LOA, the Replacement Agreement, "S" Code References and HIV Protocol are good examples;
c) We compete vigorously but at the same time we strive for healthy relationships with our competitors.

3. GIVING ADVICE

When we give advice, we act in the best interests of the other party, even if this is at the expense of our own best interest. For example, we will not pressurise a client to buy a certain product simply because we earn a higher commission on that product.

4. PERSONAL BUSINESS INTERESTS

We do not compete with Momentum and fully disclose personal business interests, which could be seen to conflict with the best interest of Momentum. Some examples:

a) I may not work for one of Momentum's competitors as an employee, consultant or director, unless I am specifically employed in that capacity.
b) I may not represent a supplier to Momentum or be part of its operating management, if I or my family have any interest in one of the group's business partners (e.g. supplier), I should fully disclose that interest;
c) I may not do any outside work while on Momentum time or premises, nor may I use Momentum resources equipment, materials or proprietary information for any outside work;

d) If I sit on an external body, which is considering a business transaction with Momentum, I should make it clear that I am a Momentum employee and if necessary, abstain from voting and clearly state that I am doing so to avoid conflict of interest or the appearance of one.
e) I should fully disclose any significant investment in a supplier, competitor or client of Momentum or the Life Group.

5. PERSONAL AFFAIRS

We conduct our personal affairs in a responsible manner. Some examples:

a) Our conduct at activities where our association with Momentum is apparent (e.g. sports functions, courses or social functions), will be such that Momentum's image is enhanced;
b) I should not invest in derivative instruments if I do not have the financial capability to absorb possible losses.

Important!

These principles should not be avoided by acting through someone else. These examples do not cover all possible situations where this guiding principle applies. These are only guidelines and are not intended to deal with all possible issues of "good faith".

GUIDING PRINCIPLE # 3

We respect the Confidentiality of Information

We maintain the confidentiality of sensitive information relating to:

a) The Company (including other companies in the Momentum and RMBH Group);
b) Our clients (policyholders in particular);
c) Our fellow employees; and

d) Our competitors.

Due to the nature of our work, we often obtain privileged information relating to our company, our clients, our fellow employees and competitors. These people trust us to keep this information confidential.

1. THE COMPANY / GROUP

Sensitive information includes our business strategies, product information, intellectual data (e.g. computer programs developed in-house and data bases) and internal policies (e.g. underwriting policy). We should be careful about giving out information relating to our business and in some cases it may be appropriate to clear such information with the Communications Department first. Information, which has already been made public, for example in our published financial statements or articles in the press, is already "public information" but we should be careful when we are invited to "comment on such information.

2. OUR CLIENTS

Sensitive information includes personal details (e.g. name, ID number, address, marital status, etc.) and financial information (e.g. banking particulars, assets and liabilities, etc.). The basic principles are that we shouldn't give out such information without written approval from the client, unless law requires this.

3. FELLOW EMPLOYEES

As our clients, sensitive information about fellow employees includes personal details and financial information. Once again, we shouldn't give out such information without written authorisation from the relevant employee, unless law requires this. This salary department may give out the relevant information about employees in response to a request for a credit reference check because this is part of their normal business activity.

Due to the nature of our jobs we may have access to fellow employees salary information. Under no circumstances should this information be shared with anyone else or communicated to anybody.

4. OUR COMPETITORS

Sensitive information is similar to that relating to our own business. Momentum, quite properly, collects information about its competitors, from a variety of sources available to the public. We should not collect such information by improper means, and should keep it confidential and only use it for the purpose intended.

Some examples:

a) Requests for business information (e.g. from the press), should be referred to by the Communications department;
b) Publications relating to our business should be cleared by the Communications department, this includes articles for magazines or newspapers, talks or presentations at public occasions, text books, academic theses, etc.;
c) Private conversations with my friends and family, particularly those working for our competitors; and
d) Participation at public meetings like training sessions, conferences, LOA meetings, etc.

Important

We should be careful not to give out sensitive information inadvertently, i.e. without meaning to do so. We should still maintain the confidentiality of sensitive information, even if we no longer work for Momentum!

GUIDING PRINCIPLE # 4

We get it Right the First Time:

We only tackle tasks, which we believe we are competent to perform. We are diligent in performing our duties (including "Due Professional Care" where applicable). We continually strive to do things better (continuous improvement).

We understand that high productivity is an important factor in determining profitability. If the company is profitable, all the stakeholders benefit, including the employees. We therefore strive to do things right the first time in order to avoid wasting valuable resources by doing things over and over again. On the other hand, we all understand that, if we always want to have everything perfect before starting a project, we may never get anything done. We are therefore not afraid of making mistakes, as long as we can show that we took reasonable steps to plan things properly.

1. COMPETENCE

We only tackle tasks, which we believe we are competent to perform. This is obviously subjective and we are all encouraged to "extend ourselves" beyond the comfort of maintaining the status quo. Nevertheless we understand that, to tackle a task, which we have no realistic expectation of completing successfully, would be very unproductive.

2. DUE DILIGENCE

Each one of us should be able to demonstrate that we have taken reasonable steps to ensure that our work will be completed correctly, and achieve the desired results. Those employees who are qualified professionals should be able to demonstrate that we took reasonable steps to comply with the Codes of Conduct and operating standards of their professions.

3. CONTINUOUS IMPROVEMENT

We continually strive to do things better and, although we give recognition for good performance, we understand that we can never "rest" on the achievements of the past. If we look hard enough, we know that we will always find better ways of doing our work. We are also not afraid to continuously re-evaluate the relevance of our work.

Examples:

a) If I get the feeling that "things are getting out of control", I should discuss this with my manager candidly;
b) You are the "owner" of your job. It is your responsibility to ensure that the work flows are managed correctly;
c) As "owner" of your job you are encouraged to make changes that will enhance the efficiency of the process.

Important!

We are encouraged to take risks and are allowed to make mistakes, but should still do this in a diligent manner. The real test: - taking the needs of all stakeholders into account, how would a reasonable person tackle this task?

GUIDING PRINCIPLE # 5

We tell the Truth:

We strive to reveal all material facts in all our reporting, both internal and external. We take reasonable steps to ensure that anyone, who reads a report, will not be misled. We acknowledge authorship when we use someone else's work.

Most employees collect and report information in some form or another. It is vitally important that these reports should be honest and accurate. Dishonest reporting, either inside or outside the company or group, is prohibited and, if it does occur may lead to civil and/or criminal prosecution, for the company, as well as the person making the report.

1. REVEALING ALL MATERIAL FACTS

All the information included in a report may be accurate but certain important facts may have been omitted, which will limit the reader's ability to make a proper evaluation of the issue being reported on. We therefore strive to reveal all material facts in all our reporting, both internal and external. If a report does not include important information that the author was unaware of at the time of writing the report, this would be regarded as reasonable.

2. ENSURING THAT THE READER WON'T BE MISLED

Information may be reported in a variety of different ways, which will in turn result in different interpretations of the information being reported. We understand this and therefore take reasonable steps to ensure that the reader of the report will not be misled. This includes verbal representations and presentations. If we have an idea that there may have been a misunderstanding in this regard, we have a duty to correct this immediately.

3. ACKNOWLEDGE AUTHORSHIP

When we present or report information or material in substantially the same form, as prepared by someone else, we acknowledge its use and identify the name of the author and/or the publisher of such material. In the same way, when we use factual information published, for example, by a provider of statistical information, we acknowledge the source of the information.

There are three reasons for this guiding principle:

Firstly, we shouldn't receive credit for work that we did not do,
Secondly, the real author deserves credit for his/her work; and
Thirdly, publishers are entitled to make a profit from selling their publications.

Important!

This guiding principle applies not only to reports, but also to presentations and verbal representations. The real test: - how will a reasonable person interpret what I am saying?

GUIDING PRINCIPLE # 6

We Respect Each Other:

We treat all people with dignity and respect. We do not discriminate on the basis of race, gender, religion or politics. We accept each one of us has areas of strength, as well as areas of weakness.

1. DIGNITY AND RESPECT

We treat all fellow employees and clients in a manner in which we would like to be treated. Those who are in a position of authority do not abuse this authority.

2. DISCRIMINATION

Momentum is a multi-cultural company. It is important that we respect the needs of other cultural groups. Opportunities in the company will be based purely on skill and commitment and not on the person's age, sex, race, gender or religion.

3. STRENGTHS AND WEAKNESSES

Strengths in others should be identified, developed and capitalised on. At the same time we should appreciate that everyone has certain weaknesses. These weaknesses can be compensated for via appropriate feedback, support and encouragement, as well as by using the complimentary skills of other members in the team.

GUIDING PRINCIPLE # 7

We are Law Abiding Citizens:

We take reasonable steps to comply with all laws and regulations applicable to our business. We are committed to uphold the Code of Ethics / Conduct of official bodies to which we are affiliated. We comply with copyright laws.

8.4 Appendix D: MEB Recruitment and Selection Policy

1. Principle

The adoption and implementation of fair, just, effective and successful practices in regard to the recruitment, promotion and management of employees is fundamental to MEB's manner of doing business.

2. Purpose

In support of MEB's Employment Equity Policy and giving due consideration to the requirements of employment law, the following policy is designed.

3. Guidelines

Where an authorised vacancy exists within MEB, MEB will, in the context of the Employment Equity Policy, the inherent requirements of the job, the developmental progress of current employees and the pool of suitable qualified candidates follow the guidelines as described below.

a) The company shall decide at the time of the vacancy arising as to whether to advertise the position externally or make use of an agent. However, all positions will be advertised internally as well.
b) The company will make use of a variety of assessment methods in assessing the suitability of candidates for positions including interviewing, reference checking, competency assessment and scientifically reliable and valid psychometric instruments. These will at all times be used fairly.
c) Selection criteria shall be objective, related to the inherent requirements of the job and consistently applied to all employees.
d) In providing specifications to external recruitment agencies, they will be required to abide by the principles and processes as defined in this document.

e) When advertising in the media, reference will be made to MEB's Employment Equity Policy and Plan.

f) Employment processes or criteria may not exclude any candidate from the designated groups, unless based on the inherent requirements of the job.

g) Non-job related qualifications and higher than necessary qualifications such as education degrees, linguistic abilities or length of service shall not be used to justify the non-selection of a person from a designated group.

h) The qualifications required for a position shall be based on position profile, competency model, job specification or job description.

i) MEB will not make use of pre-employment medical testing unless this is allowable in terms of the Department of Labour guidelines or Labour Court rulings.

j) When candidates are equal, or there is only a marginal difference in terms of primary job requirements and one such candidate is from the designated groups, he/she must be given preference, in the context of the set targets for that position area.

k) In order to maintain sufficient progress in terms of the set targets, it will be necessary, on occasions to utilise external recruitment where no suitable internal candidate from the designated groups can be found.

l) In assessing whether a candidate from the designated groups meets the minimum requirements for an entry-level position, particular regard shall be given to potential where experience is lacking.

m) A panel of interviewers shall make selection decisions.

n) Management at all times reserves the right to make the final selection decisions in regard to recruitment, selection and promotion decisions, and will use its best efforts in the context of this policy to ensure that these decisions are made fairly and with due attention to the business of the company.

4. Specific Guidelines For Probation

In the event that the selected employee is placed on probation, this will be recorded in the contract of employment, the term of probation shall be defined and shall not exceed three months. Details will be provided as to the performance indicators for successful completion of the probation, with regular reviews between manager and probationer.

5. Specific Guidelines for Promotions and Transfers

a) Prior to the vacancy being advertised, the HR Consultant must determine whether any existing or proposed rationalisation activities are occurring. Individuals affected by this will be notified immediately and, if suitably qualified, given the opportunity to apply for the position. The guidelines above will be followed.
b) The accountable HR Consultant is responsible for placing the internal advertisement. Wording of internal advertisements will be agreed with management and will not contain any unfairly discriminating factors.
c) All internal advertisements should be kept on the notice board and Intranet for a minimum of 7 working days.
d) Management may make no unilateral decision.
e) Effective performance management and career path planning activities for individual employees should aid in the objective assessment of capabilities against requirements for the position.
f) An employee wishing to apply for the position should notify their immediate manager out of courtesy should their application be accepted for a formal interview following the screening process.
g) Internal applicants' requests will be given due consideration taking into account all stakeholders' needs, which may extend to include the Division's Equity Policy and Plan.
h) Managers may not prevent an employee from applying for promotional or developmental opportunities.

i) Once a decision is taken to hire an internal applicant the new manager should consult over the timing of the transfer with the transferring manager.

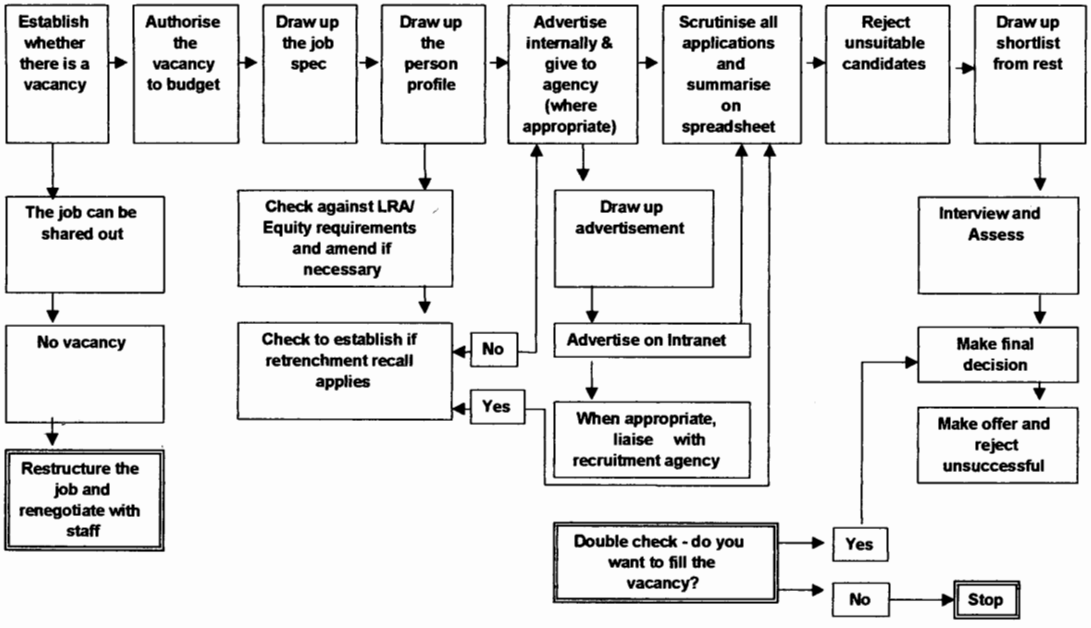
j) Once the transfer is finalised the HR Consultant will issue a letter of transfer to the transferee confirming any agreed amendment to terms and conditions of employment.

k) The division employing an applicant by way of transfer will take over the leave liabilities from the transferring division.

l) In the event that an internal applicant is unsuccessful, the HR Consultant must undertake to formulate a revised career path framework together with the individual(s) concerned.

6. Decision Flow Chart

The attached flowchart is a guideline to the implementation of the policy.



7. Disputes

In the event that there is a dispute regarding the non-selection of any candidate for a position, the provisions of either the company's grievance policy or, if the dispute is based on alleged unfair discriminatory practices, via the Equity Dispute policy will apply.

8. SUMMARY OF RECRUITMENT PROCESS

Definition

Recruitment and Selection is a process through which people are selected and appointed in accordance with the organisation's human resource needs.

Objective

To deliver competent people who help the organisation achieve its business objectives.

Principles

a) Best person for the job is applied at all times (in the context of MEB's Employment Equity Plan).
b) All vacancies are advertised internally and externally (where appropriate) to ensure transparency and accessibility to all applicants.
c) Team/panel interviews involving existing staff from an integral part of the selection process.
d) All appointments are made in terms of requisite competencies, i.e. successful candidates will be measured in terms of their ability to perform a specific job.
e) Recruitment and selection of people aligns with statutory requirements.

The recruitment service will only be provided if this process is adhered to.

8.5 Appendix E: MEB Employment Equity Plan

POLICY STATEMENT

In support of the stated aims of Employment Equity Legislation, MEB believes that economic competitiveness and social justice in employment are inextricably linked.

In subscribing to the principles of equal opportunity and fair employment practices we recognise the need to introduce affirmative action policies. In doing so, we believe it to be crucial that such policies be implemented within the context of developing human capital, thereby benefiting not only the company as a competitive entity but also the individual as a positive economic participant.

As a designated employer, the company further commits to undertake specific measures to create equity in employment, by employing and developing people from the designated groups.

Appropriate steps will be taken to ensure that all employees, job applicants and other stakeholders are advised of this policy and the procedures and plans associated with it.

Recruitment, promotion and selection decisions will be made on the basis of the individuals' formal qualifications, prior learning, relevant experience (or capacity to achieve this within a reasonable period of time) and the ability to do the job.

1. VISION

In achieving success in our business, we shall promote equal opportunity in the workplace. We shall strive to make all levels and occupational categories of our staff more respective of the demographics of South Africa and the region within which we operate.

2. MISSION

In the process of maximising returns for all stakeholders, and recognising the role of employees as stakeholders, we will:

a) Ensure that there are no unfair discriminatory policies or practices within the company;
b) Develop employment relationships that are based on mutual respect and dignity;
c) Provide accelerated opportunities for suitably qualified people from the designated groups in order to ensure their full participation in the company;
d) Provide access to employees from designated groups to learning, experience and personal growth;
e) Acknowledge and understand that the process of achieving employment equity is a sensitive process and that people from the non-designated groups may feel isolated, we shall ensure that they are part of the process;
f) Ensure that the implementation of policies and practices aimed at achieving employment equity will be consulted upon and will be managed transparently and openly.

3. VALUES

We, as employees of Momentum Employee Benefits, subscribe to the values of ethical conduct in all our dealings, in being open, honest and transparent with each other, suppliers and our clients. We respect each other and highly value and respect diversity as a crucial dimension to our continued success.

4. INTRODUCTION

In developing the Equity Plan, management ensured that all employees received notification of the commencement of this process, were made aware of the contents of the pending legislation, and were encouraged to nominate representatives with whom management could consult on the development of the Equity Plan.

A consultative group was elected and this group received training on the content of the legislation, its intentions, values, processes and outcomes.
This group comprises 15 employees representing both the designated and non-designated groups in the company.
With the facilitative assistance of an external consultant and the Human Resources Department, this group has been charged with the responsibility of commenting and proposing alternatives in regard to the development of the Employment Equity Plan.

5. OBJECTIVES

5.1 Targets

The company will maintain a documented and updated action plan to realise a more representative employment profile, reflecting the population of South Africa. This will be targeted at 2005. These plans will take account of both regional, national demographics and the pool of suitably qualified candidates from designated groups available for recruitment or promotion
Each business unit head will be responsible for ensuring that the targets and plans are met and will take full accountability for this.

5.2 Training Plans

Training and development will at all times be focused on increasing employee's capabilities and competencies in meeting the requirements of the job, whether this is their current job, or the next. To this end, development plans are designed with each employee, and particular attention is paid to the enhanced requirements that employees from designated groups may have in developing competencies in areas where they previously may not have had experience.

5.3 "Internship" Program and Plans

In support of the policy of the company regarding development talent from educational institutions, the company has a graduate Trainee programme. This programme aims at recruiting young graduates from university with either no experience or at most one year's experience.

The graduates are recruited on the basis that they will spend one year working in all the different departments of the company in order to gain practical knowledge and experience.

The graduate trainees are informally evaluated constantly and formally have a review of their performance and learning every three months.

In the event that a trainee wishes to remain in one area, and there is a position for the trainee in that area, and the trainee is found to meet the job requirements, the trainee will be appointed into that area and will move off the formal training programme. In the event that the trainee continues with his/her programme and there is a position for him/her at the end of the period, the trainee will receive preferential attention at the recruitment and selection stage.

Trainees are encouraged to further their studies part time while on the graduate trainee programme, and are eligible for study assistance in terms of the company policy below.

In this way there will be a greater pool of suitably qualified black people from which to recruit or promote into senior and skill positions, thus supporting the successful outcome of the Equity Targets.

5.4 Bursary Programme

The company has an educational assistance policy, which enables employees to further their studies and improve their qualifications.

Employees may receive loans from the company to study towards higher qualifications in fields that support the business of the company.

The employees repay the loan over the period of study and when they successfully pass the qualification, they are reimbursed for the costs of the study.

5.5 Diversity Sensitisation Plans

It is recognised that South African Society is in transition and that constant attention will need to be paid to ensure that the transformation takes place not only in regard to employment of people from the designated groups, but also in the manner in which people in the company relate and understand one another. This is in the context of truly developing and appreciating diversity and the rich contribution that it will make to the company.

The company will therefore be conducting employee satisfaction surveys annually, as well as socialisation occasions, and diversity management workshops for all staff.

The objective in this regard is that during the period from January 2000 to June 2001 all employees will attend diversity workshops during which they will learn more about each other, each other's cultures and the richness of diversity that the company enjoys.

At entry to the organisation new employees will be expected to support the values of the organisation and those of employment equity in particular, this will be enunciated both in their letters of appointment and in their induction.

6. EMPLOYMENT EQUITY DISPUTE RESOLUTION

The company undertakes to handle disputes about issues related to the principles and application of this Employment Equity Plan as sensitively as possible.

The company recognises that there may be individuals who may feel that their aspirations have been denied in the process of developing employment equity, and the company will make reasonable efforts to assist these individuals by providing them with guidance, coaching and exposure to diversity.

The company further recognises that it has a responsibility to ensure that the values and regulations of employment equity have to be upheld and that any disputes regarding this must be brought to management's attention as rapidly and sensitively as possible. These disputes include disputes regarding behaviour, selection, promotion, training, and benefits.

Where there is a formal dispute regarding employment equity, the individual concerned must, in the first instance raise the concern with the HR Department. In the event that this is not satisfactorily resolved, the employee will raise it with the Equity Forum for discussion at the Equity Forum meeting.

In the event that it is not satisfactorily resolved at this level, the employee will revert to the company's grievance procedure and raise the matter via these channels.

In the even that the dispute is not satisfactorily resolved internally the employee will have the right to declare a dispute via the CCMA.

8.6 Appendix F: MEB Affirmative Action Policy

(To be read in conjunction with Employment Equity Plan)

Understanding Affirmative Action

In view of the changing socio-political environment in South Africa, as well as with a view to preparing ourselves for operating in a different economic, political, and legislative framework, it has been decided to adopt an affirmative action strategy as a means of creating employment equity. Affirmative action is, above all, necessary because it is the right thing to do. It should be very clear; therefore, that affirmative action as a strategy should be short-term in nature. This short-term nature is dependent on the pace with which a representative staff profile as well as a changed culture is achieved.

1. AFFIRMATIVE ACTION DEFINITION

1.1 A generic definition

"Affirmative action is a planned process and strategy aimed at transforming the socio-economic environment in order to create access to opportunities, including developmental opportunities, for the disadvantaged – based on their suitability – resulting in successful organisations and a growing economy".

1.2 A MEB specific definition

"Affirmative action is a planned process and strategy aimed at *transforming MEB* in order to create access to opportunities, for the disadvantaged – based on their *suitability* – resulting in a *competitive* and successful company".

1.3 Affirmative action as a broad concept

Affirmative action should be viewed as a broad process and strategy aimed at the restructuring and transformation of society. It is a *normalisation* of society. It is a *normalisation process.*

The application of affirmative action within individual institutions or organisations would, naturally, assume a somewhat narrow approach. It is however, important that the broad objectives of affirmative action be the context of such application. One such broad objective of affirmative action is the ownership of capital or equity participation by the disadvantaged in business enterprise. Our efforts in facilitating equity participation by the disadvantaged are dealt with outside our in-company affirmative action drive.

1.4 Identification of the disadvantaged

The designated groups are the following:
Blacks
Coloureds
Asians
White women
Disabled

1.5 Premise for affirmative action in MEB

The implementation of affirmative action in MEB will rest on two pillars, namely *culture change and employee development.* A culture that is transformed will be characterised by openness, empowerment and freedom from all forms of unfair discrimination and prejudice, especially as this relates to race and gender.

Appropriate and purposeful training, nurturing and development of employees, especially from the designated groups, will form a critical component of our success in affirmative action. The development of the targeted groups will be accelerated. However, perpetual training of the targeted should be avoided.
The people from the designated groups should be given an opportunity to hold down meaningful roles. Training in itself is not affirmative action, nor should affirmative action be equated with training.

Affirmative action will result in the upgrading of the skills of all employees, particularly the disadvantaged, and consequently improvements in productivity and performance levels. Affirmative action is an upliftment strategy for all levels of employment, not just management. It is however, important to note that targets will be specifically set for management and/or occupational levels as a simple and direct way of measuring the representation and empowerment of the disadvantaged.

1.6 Affirmative action is merit-based

Affirmative action is about the identification of the best individuals from the designated groups in line with the realistic and fair requirements of the job.
A culture and development-based affirmative action strategy will attract and develop individuals from the designated groups. In other words, our affirmative action strategy is compatible with merit and suitability. It is, however, critically important to note that merit has to be measured as objectively as possible and understood to incorporate potential. It is on the basis of potential that many individuals from the designated groups will be given opportunities.

2. BENEFITS OF AFFIRMATIVE ACTION

2.1 Broadening of the skills base

South African companies have traditionally relied on one sector of the population from which to draw skilled staff – a sector that is not only small, but is shrinking. Implementing affirmative action broadens the employment base.

2.2 Healthy competition

Affirmative action ensures a greater number of people who compete for employment – thus raising performance levels and productivity.

2.3 Market penetration

Affirmative action recognises the demographic shape of the community we serve and the country we live in.

2.4 Enrichment

Affirmative action introduces into the workplace people from different backgrounds, which in turn bring different perspectives, resulting in creative and innovative ways of solving problems.

2.5 Motivation

Affirmative action creates role models and consequently inspires those who have been excluded from playing meaningful roles in business.

2.6 Legitimacy

Affirmative action creates access to key roles within the organisation for people from the designated groups, thereby ensuring support and legitimacy for the existence of the organisation.

It is apparent from these benefits that, while individuals from the designated groups benefit in terms of opportunities now opened to them, the primary and real beneficiary of affirmative action is the company. These benefits provide a firm business and economic basis for the company to embark on affirmative action.

3. AFFIRMATIVE ACTION AS A FIRST AND ESSENTIAL STRATEGY

Affirmative action is a strategy designed to correct past imbalances and systemic discrimination and is a prerequisite and base strategy in the broader process of transforming MEB's (organisational) culture into an inclusive and empowering one, creating employment equity. While it is a first step in providing access for black and female talent to the mainstream economy and business organisation – especially at skilled and management levels – which leads to a greater diversity and economic empowerment of blacks and women, affirmative action cannot be reduced nor equated to diversity management or corporate social responsibility, It is a first and base step without which diversity, economic empowerment and economic growth are not possible or would be difficult to achieve.

Achievement in affirmative action within an organisation should be measured in terms of a representative staff mix (all levels), developed employees and an empowering corporate culture. When the culture is sufficiently changed, equal opportunity or employment equity or workplace democracy prevails.

4. KEY SUCCESS FACTORS

4.1 Commitment from top management

Vital to the success of any measures designed to ensure employment equity is the visible commitment of senior management.

The Managing Director's and MEB Exco role is central to providing the programme with momentum and credibility. His sustained, visible and hands-on approach to affirmative action will ensure the buy-in into the process by other key stakeholders such as line management.

4.2 Participation

Support, commitment and participation, of a critical mass, of both black and white (especially male) staff complement are vital for the success of the affirmative action strategy and programme. Participation is of fundamental importance to the legitimacy and credibility of the process.

THE MANAGEMENT OF AFFIRMATIVE ACTION

1. CULTURE CHANGE

Proper people management and a supportive environment are vital to the success of an affirmative action programme.

The launch of the MEB Employment Equity process in 1999 was an acknowledgement that the culture in MEB needed to be sensitised and transformed for affirmative action to be successful. The aspects of the culture requiring attention were those pertaining to the fair treatment of staff irrespective of race, gender, disability, etc.

A new inclusive culture will motivate and empower all MEB people. It will include a healthy and supportive people management style that will have a direct bearing in retention of the designated groups. Service consciousness will be enhanced among staff and consequently lead to higher productivity, giving MEB a competitive edge.

2. HUMAN RESOURCE POLICIES, PROCEDURES AND PRACTICES

2.1 Training

To achieve effective equality of opportunity, designated groups have to be given accelerated training to enable them to acquire a higher level of skills. Training ensures that people selected to fill roles identified in line with the affirmative action programme are properly qualified and empowered to perform their jobs.

The facilities for effective training are being developed in all MEB Business Units. It is equally understood that individuals from the designated groups will exhibit an appetite to be trained commensurate with the training effort.

2.2 Recruitment and selection procedures

These have to be continuously examined and reassessed by the Human Resources Consultants in the Business Units with the support of the Employment Equity Forum to ensure that black and female employees are not excluded on the grounds of discrimination. Criteria that covertly exclude other groups should be abolished. The key non-discriminatory determinant should be performance suitability.

2.3 Retention

Retention of people from the designated groups (in the context of the Employment Equity Policy and Plan) is vital to the meeting of affirmative action targets. Retention best practices will be identified and processes developed for utilisation within MEB.

2.4 Performance management

Appraisals are vital in identifying constraints affecting individual's performance and the gap between their competencies and extra competencies required to do their jobs. Performance management therefore constitutes a critical aspect in the training and development of individuals. Performance Management cannot be undertaken without prior setting of clear and measurable targets and goals for employees through performance agreements.

2.5 Succession planning and career paths

Each employee, together with his/her supervisor/manager, should develop a career path based on the employee's potential, career interests and goals.

The existence of a career path plan for each employee enables the development of succession planning in each division and the organisation. Succession planning is vital to the survival and sustainability of the organisation.

3. TARGET SETTING

Realistic numerical goals and timetables have to be set per division and for the organisation. Setting targets in divisional terms will allow for adaptation to the peculiarities of individual divisions. Divisional targets should tie in with overall targets.

3.1 Target setting process

The business unit management and the Business Unit Head set out business Unit targets. This activity will be preceded by a sensitisation process on affirmative action in the context of MEB's Employment Equity Strategy. The Human Resources Consultants in the Business Unit will do this.

The targets are consolidated as Business Unit targets as part of the key performance areas of a business unit. The targets are then presented with motivations to the Employment Equity Forum for review and advice.

The Equity Employment Steering Committee and MEB Exco approves the targets in consultation with the Managing Director.
The Managing Director has a final veto/approval of all targets.

Key areas of concentration in target setting:

a) GAP Analysis
b) Assessment of the current representation of the designated groups at various levels/ occupational categories in each division.
c) Skills inventory to assess the skills and experience of staff from designated groups currently employed in a business unit.
d) Skills required per division that are in short supply among the targeted groups.

e) Measures to counteract the skills shortage have to be devised in order to broaden the base of skilled candidates for promotion and recruitment in line with the dynamics of the business strategy plan.

4. RESOURCE ALLOCATION

The achievement of the actions in this policy requires financial and human resources outlays. The training, recruitment and affirmative action implementation strategies as well as control systems proposed will fail unless appropriate budgetary allocations are made. Such financial allocation should be viewed as an investment for the future success of MEB.

5. ACCOUNTABILITY AND RESPONSIBILITY

Line managers have responsibility for implementing affirmative action. They will be accountable to their Business Units, who are in turn responsible to the Managing Director.

6. MONITORING, COMPLIANCE AND ENFORCEMENT

Human Resources Consultants will have responsibility for monitoring the implementation of affirmative action in each division. The Human Resources Consultants will report directly to the Managing Director on the progress of the various initiatives. A composite report will be compiled by the HR Facilitator and submitted to MEB Exco and the Managing Director.

7. REWARDS AND SANCTIONS

Systems that encompass rewards and sanctions have to be designed to encourage implementation. Such systems need to impact on the recipient and it is thus suggested that the rewards and sanctions should be included in the targets for the incentive scheme.

The divisional directors will agree with the Managing Director on the structures of these penalties and rewards. Without the existence and the utilisation of such systems affirmative action will not eradicate artificial barriers to advancement and growth.

8. COMPLAINTS, INVESTIGATIONS AND RECOURSE

It is important that both the designated and non-designated groups should be in a position to lodge complaints regarding the implementation of affirmative action in their respective Business Units. The receipt of complaints and the responsibility for any ensuing investigation will remain within the portfolio of the Managing Director and the Employment Equity Forum.

9. BENCHMARKING

The performance of the group in affirmative action will be subject to external surveys and measurements to ensure desirable progress and macro-alignment in affirmative action matters.

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