

**THE INFLUENCE OF STRATEGIC LEADERSHIP IN AN
ORGANIZATION**

**A CASE STUDY:
ELLERINE HOLDINGS LIMITED**

**A thesis submitted in Partial Fulfilment of the requirements
for the Degree of
MASTER OF BUSINESS ADMINISTRATION (MBA)**

**of
Rhodes Investec Business School
Rhodes University**

**by
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December 2009

DECLARATION

I, Vikash Mathura, hereby declare that this research thesis is my own original work, that all reference sources have been accurately reported and acknowledged, and that this document has not previously, in its entirety or in part, been submitted to any University in order to obtain an academic qualification.

A handwritten signature in black ink, appearing to read 'Vikash Mathura', is positioned above a horizontal line.

Vikash Mathura

December 2009

ABSTRACT

A review of the academic literature related to %strategic leadership+ reveals that the performance of an organization will indeed be influenced by the application of this phenomenon. This thesis confines its research to a case study on Ellerine Holdings Limited, a multi-billion rand enterprise that trades in the competitive Southern African furniture retail industry. Following the 2007 acquisition of Ellerine Holdings Limited (EHL) by African Bank Investments Limited (ABIL), a new Chief Executive Officer (CEO) was appointed to develop and to lead the strategic changes that were envisioned for EHL.

The research examines how the performance of EHL has been influenced since the appointment of Toni Fourie as the new CEO in February 2008. Boasting a reputation borne from his previous successes in organizational transformation, Fourie was ABIL's first-choice leader for this challenge. Fourie displays qualities, attributes, behaviours and traits that are characterized by the phenomenon of %strategic leadership+. He has been the focus of media attention for the aggressive strategic changes that he has introduced within the organization.

A quantitative analysis of EHL's financial performance (between 2007 and 2009) indicated that there was a constant decline in the organization's PBT (Profit Before Taxation) during the period observed. However, the research determined that turbulent conditions in the macro-economic environment (such as the global economic recession in 2008 and 2009) complemented by mitigating micro-economic factors, would have adversely skewed the conclusions in this document if the research was limited to quantitative analysis alone.

Hence, the researcher explored a qualitative research framework by collecting and assimilating data from available documentation, and from formal interviews that were conducted with research participants representing the organization's new leadership.

These participants included the new CEO, Fourie, and the new Director of Strategy, Dr. Louis Carstens. Information was also obtained from informal discussions that were conducted with other senior executives, and with an ex general manager of one of EHL's business units, who was based in the Eastern Cape region at the time. An examination of all of this data concluded that although Ellerine Holdings Limited was not achieving all of its financial-performance objectives, there was general consensus that the CEO's strategic choices would yield the desired financial results from the medium-term (namely, year-03 of his tenure) onwards.

The CEO's optimism and conviction that his strategic interventions will address long-term financial sustainability is shared by both EHL's internal and external stakeholders. It emerged that EHL's stakeholders were satisfied with the accelerated progress reflected in the organization's non-financial performance indices. These indicators included the sowing of a new organizational culture; improved cost-base efficiencies; labour productivity; customer satisfaction; employee empowerment; innovation and creative thinking; collaborative and participative engagement; structural rationalization, and the introduction of new processes and procedures.

The research from the EHL case study concluded that the phenomenon of strategic leadership can have a positive influence on various qualitative indicators within an organization. The research also determined that despite unforeseen conditions in both the macro and micro economic environments, an effective strategic leadership will remain committed to its vision, and resilient to its critics and competitors.

This research further concludes that successful organizational transformation (within a macro enterprise) is ostensibly dependent on the interventions of a strategic leader who displays a specialist set of skills and behaviours. These strategic leaders have the ability to successfully shift the cognitive paradigms of their employees, thereby creating an enabling environment for the implementation of their strategic choices.

ACKNOWLEDGEMENTS

I recall my first MBA study-block at Rhodes Investec Business School (RIBS). The first day, Sunday 18th February 2007, was dedicated to orientation. Professor Gavin Staude emphasized the relevance of a strong support system if the %Class of 2007+intended completing the challenging MBA degree during its prescribed three years. His advice still reverberates as I acknowledge the following people, for being %my+support system:

- The Director of RIBS, Prof. Gavin Staude, for accepting my MBA application, and for understanding how important this was to me
- My supervisor, Dr. Noel Pearse, for his invaluable insights and advice during the compilation of my dissertation
- The gorgeous ladies at RIBS, Ros Parker and Nicole Craig, for always cracking a smile and for indulging all of my administrative requests
- My colleagues from the %MBA Class of 2007+: Sybel Swanepoel; Leticia Greyling; Philip Jacobs; Mark Tshoni; Colin Bosch; Thobile Duma; Tracey Chambers; Darlene DeVos and Wayne Erlank, who have become my friends for life
- My research participants from Ellerine Holdings Limited, Fourie (CEO) and Dr. Carstens (Group Executive: Strategy), for allowing me to use EHL as my case study, and for their honest contribution
- My two children, Shabadh and Simran, for your purity and innocence; for understanding why daddy had to miss your birthdays, and for being two of my biggest pillars of support
- And lastly, my wife Jagruthi (JJ), for your inspiration; confidence; patience; wisdom; encouragement and love. I really owe this to youō

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CHAPTER 01

INTRODUCTION

1.1. Background

The only “constant” in business, is “change”...

(Adapted: Heraclitus, 535 BC)

Louw and Venter (2006) advise that organizations do not exist in isolation, but that they form part of a broader environment characterized by rapid and uncertain change. To succeed and survive, these organizations need to adapt to these environmental changes (Louw and Venter, 2006). Louw and Venter (2006) also suggest that globalization has resulted in industries becoming increasingly competitive, and that the successful organizations maintain their competitive advantage by constantly differentiating themselves from the products and (or) services offered by their competitors. These interventions are introduced in response to the changes in both micro and macro economic conditions, and in response to the changes in demands; preferences and purchasing behaviours of consumers (Louw and Venter, 2006).

To resist stagnation in the firm's growth, otherwise referred to as organizational inertia (Louw and Venter, 2006), proactive firms have focused on product and (or) service innovation; re-examining their purpose; re-inventing themselves; re-engineering their processes and procedures (Louw and Venter, 2006), and on placing emphasis on the development of the organization's human capital (Bartlett and Ghoshal, 1997).

Some organizations have also ventured into acquisitions to achieve greater market power (Hitt, Ireland and Hoskisson, 2005), whilst simultaneously diversifying their portfolios. However, leading and managing these changes within an organization, so as not to create chaos (Hayward and Preston, 1999) and concern amongst the firm's internal and external stakeholders, requires a specialist leader who possesses a unique set of skills.

This skills-set is characterized by a unique combination of behaviours; qualities; traits and attributes. Such leaders also espouse a set of values that galvanize their employees towards a commitment of achieving organizational goals (Louw and Venter, 2006). These leaders are extremely strategic in nature.

There is no paucity of literature related to the different types of leadership. Although this research makes appropriate references to some of these leadership types (detailed in Chapter 02), its primary focus is on the phenomenon of strategic leadership, and as a concomitant focus, on its consequent influence on organizational performance.

According to Hitt *et al.*, (2005), the primary responsibility for effective strategic leadership rests at the top, and in particular, with the Chief Executive Officer (CEO). Rothschild (1996) added that it is imperative that an appropriate CEO be matched with the requirements of the organization. The best organizations have effective leaders at all levels (Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen, 2004), but it is the top-level executives who are ultimately responsible for the survival and for the success of the organization (Amos, 2006), especially during the rapidly changing and evolving business realities.

The aforementioned dynamics have been constantly playing itself out within the context of the changing South African business landscape. Consequently, an appropriate macro enterprise was selected as the case study for this thesis. During the past twenty-four months, the company that serves as the case study for this research (described in section 1.4.) became the subject of a major acquisition that resulted in the appointment of a new Chief Executive Officer in February 2008.

Since his appointment, the new CEO has been the focus of attention from both the media and the respective industry, for the aggressive strategic changes that he has led within the enterprise. This research attempts to

investigate this particular CEO's strategic leadership style, and to interpret the influences thereof on the performance of the researched company.

1.2. Research aim and objectives

The research aim is to examine how the exercising of strategic leadership has influenced the performance of the researched company. In order to achieve this research aim, the following seven research objectives were identified:

- Identify the behavioural attributes that characterize the new CEO
- Describe the role and the tasks of the new CEO
- Analyse the strategic choices made by the CEO
- Describe how the CEO has led the strategy implementation process
- Analyse the CEO's influence on softer management issues such as people management and organizational culture
- Assess the financial performance of the researched company
- Describe the focus of the CEO's medium and long-term agendas

The results from this research is intended to propose recommendations and advice to current business leaders; future business leaders, and (or) to organizations, regarding the exercising of effective strategic leadership.

1.3. Research methodology

The research focussed on the study of one organization. Hence, a holistic single case study research method was used (Gray, 2004). The researcher attempted to immerse himself in the natural setting of the researched company in order to describe the actions and events. Emphasis was also placed on developing and building inductively based new interpretations of first-order descriptions of events (Babbie and Mouton, 2006). This inductive approach resonates with the theoretical constructs of the interpretivist research paradigm that resides within the qualitative research framework.

Objectivity within this qualitative framework was maintained by the adoption of an inter-subjective position (Babbie and Mouton, 2006). The research generated insider descriptions by establishing a genuine rapport with the research participants, and by gaining their trust (Babbie and Mouton, 2006).

Formal interviews were conducted with research participants, comprising the new Chief Executive Officer and the new Director of Strategy. Information was also solicited from interviews with other senior executives, and with an ex general manager of one of EHL's business units, who was based in the Eastern Cape region at the time. Relevant information and quantitative data from available documentation (including published audit reports), were also sourced for the purposes of realising the research aim.

Techniques such as 'time-series analysis' were used to analyse the quantitative data collected (Yin, 1994). 'Thick descriptions' (Babbie and Mouton, 2006) characterize the presentation style that is used to describe the behavioural attributes of the new CEO; to describe his role and his tasks; to analyse the CEO's strategic choices; to describe how he has led the strategy implementation process; to analyse his influence and engagement in 'softer' management issues such as people management and the sowing of a new organizational culture, and to describe the strategic focus of the CEO's medium and long-term agendas.

The performance of the research company was then examined and described both qualitatively and quantitatively. These descriptions precede conclusions and eventual recommendations.

1.4. The company researched

In December 2007, the Competition Tribunal approved the proposed acquisition of Ellerine Holdings Limited (EHL) by African Bank Investments Limited (ABIL), without conditions (Competition Tribunal, 2007). A copy of this approval is attached as Appendix 01.

The acquisition created a union between two macro enterprises from two diverse industries. It attracted attention from the media; the retail furniture industry and from the banking industry (Home Goods Retailer, 2008a; Rose, 2008; Moneyweb, 2009). At the time of selecting Ellerine Holdings Limited as the case study, the enterprise boasted a 17% market share in the South African furniture retail industry; comprised 1 260 stores (Fourie, 2009), and employed an estimated 17 000 staff (SA's Top Performing Companies, 2008).

African Bank Investments Limited, a Top 100 JSE listed corporation (Financial Mail, 2008) took operational control of Ellerine Holdings Limited, a former Top 100 JSE listed corporation (Financial Mail, 2006), in February 2008, with the appointment of Fourie as the new Chief Executive Officer (Rose, 2008).

Prior to Fourie's appointment, the organization was characterized by a complex hierarchical group operational structure (EHL's Group Operational Structure - Pre 2008, attached as Appendix 02). After his appointment, Fourie led various strategy workshops that eventually informed the firm's corporate strategy. This strategy included a rationalization of EHL's complex hierarchical organizational structure, and the adoption of other strategic interventions.

Described as someone who thrives on driving organizational change, and as the obvious choice to head up the furniture retail group (Home Goods Retailer, 2008a), Fourie's reported challenges were to strategically lead EHL and to formulate a business model that would give a new lease of life to the then cost-inefficient organization (Home Goods Retailer, 2008b).

1.5. Thesis outline

This thesis consists of five chapters.

In Chapter 02 (namely: Literature Review), a review of literature is presented that relates to the phenomena of leadership; leadership styles; strategic leadership; the values; behaviours and traits associated with strategic leadership; capabilities of effective strategic leadership; tasks and roles

associated with effective strategic leadership; strategic choices; the architectural role of strategic leadership in determining organizational structure; strategic leadership as a key driver of strategy implementation, and the influence of strategic leadership on organizational performance.

Chapter 03 (namely: Research Methodology) details the research aim; the research objectives and the research paradigm that have been identified. The discussion also focuses on the research methodology; the case study method; an inductive approach; an inter-subjective position; the research participants; data collection techniques and analysis; objectivity; issues of quality; ethics; and on the limitations of this research.

The outcomes of this research are presented in Chapter 04 (namely: Findings and Discussion). Thick descriptions characterize the presentation style of the qualitative data that has been collected and assimilated. Relevant quantitative data is discussed by using ratios and percentages to illustrate the results of time-series analysis (Yin, 1994). Included in this chapter, are critical thoughts and interpretations that were derived from the results of the findings.

Chapter 05 (namely: Conclusion) summarises the key findings of the research and examines the value of this case study. Recommendations are presented to the reader regarding the application of effective strategic leadership in an organization. The chapter also addresses the issue of ~~the~~ transferability of the findings, and details recommendations for further research.

CHAPTER 02

LITERATURE REVIEW

*Just as old world explorer's navigated uncharted waters, today's executives have the challenge of **leading** organizations into new unmapped outposts of the global market place.*

(Gregersen, Morrison and Black, 1998:21)

2.1. Introduction

The literature that was reviewed for this research reveals that firms endeavour to employ the unique skills of specialist strategic leaders to successfully lead and manage envisaged organizational changes. Whilst there is no paucity of information related to the phenomenon of leadership, the concept of an **effective strategic leader** is nebulous, and still requires much investigation. Goleman (2001) corroborates this by suggesting that strategic leadership will never be an exact science.

In this chapter, a review of the literature related to the phenomenon of **strategic leadership** is presented. The chapter focuses on the definitions of strategic leadership; the values; behaviours and traits associated with strategic leadership; capabilities of effective strategic leadership; tasks and roles associated with effective strategic leadership; strategic choices; the architectural role of strategic leadership in determining organizational structure; strategic leadership as a key driver of strategy implementation, and the influence of strategic leadership on organizational performance.

The essence of strategic leadership (as discussed in section 2.3.) is characterized by various traits; behaviours and attributes that contribute towards effecting changes within a firm. These changes are ultimately intended to achieve predetermined organizational goals. Consequently, it is relevant to preface the literature review on strategic leadership with insights that are detailed next (in section 2.2.), entitled **Leadership in general**.

2.2. LEADERSHIP IN GENERAL

2.2.1. The essence of leadership

The art of leadership is to hold employees accountable for results, while at the same time, maintaining morale and employee satisfaction+ (Kirby, in Carter and Jones-Evans, 2006:293). Bass (1997:17) advises that the essence of leadership is conceived %as the focus of group processes; as a matter of personality; as a matter of inducing compliance; as the exercise of influence; as particular behaviours; as a form of persuasion; as a power relation; as an instrument to achieve goals; as an effect of interaction; as a differentiated role; as an initiation of structure, and as many combinations of this definition+.

It follows that it is difficult to access a definition of leadership that is both common and (or) widely accepted. That is arguably so, because leadership, by its very nature, is characterized by attributes rather than by norms. The essence of leadership seems to refer to an ability to influence others to willingly contribute to the attainment of pre-determined organizational goals, thereby enhancing organizational performance.

A relationship between the phenomena of %leadership+ and %performance+ is alluded to in Schein's (1980:15) definition of an %organization+, wherein he states: %An organization is the planned co-ordination of the activities of a number of people, for the achievement of some common explicit purpose or goal (*ie: the performance*), through division of labour and function, and through a hierarchy of authority and responsibility (*ie: the leadership*)+.

Amos, in Louw and Venter (2006), and Rowe (2001), purports that leadership is the ability to utilize cognitive and emotional intellect to influence people to achieve organizational vision & goals, whilst ensuring short term stability and long term viability, by knowing when to use the different types of theoretical models, and recognizing the need for change, and steering the implementation of the required change ie: adapt and renew.

Arguably, Daft (1996) was most concise with his suggestion that the essence of leadership simply involved influence; intention; personal responsibility; shared purpose; followers, and **change**. Daft's (1996) reference to **change** can also be contextualized with the **changing realities** in the global business environment. These changing realities constantly influence the roles and the styles of leadership that are required in firms.

2.2.2. Changing realities

Ireland and Hitt (2005) caution that without effective leadership, the probability that a firm can achieve superior or even satisfactory performance when confronting the challenges of the global economy, will be greatly reduced. Further, the realities associated with the global business environment have evolved profoundly during the recent decades. Bartlett and Ghoshal (1994) advised that the 1990s had introduced new paradigms, with technological; competitive and market changes eroding the effectiveness of the hierarchical business structure.

Bartlett and Ghoshal (1994) also alluded to an organizational migration from an old doctrine of **strategy; structure and systems** (implemented during **The Old Industrial Era**), to a more organic model that is based on the development of **purpose; processes and people** (prescribed for **The New Information Age**). According to Bartlett and Ghoshal (1994), this represented the new organizational model for the **new reality**.

After further research, Bartlett and Ghoshal (1997:94) suggested that **an emerging organizational framework** was shaping this new organizational model. Three fundamental trends were characterizing this emergence, namely: a bottom-up management approach; cross-unit integrative processes, and a sincere commitment by the organization's leadership to the concept of empowerment (Bartlett and Ghoshal, 1997).

The pronouncement that a new organizational model was being shaped implied that, by association, the role of the firm's leadership was also evolving.

2.2.3. The evolving role of leadership

Bartlett and Ghoshal (1997) presented compelling arguments for the new competencies; skills and abilities that they observed in the evolving role of leaders. They suggested that organizations were shifting away from singular-power and exclusive capitalist-based approaches, to a position that was based on leveraging the expertise; knowledge and wisdom of all empowered employees. Hence, in coining the phrase 'from organization man to individualized corporation', Bartlett and Ghoshal (1997:114) advised that 'as the Industrial Era evolved into the Information Age, the organization's scarce resource was shifting from capital to knowledge'.

The postulations by Bartlett and Ghoshal (1997) can be applied to the case study of Coca Cola Sabco (Beaty and Ristow, 2004). Whilst both Martin Jansen and his predecessor Philipp Gutsche were successful CEOs during their respective tenures at Coca Cola Sabco (Beaty and Ristow, 2004), it could be argued that Gutsche's hierarchical approach (a top-down leadership style) and his capital-based focus, would probably not have yielded the desired results in the new reality. In contrast to Gutsche's leadership style, Jansen adopted the 'PPP-Management' approach (namely: Purpose; Processes; People). Jansen supported his approach with a philosophy of collaboration, thus inciting confidence; trust; commitment; stretched initiative; execution; discipline and support from his diverse team (Beaty and Ristow, 2004).

Grant (2000) declared that the greatest challenge for leaders in the twenty-first century would be to benefit from the gains associated with transforming the knowledge that lies within human heads, into explicit reusable knowledge. Bartlett and Ghoshal (1997:114) suggested that 'the objective of the evolving leadership role would be to capture and leverage the knowledge and the expertise of each employee'. This implied that leaders would have to embody enhanced 'people management' skills, and that this task would require a leadership style that is characterized by unique behaviours.

2.2.4. Leadership behaviour

Hellriegel *et al.* (2004:289) declare that leadership behaviours can be learnt and that individuals can be trained to lead more effectively. Assumptions made by leaders about their subordinates have been documented in McGregor's (1960) Theory X and Theory Y models. It is advised that effective leaders should focus inherently on the assumptions of the Theory Y model, which assumes that subordinates like to work; that they are committed and will exercise self-control, and that they learn to accept and to seek responsibility at work (McGregor, 1960). These assumptions allow a leader to involve subordinates in decision-making and problem-solving; to delegate responsibility and authority; and to reduce the danger of micro-management.

Goleman (2001) alludes to a more contemporary approach, by likening the phenomena of leadership and leadership behaviours to the sport of golf. His analogy suggests that, depending on the situation, an effective golfer will know exactly which golf-club to use from his (or her) golf-bag to ensure that he (or she) will achieve the desired result. Hellriegel *et al.* (2004) corroborates Goleman's (2001) analogy by alluding to various contingency models of leadership, which suggest that the situation will determine which strategic behaviour to use. The declaration by Hellriegel *et al.* (2004) regarding a leader's adaptive behavioural capacity reinforces Hersey and Blanchard's (1982) earlier scholastic work, wherein they allude to notable outcomes from their theory on situational leadership. Hersey and Blanchard (1982) argue that a leader should adapt his (or her) leadership style and behaviours according to the level of readiness of his (or her) subordinates to undertake the desired task.

Thus far, as a preface to reviewing the literature on strategic leadership, the discussion has focussed on the essence of leadership; the changing realities; the evolving role of leadership, and on leadership behaviours, in the context of the constant changes being experienced within business landscapes. Next, literature related to the phenomenon of strategic leadership is reviewed.

2.3. STRATEGIC LEADERSHIP

2.3.1. Introduction

Ireland and Hitt (1999:43) cautioned that %competition in the 21st century% global economy will be complex; challenging, and filled with competitive opportunities and threats+. However, Ireland and Hitt (1999) recommended that the exercising of effective strategic leadership practices would help firms to enhance their performance while competing in turbulent and unpredictable environments. If the recommendation by Ireland and Hitt (1999) is to be adopted by organizations, it is first relevant to understand what the essence and capabilities of %strategic leadership+are.

2.3.2. The essence and capabilities of strategic leadership

Guillot (2003:67) cautions cynically that %the only thing harder than being a strategic leader, is trying to define the entire scope of strategic leadership+. This implies that the scope of strategic leadership is ostensibly broad, and that this phenomenon involves various capabilities; characteristics and behaviours. Canella and Monroe (1999) advise that research into the phenomenon of %strategic leadership+has been characterized by a virtually exclusive focus on the top executives of organizations, namely, on their CEOs, thus reinforcing the notion that %strategic leadership+is directly associated with a firm's Chief Executive Officer

Charlton (1993:13) suggested that a Chief Executive Officer's critical success factors are commonly measured against %hard work; leadership; motivating people; interpersonal issues; displaying an ability to learn on the job; the successful linking of strategic planning and implementation, and the managing of innovation and organizational change+. It is worth noting at this stage, that although the notion of %organizational change+might be embraced by some of the firm's employees, other employees may contemporaneously be resistant to envisioned changes.

Organizational change impacts on the entire firm, and therefore requires an experienced strategic leader (who displays unique capabilities; characteristics and behaviours) to be at the helm of the organization, to lead it through the envisioned changes.

Boal & Hooijberg (2000:516) suggested that %strategic theories of leadership are concerned with the leadership of organizations+, and that %they are marked by a concern for the evolution of the organization as a whole, including its changing aims and capabilities+. This postulation by Boal and Hooijberg (2000) is unfortunately nebulous of capturing the essence of the phenomenon of %strategic leadership+. However, in their definition, Hitt, Ireland and Hoskisson (2005:376) purported that the essence of %strategic leadership+ is the %ability to anticipate; envision; maintain flexibility, and empower others to create strategic change as necessary+.

Hitt *et al.* (2005) also advised that the core of strategic leadership resides in the ability to manage the firm's operations effectively; the ability to sustain high performance over time, and the ability to achieve this through candid; courageous and pragmatic decision-making. Louw and Venter (2006) add to the scope of this phenomenon, by declaring that %strategic leadership+ is about leading entire organizations, and that it requires a fundamental understanding of the enterprise and of the environment within which it operates. Amos (2006) suggests that this organizational understanding is used to create strategic change through other people, so as to position the respective firm for short-term stability and for long-term viability. Hayes (2006) added that firms and their leaders should be alert to the necessity of creating and implementing strategic changes in order to compete more effectively in the current global environment.

Arguably, Amos, in Louw and Venter (2006), suggests the most all-encompassing definition of %strategic leadership+ to date. Amos (2006) advises that the essence of strategic leadership is the ability to think strategically; the ability to be emotionally intelligent (EQ); the ability to use a range of behaviours and the wisdom to apply the right combination of

behaviours at the right time; the ability to utilize transformational leadership, and the ability to apply an African leadership philosophy and approach. In his definition of 'strategic leadership', Amos (2006) draws on the essence of three key approaches to leadership, namely: EQ leadership; transformational leadership and African leadership.

Hellriegel *et al.* (2004:301) concisely describe transformational leadership as 'leadership by motivating'. Hellriegel *et al.* (2004) further purport that transformational leadership involves leaders inspiring their subordinates to think about resolving problems in new and innovative ways, and that it is characterized by the leader's ability to influence others by using words, and (or) through the leader's actions. According to Hellriegel *et al.* (2004), transformational leadership involves a blend of leadership behaviours that include vision (creating a vision that binds people together); framing (defining the firm's purpose in a highly meaningful way), and impression management (controlling the impression that subordinates have of the leader through natural and sincere expression).

Hellriegel *et al.* (2004) conclude that transformational leadership entails idealized influence; inspirational motivation; individualized consideration, and intellectual stimulation. Hence, in his definition of 'strategic leadership', Amos (2006) draws on the transformational leadership approach to support his postulation that strategic leadership also involves (amongst others) the key capability of motivating employees.

Amos (2006) also includes an EQ leadership approach in his description of the all-encompassing essence of 'strategic leadership'. According to Goleman (2000), there are six leadership styles that arise from different components of emotional intelligence (EQ), namely: coercive; authoritative; affiliative; democratic; pace-setting and coaching. Goleman (2000) also concludes that effective leaders use a collection of distinctive leadership styles, each in the right measure, and at just the right time (also corroborated by Hersey and Blanchard, 1982, and by Hellriegel *et al.*, 2004).

According to Goleman (2000:82), the authoritative style (which exists within the constructs of EQ leadership) will have the strongest positive effect in terms of impacting on the overall organizational climate, and consequently on the organization's performance. Goleman (2000) argues that this is so because it involves the leader mobilizing people towards a vision, and the leader inviting employees to follow him (or her).

Goleman (2000) concludes that the authoritative style is most effective when organizational changes require a new vision, or when a clear direction is needed in the firm.

Du Preez (2000) added that leaders who display high levels of EQ in their leadership roles, will apply their emotional intelligence skills in their organizations in the following five practical ways: they will develop a collective sense of goals and objectives, and they will determine how to achieve them; they will proactively instil in others the knowledge and appreciation of the importance of work activities and behaviour; they will encourage flexibility in decision-making and change; they will generate and maintain excitement; enthusiasm; confidence; optimism; co-operation and trust in the organization, and they will establish and maintain a meaningful identity for the organization.

In his earlier literary work, Goleman (1998:93) advised that the five components of EQ leadership included self-awareness; self regulation of one's behaviour; motivation; empathy, and social skills. Further, Goleman (1998) argued that these are important disciplines that should be inherent in leaders. The definitions and the hallmarks of these five components are illustrated in Table 01.

It therefore follows that in his definition of strategic leadership, Amos (2006) draws on the EQ leadership approach to support his postulation that strategic leadership also involves the key capabilities of being empathetic; motivational; confident; self-aware; self-regulatory, and of having social skills.

Table 01: Five components of emotional intelligence (Source: Goleman, 1998:95)

The Five Components of Emotional Intelligence at Work		
	Definition	Hallmarks
Self-Awareness	the ability to recognize and understand your moods, emotions, and drives, as well as their effect on others	self-confidence realistic self-assessment self-deprecating sense of humor
Self-Regulation	the ability to control or redirect disruptive impulses and moods the propensity to suspend judgment—to think before acting	trustworthiness and integrity comfort with ambiguity openness to change
Motivation	a passion to work for reasons that go beyond money or status a propensity to pursue goals with energy and persistence	strong drive to achieve optimism, even in the face of failure organizational commitment
Empathy	the ability to understand the emotional makeup of other people skill in treating people according to their emotional reactions	expertise in building and retaining talent cross-cultural sensitivity service to clients and customers
Social Skill	proficiency in managing relationships and building networks an ability to find common ground and build rapport	effectiveness in leading change persuasiveness expertise in building and leading teams

In his reference to also being able to apply an African leadership philosophy and approach in strategic leadership, Amos (2006) alludes to the importance for strategic leaders to display the quality of humanitarianism, as prescribed by the African term *ubuntu*. Translated, *ubuntu* means humanity to others or *am what I am because of who we all are* (Ubuntu, 2009).

The concept of African leadership focuses on the leader's inherent awareness of the importance and relevance of social responsibility, and of cultural diversity. Khoza (1993:121), who endorses the African leadership style, is cynical of western management theory and styles, and criticizes that these continue to form the foundation of leadership in African organizations. Khoza (1993) further cautions that it is a fallacy to believe that one can impose a business culture on a people and make it work perfectly, without taking into account the cultural archetypes of the people in question.

Owing to the phenomenon of African leadership being relatively new, little academic theory and insufficient empirical evidence exists to support it. However, in his definition of strategic leadership, Amos (2006) draws on the defining characteristics of African leadership to support his postulation that strategic leadership also involves the key capabilities of being alert to cultural diversity; humanitarianism, and to social responsibility.

Strategic leaders inherently focus on both people and on production. Nel *et al.* (2004:339) advocate that leaders ought to imbibe a type of leadership that places emphasis on teamwork; goal orientation; excellent results through participative management; people involvement; and the ability to manage conflict. These capabilities are included (amongst others) in Amos's (2006) all-encompassing definition of the essence of strategic leadership.

Whilst Blake and Mouton's (1978) leadership grid is not a strategic leadership theory, their depiction of the team leader, as represented by the 9,9 leadership style in Figure 01 below, places emphasis on the importance of strategically leading both the organization's people and its production.

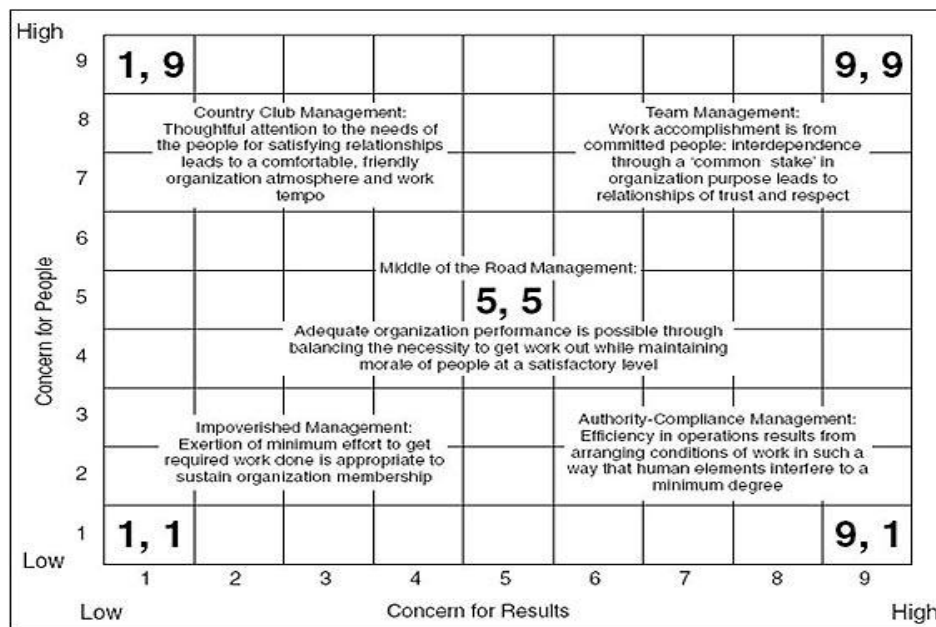


Figure 01: The leadership grid (Source: Blake and Mouton, 1978:11)

Following Goleman's (2000) conclusion that an authoritative leadership style is most effective when organizational changes require a new vision, or when a clear direction is needed in the firm, Dubrin (2001) suggested that an organization's strategic leader should have the capability to set a direction for the organization; to help the firm deal with the external environment, and to help to develop organizational policies.

The importance that is placed on strategic leaders to successfully manage these organizational changes cannot be over emphasized. Strategic leaders can be the organization's source of competitive advantage, if their work is unique; valuable; costly to imitate; rare and non-substitutable (Dutton, Ashford, O'Neill and Lawrence, 2001). Dutton *et al.* (2001) also advise that an effective strategic leader can become a source of competitive advantage when he (or she) is capable of focusing his (or her) work on key issues that ultimately shape the firm's ability to earn sustainable above average returns.

2.3.3. Tasks and roles of effective strategic leadership

2.3.3.1. Introduction

The capabilities of a strategic leader (as discussed in section 2.3.2.) serve as pre-requisites for him (or her) to engage successfully in a number of tasks (Nel *et al.*, 2004) and roles within an organization. Aligned with the aforementioned capabilities, Amos (2006) advises that strategic leaders have very defined tasks and roles, all of which are critical to the outcomes of their leadership portfolios.

According to Amos (2006), the tasks and roles of strategic leaders include the determination of the organization's strategic direction to engender commitment; making strategic choices; managing the firm's resource portfolio; managing and leading the organizational culture to support the firm's strategy; emphasizing ethical practices; establishing balanced control systems; determining the organization's structure; leading the strategy implementation process, and managing organizational performance.

These tasks and roles will be discussed in further detail from section 2.3.3.2. to section 2.3.3.10.

To ensure that the aforementioned tasks are effective, Hitt *et al.* (2005) advise that effective strategic leaders must be able to meaningfully influence the behaviours; thoughts and feelings of those with whom they work. In their earlier work, Hitt and Ireland (2002) hypothesized that the ability to manage human capital may be the most critical of a strategic leader's tasks.

From her research, Graetz (2000) advises that managing organizational changes (through strategic leadership interventions) involves two primary roles, namely: %charismatic+ (underpinned by strong interpersonal skills that are crucial for envisaging; empowering and energising followers) and %instrumental+ (characterized by organizational design; control and reward systems).

Rowe (2001) added that the primary role of strategic leaders includes the placing of emphasis on ethical behaviour and on value-based decisions; overseeing the day-to-day operations of the organization and its long-term strategic responsibilities, and formulating and implementing strategies for immediate impact whilst also preserving long-term goals that will enhance organizational survival; growth and viability.

According to Rowe (2001), other characteristics associated with the tasks and role of strategic leaders include: having strong positive expectations of the performance anticipated from management and supporting staff; using financial controls whilst placing emphasis on strategic controls within the framework of the respective organization; using and interchanging tacit and explicit knowledge on both individual and organizational levels; using linear and non-linear thinking patterns and believing in their strategic choices, and that it will make a difference to their organizations and to the environment. Rowe (2001) also cautioned that influencing employees to voluntarily make decisions that enhance the organization, is arguably the most important task of the strategic leadership function.

Flowers (2004) argued that mastering the art of communication is a critical task for an effective strategic leader. According to Flowers (2004:43), "at the strategic level, communication requires sharing information—not controlling it; open dialogue—not rank-determined discussions; and flexible perspective-taking—not turf-protection."

All of the aforementioned tasks are important considerations when implementing strategy (Amos, 2006). However, as purported by Guillot (2003), the scope of the phenomenon of "strategic leadership" is broad, and the tasks and roles of an effective strategic leader are equally extensive. Therefore, for the purposes of this case study research, emphasis will be placed on selected strategic tasks and roles that are associated with "strategic leadership."

The remainder of this chapter will focus on reviewing literature associated the tasks of determining strategic direction to engender commitment; making strategic choices; managing the firm's resource portfolio; managing and leading the organizational culture to support the firm's strategy; emphasizing ethical practices; establishing balanced control systems; determining the organization's structure; leading the strategy implementation process, and managing organizational performance.

2.3.3.2. Determining strategic direction

According to Dubrin (2001), a strategic leader's first critical task is that of determining the strategic direction of the organization. Hitt *et al.* (2005) advised that determining strategic direction involved the development of a long-term vision of the organization's strategic intent. Thorne (2000) added that it is through this vision that a strategic leader provides the motivational impetus for followers to act upon. Gluck (1984) proposed that that the role of an effective strategic leader is to make continual contributions to the strategic direction and to the success of the corporation. At this juncture, it is relevant to note that the characteristics of effective strategic leadership are related to innovation and to strategic change (Werther, 2003).

Louw and Venter (2006) argue that during the execution of strategic changes, it is vitally important for strategic leaders to translate the strategy into a vision that sets the organization's strategic direction. Amos (2006) adds that it is equally important for the entire organization to buy into this vision, as it will facilitate the implementation of the strategy.

Amos (2006) also alludes to two primary components of a good vision, which include a core ideology (comprising core values and a core purpose), and an envisioned future (which serves as a unifying focus of effort for all employees to strive towards). The envisioned future serves as a guide to many aspects of a firm's strategy implementation process, including motivation; leadership; employee empowerment, and organizational design (Hitt *et al.*, 2005).

Although the responsibility of setting the firm's ultimate strategic direction resides with the Chief Executive Officer, it is important to note that a diverse top management team, representing various areas of expertise, is more likely to identify environmental changes (opportunities and / or threats) or changes within the organization that require a different strategic direction (Tihanyi, Daily, Dalton and Ellstrand, 2000). This declaration by Tihanyi *et al.* (2000) resonates with the concepts of participative management and of horizontal organizational structures (detailed later in section 2.3.3.8.3.) as discussed by Nel *et al.* (2006) and by Jackson and Schuler (2003).

A key imperative for determining the organization's strategic direction is the ability of the strategic leader to make the appropriate strategic choices.

2.3.3.3. Making strategic choices

In an interview with scholar Donald Hambrick, Canella (2001:40) notes Hambrick's interpretation of strategic leadership, wherein he states: 'the term strategic leadership is meant to connote two main things: that we're talking about people at the top of the organization, and that we're interested in the full scope of their activities, including their strategic choices'.

The strategic choices that are made by leaders are dependent on various micro and macro economic factors that influence the organization's internal and external contexts (Amos, 2006). It therefore follows that an organization's performance is dependent on the strategies that are formulated and implemented.

Next, some of the definitions of 'strategy' in its most basic context are discussed. Thereafter, relevant literature related to the following complex strategic choices is reviewed: turnaround and revenue growth; shared competencies; divestiture or exit strategy; corporate restructuring; organizational transformation, and innovator strategy.

2.3.3.3.1. The essence of strategy

Mintzberg (1995) defined strategic thinking as 'seeing ahead'; 'seeing behind'; 'seeing above'; 'seeing below'; 'seeing beside'; 'seeing beyond' and significantly 'seeing it through'.

Louw & Venter (2006:12) define 'strategy' as 'the overall scheme for leveraging resources to obtain a competitive advantage'. A company's strategy is concerned with the issue of 'how'. How does the strategic leader intend to grow the business? How will the firm build a loyal clientele and out-compete rivals? How will each functional piece of the business be operated? And finally, how will organizational performance be increased and sustained? (Thompson, Strickland & Gamble, 2005).

Louw and Venter (2006) identify three levels of strategy: 'corporate level strategy' is concerned with the overall purpose and scope of the organization; 'business level strategy' is concerned with how the organization competes and attains a competitive advantage in each area of business, either as a low cost producer; a differentiator; or as a focus firm, whilst 'functional level strategy' is concerned with implementing business strategies through the functional areas of marketing; production; IT; finance; human resources; etcetera.

Rwigema (2006) adds that corporate level strategy seeks to determine the appropriate blend of business ownership as a means to maximizing shareholder value. Rwigema (2006:212) concludes that the manner in which executives (ie: the strategic leaders) manage environmental change, will discernibly shape the organization's future and its ability to compete effectively.

2.3.3.3.2. Turnaround and Revenue Growth

Rwigema (2006) suggests that turnaround is an important strategic choice that strategic leaders may make, and that it applies to either an organization or to a business unit that has potential, but which may have suffered setbacks during recent times. A turnaround is intended to transform the organization or the business unit into a more potent competitor (Rwigema, 2006).

Rwigema (2006) advises that revenue growth is a common strategic choice for leaders, and that it could be implemented and achieved via product modification; increased levels of customer service; pricing policies, and financing options (amongst others). According to Rwigema (2006), certain organizations have successfully turned their fortunes around by combining well-known brands and strategic business units. Rwigema (2006) argues that this combination strategy could create organizational benefits through the sharing of core competencies.

2.3.3.3.3. Shared competencies

Rwigema (2006:219) postulates that organizations with distinctive strengths (namely: marketing; IT; HR; R&D; finance; etcetera) can spread them over various business units, thereby lowering unit costs for the organization, as a whole. Pearce and Robinson (2003:171) advocated that organizational efficiencies can be improved through rationalization and synergy. Synergies help to lower prices; increase market share, and consequently raise profitability (Pearce and Robinson, 2003).

According to Bennett (1997:54), synergies are created when innovation is stimulated through co-operation; when ideas are pooled and implemented; when research developed in one area is shared; when one marketing outlet distributes a wider range of products; when economies of scale and scope develop; when new products are introduced sooner; and when some divisions or business units can cross-subsidize others temporarily.

2.3.3.3.4. Divestiture or Exit Strategy

Louw and Venter (2006) suggested that divestiture implies the sale or closure of an organization or major parts of it, with the intention of focussing on healthier divisions. Rwigema (2006) added that divestment may be voluntary, taking the form of harvesting a business that either lacks synergy, or is non-core. These non-core units may no longer fit the organization's corporate profile. Hence, in that context, the term harvesting implies asset reduction (Rwigema, 2006). Louw and Venter (2006) advise that strategic leaders in a multi-business organization may divest to redirect the firm's resources into one or more niches where it foresees greater prospects.

Divestiture (or exit strategies) might be the preferred strategic choice when strategic leaders feel that resources can be better deployed elsewhere; or if the business unit is peripheral to the organization; or if the business unit does not contribute to core organizational goals or enhance the brand image (Louw and Venter, 2006).

2.3.3.3.5. Corporate restructuring

Restructuring is a strategy through which a firm changes its set of businesses, or financial structure (Hitt *et al.*, 2005:220). According to Louw and Venter (2006:233), the strategy of corporate restructuring involves radical changes to the businesses within the corporate portfolio. Hitt *et al.* (2005:220) advise that firms may use a restructuring strategy because of changes to their external or internal environments.

Louw and Venter (2006) propose that there are three components of corporate restructuring:

- Organizational restructuring: This involves changing the firm's processes; activities and relationships at the business unit level. The objective is to enhance the overarching effectiveness and efficiencies of the firm. (Organizational structures are discussed in further detail in section 2.3.3.8.)
- Financial restructuring: The objective is to curb expenditure, and to thus reduce overall costs. Alternatively, this could also entail the strategic offering of more attractive financial solutions to customers
- Portfolio restructuring: This involves the rearrangement of the business mix, so as to maintain, if not add value. The corporate portfolio could include businesses from different industries. Hence, managing this portfolio could entail divesting from certain businesses, or merging with others

According to Hitt *et al.* (2005), firms may also engage in downsizing (within the framework of restructuring). This could either involve reducing the overall number of employees in the firm, or it could entail reducing the number of operating business units that exist within the organization's corporate portfolio (Hitt *et al.*, 2005).

2.3.3.3.6. Transformation or Renewal

Nel *et al.* (2004:515) advise that organizational transformation (or renewal) is the purposeful effort to alter the structure and processes of an organization, so as to make it more effective and productive. It is the attempt to improve the company throughout. Organizational renewal is usually stimulated by changes in the environment. These changes, in both the micro and macro economic environments, could affect an organization's market positioning, thus negatively influencing its performance and its ability to earn sustainable above average returns for its shareholders.

Nel *et al.* (2004) also argue that there can be no transformation by an organization unless the individuals and the groups from within the firm are willing to alter their patterns of behaviour; adopt new attitudes, and embrace different beliefs. Transformational change is the most massive scope of change. With this change, the organization moves to a radically different future state. The organization's mission; culture; goals; structure; and leadership may all change dramatically (Nel *et al.*, 2004:503).

Whilst Nel *et al.* (2004) propose that adaptation; innovation and change are critical factors for organizational survival, they also caution that change must be managed through strategic leadership interventions, because people (namely: employees) generally fear and resist change. Nel *et al.* (2004) also advise that leaders who plan and implement changes must be able to predict the reasons why employees may resist the change.

For this purpose, effective change and leadership goes hand in hand (Nel *et al.*, 2004). Krieg (2002) proposes the following leadership approach when embarking on a process of organizational transformation: develop a need to change; develop a change vision; develop a communication strategy; communicate the vision; get worker leaders informed; get the transformational teams together; do an organizational audit; decide on the change process strategy; prepare the organization and also the stakeholders; implement the changes; remove hindrances; mainstream the changes, and allow for adjustments to the strategic plans.

Kotter (1995:61) presents a more concise eight-step strategy to leaders, detailing how to embark on successfully transforming an organization: establish a sense of urgency; form a powerful guiding coalition; create a vision; communicate the vision; empower others to act on the vision; plan for and create short-term wins; consolidate improvements and produce more change, and finally, institutionalize new approaches.

This eight-step strategy (Kotter, 1995) is illustrated in Figure 02.

Although simplified in terms of its sequential approach, Kotter (1995) cautions that there is a high correlation between the successful implementation of his eight-step guide, and the quality and calibre of the strategic leader who is tasked with leading the organization's transformation process.



Figure 02: Eight steps to transforming an organization (Source: Kotter, 1995:61)

2.3.3.3.7. Innovator strategy

This is an important strategic choice for leaders who determine a strategic direction (for the firm) that involves an enhanced approach to redesigning the organization's operations. The objective of such a strategic choice is to create enhanced customer service benefits. According to Pycraft, Singh and Phihlela (1997:169), "an organization that adopts an innovator strategy+ enhances both its structure and its infrastructure+.

Pycraft *et al.* (1997) argue that a very high degree of integration will exist between product design; operations and marketing. This will ensure that the firm is not only flexible in the short-term to respond to competitive pressures, but that it will also have the expertise and the ability to introduce new products faster and more effectively than its competitors (Pycraft *et al.*, 1997).

Whilst the ability to make effective choices is critical in a strategic leader's arsenal of capabilities, the leader's ability to align his (or her) strategic choices with the firm's core resource portfolio is of paramount importance.

2.3.3.4. Managing the firm's resource portfolio

According to Hitt *et al.* (2005), organizations usually have multiple resources that are categorized as either financial capital; human capital, or social capital. This portfolio of resources is managed by strategic leaders in a manner that is intended to achieve competitive advantage over the firm's rivals. Although resources are instrumental to a competitive advantage, Sirmon, Gove and Hitt (2008) advise that a firm's strategic leadership must be able to effectively bundle and deploy the organization's key resources for the desired advantage to be realized.

The organization's resources and capabilities are organized into core competencies that represent those activities and functions in which the respective firm really excels (Nel *et al.*, 2006).

The strategic choices that support the firm's strategic direction are guided by, and aligned with, the organization's key resources, and by association, with its core competencies. These core competencies are usually difficult for competitors to imitate, and are non-substitutable (Amos, 2006).

Managing the organization's financial capital requires constant monitoring and control to strategically reduce the firm's cost-base, thus increasing its profitability. These interventions are aimed at ensuring sustainable above-average returns to shareholders.

Hitt and Ireland (2002) advise that in today's knowledge-based economy, human capital may be the most important resource in corporations. However, managing the human capital resource (namely: the tacit and explicit knowledge of the workforce) demands a strategic focus on training and development investments; knowledge and skills enhancement programs, and on all other people-management initiatives that require close collaboration with the entity's Human Resource Management function (Hitt *et al.*, 2005, and Amos in Nel *et al.*, 2006). Learning results in innovation, and innovation leads to competitive advantage (Hitt *et al.*, 2005).

According to Hitt and Ireland (2002), social capital involves the relationships between individuals and organizations that facilitates action and creates value. Social capital is a critical resource for strategic leaders to manage, as it involves relationships both inside and outside of the organization (Hitt *et al.*, 2005). The social capital component of the firm's resource portfolio can be strongly influenced by the prevailing organizational culture (Hitt *et al.*, 2005).

Hitt and Ireland (2002) declare that a firm's *internal social capital* is concerned with the relationships between strategic leaders and those whom they lead, whilst its *external social capital* is concerned with the relationships between strategic leaders and those outside of the organization with whom they interact to further the firm's interests.

2.3.3.5. Sustaining an organizational culture

According to Ireland and Hitt (1999), organizational culture refers to the complex set of ideologies; symbols and core values that are shared throughout the firm. An organizational culture is the unique pattern of shared assumptions; values, and norms that shape the socialization activities; language; symbols; rites and ceremonies of people in the firm+(Jackson *et al.*, 2003:152). Strong cultures provide clear guidelines of how people in the organization should behave.

Jackson *et al.* (2003) also affirm that organizational culture has the potential to enhance both organizational performance and individual satisfaction. Organizational culture can be a source of competitive advantage. It regulates and controls the behaviour of employees, and thus influences how the organization conducts its business (Hitt *et al.*, 2005).

According to Schein (1992), it is important for strategic leaders to analyse the culture of the organization when implementing strategy. This is imperative as it will determine the appropriateness of the prevailing culture, whilst also informing the leadership of the need to create; manage, or even change the respective culture (Schein, 1992).

These strategic decisions may be necessary for the purposes of aligning the firm's culture with the organization's vision and strategic direction (Nel *et al.*, 2006). Changing a firm's organizational culture may be more difficult than maintaining it, but effective strategic leaders recognize when change is absolutely essential (Hitt *et al.*, 2005).

There is no paucity of academic literature that emphasizes the inextricable relationship between strategic leadership and organizational culture. Whilst managing this relationship represents one of the implicit challenges for the firm's leadership, the need to strategically lead an organization in a manner that is epitomized by ethical practices+is equally essential.

2.3.3.6. Emphasizing ethical practices

Maintaining ethical practices reinforces the organization's values. Hitt *et al.* (2005:391) advise that the effectiveness of processes used to implement the firm's strategies, increases when they are based on ethical practices. Ethical behaviour from the leadership also encourages and enables people at all layers of the organization to act ethically. Amos (2006) adds that leaders need to be aware of their own values, and that they need to ensure alignment of their personal values with those of the organization.

Ethical practices must shape the firm's decision-making processes and be an integral part of the organization's culture (Hitt *et al.*, 2005). Accordingly, strategic leaders will be able to foster and influence an ethical organizational culture by developing; revising; updating and disseminating the firm's code of conduct to every employee (Hitt *et al.*, 2005).

2.3.3.7. Establishing balanced organizational control systems

Balanced organizational control systems are critical tools for strategic leaders to enhance their strategy implementation processes (discussed further in section 2.3.3.9.). These control systems are key imperatives for ensuring that the organization achieves its desired goals and objectives (Hitt *et al.*, 2005). The balanced scorecard is a control-tool that is commonly used by organizations to measure and monitor their performances in strategic functional areas of their operation (Kaplan and Norton, 1996).

The balanced scorecard is discussed in further detail in section 2.3.3.10.4. According to Hitt *et al.* (2005:394), controls help strategic leaders to build credibility; demonstrate the value of strategies to the firm's stakeholders, and promote and support strategic change. Most importantly, controls provide the parameters within which strategies are to be implemented.

2.3.3.8. Determining organizational structure

2.3.3.8.1. Definitions and considerations

As alluded to in section 2.3.3.3., an organization's leadership is usually faced with the challenges of making various strategic choices, all of which are aimed at supporting the firm's strategic direction (detailed in section 2.3.3.2.). Having discussed one of these strategic choices (namely: corporate restructuring) in section 2.3.3.3.5., it is relevant to note in this section, that re-designing the organizational structure is often a critical component of the corporate restructuring process.

Hitt *et al.* (2005) suggest that in addition to determining various strategic initiatives, the leadership of an enterprise play an architectural role in the development of an appropriate organizational structure that is aligned with the strategic objectives of the entity. In their scholastic work, Finkelstein and Hambrick (1996) declared that an organizational structure is highly determined by the strategic direction envisaged for the entity.

Okumus (2003:876) defines organizational structure as the shape; division of labour; job duties and responsibilities; the distribution of power, and decision-making procedures within the company. Louw and Venter (2006:406) suggest the following definition: the formal pattern of interactions and co-ordination designed by management to link the tasks and patterns of individuals and groups in achieving organizational goals.

Okumus (2003) cautions that issues for consideration must include: the impact of a new strategy on potential changes in duties; roles; decision-making; and on reporting relationships. Leaders must consider whether the organizational structure facilitates the free flow of information; co-ordination, and the co-operation between management and other functional areas. Simplistically, structure informs who does what, and levels of accountability.

Okumus (2003) also cautions against being ignorant of the potential challenges and risks associated with using the firm's existing organizational structure, particularly when strategic leaders have to implement process variables such as operational planning; communication and resource allocations.

Next, literature is reviewed that differentiates between the definitions of a mechanistic structure versus an organic organizational structure.

2.3.3.8.2. Mechanistic versus Organic structures

Nel *et al.* (2004:380) advise that a %mechanistic structure is characterized by a vertical structure; a top-down communication approach, and by narrowly defined tasks+. Conversely, an %organic structure+ features a low degree of hierarchical control, and flexible networks of multi-talented individuals who perform a variety of tasks (Nel *et al.*, 2004).

According to Nel *et al.* (2004), the %organic structure+ fosters creativity in an organization and is characterized by being flexible and change-orientated. Additional features of an %organic structure+ include flatter reporting structures, and decision-making that is decentralized to ensure inclusion; collaboration and participation from the firm's lower-level employees (Nel *et al.*, 2004).

In the new reality, namely: %The New Information Age+ (Bartlett and Ghoshal, 1994), most pro-active enterprises are migrating towards the implementation of an %organic structure+, thereby transforming themselves into a %horizontal organization+.

2.3.3.8.3. The horizontal organization

The horizontal organization is characterized by a flat structure, and is %built around processes instead of tasks+ (Nel *et al.*, 2004:385). These firms imbibe an organizational culture wherein work is performed by teams, and wherein team-leaders can make quick decisions (Jackson *et al.*, 2003).

Additional characteristics include: the existence of cross-functional teams; employees who are jointly involved in problem-solving (namely: participative management); workers who are empowered; a flattened hierarchy; the elimination of non-value work (namely: increased productivity); individual rewards for team performances; leadership initiatives that constantly promote training and development to create multiple competencies; and the continuous building of a culture of collaboration and openness (Nel *et al.*, 2006).

Twenty-first century organizations must be adaptable and flexible enough to consider departure from established structures in order to maintain equilibrium in the future (Nel *et al.*, 2004:389), and to avoid organizational inertia (Louw and Venter, 2006). Nel *et al.* (2004) also advise that organizational structures must ensure effective productivity and accountability from employees who are positioned at all levels of the firm's organogram.

The vertical hierarchical structures that once characterized the design of many large enterprises during the Old Industrial Age (Bartlett and Ghoshal, 1994), is rapidly evolving into flatter horizontal structures in this new reality. This evolution has been exacerbated by the acknowledgement that the firm's scarcest resource is now argued to be knowledge (Bartlett and Ghoshal, 1997). Hence, there is an unwavering focus by organizations to engage and to collaborate with the human capital component of its resource portfolio.

2.3.3.9. Leading strategy implementation

2.3.3.9.1. Challenges

Although leaders spend considerable time on formulating corporate strategy, the implementation of their strategies is arguably where most of these organizations err. Strategy implementation suffers from a relative lack of attention (Okumus & Roper, 1999). The more heterogeneous a top management team is, the more capacity it has to provide effective strategic leadership in formulating strategy (Hitt *et al.*, 2005).

However, Okumus and Roper (1999) are critical of the volume of research that has been carried out on strategy formulation, as compared to strategy implementation. Nutt and Backoff (1993) postulate that for an organization to realize a transformational change, strategic leaders must carry out a process wherein both history and situation are appraised; issues and innovative responses are proposed, and strategy implementation plans are fashioned; measured and continuously monitored.

According to Alexander (1985), three of the most frequent problems encountered by strategic leaders during the strategy implementation process, include: underestimating the time needed; the emergence of unanticipated problems, and the impact of uncontrollable factors from the external environment. Further, a firm will also experience challenges in implementing its desired strategy, if all of the components of its internal system are not aligned (Higgins, 2005) with each other.

2.3.3.9.2. Alignment for performance

The alignment of all of the components of an organization's internal system is critical to ensuring the effective implementation of an organization's strategy. According to Higgins (2005), the components of an organization's internal system (represented by Strategy and Purposes; Structure; Resources; Shared Values; Staff; Systems and Processes, and Style) must be directly aligned to ensure sustainable strategic performance. This is depicted as the 8-S Model+ (Higgins, 2005), illustrated in Figure 03.

The 8-S Model (Higgins, 2005) emphasizes the importance of having a collective leadership style to lead the strategy implementation process within the organization. The objective is to achieve a desired strategic performance that is sustainable. Higgins (2005) argues that an organization will be unable to implement its organizational strategy effectively, if one of the components of its internal system is not aligned with the others. His postulation reinforces the need for the organization (as a whole) to work collectively towards a common goal.

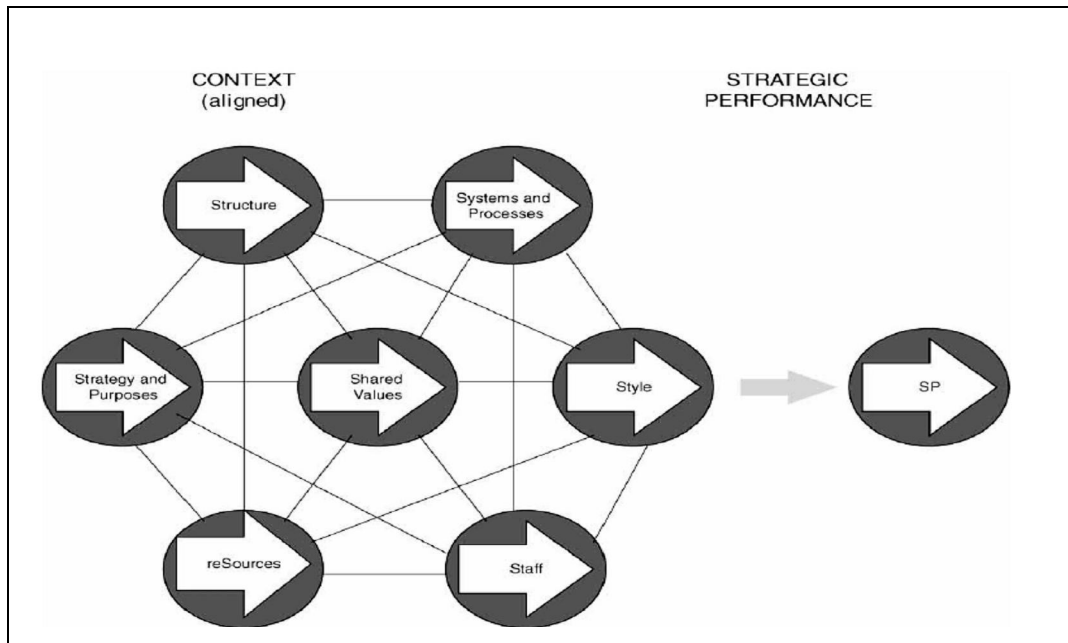


Figure 03: The 8-S model . aligned (Source: Higgins, 2005)

Whilst an organization may have the desired alignment amongst its internal components, it is imperative to adopt a mechanism that will monitor and measure the ongoing progress of its strategy implementation process. Hence, the need for an effective strategy implementation framework.

2.3.3.9.3. Implementation framework

Shimizu and Hitt (2004) warn that strategic leaders must ensure that decision outcomes (namely: the results of the implemented strategies) are constantly measured and monitored. Shimizu and Hitt (2004) advise that while this recommendation may seem obvious, the reality may not always be so. Okumus (2003) presents a strategy implementation framework that is both practical and realistic for measuring and monitoring the progress of implemented strategies.

The framework (illustrated in Figure 04) comprehensively guides leaders on how to deploy new initiatives (namely: emerging strategies) to respond to changes in the external context.

According to Okumus (2003), the framework also depicts critical components of the **internal context**, which places emphasis on the relevance of strategic leadership to manage the strategic process.

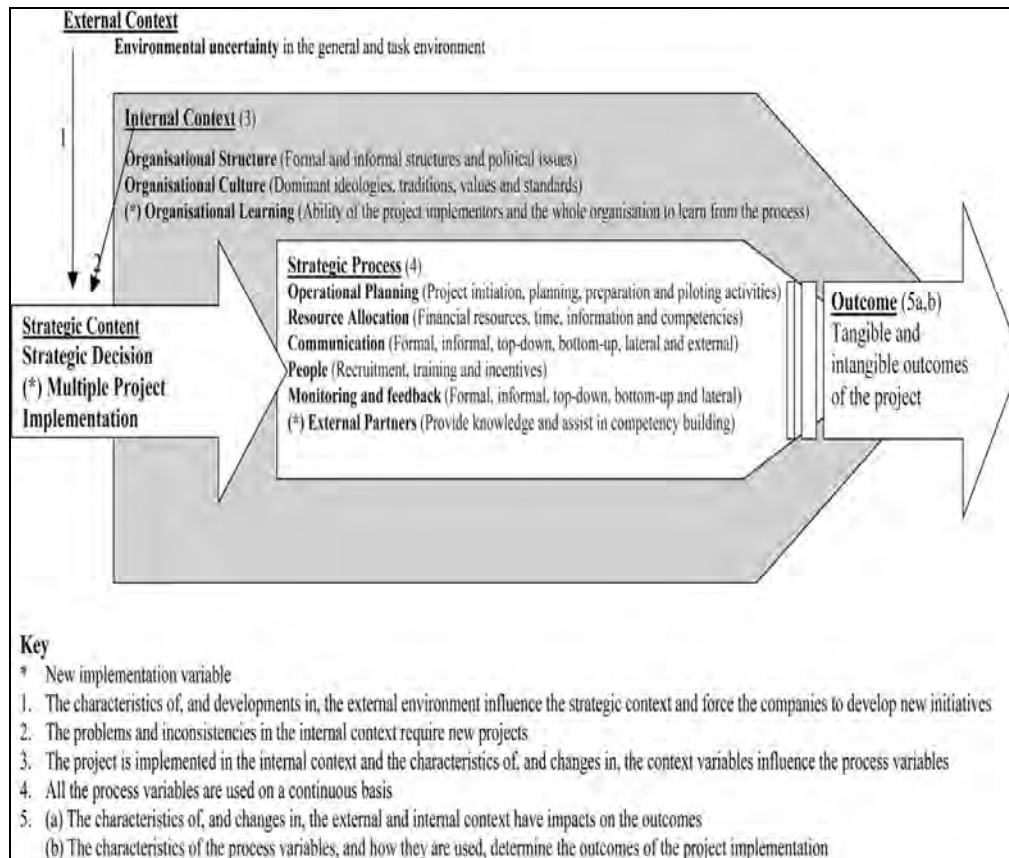


Figure 04: The strategy implementation framework (Source: Okumus, 2003)

2.3.3.10. Managing organizational performance

2.3.3.10.1. The essence of performance

Organizational performance is defined as **the ability to acquire resources necessary for organizational survival** (Stone, Bigelow and Crittenden, 1999:378), and it is dependent on many variables, including the nature of the leader's strategic choices, and the nature of the strategy implementation process. Lim (1995) advises that organizational performance is the extent to which goals relevant to the specific organization are attained.

According to Yeo (2003), there was an inherent traditional practice amongst firms to interchange the term *organizational performance* with *financial performance*. According to Marx; De Swart and Nortje (1999), *financial performance* also refers to the *profitability* of an organization. Marx *et al.* (1999) advise that *profitability* is determined when a firm uses its productive assets to generate revenue that eventually exceeds its costs.

2.3.3.10.2. Quantitative and qualitative

Lim (1995) alludes to various organizational performance outcomes, which could either be stated quantitatively (namely: sales; profitability; return on investment [ROI], and other financial indicators) or described qualitatively (namely: efficiency; labour productivity; response times; customer satisfaction; innovation; employee satisfaction; and organizational culture).

2.3.3.10.3. Leadership and performance

Alvesson and Sveningsson (2003) argue that leadership creates results. It therefore follows that effective strategic leadership will have a positive influence on organizational performance (Maritz, 1995; Bass, 1997; Charlton, 2000). According to Taylor (1995), strategic leadership is about managing radical change to achieve a dramatic improvement in the organization's performance. Other views suggest that organizational performance is the culmination of the performances of many individuals, *driven* by an effective strategic leader (Cummings and Schwab, 1973; Hellreigel, Jackson, Slocum, Staude and Associates, 2001).

Dubrin (2001:6) documents the outcomes of his research which concurs with the broad assumption underlying the *study of leadership*, namely, that *strategic leaders do* affect organizational performance. Dubrin (2006:22) also advises that *leadership* is the ability to inspire confidence amongst employees who are required to achieve organizational goals.

However, in addition to driving the desired performance, a strategic leader must have the ability to develop an appropriate balance between the firm's strategic and financial controls. Hence, the need for a balanced scorecard (Kaplan and Norton, 1996).

2.3.3.10.4. The balanced scorecard

According to Kaplan and Norton (1996), the balanced scorecard provides an adequate framework for strategic leaders to manage the implementation of strategy, whilst also allowing the strategy itself to evolve in response to changes in the organization's competitive market. Hitt *et al.* (2005) propose that the balanced scorecard is a framework that organizations can use to verify that they have established both strategic and financial controls to assess the firm's performance.

Kaplan and Norton (1996) further advise that their balanced scorecard framework (illustrated in Figure 05) measures an organization's performance from four key perspectives, namely: financial; customer; internal business, and learning and growth. Hitt *et al.* (2005) add that the balanced scorecard is a tool that is used by strategic leaders to develop a balance between the firm's strategic and financial controls.

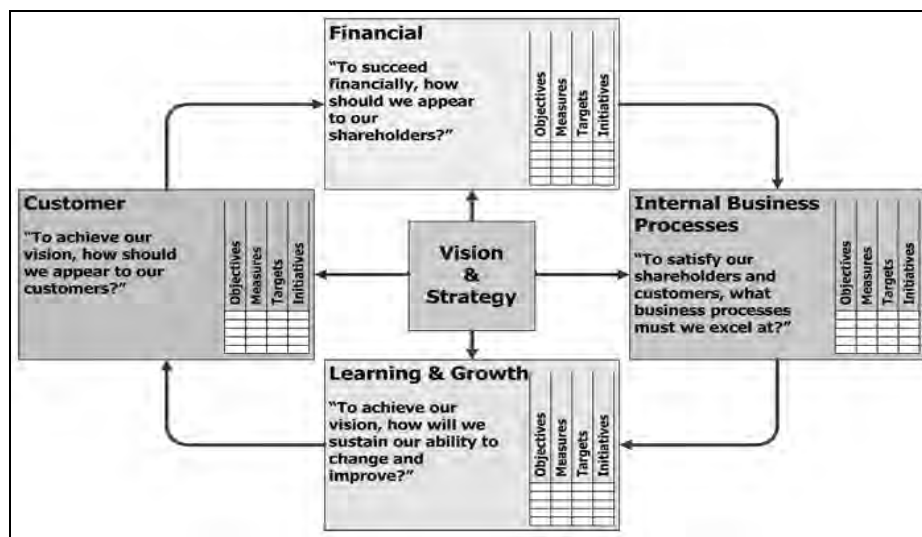


Figure 05: The balanced scorecard framework (Source: Kaplan and Norton, 1996)

2.4. Chapter summary

There is overwhelming literary evidence to suggest that strategic leadership is indeed characterized by different styles; behaviours; powers and traits. The evolution of the ~~reality~~ from the ~~Old Industrial Age~~ to the ~~New Information Age~~ has resulted in a paradigm change in the type of leadership that is required in organizations. Behavioural flexibility and situational adaptation are inherent capabilities of today's successful strategic leaders.

The literature reviewed in this chapter also suggests that effective strategic leaders will have a positive influence on organizational performance. Apart from setting the organization's strategic direction, leaders have various other roles and tasks that include making strategic choices that mould the strategy formulation process (such as turnaround and revenue growth; sharing competencies; determining divestiture or exit strategies; embarking on corporate restructuring initiatives; leading organizational transformation, and selecting innovator strategies); managing the firm's resource portfolio; sustaining the firm's culture; emphasizing ethical practices; establishing balanced control systems; determining the firm's organizational structure to support its strategic direction; leading the strategy implementation process, and managing organizational performance.

The effective implementation of the selected strategies is of paramount importance. Strategy implementation frameworks and tools such as ~~balanced scorecards~~, are used by strategic leaders to monitor and measure the progress of their selected strategies. These tools and frameworks also provide clear indications of the status of the organization's performance in comparison with its strategic goals and objectives. The firm's performance can be stated either quantitatively, or described qualitatively.

In the next chapter (Chapter 03), the methodology that was used in this case study (to realize the research aim) is presented.

CHAPTER 03

RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the methodology that has been adopted to achieve the research aim. A description of the research aim and of the research objectives is followed by a discussion of the research method and of the research paradigm. Data collection techniques and data analysis methods are presented, after which, issues of quality; ethics; and rigour are discussed. The chapter also address the research procedure and potential research limitations.

3.2. Research aim and objectives

The research aim is to examine how the exercising of ~~the~~ strategic leadership+ has influenced the performance of Ellerrine Holdings Limited (namely: the researched company). As discussed in Chapter 01, in order to realize this research aim, the following seven research objectives were identified:

- Identify the behavioural attributes that characterize the new CEO
- Describe the role and the tasks of the new CEO
- Analyse the strategic choices made by the CEO
- Describe how the CEO has led the strategy implementation process
- Analyse the CEO's influence on ~~the~~ softer+ management issues such as people management and organizational culture
- Assess the performance of the research company
- Describe the focus of the CEO's medium and long-term agendas

The results from this research is intended to propose recommendations and advice to current business leaders; future business leaders, and (or) to organizations, regarding the exercising of effective strategic leadership.

3.3. Research method: Case Study

According to Yin (1994:13), a case study is defined as 'an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident'. Yin (1994) further advises that a case study is an intensive investigation of a single unit. The unit of analysis could include institutions or organizations (Babbie and Mouton, 2006). This research is focussed on the study of one organization, namely: Ellerine Holdings Limited. This answers the question of 'what'. A holistic single case study research method has been used, as it will also answer questions of 'how' and 'why', in order to realise the research aim (Gray, 2004).

The adoption of the case study methodology is equally appropriate as it allows for a detailed understanding, and interpretation of phenomena, within a single bounded system (Welman and Kruger, 2001). Further, case studies can involve either qualitative or quantitative research (Babbie and Mouton, 2006).

The research paradigm is discussed next, in section 3.4.

3.4. Research paradigm

A qualitative research framework (or phenomenological paradigm) has been explored to facilitate an intention to 'describe' and to 'understand' human behaviour from an insider's perspective (Babbie *et al.*, 2006). Within this qualitative framework, resides the interpretivist paradigm (or the constructivism paradigm) that is explored in this case study research. The interpretivist paradigm's methodology is concentrated on the interpretation; understanding and on the reconstruction of the beliefs that individuals hold (Guba and Lincoln, 1994). The qualitative research framework, complemented by the interpretivist paradigm, is especially appropriate to the study of those attitudes and behaviours that are best understood within their natural setting. The emphasis on the 'natural setting' of these actors, is referred to as 'naturalism' (Babbie and Mouton, 2006).

3.5. Inductive approach

Emphasis was placed on inductive analytical approaches during the analysis of the qualitative data (Babbie *et al.*, 2006). This implies that there was immersion in the natural setting of the researched company (namely: Ellerine Holdings Limited) before actions and events could be described. Emphasis was also placed on developing and building inductively based new interpretations of first-order descriptions of events (Babbie and Mouton, 2006). This inductive approach resonated with the theoretical constructs of the interpretivist paradigm.

3.6. Intersubjectivity

Objectivity within the interpretivist paradigm was maintained by the adoption of an inter-subjective position. This implies that honest; untainted; legitimate and truthful insider descriptions were generated by establishing a genuine rapport with the research participants, and by gaining their trust (Babbie and Mouton, 2006).

3.7. Data collection techniques

There are six primary sources of information (or data) that one can explore for the purposes of engaging in case study research (Yin, 1994). These include documentation; archival records; interviews; direct observation; participant observation and physical artefacts (Yin, 1994). In this research, data was collected via the use of documentation; archival records, and interviews.

Face-to-face formal interviews were conducted with the primary research participants, namely: the new Chief Executive Officer (Fourie) and the new Group Executive of Strategy (Dr. Carstens). Babbie and Mouton (2006) advised that interviewing is typically done in a face-to-face encounter, and that interviewers ask questions orally, and then record the respondents' answers. Appendix 05 features a transcript of the formal interview conducted with the primary research participants.

Babbie and Mouton (2006) also caution that recording the interviewees' responses exactly as given, is very important for the purposes of maintaining objectivity in the process. Further, the exactness was critical because the interviewer (namely: the researcher) was unaware of how the responses would be coded, before processing (Babbie and Mouton, 2006).

In preparation for the formal interviews, engagement with the research participants was conducted via telephonic conversations; e-mail communication; luncheons at external venues, and follow-up meetings that were convened within the organization's natural setting.

This strategy achieved a few objectives, namely: it gave the research participants (namely: the actors) the opportunity to be comfortable within their environmental setting; the prior engagements fostered relationship-building with the research participants, and this relationship forged a mutual respect that was based on trust and honesty.

Consequently, insider descriptions were generated by establishing a genuine rapport with the research participants. The formal meeting was digitally recorded, and then accurately transcribed (verbatim) for the purposes of maintaining objectivity in this process. The research participants were also assured that the confidentiality of information contained in their current strategy formulation documentation would be maintained.

Information was also extracted from interviews that were conducted with senior executives, and with the ex general manager of one of the group's major business units, who was based in the Eastern Cape region, at the time. These interviews were of shorter duration; less comprehensive; and probed specific aspects of some of the critical research objectives that were detailed earlier in this chapter.

Relevant information was then sourced from available documentation. Accredited as being a Top 100 JSE listed corporation (Financial Mail, 2008), African Bank Investments Limited is obliged to publicly announce the results

of its financial performance. Hence, gaining access to current and archived historic financial data did not pose a challenge during the research experience. However, this only satisfied a minority quantitative requirement of the research.

The need to understand and describe the qualitative aspects that informed both the strategy formulation and the strategy implementation processes, was of critical importance in this research. Significantly, understanding and describing the CEO's strategic leadership role throughout this entire organizational transformation process, was key to realizing the research aim.

Interpretations in this research would have been ostensibly difficult to conclude if the aforementioned qualitative information was inaccessible. Fortunately, much of the desired information was extracted from both the personal interviews, and from documentation that was retrieved. Additional information was gathered by reviewing reports that were published in magazines and newspapers, and from commentary that is accessible on-line.

3.8. Data analysis

According to Yin (1994:102), data analysis consists of examining, categorizing, or otherwise recombining the evidence to address the initial propositions of the study. Yin (1994) further emphasises the relevance and importance of using any of four dominant analytic techniques, namely: time-series analysis; pattern matching; explanation-building and programme logic models.

In this research, explanation-building and time-series analysis have been utilized for the purposes of realizing the research aim. The time-series analysis technique, as proposed by Yin (1994), was used to analyse the quantitative data collected. However, owing to the overwhelming qualitative nature of this research, the explanation-building technique (presented as thick descriptions) was used to understand and describe (Babbie and

Mouton, 2006) the essence of what informed the CEO's strategic choices, and of how the research participants implemented their new strategies.

Supporting the research paradigm detailed earlier in this chapter, an interpretational method was adopted to analyse the collected data. These interpretations are also presented by using thick descriptions (Babbie and Mouton, 2006). A hermeneutics approach perforates throughout the analysis to ensure that all of the information's deeper meanings are illuminated and interpreted (Babbie and Mouton, 2006). This gives added impetus to the moulding of validity throughout the interpretations that were formulated.

According to Babbie and Mouton (2006:90), interventions are studied to establish whether they have been properly implemented; successful in terms of the intended outcomes, and beneficial to the target group. This responds directly to one of the research objectives identified earlier in this chapter, namely: to analyse the strategic choices made by Chief Executive Officer (Fourie). Therefore, analysing and contextualizing the findings appropriately addressed this and other research objectives.

3.9. Quality and quality issues

This researcher had an interpretive epistemological orientation, which suggests that he commenced this research process with a hypothesis or with research objectives that would be answered by the research itself.

However, within the framework of qualitative research, meaningful interpretations of the accumulated data can only be constructed and presented if the research conforms to the following quality indicators, namely: reliability and validity (Reige, 2003). This section also discusses four additional reliability and validity design tests, namely: confirmability; credibility; transferability; and dependability (Reige, 2003).

Babbie and Mouton (2006:119) define *reliability* as *a matter of whether a particular technique, applied repeatedly to the same object, would yield the same result each time*. However, *reliability* does not ensure accuracy. Babbie and Mouton (2006) also cautions that *reliability* is always a concern whenever single observers are the sources of data. This is so, because there is no certain guard against the impact of that particular observer's subjectivity.

According to further literature by Babbie and Mouton (2006:122), *validity* implies *the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration*. Consequently, the research process in this case study ensured that there was a corroboration of the evidence by no fewer than three sources of information, namely: interviews; documentation and archival records (Yin, 1994). This evidence is discussed in Chapter 04.

This corroboration also assured both the *validity* of the research and the *reliability* of the information, by addressing the phenomenon of *triangulation*. *Triangulation* assumes that different perspectives were used to identify what the truth was (Welman and Kruger, 2001).

Reige (2003) proposed the additional use of four design tests to mitigate against the risks of invalidity and unreliability. According to Reige (2003), these tests are more suited to qualitative research approaches. Reige (2003:81) defines the four design tests (namely: confirmability; credibility; transferability; and dependability) as follows:

Confirmability is analogous to neutrality, and the design test assesses whether the interpretation of data is drawn in a logical and unprejudiced manner.

Credibility is the parallel construct to internal validity, and it involves the approval of research findings by either interviewees or peers.

Transferability is analogous to external validity, and it is achieved when the research shows similar or different findings of a phenomenon amongst similar or different respondents or organizations. Transferability can also be displayed through context-rich findings.

Dependability is analogous to reliability, and its purpose is to show indications of stability and consistency in the process of inquiry, particularly to determine whether the techniques and (or) procedures used in the process of study, are consistent.

Reige (2003) further advised that the quality; validity and reliability of a case study research method would be enhanced by the application of the aforementioned design tests. In this thesis, clear evidence is presented that enables the reader to comprehend and appreciate the derivation of all of the interpretations that are made.

The *credibility* indicator was addressed by ensuring that transcripts of the interviews were communicated to the relevant research participants for their approval. Further, copies of the digital recordings of these interviews were also forwarded to the research participants, for the purposes of cross-referencing against the contents of the transcripts. All quantitative data that were intended for analysis were sourced from published audit reports that are accessible on-line to the general public.

Thick descriptions of the research company; its natural settings; the research participants, and of all the phenomena associated with the application of *strategic leadership* within this particular organization, addresses the indicator of *transferability*. The presence of *rich thick descriptive text* allows the reader to determine the external applicability of the research findings; interpretations, and of the concluding recommendations.

Finally, the indicator of *dependability* is addressed by ensuring that an archive of source documents (that were used in this research) is readily available for any auditing request. Further, efforts were made to ensure that

the constructs of the case study method were congruent with the requirements of addressing the defined research aim.

3.10. Ethical considerations

Denzin and Lincoln (2000) detail four primary guidelines for ensuring ethical conduct during the research process, namely: informed consent; deception; privacy and confidentiality, and accuracy. Written consent was obtained from the Chief Executive Officer of Ellerine Holdings Limited that authorized the use, and the naming of his organization, as the case study for this research.

All communication and interaction was conducted with honesty and integrity, thereby negating any concerns of deception from either party. Interactions with all of the research participants were conducted with honesty, thus ensuring that the research process was credible.

The confidentiality of certain information (emanating from the researched company's strategy documentation) was respected. This information was obtained during the formal interview with the primary research participants, but was later removed from the interview-transcript with the intention of safeguarding the researched company and its interests.

However, the inability to use this information in this thesis had no ostensible impact on the findings or on the interpretations that are documented in Chapter 04 (namely: Findings and Discussion). Further, the anonymity of certain participants was also assured prior to soliciting their views and opinions.

Attention was given to the accuracy of the information that was collected; referenced; analysed and interpreted. This was ensured through the meticulous transferring and capturing of data, and through the approval of the interview transcript by the research participants.

3.11. Chapter summary

A research aim, supported by seven research objectives, was identified for this thesis. A case study methodology was adopted, and within a qualitative framework, an interpretivist paradigm was selected. An inductive approach was explored to understand and describe the events. An inter-subjective position was adopted to obtain insider descriptions, and a genuine rapport with the research participants was established.

Data was gathered using three primary techniques, namely: interviews; documentation and archival records. Quantitative data was interpreted by using a time-series analysis technique, whilst qualitative data was compiled by using the thickly descriptive explanation building technique. Quality concerns about reliability and validity were mitigated by triangulation. Four additional design tests were considered to maintain the quality standards required of this research. These included confirmability; credibility; transferability; and dependability.

The chapter was concluded by addressing ethical considerations. In chapter 04, the findings of this research are presented.

CHAPTER 04

FINDINGS AND DISCUSSION

4.1. Introduction

In this chapter, the outcomes (namely: the findings) of the research are presented. Thick descriptions (Babbie and Mouton, 2006) characterize the presentation style of the qualitative data that has been collected and assimilated. Relevant quantitative data is also presented via the use of ratios and percentages to illustrate the results of time-series analysis (Yin, 1994).

In chapter 01 (section 1.2.), the research aim was discussed, and the seven research objectives were identified. These were presented in further detail in chapter 03. The research aim is to examine how the application of strategic leadership+ has influenced the performance of Ellerine Holdings Limited (namely: the researched company).

In order to realize this research aim, the following seven research objectives were identified:

- Identify the behavioural attributes that characterize the new CEO
- Describe the role and the tasks of the new CEO
- Analyse the strategic choices made by the CEO
- Describe how the CEO has led the strategy implementation process
- Analyse the CEO's influence on softer+ management issues such as people management and organizational culture
- Assess the performance of the researched company
- Describe the focus of the CEO's medium and long-term agendas

The results from this research is intended to propose recommendations and advice to current business leaders; future business leaders, and (or) to organizations, regarding the exercising of effective strategic leadership.

After discussing the path towards organizational change at Ellerine Holdings Limited, the remainder of this chapter (namely: sections 4.3. to 4.9.) is presented in the context of the seven research objectives that have been detailed in section 4.1.

4.2. The path towards organizational change at EHL

4.2.1. Introduction

When micro-financing specialists African Bank Investments Limited (ABIL) acquired Ellerine Holdings Limited (EHL), the stakeholders were cognizant that there was considerable risk in marrying two businesses that traded in two completely diverse industries, namely: banking and furniture retail (Rose, 2008). However, at the time, the mounting public anger over the extent to which furniture retailers were continuing to coerce consumers through hidden finance charges (Rose, 2008), was ironically one of the primary reasons for ABIL's interest to acquire EHL.

In the furniture retail industry, a firm's business model is usually based on two primary income streams, namely: retail operations and financial services. Retail operations refers to the actual income earned from the sale of products off the store's shelves or trading-floor, whilst financial services refers to the additional income derived from financing the retail sales via the granting of credit; the charging of insurance; and the offering of extended-term payments.

According to Rose (2008), ABIL's acquisition of Ellerine Holdings Limited would contemporaneously coerce other furniture retailers into separating the retail and the financial services components of their businesses, thus exposing any operational or strategic inefficiencies that may exist on either side. Rose (2008) also reported that shortly after the acquisition of EHL, two other furniture retail giants (namely: JD Group and Lewis) commenced with their own plans to address the anticipated changes that ABIL's acquisition could bring about in the furniture credit retailing industry.

4.2.2. ABIL's culture and strategic focus

Being one of only six executive directors on the ABIL board, Fourie (2009, attached as Appendix 05) advises that they (namely: the members of the ABIL board) work in an environment of spontaneous collaboration, rather than in one of contrived collaboration. Fourie (2009) adds that African Bank (ABIL's primary subsidiary) functions as a flat structure with small teams positioned in open-plan offices. According to Fourie (2009), this encourages the highly skilled employees to work in close collaboration with each other, thus resulting in consistently high levels of strategic dialogue.

ABIL has moulded an organizational culture at African Bank that is characterized by various cultural symbols, including: honest conversation; employee empowerment; inclusive dialogue; horizontal organizational structures; a smart-casual dress code, and an open-plan office environment for employees (Fourie, 2009). Carstens (2009) adds that ABIL is averse to a centrist leadership approach, and that ABIL propagates a culture of non-conservatism; tolerance, and fun, whilst being serious about their business.

Described by economists and analysts as a great and well administered business (Moneyweb, 2009), African Bank has evolved over the past decade into being recognized as a leading South African micro-financing institution, whilst its holding company (ABIL) has become a Top 100 JSE listed corporation (Financial Mail, 2008). Hence, when ABIL's strategic focus shifted towards diversifying its portfolio, every idea ignited rigorous debate between its executive directors (Fourie, 2009) about how it could best synergise a potential acquisition with its core expertise of micro-financing.

It did not take too long before ABIL's strategic focus shifted to the multi-billion rand furniture retail industry, a strategic choice that was motivated by the high levels of return that shareholders were earning. Further, these high levels of return were being generated by-and-large through aggressive credit-granting practices and through the profitable micro-financing of extended-term payments that the industry was offering to consumers.

Whilst the rest of the banking and retail industries scoffed at ABIL's intention to acquire Ellerine Holdings Limited, the strategic fit seemed obvious to ABIL's executive directors. The acquisition of EHL would create opportunities for ABIL to diversify its portfolio, whilst simultaneously expanding its core expertise of micro-financing.

ABIL embarked on the process of conducting a due diligence of EHL.

4.2.3. Due diligence

The hefty acquisition price of R9.85bn in January 2008 (Rose, 2008; The Times, 2009) was mitigated by a due diligence that suggested that there were synergies between ABIL's primary subsidiary, African Bank, and Ellerine Holdings Limited, if they were housed under one umbrella company, namely: ABIL (Fourie, 2009).

Fourie (2009) recalled that, at the time of conducting the due diligence, ABIL resisted the option of engaging with a multitude of external consultants. This implied that ABIL relied on the services and on the expertise of its in-house subject-matter specialists to analyse the various components of EHL's business model. According to Fourie (2009), external consultants were only engaged to give advice on complex financial issues such as taxation. The majority of the due diligence was conducted by ABIL's skilled in-house personnel.

Carstens (2009) added that their due diligence commenced with indepth quantitative analytics of every functional area of EHL's operation. However, their quantitative analysis eventually evolved into a qualitative-based approach that was punctuated by conversations between senior executives representing African Bank and Ellerine Holdings Limited. Carstens (2009) cautioned that whilst qualitative approaches signal goodwill, the emphasis on number-crunching should never be overlooked.

Carstens (2009) advised that *judgement* is a critical characteristic of the ABIL leadership philosophy. Notwithstanding the results of the quantitative analytics, ABIL's executive directors also concluded many qualitatively-based judgements during the due diligence process. Fourie (2009) concurred with Carstens (2009) but cautioned that ABIL's approach may have been somewhat flawed, as it may have inadvertently compromised their objectivity.

After reflecting on the due diligence exercise that was concluded in 2007, Fourie (2009) conceded that perhaps ABIL should have engaged with more external consultants, who had no vested interest in EHL, to conduct a broader range of analysis. The independence of these consultants, according to Fourie (2009), could have resulted in a more objective and rigorous process, with more robust questions being asked. ABIL was so overwhelmed and consumed by *all the reasons to do the deal* that they may have subjectively overlooked *all the reasons not to do the deal* (Fourie, 2009).

Angwin (2001) argued that a due diligence is intended to be an objective, independent examination of the acquisition target. Angwin (2001) also advised that the importance of employing professional external advisors (for the due diligence process) should never be overlooked. As a consequence of the manner in which ABIL conducted its due diligence of EHL, Fourie (2009) and Carstens (2009) are now convinced of a few things: Would they have still acquired EHL, knowing what they know *now* about the business? Their response is a categorical *yes*. Would they have paid R9.85bn for EHL knowing what they know *now* about the business? Their response is a cynical *probably not*. Would ABIL have been allowed to acquire EHL for less than what it paid for it? Their response is an introspective *who knows*?

These questions could have been averted had ABIL conducted a thoroughly objective and an independent examination of the acquisition target, namely: EHL (Angwin, 2001). However, after the due diligence, Fourie; Carstens and ABIL's executive directorship were confident that there was synergy between African Bank's core expertise of micro-financing, and the opportunities that the EHL-acquisition presented.

4.2.4. The need for change

At the time of the due diligence in 2007, Ellerine Holdings Limited boasted a staff contingent of approximately 17 000 people, and twelve major furniture brands within its burgeoning retail stable. These brands included: Wetherlys; Geen & Richards; Osiers; Dial-a-bed; Mattress Factory; Furniture City; Beares; Ellerines; Lubners; Furn City; Town Talk, and Savells Fairdeal. A separate entity, Rainbow Loans, provided specialist micro-financing to EHL's consumers, whilst Early Bird Services offered technical support to the group.

The due diligence highlighted operational inefficiencies within EHL that were exacerbated by a business model that was deemed to be unsustainable (Fourie, 2009). The outcome of the process also suggested that significant opportunities existed to grow EHL's share of the market in the credit retail furniture sector (African Bank Investments Limited, 2008).

According to African Bank Investments Limited (2008), the outcomes of their due diligence were summarised as three critical challenges that had emerged as a result of changes to the environment within which EHL traded. These challenges were also identified as key growth opportunities for ABIL. However, ABIL was cognizant that significant organizational change would be required at EHL for these opportunities to be realized. This realization resonated with the literature of Nel *et al.* (2004) regarding organizational transformation theories. ABIL's 03 key challenges were synopsisized as follows:

Firstly, a ~~po~~positioning problem+ existed. This implied that changes were required to ensure that EHL's twelve retail brands could penetrate the market more effectively and efficiently.

Secondly, a ~~po~~performance problem+ was identified. This implied that organizational performance was being compromised as a result of an excessive cost structure that was driven by being over-branded; over-stored, and over-structured.

Thirdly, EHL's business model was unsustainable. This implied that, until 2007, EHL's business model was reliant on profit being derived from its financial services. However, the introduction of the National Credit Act in June 2007 made EHL's business model unsustainable, owing to the new stricter governance regarding the granting of credit to consumers. Hence, a greater strategic focus would be required to enhance the efficiencies within its retail operations, to ensure retail growth and sustainable profitability.

Nel *et al.* (2004) advised that effective change and leadership go hand in hand, whilst Rothschild (1996) postulated that it is important to match the needs of the organization with the type of leadership-role that is required to drive the envisaged changes. ABIL required the skills of a dynamic strategic leader (preferably with a history of success in retail mergers and turnarounds) to lead the mammoth task of EHL's organizational change.

4.2.5. The choice of Fourie as CEO of EHL

Fourie (2009) jested about being the only executive director at ABIL who had any retail orientation. Fourie (2009) recalled being approached by Leon Kirkinis (CEO of ABIL), and being appointed as ABIL's Managing Director of Business Optimization; Innovation and Group Strategy.

According to Fourie (2009):

"The bottom-line was kind of...Come in and help us think about how we change ABIL...given the fact that the world around us is going to change. Come and lead our thinking. And the reason for it was they thought the world was going to change...bringing about a need for a greater client orientation...a need for people who understood growth and how to grow business...a need for people who understood how to operate on low cost and lower margins...and that happened to match the profile of the retail sector..."

“Retailers understand how to compete aggressively for customers. Retailers know how to operate on a shoe-string budget. Retailers know how to operate on thin margins...”

Fourie had been responsible for successfully leading the complex merge of the gigantic Game and Dion brands in the 1990s (housed at the time within a subsidiary of Massmart Holdings). His retail history also includes a career at The Connection Group, wherein he successfully turned around the group's performance. Hence, prior to being head-hunted by ABIL, Fourie had earned an industry reputation of being a turnaround retail specialist, with the expertise to manage significant organizational change (Home Goods Retailer, 2008a).

Fourie has been described as someone who thrives on driving organizational change (Home Goods Retailer, 2008b); as ABIL's secret weapon, and as a man who lived up to this adjectival appellation during his role as Managing Director of The Connection Group, before joining ABIL (The Times, 2009). He has also been described as a man with a very strong reputation; a very well-known retailer, and as the right kind of man to have at the helm of an entity requiring significant organizational change (Moneyweb, 2009).

With Fourie boasting an untainted reputation in the retail sector, and with him having successfully led innovation and strategy at African Bank, the ABIL board held an unwavering supposition that he was their only choice for the role of Chief Executive Officer of the newly acquired Ellerine Holdings Limited. ABIL was confident that Fourie had the capabilities to fulfil all of the roles and tasks required from their new CEO (of EHL): from driving the strategy implementation process that would ensure organizational transformation, to making strategic choices that would support the organization's envisioned strategic direction; and from performing an architectural role in redesigning the organization's structure, to managing the organization's performance.

Owing to the magnitude of transformation that had been determined for EHL, ABIL resolved that the incumbent CEO would be assuming the reigns of an organization that would be at the beginning of its new envisioned life cycle.

Rothschild (1996) argues that, based on the needs of the firm, a strategic leader should be identified on the basis of his (or her) risk appetite and time horizon. Rothschild (1996) further advises that the beginning stage of a firm's new life cycle, or the embryonic phase, requires a leader who is characterized as being a "risk-taker". Such a leader is visionary; aggressive; highly intuitive; creates dynamic change, and has the "killer" instinct (Rothschild, 1996). Fourie is a transformation specialist, and his leadership style fitted the profile of the type of strategic leader that ABIL required for the role of CEO of Ellerrine Holdings Limited.

4.3. The strategic leader in Fourie

In this section, the researcher discusses pertinent findings related to the behaviours and personal philosophies that characterize the strategic leader in Fourie. His leadership style also falls under the spotlight, after which, Fourie's key roles and tasks are discussed.

4.3.1. Behaviours; philosophies and leadership style

In this section, the researcher discusses pertinent findings related to the behaviours; personal philosophies and leadership style that characterize Fourie.

Carstens (2009) advised that he had known Fourie for more than fifteen years, and that he had observed that Fourie's leadership behaviour had evolved and changed constantly, depending on the situation. This resonates with the phenomena of adaptive behavioural capacities (Goleman, 2001); situational leadership theory (Hersey and Blanchard, 1982), and with the contingency models of leadership (Hellriegel *et al.*, 2004).

Carstens (2009), who himself possesses a doctorate in psychology, made reference to Blake and Mouton (1978), and advised that there are days when Fourie's leadership style can be categorized as a "09-01", whilst on other days, it can be categorized as a "01-09" on the leadership grid.

In their situational leadership theory, Hersey and Blanchard (1982) argue that the situation will determine which behaviours a leader will use. Executives at Ellerine Holdings Limited advised that Fourie's behaviours are often inconsistent, and that they range from being loud; cynical; outrageous; energetic; flamboyant and ego-centric, to sometimes being distant; quiet, and introspective. Carstens (2009) described Fourie's strongest behavioural traits as those of exuding confidence; decisiveness, and adaptive abilities.

Whilst Carstens (2009) was also complimentary of Fourie's judgemental ability, other executives praised the knowledge that he displayed on a diverse range of subject-matters and topical issues. This knowledge emanated from Fourie's passion for reading (Fourie, 2009), his fascination for philosophy; history; politics; economics and strategy (Fourie, 2009; Home Goods Retailer, 2008b), and from his personal experiences. Fourie's specialised areas of knowledge also allowed him to influence the behaviour of others via the 'expert power' (Hellriegel *et al.*, 2004) that he exudes. Fourie's 'expert power' results from his retail background, wherein he successfully merged the Game and Dion brands, and later turned around the performance of The Connection Group (The Times, 2009).

Fourie is generally perceived as a role-model leader by his employees and his management teams. His staff can identify with his ambition; his unwavering conviction to the firm's vision and goals; his unbiased approach to resolving employee conflicts; his commitment to honesty and loyalty to the organization, and his empowerment of EHL's human capital. This 'referent power' (Hellriegel *et al.*, 2004) enabled Fourie to influence his teams through their personal identification with him.

Carstens (2009) advised that ABIL engages with leaders who exude impeccable listening skills and who display high levels of emotional intelligence (EQ). Fourie's historic retail successes (at The Connection Group and at Game and Dion) at being able to mobilize teams towards a common vision and a renewed purpose, resonates with the theoretical constructs of EQ leadership (Goleman, 2000).

The ability to display high levels of emotional intelligence is an inherent attribute in an effective strategic leader (Amos, in Louw and Venter, 2006). Carstens (2009) suggested that although the due diligence (of EHL) may have influenced Fourie's strategic choices, it did not impact on his leadership style. This implies that whilst Fourie's strategic choices were determined by the needs of the organization, his leadership style is still characterized by his conviction to the firm's vision; his strategic approach to finding solutions; his stance on non-centrist leadership, and by his commitment to empowering his employees.

Fourie (2009) confessed to being better suited to organizations that require significant change. He was acutely aware of his strengths; abilities and expertise, and confided that the heart of his leadership philosophy was modelled around the "unleashing of human talent". According to Fourie (2009), his personal leadership philosophy was central to finding and nurturing people with unique skills-sets. Fourie's conviction of "unleashing human talent" and of leveraging "knowledge" to sustain a competitive advantage resonates with Grant's (2000) literature, wherein he cautioned that the greatest challenge for leaders in the twenty-first century would be to benefit from the gains associated with transforming the knowledge that lies within human heads, into explicit reusable knowledge.

Bartlett and Ghoshal (1997) argued in favour of leaders developing an organization's human capital. However, Fourie (2009) added that strategic leaders should be perpetual students themselves. Fourie advised that strategic leaders should display a high orientation for personal growth and self-development. "I think that there's probably a high correlation between people who are development-oriented themselves, and what they think and do about the development of others" (Fourie, 2009). He reinforced that leaders must be passionate; convicted, and lead with the philosophy that "if you don't love it - don't do it".

Fourie (2009) also conceded that he subscribed to empowerment; collaboration; regular communication; robust dialogue, and to the spreading of

leadership throughout the organization. This resonated with the work of Bartlett and Ghoshal (1997) who suggested that three fundamental trends were characterizing the emergence of a new organizational framework and of a new leadership philosophy, namely: a bottom-up management approach; cross-unit integrative processes, and a sincere commitment by the organization's leadership to the concept of empowerment.

Fourie's emphasis on purpose; processes; people, and on the reduction of hierarchical business structures, represented the leadership philosophy of the new reality (Bartlett and Ghoshal, 1994). His leadership style was characterised by his desire for commitment; productivity; inclusion; fairness and neutrality; influencing collective discussion; reinforcing accountability and the balance of consequence, and for making strategic decisions that were rooted in logic and sensibility (Fourie, 2009).

Fourie (2009) added that leaders must want to make a contribution; that they must be committed to the cause; that they must foster trust; that they must lead within a principled environment, and that they must display an ability to articulate their expectations in a manner that is devoid of ambiguity. Carstens (2009) advised that Fourie had mastered the art of clear and concise communication.

Carstens (2009) and Fourie (2009) argued that leadership should not be vested in title. Fourie's (2009) suggestion that "one does not need stripes to be a leader" neither does one need titles to do the job of a leader, corroborates his commitment to spreading leadership throughout the organization. Carstens (2009) added that leaders who functioned within finite power-bases were ineffective.

Although Carstens (2009) was of the view that leaders can learn how to lead more effectively, he argued that the ability to inspire and motivate others was a skill that is inherent in leaders. Carstens (2009) also informed that Fourie thrived on engaging in qualitative conversations and on conducting extensive quantitative analytics before concluding decisions.

Fourie (2009) added that whilst he propagates inclusive dialogue, he would not hesitate to make a judgement in the absence of consensus. He substantiated that he employed the skills of leaders who displayed high levels of emotional intelligence, because they possessed an inherent ability to make good judgements. He advised that he encouraged disagreements, provided that they were rooted in logic; sensibility and in intelligence.

Fourie (2009) confessed that he would become restless if he was unproductive. He constantly strategized about vexing issues that affected the future of the enterprise. Whilst contemplating his own future, he believes that there is a time and a place for leaders – you must know when it's time to go. Fourie (2009) conceded that he had no intention of staying in the corporate industry indefinitely. He is on a five-year mission, and at the time of this research, he had completed approximately twenty-two months of his tenure. However, he was already proactively searching for his successor. This resonates with his own philosophy that there are no indispensable people, not even himself. Fourie (2009) advised that there must be continuity when you leave – it is the mark of good leadership.

4.3.2. Roles and tasks

4.3.2.1. Introduction

Whilst Carstens (2009) prefaced that leaders must want to lead, he also purported that leaders must be able to deal with varying business realities; manage the balance of consequence (namely: the outcomes of their decisive actions); juggle many balls all the time; and instil long-term vision in their people. Carstens (2009) also advised that an effective strategic leader's frame of reference (in the course of role-play) must include multiple stakeholders.

Fourie's skills were critical enablers for him to successfully manage the significant organizational changes that were envisioned for EHL. His charismatic interpersonal skills were required to enable him to energise his new team towards a renewed vision. Further, his instrumental role was sought

to enable him to lead the changes required in the organizational design; structures; systems; processes and rewards (Graetz, 2000).

4.3.2.2. Determining strategic direction

Fourie (2009) makes reference to an analogy of a lighthouse when describing his leadership role in determining the strategic direction for Ellerine Holdings Limited:

“It’s like being in stormy seas...it’s a favourite analogy of mine, it’s like being in stormy seas...you know, falling out of a boat, and the boat sinks, and you’re all in the water...If people can see the lighthouse, they’ll strike out and start swimming. If they can’t, in all likelihood, they’ll drown...So, what is the leader’s role? It’s to find the lighthouse and help everyone to see it...and then strike out, and take them with you. Because if one can’t see the lighthouse, one will drown...one will give up...”

When Fourie was appointed as the Chief Executive Officer of EHL, he understood the importance of translating his strategy (to bring about organizational change) into a vision that would set the organization’s strategic direction (Louw and Venter, 2006). According to Carstens (2009), Fourie clearly articulated his vision to EHL’s employees during his first CEO’s address. EHL’s executives advised that, initially, there was general consensus amongst staff that Fourie’s vision was audacious, even bordering on being unrealistic.

Fourie advised employees that EHL would deliver profitable market leading brands in the furniture retail industry within five years, thus delivering above-average returns-on-investment, and exceeding its shareholders’ expectations. His vision was for EHL to boast the most effective; efficient and profitable retail operations in the furniture sector, thereby nullifying any reliance on its already profitable financial services component.

Fourie's vision did not end there. He announced an intention to revolutionize the entire furniture credit retail sector, by introducing strategic interventions within EHL's credit granting policies that would create new benchmarks for the industry. Fourie emphasized the organization's new outlook on performance management; ethical practices and honest conversation. According to Fourie (2009), these core ideologies represented the values that would be enshrined within a new organizational culture that would foster collaboration; dialogue and employee empowerment (amongst other cultural values). The notion of this envisioned future (Amos, 2006; Hitt *et al.*, 2005) induced content and satisfaction from non-supporters of the previous organizational culture, wherein employees were subjected to a conservative and centrist leadership approach; minimal empowerment; exclusion from decision-making processes, and little collaborative dialogue.

Fourie (2009) conceded that, initially, there were many sceptics amongst his team. These sceptics included senior executives at EHL who did not subscribe to his envisioned future. He was aware that these non-believers would inhibit the successful implementation of his strategic plans. However, key to Fourie's strategic plans was the urgency to roll-out a new business model at EHL that would necessitate significantly changing organizational structures; designs; systems; processes; procedures; practices and culture.

The envisaged organizational changes, which had resulted after determining the firm's new strategic direction, were intended to provide solutions to the three key challenges identified in ABIL's due diligence, namely: to resolve EHL's positioning dilemmas; to address EHL's performance, and to re-create a sustainable business model (discussed in section 4.2.4.).

Fourie (2009) informed that whilst he was developing the long-term vision of the organization's strategic intent (Hitt *et al.*, 2005), it became increasingly apparent that his envisioned strategic direction would have to ensure the creation of motivational impetus for his followers to act upon. It was also evident that the appointment of a diverse top management team would be a

key imperative to ensuring the successful roll-out of his strategic choices (Tihanyi *et al.*, 2000). These strategic choices are discussed in section 4.4.

4.3.2.3. Managing the firm's resource portfolio

Fourie's primary objectives in managing EHL's resource portfolio were clearly communicated to all stakeholders at the commencement of his tenure. Prior to assuming his role as Chief Executive Officer, Fourie and his team (from African Bank) conducted extensive analysis of the organization's key resources, namely: financial capital; human capital; social capital, and organizational capital. The results of his team's analysis informed him that he would have to re-bundle and redeploy the organization's resources if he intended to create the desired competitive advantage (Sirmon *et al.*, 2008).

After identifying EHL's core competencies (which included experienced and skilled employees with furniture retailing expertise; market-leading furniture retail brands; an extensive distribution footprint spread across South Africa and its neighbouring countries, and a captive consumer-base that was willing to purchase EHL's merchandise on credit), Fourie strategically realigned the firm's resource portfolio with those activities and functions that EHL excelled in. Although EHL had a profitable financial services division, Fourie was convinced that it could be managed more effectively and more profitably if it was re-bundled with the product offerings from African Bank's credit-services division.

ABIL's due diligence had informed Fourie that EHL was cost inefficient (at the time of his appointment in February 2008). He formulated an array of strategic interventions (discussed in further detail in section 4.4.) that resulted in the restructuring and rationalization of EHL's business units; management teams; staff; brands and product lines. His strategic choices resulted in a significant reduction in EHL's excessive cost-base (reducing it by approximately R400m per annum), thus contributing to a more profitable and sustainable bottom-line. The due diligence had determined that EHL was over-stored; over-branded and over-structured (African Bank Investments Limited, 2008).

In addressing these challenges, Fourie was cognizant that his strategic choices would have considerable impact on the human capital component of the organization. Whilst a reduction in the employee-base was inevitable, Fourie (2009) advised that he was cautious not to incapacitate the firm. Armed with a philosophy that an organization's human capital can create an inimitable competitive edge, Fourie redeployed key management personnel; appointed new executives to lead functional change within business units, and invested in long-distance training and development programmes for all staff. Fourie also introduced a Leadership Development Forum (LDF) for selected senior managers and executives. The objective of the LDF was to identify and mentor EHL's future leaders, for succession.

A firm's social capital is inextricably linked with its organizational capital, and the effectivity of these two key resources is influenced by the relationships that exist with both internal and external stakeholders (Hitt *et al.*, 2005). Following robust dialogue and debate, Fourie rationalised the number of service providers in critical areas of the business. He took a view on fostering mutually beneficial long-term relationships with key stakeholders, including suppliers; import agents; media, and economists.

4.3.2.4. Emphasizing ethical practices

Fourie alluded constantly to his personal set of values whenever he engaged in conversations with key stakeholders and with members of his executive team. This was done with intent, as Fourie's objective had always been to create an alignment of his personal values with those of the organization (Amos, 2006). His philosophy was that the behaviour of a leader encourages and influences the behaviour of his (or her) followers. Hence, Fourie was astutely aware of the importance and relevance of his role-model image. Fourie's personal values include commitment; honesty; integrity; trust; empowerment, and ethical behaviour. These were some of the values that he immediately enshrined in the new organizational culture that he introduced to EHL. Fourie exhorted all employees to act with integrity and pride. He emphasized zero tolerance for criminal conduct (Fourie, 2009)

Compliance with legislation was also non-negotiable. The introduction of the National Credit Act (NCA) in June 2007 was embraced by Fourie, and he led the application of all its legislated requirements at EHL. Fourie has infused the notion (amongst all employees) that maintaining ethical practices reinforces the organization's values. Rose (2008) quoted Kirkinis (Chairman of ABIL): "There is clear disclosure on Ellerin's books so we can't fudge any numbers". The application of legislated accounting policies and the disclosing of accurate information (when reporting on audited financial results) has been Fourie's mantra since being appointed at EHL.

Fourie was instrumental in determining and developing the organization's code of conduct. He has led the implementation of policies and standard operating procedures (SOPs) for every functional area of the business, and has led the timeous communication thereof to all employees. These standard operating procedures drive ethical behaviour and adherence from all staff.

4.3.2.5. Establishing balanced control systems

By September 2008 (eight months after being appointed), Fourie's leadership style was well entrenched at EHL. Executives advised that the new organizational culture was being embraced by most employees, and that the implementation of many of Fourie's strategic choices had gained sufficient momentum. However, the build-up to the implementation of his much anticipated structural-rationalization and brand-optimization programmes posed a major challenge for Fourie.

Fourie needed to ensure that there were adequate control systems to reduce wasteful expenditure; to monitor employee performance, and to ensure a more effective and efficient operation. Fourie employed the services of trusted subject-matter specialists from African Bank to expand the skills-base of his Group Executive team. Executives who did not subscribe to his vision, and management who repudiated the new organizational culture, found themselves being ostracised from critical decision-making processes.

A new organizational structure was designed that fostered more effective reporting processes. Fourie led the creation of a Group Strategy division (headed by Carstens) that was tasked with the critical analysis of every functional area of the business, and with making recommendations to improve the organization's performance. Balanced scorecards were introduced in all divisions to measure performance against agreed targets, and to monitor the progress of the implementation of the organization's strategy.

Fourie focussed on staffing the Group Audit and Group Administration divisions with the appropriate expertise to ensure that EHL's daily operations were being supported by reliable control systems. Experts from African Bank's credit division were tasked with being consulted on all credit-related dilemmas at EHL, whilst plans to implement more enabling ICT systems were reaching approval stage. These plans included the introduction of new management information systems (MIS) to improve the reporting of daily sales results and financial analysis, and the introduction of new credit-granting technology to enhance the evaluation of the credit-worthiness of customers.

Whilst the aforementioned balanced control systems represent only a few of the initiatives that Fourie had led, executives suggested that key stakeholders were taking comfort that his interventions were fostering credibility, and that he was creating appropriate parameters within which to implement the remainder of his strategic choices.

These strategic choices are presented and discussed next.

4.4. Fourie's strategic choices

4.4.1. Introduction

In an interview with Home Goods Retailer (2008a), Fourie intimated that EHL was performing considerably below par on the retail trading side of the business, but that those losses were being compensated for by the entity's excessive earnings from its financial services division (namely: finance

charges; insurance fees; warranties, and guarantees). According to Home Goods Retailer (2008a), Fourie was critical of such an imbalance in EHL's business model, and declared that as a retailer, EHL had not been doing the basics correctly. Fourie added that the organization's cost-base was abnormally high, and that its finance charges and insurance fees (that were being levied on consumers) were neither fair nor equitable.

Fourie's strategic choices were developed in response to three critical challenges that were identified from the due diligence (African Bank Investments Limited, 2008). Firstly, Fourie declared that EHL was *over-structured*. This implied that the firm's design was characterized by too many management layers and by a complex hierarchical organizational structure. Secondly, Fourie advised that EHL was *over-stored*. The entity was operating many loss-making stores in questionable geographic locations, the result of which was a cannibalization of the profitability of neighbouring stores (that were also owned by EHL). Finally, Fourie was concerned that EHL was *over-branded*. He claimed that EHL owned pockets of brands that were servicing similar market segments. The aforementioned three challenges became Fourie's mantra for the first eighteen months of his role as CEO (Fourie, 2009).

Fourie was cynical of organizations' traditional approaches to *strategy*, and cautioned that *it* was just a bunch of rubbish that people write on a piece of paper and stuck in a bottom drawer (Fourie, 2009). Instead, Fourie's approach to strategy involved discussion; intense thinking, and consistent rigorous strategic dialogue and debate.

This approach, according to Fourie (2009), had previously resulted in ABIL's paradigm shift from being a product-focussed business, to a customer-focussed operation. Fourie's intention was to align EHL's focus with that of ABIL's. It was also Fourie's strategic choice to focus on the organization's people. Fourie announced an intention to focus on performance management reviews; training and development, and on identifying and managing human talent (Bartlett and Ghoshal, 1997) from within the organization.

According to Carstens (2009), whilst a strategic choice was made to embark on initiatives that would reduce excessive operational costs, they were committed to not reducing budgets on the development of EHL's human capital.

Upon reflection, Fourie (2009) elaborated on EHL's historic business model being unsustainable. He adds that the due diligence had determined that EHL was a business that had been built for the 'high tide', and that problems had surfaced when 'the tide ran out'. When Fourie was appointed as CEO, he embarked on a strategy to remove costs from the system, without incapacitating the organization. These strategic interventions included the closure of non-profitable stores; the optimization of EHL's logistics and delivery fleets, and the rationalization and restructuring of the organization's management teams.

In 2008, EHL announced R386m in headline earnings versus the R1bn that was declared pre-acquisition in 2007 (Ellerine Holdings Limited Annual Report, 2006). However, Fourie (2009) argued that the R1bn was being eroded by an excessive cost-base, and that it was therefore unsustainable. Fourie (2009) and Carstens (2009) concurred that EHL's previously unsustainable business model had been exacerbated by irresponsible and inappropriate credit granting practices (prior to the introduction of the National Credit Act in 2007). Fourie (2009) and Carstens (2009) added that this would eventually result in poor collections and to increased levels of bad debt.

In 2008, Fourie's challenges were compounded by the advent of the global economic recession. It resulted in weaker economies; crashing trading markets, and increased levels of bad debt. Fourie was convinced that if EHL's historic credit-granting practices continued, the organization would eventually be incapacitated by the increasing levels of bad debt.

Under Fourie's leadership, EHL halted the irresponsible granting of credit to customers. As anticipated, this strategy resulted in a sharp decline in trading volumes; increased stock-holding; lower turnover, and pressurized cash-flows

(Fourie, 2009). After absorbing salary and rental increments of R140m, the new-look EHL succeeded in reducing its cost base from R3.6bn to R3.2bn in 2008, thereby making the organization more cost-efficient (Fourie, 2009). The reduction of these costs resulted ostensibly from the closure of non-profitable stores; from optimizing EHL's logistics and delivery fleets, and from rationalizing and restructuring the organization's management teams.

Fourie was committed to gearing the organization despite the adverse macro and micro economic conditions, the benefits of which, he believed, would be realized when the economy recovered from the effects of the recession. Fourie's strategy was simple: to leverage the organization's resources to obtain a distinct competitive advantage. Whilst economic analysts and competitors scoffed at the aggressive strategic changes that he was implementing during the throes of a crippling recession (Carstens, 2009), Fourie remained resilient to his critics and committed to his objectives. He forged ahead with the implementation of his strategic choices.

4.4.2. Turnaround and Revenue Growth

An examination of the historic market positioning of EHL's twelve retail brands was complemented by extensive client research. The outcome of these initiatives resulted in the identification of six clearly unique; sufficiently sizeable; accessible, and profitable market segments within which EHL could compete effectively.

The research enabled Fourie and his team to develop unique client value propositions (CVP's) and differentiated strategies for each of the six segments (African Bank Investments Limited, 2008). Fourie's strategy was to then create six distinctive business units, and to make them potent competitors in their respective markets. The objective was to ensure a turnaround in the performance of each business unit. This involved a rigorous brand rationalization process. Brands that previously served similar market segments were consolidated into what Fourie named as Market Position 01+ to Market Position 06+.

According to Rwigema (2006), the combination of well-known brands into strategic business units is an effective turnaround strategy. Rwigema (2006) argues that revenue growth and increased market share (over the medium to long-term) can be achieved if appropriate brands are effectively combined. EHL's Group Structure by Brand (Post 2008), attached as Appendix 04, illustrates the result of the brand rationalization and consolidation programme.

According to African Bank Investments Limited (2008), Market Position 01 would retain the Ellerines brand name. Furn City; Savells Fairdeal and Town Talk were consolidated into this business unit, and it was strategically positioned to offer lowest price through operational excellence (namely: lowest credit offering, and economies of scale). Market Position 02 retained the brand name Beares, and strategically consolidated Lubners into the business unit. Its client value proposition was central to offering wide comprehensive categories of functional ~~good~~ value for money+ furniture and home furnishings.

Fourie advised that Furniture City would be the sole brand in Market Position 03, targeting style-driven achievers, and offering operational excellence and product leadership. Market Position 04, which was aimed at the ~~social~~ climbers+, would be serviced by Geen & Richards and it would be characterized by product leadership through differentiation; styling and quality.

Product leadership in ~~bedding~~+ would be the defining client value proposition in Market Position 05. Dial-a-bed was retained to service this market, and the creation of this business unit resulted in the incorporation of the Mattress Factory brand. Finally, Wetherlys was retained to service Market Position 06, a segment that caters for the aspirant market. Osiers was consolidated into this business unit, and the offering would be characterized by expert and personalized service to customers who seek premium priced quality product.

In addition to the brand optimization initiatives, a branch footprint analysis was conducted. Fourie demanded both economic and market reviews, and the analysis of branch performance metrics. Tactical interventions were identified

for unprofitable stores, such as closure; lease run-downs, and mergers. Fourie led the rationalization of the group's branch network, an intervention that resulted in the reduction of approximately 200 stores from the original count of 1 260 (Home Goods Retailer, 2008a). Fourie also interrogated the group's merchandising strategy, and undertook to drastically reduce the firm's product lines by introducing differentiation in each Market Position, supported by superior customer value.

4.4.3. Shared Competencies

Organizational inefficiencies can be improved through the processes of rationalization and synergy (Pearse and Robinson, 2003). Fourie's strategy was to spread all of EHL's distinctive strengths across its six business units, thereby ensuring a lowering of business unit costs for the organization as a whole (Rwigema, 2006). In an effort to stimulate innovation through co-operation, Fourie led the creation of a Shared Services division.

Strategic central functional areas such as HR; IT; Marketing; Credit and Collections; Administration; Strategy; Call Center; Finance and Audit were included in a new organizational structure (discussed in further detail in section 4.4.5.) to provide services to the six business units. ABIL's primary subsidiary, African Bank, was invited to provide strategic support to EHL's Financial Services and Credit Services divisions. The firm's Real Estate portfolio was also incorporated to offer a shared service to the group.

In an effort to focus strategically on improving the efficiencies of EHL's retail services, Fourie chose to outsource the organization's Logistics; Warehousing and Distribution operations in 2008. In 2009, a leading entity in this sector was selected after a rigorous tender process, to provide expert service to the group's complex requirements. Fourie also approved a five-year project entitled 'Mhuthuka' that will result in the building of central warehousing and distribution hubs throughout the country. With the objective of then servicing all six business units, this strategic intervention will reduce EHL's logistics; warehousing and distribution costs substantially in the medium to long term.

4.4.4. Divestiture or Exit Strategy

Fourie's strategy was to focus on %healthy+ business units within the organization. He decided that business units that were deemed to be either non-core; peripheral; or non-contributing towards EHL's new organizational goals, would be disposed of. This divestiture (or exit strategy) allowed Fourie to effectively deploy sufficient resources to the six selected market positions.

Fourie disposed of Early Bird Services (the technical services business unit). Technical support was sourced from EHL's merchandise-suppliers via their products' warranties and guarantees. Rainbow Loans (the credit solutions business unit) was also discontinued, and seven of its seventy-four branches were integrated into African Bank (African Bank Investments Limited, 2008).

4.4.5. Corporate restructuring

Motivated by the need to respond to environmental contextual changes, Fourie decided to introduce radical changes to the businesses within EHL's corporate portfolio (Fourie, 2009; African Bank Investments Limited, 2008). As previously discussed, Fourie restructured the firm's portfolio by divesting from Rainbow Loans and from Early Bird Services.

Financial restructuring was introduced via the migration of credit solutions to African Bank, and via the separation of the financial services division from the retail division (African Bank Investments Limited, 2008). EHL's Group Operational Structure (Pre 2008), attached as Appendix 02, was characterized by a complex hierarchical structure, with numerous intermediate management layers. Fourie believed that the firm needed a paradigm shift from the old mechanistic structure to a more organic horizontal model (Bartlett and Ghoshal, 1994) that would encourage more efficient reporting; relationships; dialogue; inclusion; empowerment, and accountability.

The result of Fourie's organizational restructuring initiative is depicted in EHL's Group Structure by Executive (Post 2008), attached as Appendix 03.

In effect, Fourie reduced the number of executive management teams from seventeen to six, and the number of companies (within EHL's corporate portfolio) from thirteen to six (Fourie, 2009), each with its own accountable management structure. As discussed previously, Fourie also led the aggressive implementation of the brand rationalization and consolidation programmes.

The restructuring of EHL's brands resulted in the creation of six Market Positions, and is illustrated in Appendix 04. Fourie reduced EHL's historic retail brands from thirteen to six (Moneyweb, 2009). According to Fourie (Home Goods Retailer, 2008a), brands were discontinued because they either lacked a strong identity; or offered minimum differentiation to consumers; or lacked critical mass, or were duplicating the consumer's shopping experience.

The restructuring of brands also resulted in a rigorous analysis of branch footprints. The outcome was the closure of almost 200 unprofitable stores, contemporaneously reducing EHL's cost base. According to Fourie (2009), the restructuring initiatives (during 2008 and 2009) reduced EHL's human capital component by an estimated 3 500 staff (from its original head-count of approximately 17 000 employees). Carstens (2009) added that the majority of this reduction was as a result of natural attrition.

Fourie (2009) advised that there were 103 %forced+retrenchments, and that most of these were at senior management and executive levels. Fourie then appointed six Managing Executives to the newly created business units, (four of whom were new to their portfolios), and three Deputy Managing Executives, all of whom were personally interviewed and approved by him. Fourie's restructuring interventions were motivated by the urgency to improve employee performance.

Fourie (2009) also informed that he had inherited the following concerning performance indicators when he was appointed as CEO: the lowest turnover per person in the furniture industry; the lowest sales per square meter in the industry (namely: the lowest trading densities), and the highest cost to sales in

the industry. Fourie (2009) suggested that these indicators were contributing to his inherited unsustainable business model, and hence his urgency to introduce significant organizational change at EHL. Executives informed that since the introduction of Fourie's strategic interventions, the aforementioned indicators had improved, and that EHL had been positioned to set new benchmarks for the furniture retail industry, from the medium term onwards.

Fourie developed a new organizational structure that was aligned with his vision and with his new strategic objectives. Reporting relationships; roles and duties were clearly defined and included in the new organizational design. The corporate portfolio was restructured to include only core businesses. Fourie's financial restructuring strategy ensured that EHL would focus on managing an effective and efficient retail operation. The organization's historic reliance on the profitability of its financial services division was nullified, owing to the strategic incorporation thereof into African Bank.

4.4.6. Leading organizational transformation

Fourie's historic success in leading organizational transformation at Mass Discounters and at The Connection Group (Home Goods Retailer, 2008b; The Times, 2009) provided him with the empirical experience required for his challenging task at EHL.

He commenced by requesting his Strategy Division to conduct rigorous analysis of both the market, and of the competitive realities. The resulting SWOT analysis informed significant strengths and opportunities, thereby inducing a sense of urgency that Fourie could act upon.

Fourie appointed trusted individuals to strategically selected senior management and executive portfolios. This strategy ensured that he had commitment to his vision from a group of people that he could rely on to lead the change within the rest of the organization. His clearly defined and articulated vision was supported by developed strategies that were governed by achievable time-frames (Home Goods Retailer, 2008b).

Carstens (2009) made reference to Lewin's (1958) 'unfreeze-change-refreeze' theory of change management, but advised that Fourie was much more aggressive in introducing organizational change efforts within the entity. As discussed previously, Fourie (2009) advised that he intentionally ostracised employees who did not subscribe to his vision or to his organizational change strategies, from critical decision-making processes. Fourie (2009) recalled that the new organizational culture had eventually ensured that only committed employees (to the new envisioned future) remained with the firm.

After overcoming these 'obstacles to change' (Kotter, 1995), Fourie led the corporate restructuring of EHL (as described in section 4.4.5.) and introduced systems and structures that supported his vision. His philosophy of 'empowerment' encouraged creativity; innovation; inclusion; collaboration and decision-making. Fourie (Home Goods Retailer, 2008b) also alluded to having proactively built strong diversely skilled teams within EHL's business units, and to ensuring that he rewarded performance improvements appropriately.

As confidence in his strategic interventions increased, Fourie forged head with more transformational change initiatives that were aimed at improving systems and processes, thereby inducing improved performance from all functional areas of the firm. He introduced significant change in the organization's ICT function by changing operating systems in 2009. Phase-01 of the 'Allerines Credit Migration Project' (ECMP) was introduced in select pilot stores in Market Position 01 during the first quarter of 2009. This strategic intervention signalled the intended roll-out of African Bank's credit platform to stores across EHL's trading footprint. A parallel project commenced with the conversion of selected stores' operating systems from 'Ceres' to 'T4U' (a new management information system intended to improve communication and reporting efficiencies).

Fourie also proceeded with the consolidation of EHL's divisional head-offices. He terminated the lease agreements of two office-parks in Gauteng, and commenced with the running-down of a third lease agreement for the regional

head-office in KwaZulu Natal. His intention was to have all administrative personnel housed in the new modern head-office, located in Sandton, Gauteng. Whilst driving behavioural changes, Fourie also led the introduction of the Leadership Development Forum+ (LDF), an initiative aimed at identifying and mentoring EHL's future leaders for succession.

4.4.7. Innovator strategy

Fourie's strategic choices evolved from his commitment to making EHL a customer-centric organization. To fulfil this objective, Fourie was cognizant that a radical enhancement of both EHL's structure and infrastructure would be required. In an effort to improve customer service levels, Fourie re-configured some of EHL's critical operations. The outsourcing of the firm's logistics; warehousing and distribution functions to an expert service provider, was intended to improve delivery times to customers, whilst simultaneously reducing operational costs in the medium to long term (for EHL).

Further, greater collaboration was encouraged between the operations; merchandising and marketing functions to facilitate the creation of superior product designs. According to executives, Fourie then collaborated with African Bank and strategized new; innovative and affordable credit offerings that perplexed EHL's competitors, whilst simultaneously growing the organization's customer-base. Although significant effort was made by Fourie and his team to drive customer satisfaction, executives advised that considerable effort is still required in this area of EHL's performance scorecard. However, there was an ongoing commitment to measure and monitor customer satisfaction indices.

4.5. Leading the strategy implementation process

Fourie was a visible leader throughout the strategy implementation process. Not known for being a passive observer, he has been at the forefront of every strategic initiative. This is arguably so, because of his unwavering commitment to the transformational process; because of his conviction to turn-

around the performance of EHL's retail operations, and because of his determination to achieve excellence for both his team and himself.

The implementation of Fourie's strategic choices is aggressively monitored against pre-determined time-frames. The advent of the global recession in 2008 did not halt the roll-out of his strategic choices. Fourie sought the support of ABIL's major shareholders to continue with his gearing initiatives and with his transformational programme. Despite initial reluctance, senior executives at EHL concurred that the firm was better positioned than any of its competitors to benefit from the recovering economy.

4.6. People management and organizational culture

Fourie was critical of many of the cultural symbols and values that characterized EHL prior to its acquisition by ABIL. Fourie (2009) informed that it was a very serious environment where nobody laughed; that it looked like nobody was having fun; there was a very centrist leadership; formal; hierarchical; conservative; extremely micro-managed; featured few decision makers; employees addressed the senior executives by their surnames and used the title of 'Sir' or 'Meneer'; there was filtered information; non-participation; inflexibility, and a disempowerment and disengagement with staff.

Carstens (2009) added that Fourie's philosophy regarding organizational culture was central to engaging in 'honest conversation'. Carstens (2009) advised that during his first address to EHL's staff, Fourie jested: 'We are very serious about business' but we enjoy doing it'. Whilst Carstens (2009) referenced Schein's (1992) work on cultural symbols and cultural artefacts, he alluded to the new symbols that Fourie had introduced at EHL: the language became more informal; the dress code became casual (a dramatic change from suits and ties, to jeans and smart casual shirts); the environment became informal; the organizational structure became horizontal thereby enhancing dialogue and communication, and employees were seated in an open-plan environment to encourage strategic dialogue and the sharing of information.

Fourie (2009) confirmed that the culture at EHL was now fundamentally different to the culture that once blanketed the organization. Fourie (2009) added that he stood in a queue in the canteen like every other employee (dining-halls that were once reserved exclusively for executives have been abolished); parking bays were filled daily on a first come first serve basis (no reserved parking bays); employees referred to executives by their first names; there was laughter; people were louder; there was a culture of open dialogue; tolerance for opposing views; dignity and respect for all colleagues; empowerment had encouraged free-thinking; people were conversational; innovative; entrepreneurial; creative; strategic; performance oriented, and inventive. Fourie (2009) concluded that although the executive is clear about what they want to do, they are not inflexible.

Fourie's philosophy was that business decisions should not converge around the CEO's table. He introduced a culture of spreading the leadership throughout the organization. Carstens (2009) advised that there was a strong link between organizational culture and business performance, and that some employees may not have embraced the new culture because they may have experienced difficulty in trying to adjust. However, Fourie was less empathetic. Fourie (2009) cautioned that employees needed to subscribe to what goes on, or move on. His stance was that staff could not be at EHL and disengage, or be at EHL and not be committed to the new culture, or to the new organizational goals.

Fourie subscribes to managing people through empowerment. He believes that staff must be permitted to be accountable. Fourie (2009) further suggested that decision-makers and future leaders must be given the space to make mistakes. He advised that employees must be empowered to make decisions, but that they must learn from their mistakes. Fourie was also philosophical about his role in inducing cultural change within a macro enterprise such as EHL: "It's about consistently doing what you say. Deeds must match your words. You can't say one thing and do something else" (Fourie, 2009).

Carstens (2009) advised that EHL's culture was not modelled on any index, but rather, that it was profoundly about Fourie leading the organizational changes differently. Carstens (2009) added that Fourie's people management skills were exemplary. Notwithstanding the trauma of staff reduction, Fourie was able to sustain morale whilst simultaneously instilling confidence amongst all employees. He achieved this by sending out regular communication to staff that detailed the progress of his change initiatives, whilst simultaneously reinforcing the importance of teamwork to ensure a successful transformation of the organization.

Although the brand-optimization and the corporate-restructuring programs resulted in staff rationalization, Fourie's approach was always principled: there would be no surreptitious mass retrenchments, and wherever possible, affected employees would first be offered redeployment within EHL. Fourie's commitment was corroborated by an ex General Manager of a business unit in the Eastern Cape region, who confirmed that he was first offered redeployment when his business unit was restructured.

Fourie (2009) confidently advised that staff morale at EHL was ostensibly better than it ever was before the acquisition by ABIL. There was open and honest dialogue; transparency in the communication of all strategic plans, and accessibility to every senior manager and executive. Twice daily, Fourie intentionally strolled through every floor in EHL's new head-office to ensure that he was visible and approachable to his team.

Whilst Fourie confessed that there may have been a minority who still did not subscribe to the new culture, he clarified that his task was to virally infect businesses through its points of influence. Fourie alluded to a ripple effect syndrome, and advised that he believed in infecting the individual who could exert the most influence in that particular division or business unit.

Fourie's (2009) philosophy was that an organization's changing cultural environment would eventually reject the resistors. Fourie (2009) warned that an effective strategic leader would either change the people or change the

people, implying that an effective leader would first endeavour to change the people's mindsets, failing which, he (or she) would resort to replacing the people.

4.7. Organizational performance

Thus far, the research has examined and discussed many of Fouries' challenges and qualitative performance successes. Table 02 represents a time-series analysis of some of EHL's relevant financial performance indices between 2007 and 2009.

Table 02: EHL's financial performance indicators (2007 - 2009)

(Source: African Bank Investments Limited, 2009)

RETURN ON SALES	30 Sept 2009 (R million)	30 Sept 2009 (% of sales)	30 Sept 2008 (% of sales)	30 Sept 2007 (% of sales)
Retail Sales (excl. Fin. Services)	4,196	100.0	100.0	100.0
Cost of sales	-2,405	-57.3	-57.5	-54.9
GROSS MARGIN	1,791	42.7	42.5	45.1
Non-interest income (sales)	296	7.1	7.1	6.6
Operating costs	-2,314	-55.1	-60.2	-49.2
OPERATING MARGIN	-227	-5.4	-10.6	2.5
Financing costs	-35	-0.8	0.7	0.7
Taxation	77	1.8	2.7	-0.9
RETURN ON SALES	-185	-4.4	-7.2	2.3
MEDIUM TERM TARGETS	30 Sept 2009	30 Sept 2008 (09 months)	Medium Term Targets	
RETAIL				
Market share	17%	17%	> 20%	
Sales	R4.196 bn	R3.1 bn	R9 - R10 bn	
Credit sales to total sales	55.2%	44.3%	70%	
Operating costs to sales	55.1%	60.2%	30% - 35%	
Return on sales	(4.4%)	(7.2%)	> 10%	
Stock turn	2.9 x	2.9 x	5.0 x	
FINANCIAL SERVICES				
Yield	45.3%	51.6%	< 40%	
Cost to average advances	17.6%	16.4%	7.5%	
Bad debts to average advances	11.0%	12.0%	11%	

Carstens (2009) cautioned that whilst EHL had not achieved the desired financial performance as yet, the business was in a far better place, than it ever was before. Fourie (2009) added that the building blocks were firmly in place and that EHL was strategically positioned to trade out of its inherited model, and to generate the desired profits from the 2010 financial year onwards (October 2009 to September 2010). There was already evidence (as detailed in Table 02) that gross margins had improved by 0.2%; operating costs to sales had reduced by 5.1%; credit sales to total sales had improved by 10.9%, and the return-on-sales ratio had improved by 2.8% (2009 versus 2008).

In further mitigation, the advent of the global economic recession in 2008 had also skewed the financial performance of most organizations throughout all industrial sectors. This macro-economic condition had adverse effects on what could have otherwise been a more natural performance by EHL. Further, micro-economic conditions that were influenced by the organizational transformation at EHL would have had contemporaneous negative effects on the firm's performance.

However, Fourie's optimism that EHL would generate the desired financial results during the 2010 trading year seemed to be gaining momentum. By October 2009, stockholding was being better managed; gross margins were up on previous fiscals; business units were surpassing budgeted sales and profitability forecasts; an increased number of stores across the group's trading footprint were achieving their quantitative benchmarks; debt collections were improving, and bad debt had decreased by 1%. In the context of EHL's business, a 1% reduction in bad debt is a significant achievement.

4.8. Fourie's strategic focus: medium and long-term

Fourie (2009) was introspective about his future challenges and about the changing focus in his role as CEO. Fourie reflected on his appointment in February 2008, and advised that his mode at that time was governed by the following objectives: he needed to conceive a plan and drive the execution of

that plan; he needed to lay the foundation for change at EHL; he needed to position the building blocks for an envisioned future, and he needed to employ the right team to take the business forward.

Twenty-two months after being appointed as CEO, Fourie (2009) was confident that the firm's culture and its momentum for change were both well entrenched. In its latest configuration, EHL boasted a dramatically different and diversely skilled leadership team that was successfully implementing the organization's strategies. However, Fourie is now vexed with the goal of "ramping up: How do we ramp up what we do" about how we think about this business" and how do we bring about strategic change at industry level?" (Fourie, 2009).

According to Fourie, his personal agenda for the next twelve months includes five key objectives:

- Organize to excel (focussing on maximizing the skills and knowledge of his human resource, whilst continuously innovating and re-configuring processes and procedures to drive improved organizational performance)
- Innovation: Creativity and Entrepreneurship (focussing on the roles of selected individuals to lead these interventions)
- Reductionism (focussing on what the core of EHL's business is, and reducing complex dilemmas into issues of simplicity)
- Decision-making (focussing on making judgements by adopting a fact-based approach to challenges)
- Creating a picture of excellence (focussing on ensuring that every employee has a crystallized view of what "excellence" in their functional area represents, in the context of EHL's envisioned future).

Fourie is committed to revolutionizing the entire furniture retail industry in Southern Africa. He is determined to introduce processes at EHL that will set new benchmarks for addressing customer satisfaction in this highly competitive multi billion rand industry.

4.9. Chapter summary

In this chapter, findings were presented regarding ABIL's interest in acquiring EHL; the preceding due diligence; the appointment of Fourie as CEO; Fourie's behaviour and strategic leadership style; his roles and tasks; the strategic choices that he made; his leadership through the strategy implementation process; EHL's performance, and his strategic focus for the medium and long terms.

In chapter 05, a summary of the case study is presented; research limitations are discussed, and recommendations for further research are suggested.

CHAPTER 05

CONCLUSION

5.1. Introduction

This chapter summarises the key findings of the research and examines the value of this case study. Recommendations are presented regarding the application of effective strategic leadership in an organization. The chapter also addresses the limitations that were encountered by the researcher, and suggests recommendations for further research.

5.2. Summary of the case study

This research endeavoured to examine various diverse aspects of Fourie's strategic leadership style, and the impacts thereof on the performance of the researched company (namely: Ellerine Holdings Limited). In his role as CEO, Fourie has led many complex strategic interventions at EHL that have resulted in positive outcomes for the organization.

His behavioural traits mirror those that have been extensively documented by academic scholars. His expertise to induce transformation within a macro organization has been tested at EHL. However, Fourie has led from the front displaying conviction; commitment; dedication and sincerity to his strategic objectives.

He created a new organizational vision, and exhorted his team to commit themselves to this new envisioned future. Fourie developed a strategic direction for EHL and supported it with strategic choices that are intended to revolutionize both EHL and the furniture retail industry. He introduced a fundamentally new organizational culture and appointed a team of trusted confidants into strategic portfolios to lead the internal change-efforts that he had envisioned for the organization.

Fourie led the restructuring of the organization, whilst simultaneously leading the rationalization of businesses; brands; branches and product-lines. His consolidation initiatives produced an inevitable reduction of 15% of his employee-base. Fourie's commitment to his philosophy of "honest conversation" was critical in successfully managing the resulting uncertainty and insecurity that ensued amongst his staff. He forged ahead, creating motivational impetus for his team to act upon, and eventually rebuilt morale and commitment.

Whilst being faced with the challenges of a global recession in the midst of his transformational efforts, Fourie's resilience motivated him to proceed undauntedly with changing processes; procedures; systems and structures within the entity. His efforts reduced EHL's cost-base by approximately R400m without incapacitating the organization. Despite the pressure of being scoffed at by competitors and of sometimes being criticised for his aggression by economic commentators, Fourie remained convicted to his cause.

His strategic interventions included an overhauling of EHL's ICT infrastructure; a separation of the entity's financial services and retail divisions; maximizing the economic benefits from the introduction of shared services; outsourcing non-core competencies; divesting from non-core entities, and leading a customer-centric focus to business...amongst the implementation of other strategic initiatives. Whilst EHL has not yet delivered against its financial performance objectives, his strategic interventions have created an enabling environment for EHL to exceed shareholders' expectations from the medium term onwards.

5.3. Research limitations

The advent of the global economic recession in 2008 negatively impacted on what would have arguably been a more natural financial performance by the researched company (Ellerine Holdings Limited) during the 2008 and 2009 fiscal periods. Hence, in terms of the scope of this research, it desisted from a

more comprehensive financial analysis when using the time-series analytic technique (Yin, 1994).

Interpretations and recommendations for the researched company would not be transferable to all leaders or to all organizations, as it is dependent on the respective firms' quality of leadership, and on the context of the industries within which the external firms may be conducting their business. Applicability would have to be determined by the reader.

Only a small sample of research participants was used in this research. This prevented a more rigorous analysis of employees' reactions (to the CEO's strategic interventions) at different layers of the organization.

The researcher was unable to examine the sustainability of the CEO's strategic interventions. Further research would have to be conducted in the medium term and in the long term to examine the sustainability and effectivity of Fourie's current strategic choices, and of any new strategic interventions that may have been introduced in the interim (this research only examined the strategic choices that were implemented during a twenty-two month period). The future research should also examine the further impacts or influences of the CEO's strategic leadership style.

The researcher was unable to observe the outcome of Fourie's medium-term forecast, as this period (namely, the 2010 financial year, commencing in October 2009) had commenced at the time of this research being concluded.

5.4. Recommendations for further research

In the context of this case study, further research could be conducted in the medium term and in the long term, to examine the sustainability of the Chief Executive Officer's current strategic interventions, and of any new strategic choice that Fourie may have introduced subsequent to the compilation of this research document. This research only examined the effectivity of the CEO's strategic leadership style and the impacts of the strategic choices that were

made and implemented by Fourie across a twenty-two month research period (namely: February 2008 to November 2009). The recommended future research should examine the additional impacts or influences of the CEO's strategic leadership style that would have been observed outside of the time continuum that parenthesized this research period.

A larger sample of participants (possibly representing the organization's different layers of employees) should be surveyed to interpret their responses to the changes within the researched company. Specific emphasis should be placed on the changes that the sample of participants would have experienced at their individual organizational layers.

The due diligence conducted on the researched company was not as objective as it should have been. The results of the due diligence (in this case study) informed an acquisition price that was eventually considered to be excessive. Further research is recommended to determine the implications thereof on ensuing leadership decisions. How does an excessive acquisition price impact on a leader's strategic choices, and on the setting of financial objectives to recover the shareholders' investment? What are the implications of these strategic choices on sustaining an organization's performance?

The reviewed literature recommends strategic leaders who are profiled as risk takers to lead organizations that require radical transformation. Research is recommended to determine the relationship that may exist between the advent of turbulent and unpredicted macro-economic conditions (namely: a global recession) and the levels of risk that are then required from the firm's leader, when he (or she) is tasked with implementing organizational change. Under such conditions, how should a leader mitigate for his (or her) risk, and will a strategic leader who adopts a more passive approach to transformation efforts (under such turbulent macro-economic conditions) be more effective?

Finally, how does one define an effective strategic leader? Are there effective strategic leaders for different macro and micro-economic conditions?

Is the phenomenon of an effective strategic leader+ dependent on the industry within which the entity trades? Is there a holistic set of behaviours and styles that one could hypothesise will characterize the ideal+ effective strategic leader? This could make for fascinating research.

5.5. Conclusion

This case study research on Ellerine Holdings Limited examined how the exercising of strategic leadership+ (by the enterprises new Chief Executive Officer) has impacted on the organizations performance. The research concluded that strategic leadership+ can have a positive influence on an organizations qualitative performance indicators. The research experience also determined that there is an intrinsic need to employ a strategic leader who possesses a specialist skills-set, to lead radical transformation efforts within a macro enterprise such as EHL.

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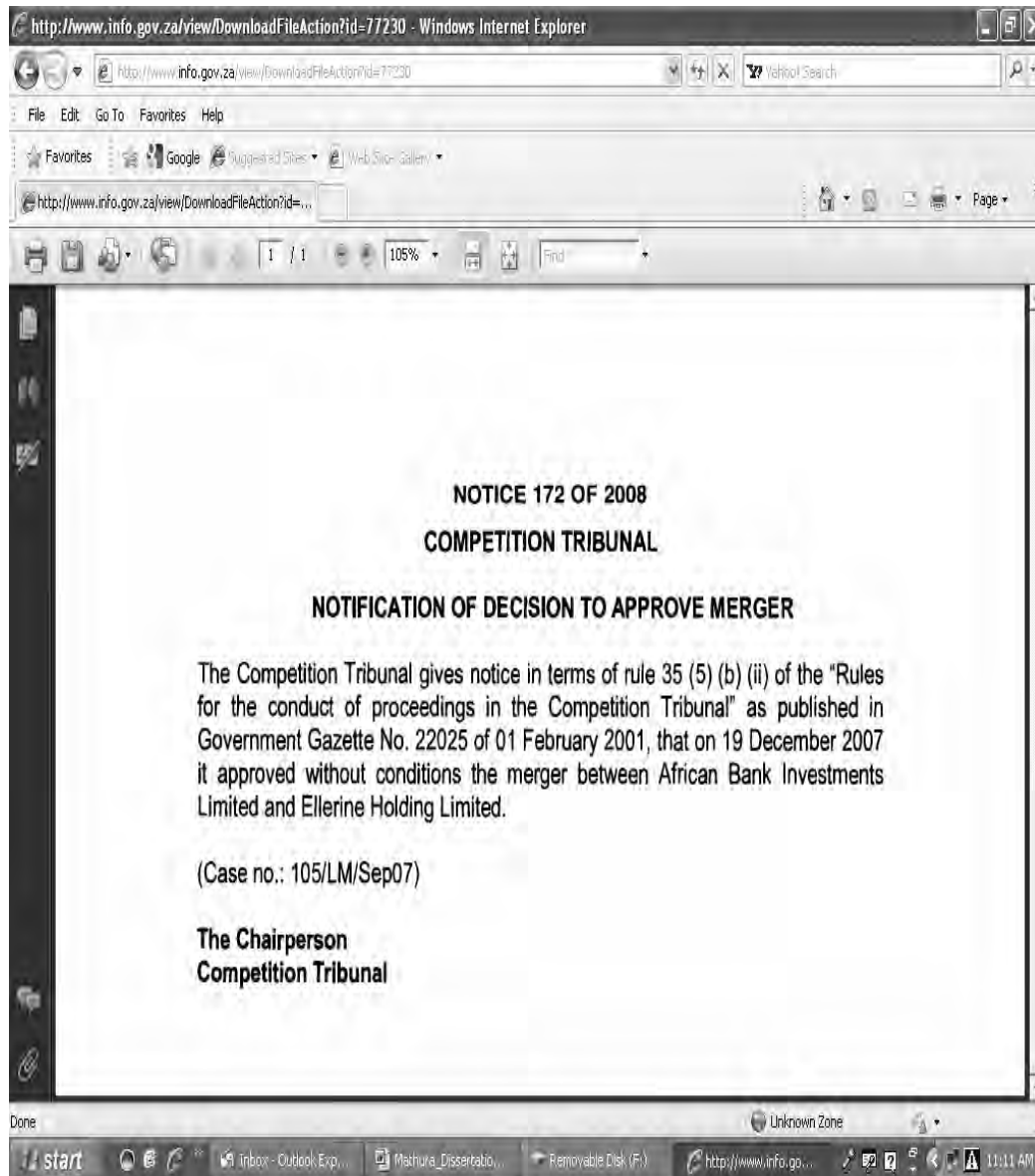
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APPENDIX 01

Competition Tribunal approves acquisition of EHL by ABIL (2007)



Source:

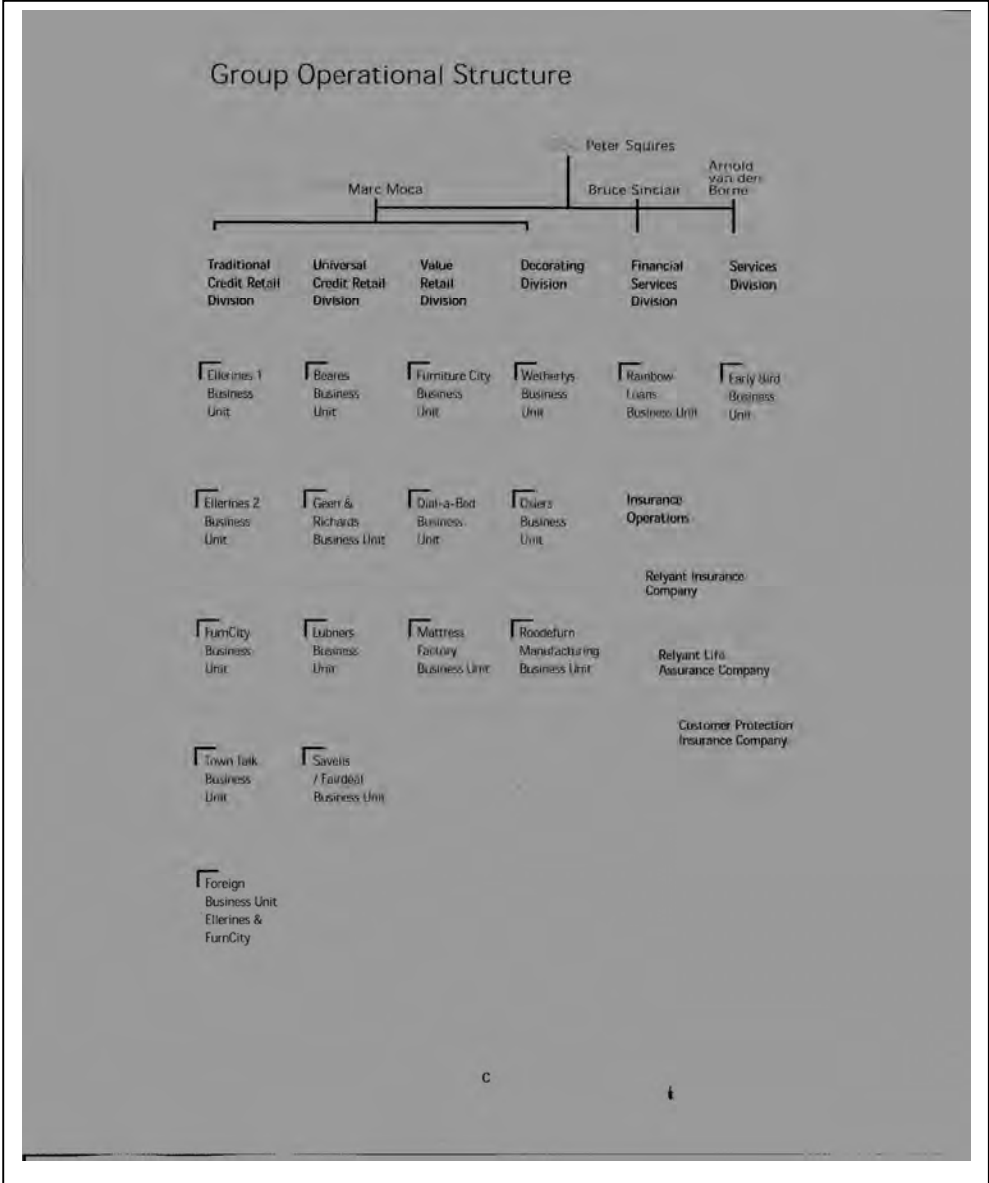
Website: Government Information: Accessed: 30 July 2009

Competition Tribunal approval

<http://www.info.gov.za/view/DownloadFileAction?id=77230>

APPENDIX 02

EHL's Group Operational Structure (Pre 2008)



Source:

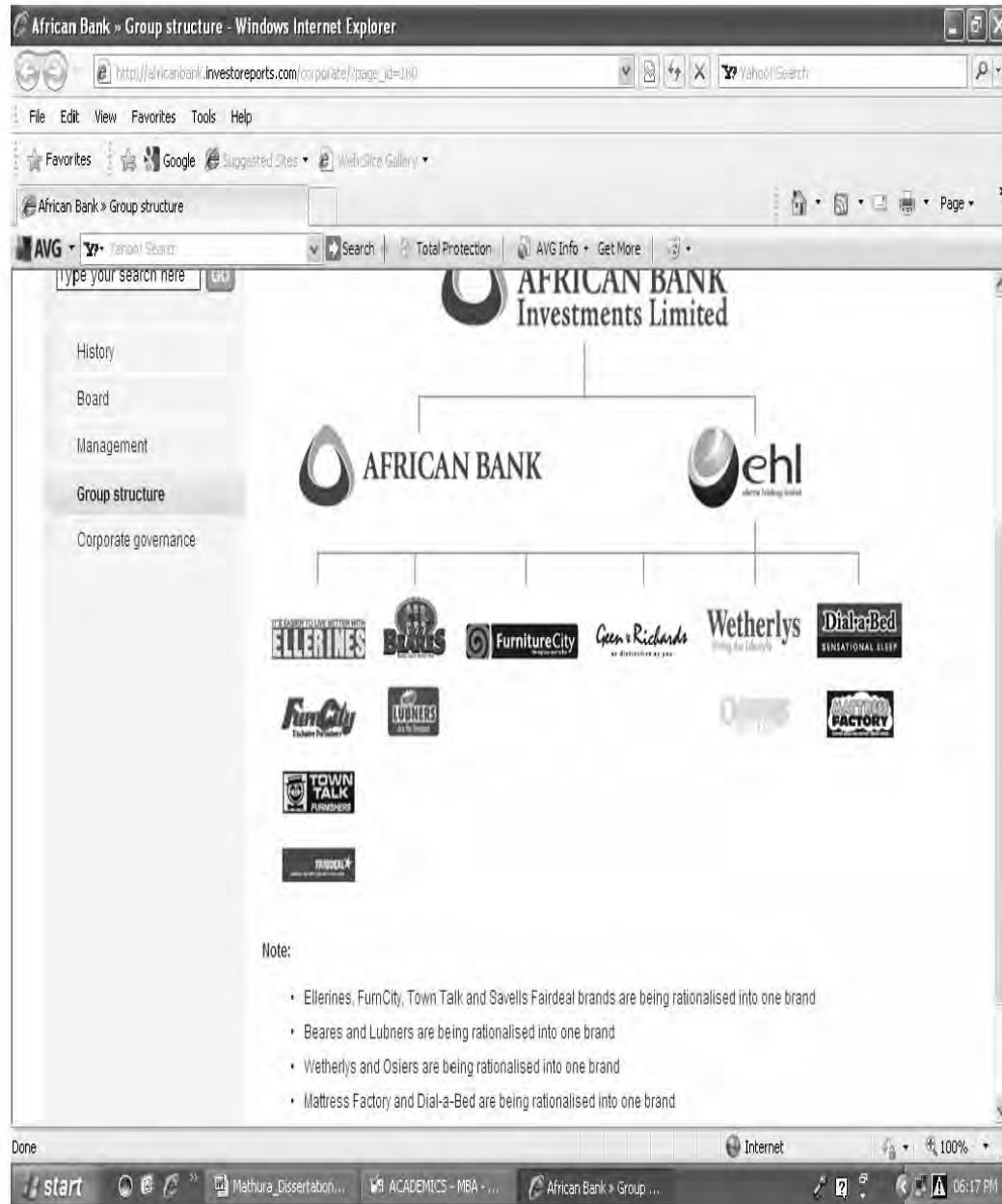
Website: African Bank Investments Limited. Accessed: 16 April 2009

Ellerine Holdings Limited Annual Report 2006

<http://www.investoreports.com/altx/reports/africanbank/downloads/ellerineslibrary/EllerinesAnnualReport2006.pdf>

APPENDIX 03:**EHL's Group Structure by Executive (Post 2008)****Source:**

Personal communication from Dr. Carstens (Group Executive: Strategy) of Ellerine Holdings Limited, to Mathura (the researcher) on 11 August 2009

APPENDIX 04:**EHL's Group Structure by Brand (Post 2008)****Source:**

Website: African Bank Investments Limited: Accessed: 12 August 2009

Ellerine Holdings Limited: Group Structure

http://africanbank.investoreports.com/corporate/?page_id=160

APPENDIX 05:

TRANSCRIPT

AN INTERVIEW WITH FOURIE & DR. CARSTENS

Date: 24 July 2009

Time: 12h00

Venue: Ellerine Holdings Limited
Executive Boardroom
01 Charles Crescent, Eastgate, Extension 04, Sandton

Interviewees: Toni Fourie (Chief Executive Officer)
Dr. Louis Carstens (Group Executive: Strategy)

Researcher: Vikash Mathura
MBA Degree: 2009 Candidate
Rhodes Investec Business School - Rhodes University

MBA Thesis: The influence of strategic leadership in an organization.
A Case Study: Ellerine Holdings Limited

KEY:

VM : Vikash Mathura
TF : Toni Fourie
LC : Dr. Louis Carstens
EHL : Ellerine Holdings Limited
ABIL : African Bank Investments Limited

VM: *Has it been a busy week?*

TF: It's been an unproductive week, that's the most concerning thing. I don't mind busy, I like busy, but I want busy with the right things Vikash. You know, when I go home at night, I want to feel like I've been mentally pulled and stretched, and I've wrestled with issues, and my mind's been vexed. Then I feel productive. When you're just running around, talking and meeting, that's not for me.

VM: *Let's start at the beginning. When African Bank saw some sort of synergy with Ellerin Holdings Limited (in terms of a potential acquisition), how involved were you (Toni) in that process?*

TF: On a personal level, obviously very involved, because I think what you'd find at ABIL, and why was I very involved? Two reasons: one, I was involved in my capacity as an Executive Director of the ABIL Board, and we only have a small group of Executive Directors. So, currently we only have six. But also, more importantly, within ABIL, we work in a very small community, high collaboration, high level inclusion. So, if Dave Woollam (CEO: African Bank) gets an idea, me and Dave will spend a lot of time talking about it. If I come up with an idea, we spend a lot of time talking about it. So, it's almost a spontaneous collaboration, rather than a contrived collaboration. I think it's a function of the nature of ABIL's organization. We're flat, we're a small team, we sit in open-plan offices, we work close to each other, so there's consistently a high level of dialogue going on all the time. And obviously, from a retail perspective, I was the only one in the group that had any retail orientation.

VM: *Well, that was going to be my next point...You've got a respectable history of retail experience; turnarounds and mergers; etcetera. Were you earmarked, even before the acquisition, that should the acquisition go through, that you would lead EHL in its new look, on behalf of African Bank?*

TF: I think the short answer is ~~Yes~~. Once we got past much discussion, it was already then determined.

VM: *Ok. Due Diligence...and possibly Louis gets involved at this stage with just looking (together with your consultants) at where the business was; where the opportunities were, and what the gaps were, etcetera. Just to talk about the process. There would have been external consultants involved? Were the two of you (Toni and Louis) actively involved in the due diligence process as well?*

TF: Maybe a little bit of a nuance there and kind of throw your weight in as well Louis. I think ABIL's style is we're not big on external engagements and consultants. So, we only used external consultants, in terms of Deloitte's, on some material financial matters, around very complex financial issues around tax and issues like that. But for the rest, we did it ourselves. And perhaps, that was, you know in the interest of honesty, wise in some respects, but unwise in other respects. That's maybe where some of the mistakes were made. But essentially, the bulk of the Due Diligence was done by internal ABIL people, which included me; Louis; Louis's team, and a variety of other people. So we threw the net quite wide and broad within ABIL, as to whom we used to do the Due Diligence. We picked the subject-matter experts in ABIL to go and do the Due Diligence. So the ~~Head of Collections~~ went and looked at the collections capabilities. The ~~Head of Credit~~ went to look at the credit underwriting, and those sorts of things.

VM: *How difficult is it to be objective when you have such big internal collaboration on a Due Diligence process?*

TF: Very good question.

LC: I think that apart from the internal versus external resourcing, I think there's a dilemma (choice) in terms of Due Diligence, which is qualitative versus quantitative. I think we started off very quantitatively. I remember Toni walking into my office, and we started crunching numbers.

A couple of days later, we said ok, let's pull back a little bit, and let's use more qualitative judgement in terms of the Due Diligence. And I think that again there are pros and cons. I think when you use more qualitative, which is the conversational style between Toni and a counterpart here, and between Angus Hersselman and his counterpart, I think you signal goodwill. But I do think you lose a little bit if you don't really crunch numbers. ABIL's style has never been one of, you know, the "tick-box". So we didn't have a Due Diligence "tick-box".

There were questions. I remember, for each of the functions, there were detailed questions, and all the questions were covered. But it wasn't in terms of just number crunching day-in and day-out, which is the way maybe, which is always my preference, as a quantitative person and an analytical person. It might have been the preference had McKinsey or Monitor helped. But I think that in the end, you know, as I said to you before we started this conversation, for us it's about the "judgement" and in the end it's about people making judgement calls, and taking accountability for it.

TF: And, just to come back to your question specifically Vikash, I think it's definitely, in retrospect, somewhat flawed. Because, when you are the kind of organization we are, when you are the kinds of people we are, when you see the kinds of opportunity we saw, what you tend to do is overlook the reasons not to do the deal. So you look too hard for the reasons to do the deal, and that's where this issue around "objectivity" comes in. Had we had participants involved with us in the Due Diligence, more participants involved with us, or more involved (those that were), their questions to us around, but you're missing this, and what about that, and why does this not worry you, would have made us think a lot harder, and a lot more robustly, and I think it would have ensured a far more rigorous process.

So what does that all mean? It all means that our Due Diligence could have, and should have been a lot more rigorous and robust. It should have been a lot more quantitatively oriented. It should have been a lot broader than it was, in terms of the areas that we investigated.

And I think that a little bit more independence of people, who were more objective and had no vested interest, would have definitely, definitely brought about a more robust a more rigorous Due Diligence.

So what did that mean for us? Effectively, if we did it today and we did it differently knowing what we know today post the Due Diligence and having been involved in the business for a year and a bit, would we still have bought the business, knowing what we know now? The answer is **Absolutely**. Would we have paid what we paid? The answer is **Probably not**. However, this is where academics and practise diverge. Would we have, for any less than we paid for it, got the business? **Don't know**. **Maybe** Maybe not. So, we would have liked we would still do the deal. We would have liked to pay a little bit less given what we know today. So that's how the Due Diligence possibly affected the outcome. It's more about the price we paid, than whether we would or wouldn't have bought it.

VM: Absolutely. A major part of the Due Diligence process would have been the identification of the opportunities and the gaps at an operational level. But knowing at that point, that when the acquisition would go through, that you would have the responsibility of leading all the changes that were envisaged, of leading this organization of 17 000 people, etcetera...did you start, at that point, to plot what your moves would be when you finally took office as the leader? And did your interaction, at that time...with the old EHL Leadership, inform any of your new approaches? Or was it an absolute "Toni Fourie leadership style" that you would implement? Was it a matter of "this is the way that "I" will lead this ship"?

TF: Another very good question. I think we took a view as an organization, ABIL, not to engage from the time we made the offer and it was accepted until the time we got effective management control. And it was a conscious decision and in retrospect maybe also a little bit flawed.

However, the context at the time was not long before we made the offer, and the offer was accepted another company was in the market trying to do a deal. The deal was accepted by the company being acquired. The acquiring company then started to engage in terms of determining strategy and all of these things, and the Competition Commission came down on them like a ton of bricks saying *Excuse me...It hasn't come before the Tribunal yet. We haven't given you the green light. What are you doing?*

And that sort of made us very tentative, and we didn't want to do things that would bring down the Commission, or bring the Commission to a point of saying "Guys, we didn't give you any green lights. What are you doing?" So we stayed away, totally and entirely. And that was also probably the wrong choice. Not probably it was the wrong choice. We should have had a level of engagement just not the level of engagement that the other company that I talked about had. Not necessarily planning the strategy and planning the way forward, but we should definitely have kept up an engagement. There should have been more dialogue around what's changing is anything changing from when we did the Due Diligence to now? What are the big choices you're making that are going to affect what we found in the Due Diligence? So I think we should have found a better balance between non-engagement (for fear of the Competition Commission) and on the flip-side, over-stepping the mark in terms of our level of engagement. So we didn't engage at all.

Let's get to the second part of the question. Did we start thinking about what this means for what happens when we take effective control of this business? Absolutely. Obviously, between the time we started thinking about what we do with this business when we take effective management control, given that there was no engagement with this (EHL) management team, by implication therefore, we didn't take into consideration what they thought we could and should be doing. Having said that, once we took effective management control, we then did start engaging with people on this is what we're thinking about this is how we're thinking through things what are some of your thoughts? But at a very high level

And the reason for that was a few-fold. We wanted to tap into the corporate history and the corporate knowledge of industry and the organization. However, we didn't want the way that they did things and the way that they saw the world to contaminate our view of the future. Because we thought that this industry, and by implication, most of the major players, were out-of-date; un-inventive; un-innovative, and were missing the big opportunities. So we tried to find a balance between engaging with them on this is how we're thinking through things+, and not getting contaminated. But if you had to ask me the question just on a propensity basisō +Would you say their input heavily influenced what we determined to do with this business+, the answer is %No+.

We came in with reasonably clear views around what we intended for the industry, or what we wanted to do given the industry opportunityō what we wanted to do given the organizational opportunityō and then, at a very high level, we sort of tried to get some insight from themō saying %Now that you're out, now that you have no interest any longer, now that you're going off into the sunsetō What would you be doing with this organization? So rather than sharing with them what we were going to do, we asked them for a clean slate view that said %Now that you are not going to be accountable for the outcome, what would you have done differently, or what would you do?+And we used some of that as insights to either validate or not validate our thoughts.

LC: I do think that Toni has a specific leadership style, that I've seen when he joined African Bankō I was already there for about a year before Toni joined. There was a very specific leadership style that I saw Toni exhibiting when he joined the bank, and when we took over this organization. And I think Toni had aō to use an academic termō had hypothesesō and you didn't need to be a rocket scientist to understand the validity of those hypotheses.

At the same time, he was talking to a whole bunch of peopleō to validate / invalidate hypotheses, and my team was running with very extensive analytics. I mean, we've analyzed this business from every single angleō and all parts of this businessō in a lot of detail, to a point where some analysts were actually giving the organization credit for the research and the analytics

that informed a whole bunch of these things. So, I think it was a point of view when we took over – I mean clearly I think the most important point of view was that the business model was not sustainable. And I think with that as a point of departure, I think Toni had a whole bunch of views about what to do with this business, and it didn't take him 06 months to form those views – it took him maybe a week.

TF: So I think to kind of summarize that from my perspective, is coming in here after having reflected on the industry – this organization – as an outsider looking in – having had dialogue with Leon (*reference to Leon Kirkinis: CEO of ABIL*) and with the other guys at ABIL, we had a pretty clear view of the hypotheses for this organization, going forward. When we came on board, we spent – we very quickly got into gear to do a few things – one, qualitative conversation with past management; existing people – and other retailers; people overseas; retailers overseas; manufacturing supply base – but then also using quantitative analytics through Louis and his team; Monitor; we talked to our customers to get research – to then validate / invalidate the hypotheses.

LC: Part of your question was also ~~was~~ as the new leadership style different to the old? – The answer is a resounding ~~Yes~~+. Profoundly different –

VM: *Was it starting to develop already around that Due Diligence phase? Was the outcome of the Due Diligence actually informing what you were going to do in your new role?*

LC: My view, and this is what I think, and this is what we were talking about before Toni joined – I think Toni has a leadership style –

VM: *It doesn't change...*

LC: And my view – having known him for 15 years, I've seen that leadership style evolving – My view is –

TF: So it does change

LC: My view is that that's Toni style. It is who he is at this stage of his own evolution as a leader not necessarily as a Chief Executive, because he's done this a million times before. So my view is that the Due Diligence had very little impact on his leadership style. It had an impact on the choices that he made, but not on his style.

TF: I think that's the right short answer. And maybe the reason for that Vikash is given my style and maybe that's an important twist in this whole thing given my style, I am particularly suited to certain kinds of organizations or certain kinds of roles in an organization. I'm not the kind of Chief Executive you'd want to put in if you're in a nice steady-state business, where you want a holding pattern, and continue with the strategy of the last 5-6-7 years then I'm not the right kind of guy. But given my leadership style, I probably am absolutely more suited for going into an organization where there is a significant amount of change required.

VM: *Well, I think that leads appropriately into the next question. I was going to ask you about your personal "leadership philosophy", and then get Louis's external perspective...And what is it about this philosophy and your "leadership style" that related to or influenced your successes in the Game acquisition by Dion and the subsequent integration; the turnaround at Connection Group, and now at EHL?*

TF: I guess maybe it goes to the life-long question that still haunts me today maybe that sits at the heart of what my leadership style is. How does one unleash human talent? and that kind of bugged me 10 years ago 15 years ago and still today. It's a question I grapple with. It's (for me) the big dilemma for leaders to resolve. How do you galvanize 14 000 people and unleash them in a purpose-oriented way? which means on the one hand, you can't have everyone running around doing their own thing, because then you have chaos.

On the other hand, you don't want everything channeled or controlled because then you don't have all of the things that come with 14 000 energy infused people. So its how do you unleash human capacity in a purpose driven way such that you find a balance between too much freedom chaos and no freedom and high control which means same old - same old.

And I think that means I typically am fairly inclusive I guess am fairly inclusive, but am not a consensus seeker. Which means if you had to think about how I take a team along I would prefer I would include people in the conversation, and there's anything up for discussion anything. So nothing's off the table number one. Number two, we always listen. Number three, we would prefer consensus but if we don't get it we won't make the calls. We will then, as a default, prefer majority outcome but in the absence of being able to make progress, I think leadership is about taking accountability and making a call and that also goes to the heart of my philosophy of leadership As the leader, at some point, you may need to stand up and make the call

And I guess you, more often than not, find that that happens when the calls tend to border on the nasty. Because its easy to achieve consensus around the good stuff example lets start a new brand lets up the marketing budget no problem to get consensus around that. But when it comes around we've got 20 000 people, we need to talk about restructuring which could translate into job-losses then its a hell of a lot more difficult. But you don't want to not have the conversation. So it is about freedom of our team to say what they think; disagree; contribute; argue vehemently and rigorously and then hopefully collectively come out with a view that we all share. But in the absence of that, we need to make the call its about taking accountability and making the call. So am big on leadership accountability.

And the flip-side to that is if you want accountability there is what comes with it the balance of consequence.

And I think from a leadership philosophy, a lot of what's wrong in the corporate world today and in civil society South Africa; Darfur take your pick is that everyone wants to stand up and make the big decisions and they want to be the boss and the leader but when things go pear-shaped, they absolve themselves of the balance of consequence.

So I believe in balance of consequence, from a leadership perspective. I believe in inclusivity. I believe in open and honest and rigorous dialogue. And in inclusion there's nothing that's not on the table for discussion. So there's nothing that's too sensitive to discuss. And if that's about my leadership style, well that's also ok. If you want to talk about my leadership style that's ok.

I think one of the other big points for me around leadership, is this issue of judgement. I think it's a material-material point in leadership. So I anguish, and I would for one moment suggest that I get it right more than I get it wrong but I'm very consciously aware and I do lie awake vexed with this issue of judgement. How do you find the balance, because I am not an absolutist naturally. I think if you said to me what is the single biggest life lesson...for me that's about finding that point of balance in all the important matters, which requires judgement.

People will say for example, strategically in the execution of strategy do you wait until you've got it 100% right, and then move or are you happy with 80% right, but move quickly so you get first-mover advantage? I don't think life is about either or. I think there's a sweet spot somewhere there, where you find the balance between right and fast. And then you go So it's about balance and finding that point of balance, I think, is about judgement.

The changes we brought about here how much change how quickly that's a big judgement call and it's about finding the balance between how much and how fast. How much do you cut by if you cut? Big judgement call, and it's about finding the balance, because if you don't cut enough you don't want to go back and do it twice.

But if you cut too much, you cut into the muscle and you incapacitate the organization. So, I think this thing around judgement for me is a very, very big issue.

LC: Let me quickly lead in here with 02 case studies, 02 stories that will demonstrate that point. When we were at the bank, there was a senior executive who was on our senior leadership team, who started to play a bunch of games about how I want to be in the inner circle here, and I want to be closer to you than the other people on this executive team, and by the way, I want some money to stay in this organization for a few years. I said to this guy, don't do that. You're going to be out of here in no time. He didn't listen to my advice. He went to Toni with this nonsense, and he was out in a very short space of time. So there's a story about what I think is one of Toni's strengths, which is, just no nonsense. Everything is up for debate, total transparency, just no nonsense.

Another example was, we had another executive who wanted a whole bunch of money to grow his budget, because he came from an environment where it's just how you grow my budget every year by 10% or 15%. We had a small budget for this particular executive, in his area of accountability. He wanted more money. Toni said to him, you can have 05 times more than what you currently get, show me how it impacts the business positively. He couldn't do that, didn't get the extra money, and he resigned shortly afterwards.

This story demonstrates another thing that I think that Toni is particularly good at, which is the combination of judgement and decision-making. So these stories, to illustrate, I've known Toni for 15 years, and I think that I am as well equipped as anyone else to talk about his evolution as a leader. What's the differentiator? Because strategy is about being differentiating, as should leadership be. At the top of the list, as we discussed before he came in, is this issue around judgement. There's not even a debate about that. And what I think is differentiating for Toni, is he's a life-long student of this, judgement; decision-making, and the balance of consequence.

There are 02 others that I want to bring in here. I think a leader leaves a legacy in terms of the culture of the organization, and the language that we use in an organization, is descriptive of that culture. And in both the bank and in here, there's this term called "honest conversation". That is part of his (Toni's) legacy. It's the "honest conversation" with "dignity" and "respect". So if he needs to sit and talk to anybody about lack of performance or great performance – it's the honest conversation.

And the one that I think is maybe the most important one, is Toni's "listening skills" – is truly superb. And it's not the listening skills – the nonsense you get on HR training courses – it's listening with intent, and listening with sensitivity. You combine this – you get a "leadership style", which is why I think Toni is really a great leader.

I stand back – I'm unemotional about most things in life. Vikash – I stand back and I see how Toni operates. I can tell you now – there are very few people that would have pulled off what we've done in 18 months in this business. The changes that were conceptualized; designed and implemented – I don't know of any other organization – just the magnitude of change – and we've worked locally and globally – we've worked abroad. It is huge, and it comes back to this thing about all these things rolled into that term called "judgment".

I think the way that I would describe Toni – if you asked me "what type of leader is he?" – It is that leadership style that we get in that EQ work of Goleman, and the Servant Leadership, and that stream. It's the EQ Leadership. There are days where he's the 09-01 leader in terms of Blake & Mouton (*reference to Blake & Mouton's Leadership Grid*) – there are days when he's the 01-09 leader in terms of Blake & Mouton.

There are days when he, in terms of Hersey & Blanchard's model (*reference to Hersey & Blanchard's Situational Leadership Theory Model*), he's a – but ultimately, it rolls up into – my view – is the EQ Leadership style – I think that's the best way that I can describe Toni's style, and that's why I think it's effective.

TF: And I think if I can maybe add philosophically to that when I look for leaders because it goes to what my philosophy is on leadership, I look for people with big EQ. Always I look for people with big EQ, because judgement is a function of having big EQ. So if you kind of had to add a few adjectives to my philosophy it's around accountability it's around balance of consequence. So you stand up and take account for your decisions or your actions, and you take what comes as a consequence and you take it not your team... you stand up and take it. It's your accountability. I think issues around judgement and decisiveness and balance of consequence is important in my view on leadership philosophy.

I think that issue of contribution if you're not contributing, leave. And I suppose it's as clinical as that. People always chuckle, because my view is you need to be contributing. First of all, there needs to be trust, and there needs to be contribution. The absence of either will result in humane, but firm removal from the organization. It's as simple as that.

And trust is not just about don't steal. Trust is about you make an open and honest commitment to the organization, and you fulfill that commitment. That's trust. And when you say I'm going to do a-b-c, you do a-b-c. If you say yes, it's a yes, if you say no, it's a no. You can't yes-sort-of or no-maybe. And it's about your contribution. If you fail either of those, then you must go and practise your skills elsewhere. We don't want you here.

LC: So don't confuse the EQ concept with being a softie whatever. When we just took over the business, we had a top-50 / top-60 meeting, and we brought a whole bunch of people in this organization into one room. And Toni stood up and said Guys, this is me. I'm Toni Fourie. This is what we're going to do. In that meeting (and we'd been here for a week or two), he got up and he made this point if you don't contribute, it will lead to a firm but humane removal from the business. He stood up and he said it. This is it. This is what we expect. So as a leader, I think what Toni is good at, is this communication of expectation.

We all know the people that are reporting we know exactly what the job is. In fact, by coincidence, I sat with Toni yesterday morning, and we spoke about what my job and my team's job for next year not for now, this year is done for next year. And he put 03 things on my table, and said "here it is". This is what you must do, and this is what I expect from you it's clear it's 03 points it's clear and I know that this is what he expects from me, and I would like to believe that there's a good relationship of trust. And I want to say to Toni that you can trust me to do the job because I know if I don't get my CV sorted because I'll be out in the market. It's as simple as that.

TF: Maybe Vikash, the last thing that maybe from my perspective the philosophical issue of leadership is I think you need to be I would like to see leaders and myself being constant perpetual students constantly growing and developing, and that means in yourself and others. You know, you need to be finding talent you need to be growing talent you need to be nurturing talent. But I don't really think you can truly do that if you don't do it yourself.

If you're not development-oriented, I'm not sure, and maybe I'm wrong, but I think that there's probably a high correlation between people who are development-oriented themselves, and what they think and do about the development of others. I think if you have a very low orientation towards personal growth and development, you're not likely to develop others, or to help others develop.

And then the last thing I think on leadership "if you don't love it, don't do it". You got to be absolutely passionate and convicted. You know, there's a wonderful saying "if you can't stand up for what you believe in, how can you expect me to stand with you?"

So I think this thing about conviction could we fail at what we're attempting here? No question. Do I think we'll fail? Unequivocally not! I absolutely, absolutely believe we'll succeed notwithstanding adverse winds. So I think that conviction of leadership is vital

VM: *Can leadership be learnt? Is it something that's inherent in people? You mentioned earlier that a person who cares about self-development will probably become a better leader as time progresses...But there are theoretical arguments that people are either born with leadership qualities, or they're not. In your opinions (Toni and Louis), can leadership be learnt?*

LC: I think that you can learn to be a better leader

TF: I was about to say exactly the same thing

LC: You can learn to be

TF: You can enhance your leadership

LC: You can enhance your leadership. But I and I know that this goes straight in the face of the academics I thoroughly believe that leaders are born. You can learn and acquire leadership, but only up to a point. Parts of it can be learnt, because a big part of it is behaviors. You can learn how to listen; you can learn about growth and development

TF: You can learn about communication

LC: You can learn about communication but you can't

TF: But will you ever be a better leader?

VM: Yes...

LC: You can't learn about how to motivate people; you can't learn how to inspire people; you can't learn how to create opportunities to unleash human potential. There is no course at any varsity that can teach that. But you can learn some things, but the differentiating things; sorry, you can't learn that.

TF: I think the things that take people from playing a leadership role in spaces, to being really good leaders in significant spaces I don't think I think that you can improve your leadership no question. But you know an Obama (*reference to US President Barack Obama*) for me, nobody taught him what he does nobody taught him what he does. It just it comes from here (*gesturing to his heart*) it's intuitive, and I do think that it's DNA orientated. So it's this nature-nurture+ thing. I think nature+ endows you with certain genes; and certain dispositions, and certain orientations. And I think nurture+, whether it's self-driven I go and I study or whether you're at a specific school which teaches you stuff I definitely think that influences the outcome. But I definitely think it's DNA-induced

LC: It's a good question that you ask and the answer to a large extent, in terms of the application in the corporate world, lies in what is the power-base of that so-called leader? If that power is about hierarchical position I'm sorry disqualified that person is not a leader. He (or she) is a manager+. The way to answer that question, in my view, is you got to look at what's the power-base+ of the person in that position. And once you understand the power-base, I think that you'll be able to answer the question about is this person a real leader or not because anybody, who at any time goes into because I'm the boss or these big job titles you know, these things are still there. Look at how we sit here. Toni sits there (*pointing to a corner of the open-plan floor*) he's got a smaller desk than all of us you know. Look at the power-base Vikash that's why I liked in your proposal (*referring to the researcher's Literature Review*) just the power-base. You got to understand that

TF: This is an interesting concept for me because one of the big reasons I joined the bank, was exactly around this issue. All my life, I've been in a leadership position I've been the boss by title. Whether it was in the army I was an officer; whether it was in school I was a prefect I was always the boss+. But in informal spaces, I was also the leader+. At school, I would be the ke+ (*SA colloquial language for "the guy"*) guys came to and said so where you going to on Friday night Toni?+

So anyway, through my life, I became Managers and Senior Managers; Executives and Chief Executives and you find your leadership vested in title and that's cool. But I got to a point where this issue truly vexed me, and I kind of wanted to know ~~do~~ I truly have what it takes to lead, and would people truly galvanize around me if I didn't have title?+ Could I truly operate without title? And Leon (*reference to Leon Kirkinis: CEO of ABIL*) will tell you, it's one of the major reasons I joined the bank. Because when I joined the bank, I was not going to be ~~the boss~~

I had to work under Leon not being the number one which for me was a huge personal development goal and objective to get to grips with this ~~leadership-followership~~+theme. You know, it's fine in theory to say ~~you~~ need to know when to lead you need to know when to follow+. Could I truly be a good follower? I didn't know the honest answer to that question and flowing from that, could I grow into a Servant Leader?

Theoretically, I kind of said ~~of~~ course I can I understand it theoretically I can be a follower-leader or a leader-follower but I didn't really know for sure. And I was now in a situation where I had to voluntarily go into an organization where I was not ~~the boss~~ number one.

Number two I went into a position which was a non-job literally a non-job. I had no formal authority in the organization whatsoever. We invented a portfolio for me literally just to bring me in. I was brought in as a Managing Director, but I was brought in to look after Innovation; Business Optimization and Group Strategy and what Louis (?) a whole bunch of nonsense. Nonsense, literally nonsense it was a non-job. And the bottom-line was kind of +come in and help us think about how we change ABIL given the fact that the world around us is going to change. Come and lead our thinking-

And the reason for it was they thought the world was going to change bringing about a need for a greater client orientation a need for people who understood growth and how to grow business a need for people

who understood how to operate on low cost and lower margins and that happened to match the profile of the retail sector.

Retailers understand how to compete aggressively for customers; banks don't. Retailers know how to operate on a shoe-string budget. Retailers know how to operate on thin margins. But effectively, I was brought in to say (oh strategy was the other one) You're in charge of Strategy. You're in charge of Business Optimization. You're in charge of Innovation.

Now there were very Senior Executive Directors in place running big businesses. There was a Managing Director of African Bank, who would be my colleague. There was a Managing Director of Specialized Lending, who would be my colleague. There was an Executive Director of Collections and Credit. Angus there was Leon who was the boss. Now I had to come in as a non-banker who knew nothing about this space and influence the direction of the organization with no title, no formal authority. And for me, that was the test. And maybe this is where you kind of say that's a bit self-facing and maybe it is, but I was very chuffed at the outcome of that.

A year down the track, it took me about 06 to 09 months maybe to work with everybody to figure out issues of strategy. And the conversations we had then, went like this. I don't believe in strategy. Our entire Board of Executive Directors, we don't believe in strategy. It's just a bunch of rubbish that people write on a piece of paper and stick in a bottom drawer.

LC: through to

TF: through to yesterday, when we had the most profound strategy session, as a Board.

LC: And for 06 hours discussing one topic of strategy. Vision. And those people 06 years ago or 05 years ago said we don't believe in strategy. Strategy equals cost-cutting and spreadsheets. So from and to is very

importantō From spreadsheets onto Board sessions where we don't talk spreadsheetsō

TF: We didn't have a single number with usō we just talked strategy. And we have consistent; rigorous; strategic dialogue and debateō and frequent rigorous dialogue on strategy and debateō and we are very crisp in our thinking around strategy.

The second issue wasō to convince peopleō Mr. MD+ of African Bankō Mr. MD+ of Specialized Lendingō this is not really a great way to configure an organization if we are going to be about low cost and growth. You need to surrender your mountains that you sit on top ofō your empires. We need to coalesce this into one businessō and go from multiple businesses; multiple brandsō each with their own empire, into one single front-end; one single back-end under one brand. Which effectively meant that each one of those Director's jobs became non-existent. And the empires had to be disassembledō or dismantled.

Now it's very difficult when you have no authority over the banksō to get them to that space where they do thatō which is effectively what we did. To get an organization that didn't think about clients, to Are we the best guys in client centricity on the planet today?ō Not by a long shotō we got a long way to go.

Have we moved from being a loans based debtors oriented business to being a customer focused business that, in every strategic choice they makeō stop and pause and sayō What is the impact on my client+, and Why am I doing the things I'm doing? How does what I'm doing affect my client? For better or for worse?ō and that's a major shiftō and that for me was this thing around leadership. You know, with no title; with no formal authority vested in me, we actually managed to take an organization down a very different journey.

LC: The shift to clients+ is probably as profound as the shift in the acceptance of strategy+. The bank, 05 or 06 years ago, did do market research, but it was product-driven market researchō and they paid market

research people to do this. But it was all about %I launch a card, what are the product features in the card so that we can sell this stuff to clients+. The questions were never around %What are the buying behaviors of clients? What's the role of money in those households of clients?+

And I think that's the shift that's taking place to the point where once again, our Group Chief Executive Leon Kirkinis said that %clients+ is one of the two most critical things for him on his agenda for the next 03 or 04 years. And not %clients+ in terms of the %credit behavior of clients+, or %to what extent do they take up our product+ whether it's %the card+ or %the loan+ but it's to truly understand %what can we do for clients?+ And these are profound shifts

TF: And I think the other big shift was I think it was in 2003 the other big shift was this organization had never believed in %people+. They were not big on the %people+ thing. %Human capital+ call it what you like staff

VM: *Ellerines?*

TF: No, no. ABIL We're kind of going back to that leadership-born versus developed. You know, do you need stripes to be a leader all those good questions

And when I came in as well, we (*referring to ABIL*) never ever thought about %people+. %People+ were not big on the agenda. People didn't do performance reviews there was no thought process around identifying and managing talent there was no orientation towards growth and development of people at all no orientation towards training no orientation towards anything that one would expect as a bare minimum in any big organization involving tons of people.

And I promise you, I had stand-up disagreements around boardroom tables, where I was almost you know, if they could have crucified me, they would have! Where guys were just saying %this is a bunch of rubbish+ and %it's absolute nonsense+ we're not interested+ and %growth and development is

all a bunch of bumf+ (*colloquial for "undoable nonsensical jargon"*)õ and %his talent development stuff is nonsense, its soft and fuzzy nonsense+õ

LC: Yes, it was saidõ

TF: And a week ago, again Leon Kirkinis made the point that there are 02 things on his agenda as the Group Chief Executive (of ABIL)õ only two, customers and human capital development. Now that's a colossal shiftõ

LC: Once again, they did do training, but it was typical HR trainingõ

TF: How do you sell? Inductionõ and the likeõ

LC: Induction and selling skills, and all of those. But no real talent management; talent development; human capital developmentõ and really to think carefully around %growth and development+. And so a point that I could have made earlierõ the leadership culture of Toni in this business todayõ boy-oh-boyõ we cut budgets on excessõ but we don't cut budgets onõ

VM: *HR development?*

LC: No, no. On %human capital+õ Big differenceõ

VM: *Ok...*

LC: Between HR and Human Capitalõ massive difference. But when it gets to %human development+õ #talent management+õ we don't cut budgetsõ that's a very important point.

TF: So I guess that's the point around %do you need title+, and %are leaders born or are they developed+..I guess you don't need the titles to do the job of leadership. And I also think there is a time and a place for leadersõ and I think that this is a very important issue around leadershipõ

+Will the time and the place come for me to move on from here, when I'm inappropriate for this business?+ Absolutely, and I think that's also about judgement. And I think it's a judgement that you as a leader should make. You shouldn't wait for the organization to kind of demand that you move on, or kind of force you to move on. You need to be sensible and say, "You know what, my time has come. I've done what I can do, and I now need to pass it onto another generation, or another individual."

VM: Well, one of my questions was going to be...You obviously have a plan...as the leader of the organization...of Ellerines...for the next 03 to 05 years. Should you reach that 05 year point, and you haven't fulfilled all your objectives for the organization, do you move on? Do you move out? Or do you stay to finish your objectives, or do you start...by year 04...looking for your successor?

TF: All very good questions. One, I'm already looking for my successor, because I'm not here forever, and for the reason I've just said. There's a time and a place for me, and there's a time and a place where I'm this business's worst enemy. When this business is in the space it needs to be in, and it's settled, and it's gone through its re-configuration, then I'm not the right guy for this business, number one. It's not the best, for ABIL shareholders, it's not the best use of my talents, given what they pay me...to keep me here indefinitely. So, I'm already looking for my successor, and I have been doing so for the last 06 months. Not because I'm going anywhere, but because I really believe that a leader's role is to find the talent and to ensure that if me or any of my senior guys get run over by a truck, there's continuity.

I don't ever want to be, I don't believe in indispensable people, and I don't want to be in the situation where the organization feels that I'm indispensable, and that if I'm not here, things stop happening. First of all, I don't want to lead like that, we need to spread the leadership. So, if I'm here or not, the business must continue, because that for me is the mark of good leadership.

Connection Group (*where Toni Fourie, as CEO, was responsible for turning the business around*) if that business had done this (*pointing downwards*) after I left, I would have failed in my leadership. Mass Discounters (*referring to his successful merging of the Game and Dion brands*) if that business did this (*pointing downwards*) after I left, then I think you failed in your leadership. Likewise, if my portfolio declined when I moved out of the bank, I will have failed.

Same will be true here (*referring to Ellerine Holdings Limited*). So we are starting to find our successors for myself; the COO and the CFO now. And this is Louis's point around *honest conversation* - I've told them that. We've had the conversations so I can't not be aloof and daggering. Marc (*referring to Marc Moca, the current COO*) and Bruce (*referring to Bruce Sinclair, the current CFO*) know we are busy looking for their successors, and we are busy looking for my successor. But it's a non-threatening situation, because they know it up front - and more importantly, they understand why.

If I haven't achieved what we've set out to achieve by whichever date it's due to be achieved, do I move on? The answer is - more than likely - Yes. If I can't do what we said we would do, then I must move on - and not wait for the organization to throw me out - I need to leave. There is a caveat that says *it's also a function of why have you not achieved what you set out to achieve*.

So, it is a case of reflecting and saying *have we failed to deliver for reasons within ourselves, against what we said we would deliver?* - Yes, then I must move on - absolutely. No question - I will move on. There's no question - If I can't do for the organization what I committed to do - and I've said that publicly - publicly here - also in my first communication to this group of 14 000 people - I said this is what we're going to do over the next 03 to 05 years, and if I can not do it - or haven't done it - then I'm out. And I've made that point publicly. And I believe in that - if you can't deliver on what you say you're going to deliver, then the onus is on you to leave - and let someone else come in and do it.

VM: We've discussed your leadership philosophy; your leadership style; your beliefs; your experience; your history; the Due Diligence; etcetera. There's also an abundance of audited documentation of the organizational performance (of EHL) to date...and that's been influenced, by enlarge, by the operational changes that have been made (notwithstanding recessionary economic times). But let's talk about "Organizational Culture" for a bit. How different is the organizational culture of EHL now, compared to before you assumed management control, and how have you used your leadership role to sow this new organizational culture?

LC: Can I quickly kick-off with a bit of a funny story? The very first day (at the Bedfordview office) Toni was addressing the staff in the basement. As he was walking down (and I was walking just behind him), the new staff were greeting the new Chief Executive and it was "Good morning Sir; More Meneer Fourie" (*greeting translated into Afrikaans*), and all of that. He immediately said "My name is Toni. Call me Toni. I'm not Meneer Fourie. I'm not Sir."

Now, if you look at the work of Schein (*referring to an academic scholar, well known for his work on Organizational Psychology; Organizational Culture; etcetera*) where he talks about cultural artifacts and cultural symbols, these things are absolutely critical. So, there's a practical example of what it was, and what it's now.

Another thing before Toni answers the question, for me is just if you look at how we dress (*referring to a smart casual jeans and shirt attire*) and it took Toni about a week (*Louis says jokingly*) to ask Marc Moca and then to threaten him if he continues to wear suits and ties to the office. It's about the culture. It's fundamentally different.

VM: So, before Toni comes in...from that experience when Toni first addressed the staff, did you notice that there was a lot of formality in the organization before you guys came in as the new leadership? Was it probably characterized by a very hierarchical business structure?

LC: Absolutely

TF: There was a very centrist; hierarchical; formal and conservative structure. If you had to say to me "Give me some adjectives that describe" and maybe I'm going to be unkind, so I got to be careful. I don't want to be unkind to others. But, I think and maybe it's not about being unkind because there's no right or wrong here. I think the business was characterized by conservatism which is not good or bad it's just it was. It was characterized by a centrist approach to "I'm the boss. I'll tell you what to do. You go and do it" what I tell you; when I tell you; how I tell you.

So it was micro-managed. Very centrist and micro-managed. Very few decision-makers. It was very formal. It was "Mr. Meneer"; "Mrs. Meneer". And power was vested in title. That's why if you were the CEO, you were "Mr. Meneer", and you were "Mrs. Meneer". You had an Executive Dining-room; you had a special office with your name on it. (*Toni chuckles as he recalls an experience...*). True story. Funny story. I came in and they sort of very kindly dear Pam had moved the old Chief Executive out.

LC: She (*referring to Pam*) was the PA (Personal Assistant) of the previous Chief Executive.

VM: *Right...*

TF: And she sort of got the office ready for me. And I walked in, and on my desk I promise you there was a plaque with my name on it. "Mr. Fourie - Chief Executive". So I kind of I didn't want to say anything so I sort of I thanked her for her hard work and I sort of tried to unobtrusively walk in and pick it up and sort of put it away. And as I grabbed it, I realized it was bolted to the desk so I had to leave it there for a day or two!

But effectively conservative; centrist.

LC: Serious business was so serious. Nobody laughed. Once again, that was an important difference. It was so serious nobody laughed. It didn't look like anybody was having fun. And also during the first address, Toni got up and he said "We're from ABIL, and the way to characterize the organization (referring to ABIL) we're very serious about business, but we enjoy doing it."

TF: We need to enjoy what we do, and we have a lot of fun doing it. So I think we went from very formal to informal. And that doesn't mean "not being serious about business." That means we wear jeans we sit in open plan offices I stand in the queue to buy my toasted sandwich in the canteen People call me Toni, from cleaner to whoever We laugh a lot We have fun

VM: *Is it a lot louder now?*

TF: Oh much! That's probably because we're all big mouths! It is I think it was typically the (Toni whispers as he demonstrates) "corporate walls and closed doors" and I promise you, it was characterized by that. I went into my office because when I got there, there was this office. And someone had asked to see me, and when I sat them down, I had left the door open because I don't like closed offices as you can see (pointing to the new open-plan system). I sat down I had left the door open and they said "Can I close the door?" I said "Ok" so he closed the door. And there were windows and the blinds were open I had opened them because when I got there they were all closed so I had opened them. And he said "Can we close the blinds?" And I'm like "Ok, if you have to!"

LC: You know there was this thing around secrecy

TF: So it was conservative; it was formal; it was centrist and I think there was a lot of micro-management. They said "We'll make the decisions the two or three of us. We'll tell you what to do; when to do it; how to do it And you don't think; you don't inquire; you don't disagree Just shut-up and do it exactly the way I told you to do it."

And I think that's entrenched in when you have conversations with people today. We had an external person who came in to work with us the other day with the MDs and their teams of the various companies and the consistent feedback was and I won't use the name (the feedback) was Mr. So-and-So and they still refer to him as Mister notwithstanding the fact that he's gone Mr. So-and-So stole our ability to think.

Those were their words. And it came through in multiple ways, but that was the one that was quoted. He took away our freedom to think. He took away our decision rights. He disempowered us. And in one particular case, the guy said He stole our freedom to think.

VM: *That's a profound statement...*

TF: Yes. So I think that is very different now. I get guys I mean yesterday I had phone calls from all sorts of people telling me that they think we're doing this wrong and that's wrong and it's fine. The MD phoned me yesterday and we had a few design principles around that building (*referring to the new EHL office park that was being built across the road from the current office location in Sandton*) and the one MD phoned me and he said Listen, I disagree with this. Now I can tell you that a year ago, nobody would have disagreed with a single thing that I said not because of who I was but because of the legacy that they had in this business.

VM: *It was the culture of the business...*

TF: They were Yes Toni. No Toni. Three bags full Toni. This guy phoned me and he said Listen, I disagree with this and I want to do it this way and I think this is wrong because of this.

VM: *But...you appreciate that?*

TF: Absolutely and I encourage it. And I said to the guy Let me tell you my logic of why we had the design principle, and let me hear why you disagree

with it. And I kind of told him my logic, and he said "No I understand that, but" + I said "Are you sure?" + and he said "Yes" and I said "Cool".

So, we very clear in what we're trying to achieve but we're not inflexible. I think that was the other thing they were quite an inflexible organization, because they were so centrist. Two or three people made the decisions two or three people signed the cheques I haven't signed a cheque since I've been here not once I haven't signed one cheque. As a matter of fact, I've disempowered myself. The primary signatory on any contract is Bruce (*referring to Bruce Sinclair, the CFO*). So, if I sign and another Director signs, it's not valid. If he signs and I sign, it's valid. If his signature is not on there, it's invalid. Now normally, it's the Chief Executive's signature plus one other. In our business, it's Bruce plus one other.

And it's just about I don't want all decisions to converge around my table it's crazy

LC: And the important thing Vikash, is that business-wise we're not making the profits that we want to but business-wise if you take all the clutter away and just talk about the art of making money, this business is in a better state than it's been for many, many years.

VM: *You're developing the art right now?*

TF: There's no question the guys are cooking

LC: There's a link between culture and business performance and you know the building blocks are in place. And talking about the culture, there are some people who do not like this culture

VM: *They can't adjust or adapt?*

LC: No

VM: *What happens to people like that? It's a new organizational culture. They've probably been here for many years...people find difficulty in changing their own paradigms...How do you deal with that?*

TF: I'm a big believer in the people need to subscribe to what's going on. I'm a big believer in that and if you can't, you need to move on and if you don't move on. You either got to get with the program or leave. You can't be here and disengage or not be committed to what we want to do. And I don't mind it if you can't be this kind of person, then that's fine, but then you do need to go elsewhere by choice or not.

LC: If you like formality; if you like any and not all the cultural symbols of the past were bad.

TF: Oh no, exactly that's true.

LC: But if you subscribed to the previous culture because there's a I mean the differences are immense. But if you subscribe to the previous culture, you are not going to succeed in this culture.

VM: *Because you won't be happy?*

LC: And because you're not happy, you're not going to perform. And because of the performance culture of ABIL and of Toni, if you don't perform, there's no place for you in any case.

VM: *One of the very important roles of leadership in an organization like EHL (that's experiencing such radical organizational change), is to win the support of the Senior Executive Team...so that they can sow the new organizational culture and vision to their subordinates; etcetera. How do you deal with people, at a very senior level, who can not adapt to the organizational change?*

TF: It's a very good question, but just before that one of the previous questions was along the lines the business fundamentally different today than what it was a year ago, culturally? And the answer is absolutely not all the way to the 14 000 people on the shop floor but absolutely different. We are far less formal we are far more inclusive everything is not centralized here so this is not the centre of the universe

LC: We're far more performance oriented

TF: We're far more performance oriented but also a very, very big thing we are becoming far more innovative far more entrepreneurial far more creative. So we're having rigorous conversation rigorous debate we're becoming far more strategic in our approach to business. So those are all significant changes. Less formal; not centrist; far more performance oriented and far more creative; inventive; entrepreneurial; call it what you like innovative, around how we run our businesses. And far more empowered way more empowered.

I mean the guys today I had the MD of Elleries give me a buzz about two weeks ago saying listen + he's also been he's had a look at the new design he doesn't like it he wants to change it That's fabulous. We had other guys picking up the phone saying we've found new stores Now before, that was just not their domain

LC: Can I jump in here quickly on this empowerment thing because one of the things you (*pointing at Toni*) believe in is With empowerment comes accountability...

TF: And with accountability comes balance of consequence

LC: Very important. Because, you know again you look at some of these stories at the bank (*referring to ABL*), some of these Executives wanted empowerment but didn't want the accountability.

And once again, it didn't work. From a leadership perspective, Toni was quite hard. You can get all the empowerment that you want, but you have to be accountable.

TF: And sometimes it does come at a price Vikash. It comes at a price for me. I'll give you a real example. One of our MDs of one of the brands. I genuinely believe in empowering people. I genuinely believe that once they have been empowered, they need to be accountable. They will make the decisions and they will be accountable for the outcomes. One of our MDs had a view on what the Marketing Strategy should look like for his business and we kind of disagreed. When I say "we", I mean me and one or two of the other senior guys and this individual and this individual's team.

And I said "Well, I disagree with you, but you're accountable for that Marketing Budget. You're accountable for the top-line (*referring to Revenue or Sales*) and you're accountable for the bottom-line (*referring to Profitability*). So I want you to hear us one more time in terms of why we don't think that your approach is right and we went through it. And I said "Now having heard that, where do you stand in terms of what you think?" And this individual said they still believe this is right. I said "Ok, here's what we're going to do. We're going to give you 06 months to run with your program, and then we'll take a view."

If it's working, fantastic. If it's not working, are you happy then that we change? And they said "absolutely" which we did. It didn't work, we lost sales, we spent too much money. But I can't speak one thing and not do it. So if I'm saying I want empowered Executives, I can't dis-empower them by telling them "I know better how to market that brand than they do." I can't.

You need to give them the space, which means, and that's a very important issue. You know, we use the phrase when we do the leadership development forum, that "leaders need to give followers (and vice versa) the space to make one mistake or even two." You need to give people the space to make mistakes, otherwise they will never take decisions, they will never take

accountability. Because if every time they come up with an idea, and it doesn't work, you slap them well, they stop coming up with ideas. So you got to be prepared to say I put you in the job because I thought you were the right guy I now need to back you and if we disagree Look, I would never let them do that if it was of such a proportion that its going to jeopardize the whole organization

But you need to be able to give people the space to do things to experiment to be empowered to make their decisions But then they need to stand accountable. So 06 months later, that person had to stand here and say We've spent the budget we didn't hit the numbers we bugged it up, and take what comes. Fortunately, what came was not a kick in the pants What came was What have you learnt? Ok, now lets move on, and lets go down a new track

LC: Now there's the balance of consequence

TF: And the new program is now running

LC: Because last year, I remember some of these very senior people said to me I mean they didn't get bonuses because the business was not performing .

TF: Which is the balance of consequence

LC: And some of these guys said to me, I mean our HR Director said its the first time in his career that he didn't get a bonus. So the concept of the balance of consequence we had to do it practically You know, there's no tokenism when it gets to this man (*referring to Toni*). There's nothing about Lets give you a R50 000 bonus just to keep you quiet. Those things don't exist.

Leaders who play popularity games they're not leaders really. You must want to lead within a very principled environment.

This organization is not going to hit targets for this year. So we know, as the people as the senior team we already know what the balance of consequence is. You've got to integrate as a leader. You've got to integrate my principles; my values; my philosophy at an intra-personal level, with the willingness to lead.

Leaders must want to lead. Be able to deal with the business realities and with the balance of consequence. Be able to juggle two million balls at the time and look at multiple stakeholders and instill this thing about long-term vision into your people. That's the role of the leader. If you can't do that you can't lead then you just manage.

TF: You got to help them to see the lighthouse, because in times like this when times are tough you know, if you use an analogy, I think Vikash, it's like being in stormy seas it's a favorite analogy of mine, it's like being in stormy seas you know, falling out of a boat, and the boat sinks, and now you're all in the water. If people can see the lighthouse, they'll strike out and start swimming. If they can't, in all likelihood, they'll drown.

So, what is the leader's role? It's to find the lighthouse and help everyone see it and then strike out, and take them with you. Because if one can't see the lighthouse, one will drown one will give up.

But coming back to this question you asked around what is our role in bringing about this cultural change? It's about consistently doing what you say. Your deeds must match your words. So, you can't say that an important issue in our business is respect for individuals, and then disrespect people.

You can't say that I put a premium on people's leadership development orientation and not go and be developed yourself or I put a premium on leaders finding talent and working and grooming and developing talent, if you not doing it.

LC: And I don't believe that there are steps or phases to this. We all know the models, you know Lewin's Model about 'unfreeze-change-refreeze' (referring to academic scholar K. Lewin whose has published various articles on Change Management) I'm not sure that those things work in practice because there was no 'unfreezing' in this business. The day we walked in, there was change there was no 'unfreezing'. So there's no program for Change Management there's no steps for Change Management.

Quite frankly, there's no measurement we haven't measured anything in terms of 'here's a culture index', which for me is kind of a tough thing because we always believed in having culture indices and all of that. It's really about leading differently.

TF: Yes, we're not programmed we're not programmatic.

LC: It's about leading differently.

VM: *When you came in and introduced the rationalization program for the organizational structure (reducing all the hierarchical structures; etcetera), you lost a lot of the human capital in the process. The reduction of approximately 3 000 staff (to date) obviously results in concerns around staff morale amongst existing staff. How do you, in leadership, manage that challenge?*

LC: Let me respond first because it's part of his (Toni's) leadership philosophy. Bar two or three people in the first round, every single person was offered an opportunity of redeployment. Because part of that very first and very powerful high impact first meeting where he said all the things we spoke about he also said 'there will be no mass retrenchments'. And, you know what 18 months down the line, there has not been mass retrenchment.

Very important point...

So, we are reducing the workforce, but we are not going into the easiest thing. There's a lot of fat in this business system, and there's still too many people in the business not even a debate. And we need to cut costs. His (Toni's) challenge to us, and that's part of what I said earlier, that the sensitivity is I want you to cut costs but you're not going to retrench. And I think sometimes, some of the media reports that you read I think it's a point it's a very subtle important point that they missed. We didn't go into mass retrenchments and to this day.

TF: We dropped 3 500 people.

LC: We've taken hundreds of millions of rand in costs out of this organization and we still have not gone the route that 09 out of 10 companies would have gone which is just mass retrenchment.

TF: We've reduced by just over 3 500 people of which 400 have been retrenched of which 103 were forced retrenchments. 103 out of 3 500 were forced retrenchments, and they were primarily middle and senior management. Every single other employee was offered alternative employment most of which took it, but the balance between the 400 and the 103 opted not to take it and they said "rather give me my retrenchment package".

LC: To give you a perspective, when we took over there were 17 000 people here we've retrenched 103 people over 18 months.

TF: Well we retrenched 400, but only 103 were forced. We retrenched them they didn't opt for it in lieu of alternative employment.

But your point about morale is a very, very big issue.

VM: *How is the morale right now?*

TF: Way better than it was, and I think one of the big tricks is %open and honest conversation+. So, we said from the word %go-õ we called everybody into a roomõ we said %Guys, we%e got 13 brands. There isn% space for 13. We%e got 17 000 peopleõ it% way too much. We%e got 1 260 storesõ it% way too much. 17 Management executive teamsõ So, there was a Group Executive, there were 04 divisional management teams and divisional MD%. Underneath that, there were 13 companies, each with an MD and a whole executive team. So, we said, right up frontõ too much costs driven by: over-structured; over-stored; over-branded.

That was our mantra: over-structured; over-stored; over-branded. As a consequence, turnover per person is the lowest in the industryõ sales per square meter is the lowest in the industryõ and our cost to sales is the highest in the industry. You can not continue. So, that% the first thingõ it% about %open honest conversation+.

The second thing is about transparency. Not hiding the fact that we%e going to be closing stores. %Guys, we%e going to be closing stores. We%e currently have 1 260. The ideal number is about 1 000õ 1 050. And there% a journey between here and there that we need to walkõ and it% not going to be easyõ but we%e got to do it+.

VM: *Surely you would have had people who would have put their hands up at those forums and said “Excuse me Mr. African Bank Executives...we just declared one billion rand in profit before taxation...And now you guys are trying to tell us that what we’ve been doing was wrong?!?!?!”*

TF: Absolutelyõ

LC: *(Looking at Toni)*õ That was the most important point (Toni) that you made from day one. All this stuff was very transparent, but the point that Toni made from day oneõ and that was his mantra for the first 06 monthsõ was the

current business model is not sustainable. Those words are the current business model is not sustainable.

TF: And let's just pause and think about that but I just want to come back to your point. So, it's transparency and *I just want to come back to that one, because it's quite an interesting observation*. So, transparency, and then frequent, frequent accessibility to top management meaning this. Anybody can phone me my cell phone number was out there and I did. I got lots of sms's and people wanting to talk and people phoning me and talking to me about stuff and lots of communication from me.

I communicated in the beginning probably every two weeks I'd put out a communication either in the magazine, or writing a letter, or sending out an email. And they were sent to different audiences, focusing on different things. So this leadership team, from time to time used to get them saying "Guys, we need to stand together. We're going through tough times. It's hard. Stay focused. Don't lose faith."

For the guys on the ground it's key giving them the facts because they also get lost in the blur of rumor. "Guys just to make sure the facts are out there. This is what we're doing. This is how many stores we're closing. This is how many people are involved. We're not going to retrench them. We're going to find jobs for every single other member or there are 13 jobs at risk. Let's work collaboratively to try and find alternatives."

So, it's about open and honest conversation; transparency, and consistent accessibility. Whether it's you talking through email; television whatever it is you do verbally or just being physically accessible. I'm quite accessible, because I walk around a lot. I walk around that building (*pointing to the new EHL office park that's being built across the road from the current premises*) twice a day. And wherever our head-offices are at least twice a day. Usually in the morning and somewhere during the course of the day. So anybody and everybody have absolute physical access to me everyday.

LC: We got one meeting that is diarized with Toni every month. The rest of the time, it's just open-door walk in anybody here. You just walk up

TF: And they do they come in from all sorts of places creditors clerk can I see you?

VM: *Does that culture of accessibility and openness perforate through your regional offices? If you walk into the Wetherleys head-office now...*

TF: No no no and that's your point around this culture theme

VM: Yes...

TF: Has the culture fundamentally changed? I'm a big believer in virally infecting businesses. So, where are the points of influence in the business and let's start working there. Eventually, it's the pebble in the pond analogy throw the pebble in the pond and it will happen (*ie: a ripple effect*). The bigger the pebble, so in other words, the one with the most influence the bigger the ripples.

Has the now 14 000 staffed organization changed culturally?	No.
Have the key influencers dramatically changed culturally?	Yes.
Have there been some who resisted, or said %Yes+and did %No+?	Yes.

Are they still with us? No!

So we had an executive or two who said %Yes Toni. Yes Executive Team. Yes Mr. Board of Directors+ meanwhile, back at the ranch, they did the opposite. They're gone. Why? Because my view is always +change the people+ or %change the people+. So the people will either change, or you will change them. And inevitably, if the culture is shifting the environment will spit them out. You'd just find that it's a place where you don't fit in anymore

VM: *It (ie: organizational culture) has a force that's bigger than anything else...*

TF: Exactly. It's like anything in life – there comes a time and a place when the environment is such that you actually don't want to be there. Now some people will hold on for dear life and then you've actually got to call them in and say "Listen chap – it's time to move". For others, the environment will force you to opt out. And we have a lot of that. It is difficult to keep people motivated whilst – but I tell you – we saw some interesting things Vikash –

This for me – I'm going to definitely write up a "Reflection" a year or two from now on what I've learnt here. You know, this thing around – I mean today – we had 13 MDs – one in each brand – in each company. Today we have 06. Of the 06, we have 02 of the original ones left. So we got 06 MDs from what was previously 13 – and 04 of them are new.

Now, what has been the most intriguing thing? That the people under those that left did not leave. What have they said? "What a liberating new experience. This is great. We are able to make choices. We are able to make decisions. We have access to you guys. There's no filter in between" –

I mean, I sat here a month ago with the Marketing Executive or Ellerines. He's never been to the CEO's office before. He's never had a conversation with the CEO. Now, why did he come and sit here? Well, we were talking about Marketing, and someone said "You know, Johan Schalkwyk has done this, and Johan Schalkwyk in a past life did that – and you know, he's got some experience in this" – So I kind of wanted to hear what this guy has to say, because we're thinking about how to re-organize the Marketing function –

Now, they were telling me that there's a guy out there who has done this and done that – and been this and been that – You're bloody stupid if you don't give him a call and say "Hey, come and have a conversation with me. Come and chat to me."

So, he shut himself. When I phoned him, he said "Have I done something wrong?" And I'm like "No, why would you think that you've done something wrong?" He said "Well, you're calling me to your office." I said "No, I just want to have a conversation with you." We had a great conversation.

VM: *Not a culture that he was used to...*

TF: Not a culture that he was used to. We had a fabulous conversation, because I sat there and I said to him "Listen, I've been thinking about how to re-organize Marketing" and we got a lot of ideas but I believe that you've got experience in this and this and this. Tell me about it. Tell me about yourself. Tell me about what you've done. What did you learn when you did that? How do you help us make choices around this?

And with no sort of promise to him of "Gees! I'm really impressed. You can become part of this new world." Simply we said "You have knowledge that can help us make better choices." Are you happy to share it with us?" and he was over the moon. And when we concluded that conversation, he said "You know Toni" + because I said to him "Johan, with this incredible insight, why is it that when we're in forums, you don't step up and express yourself? Why?" + I mean he has a wealth of information, a wealth of knowledge. But he sits in meeting after meeting, not saying a word.

And he said that he wasn't really allowed to his boss, the previous MD, he did all the talking and he was the face of the organization and he was the big boss. And he couldn't openly disagree with his boss.

VM: *And that's typical of that old mechanistic and hierarchical approach...*

LC: I mean we disagree with Toni all the time, as long as

TF: As long as it's rooted in logic and sensibility and intelligence and it's not just a whimsical "disagree." Well why do you disagree? Well it just doesn't

sound right – then I'm not prepared to listen – But that was a fascinating issue with this young guy (*referring to Johan Schalkwyk*) and he's been around forever – and –

VM: *Gentlemen, as we round up this session, I want to bring us back to “present day”...*

TF: Sorry, can I just make one point?

VM: *Absolutely...*

TF: This point around *sustainability* (*referring to EHL's old business model that Toni Fourie believed was unsustainable*) – I want to come back to it.

This was a business that was built for high tide – as are most of the credit furniture retailers. So when the tide went out, we were caught with our pants around our ankles. We today – last year in the 09 months, we made four hundred million rand profit (R400m) – if you equate it and annualized it, it was about five hundred and eighty million rand (R580m) against their billion rand (R1b) – but actually *we* their six hundred million (R600m) –

VM: *This is “real profit”?*

TF: Real profit. So, their billion was actually about six hundred million – Our five hundred and eighty million was five hundred and eighty million *real profit*. But, here's the million dollar thing – In order to make that, we had taken out – because now remember the economy had crashed – bad debt – we'd stopped giving crazy irresponsible credit – so the volumes had fallen (*all referencing the impact from the global recession*) – We have taken out over four hundred million rand (R400m) worth of expenses – really taken it out – Cost base gone from R3.6b to R3.2b (After absorbing rental and salary increases of R140m).

Now do the math on where this organization would have been. So, you say well you're only delivering five hundred (*referring to profitability in "millions"*), so at face value, your profitability has declined. Absolutely correct. It has in absolute simple terms, it's declined. But that five hundred million we produced is after taking out four hundred million rand in expenses. So the question is had we not bought this business, and did what we did what would their six hundred million rand profit have been this year? Zero.

So did we go from six hundred to five hundred? Yes. What would the five hundred have been had we not bought the business and did what we did? Zero. That's why I said to you that it's important that people understand the context. The existing model at the time of acquisition was unsustainable.

And when you unpack it like that for them (*referring to the EHL staff and Management*), they do see that oh damn! This business isn't sustainable. Why? Because they just gave credit for which they took a profit.

LC: Oh upfront.

TF: Which they could never ever collect the money on.

LC: You can't do that. You simply can't.

TF: You can't.

VM: *But surely that would have other legal implications with the relevant authorities?*

TF: You see. It wasn't. It was irresponsible. But it wasn't illegal because the credit laws at that point in time were not what they are today. Under the current NCA (*referring to the current National Credit Act, legislated and introduced in South Africa in June 2007*), it became irresponsible and reckless. But pre-NCA, it was maybe inappropriate.

LC: And their books were signed off by Auditors

TF: So it wasn't illegal, it was just irresponsible

VM: *Today you're 18 months into the business...We're back to "present day" scenario...Your new organizational culture is being sown; the business is expanding; you've rationalized your organizational structure...removed systemic costs...Lot's of the operational objectives that you came in with, have been implemented...*

So, moving forward, where is the business headed from a leadership perspective...what would you still like to fulfill in your role as the leader of Ellerine Holdings Limited...and where do you foresee your biggest challenges?

TF: Very good questions. I think it starts with what mode do we as leadership move into now. We moved into a mode last year where it was about to figure out and confirm what needs doing, determine what needs to happen to bring that about, and drive it. So, that was really how we spent the last 15 months, conceiving what needed to be done, conceiving the plan, and then driving the execution of that plan. And then making sure that you are starting to put the foundation in place of a team that can take this business forward.

Because the management team of today is fundamentally different from the management team of 18 months ago. Now, the momentum for change is well entrenched in this business. The direction we're headed is well entrenched in this business. The movement of this business towards a new culture and a new way of doing business is well enroute. So, it has built up a head of steam that's not going to stop if we suddenly stop driving it, it's not going to stop. It's built its momentum. So the momentum for change, the momentum towards the new direction, and the momentum for how business is done, it's happened. It's reached that tipping point where it's not going to stop.

So what do we need to do now? I think we need to spend more time now doing ramping up what we spend our days doing. So now, how do we ramp up the way we think about this business and what we do in order to bring about strategic change at industry level? So how do we reconfigure the industry through our actions? How do we change the face of credit furniture retail? What does credit furniture retailing look like in a post-ABIL-roll-out Post 2012 / 2013 (ie: 05 years post Toni's management control of EHL in 2008) What does credit furniture retailing look like as a consequence of what we do? So what is the new model of credit furniture retailing?

And we haven't begun to touch on those things yet. What does the bringing together of an ABIL with a credit furniture retailer (ie: EHL) what new thing can come out of that, that has not yet been conceived and has not yet been delivered? And obviously, we've been giving it thought now for the last two years that's why we bought this business because we know that something new can come of it

But it's definitely two parts Let's start getting the organization headed in a direction that we wanted Let's start cleaning it up Let's narrow it down; shrink whatever it is we need to do and then, once that's happening let's start moving with these other things. So, that's the first thing that's going to happen a change in what we spend in our personal time doing. We've got far better people in place now everyone understands the where-to we are well enroute to that space in time it's built momentum so that it's not going to discontinue, because we change what we spend our days doing so that's the first thing I think And that means starting to focus on lots of different things

My agenda and the guys+agenda must change from the day to day driving of this change You know, driving the reorganizing of the business driving the consolidating of the brands driving the costs out...To now start focusing on what does this new model look like. What needs to be in place to do that? What are the implications at an industry level? What strategic partnerships and alliances do we need to establish to bring that about?

What about the future leadership of this organization? What about the future capacity of this organization? Where's it coming from? So that's where my emphasis will shift to, and my personal agenda has changed. And I guess that's what will inform what happens for the leadership team—maybe, hey Louis?

LC: Yes, absolutely. I'm with you—

TF: My personal agenda— that I put forward to the Board (of ABIL) saying— now that we've been doing a lot of "driving", what do I shift my focus to for the next 02 to 03 years—

And there are a few things— in no particular order—

One: Organizing to Excel. I think that there's a new way to configure organizations outside of the norm— innovative new ways to configure organizations so that you are far more effective and so that you can excel without all the "bullshit" that goes with hierarchy and big corporate head-offices and corporate centers and all the other "stuff". So, I think that there's a new way to organize, that is rooted in— I guess— Humanism...how do humans organize naturally?

So, how do we organize to excel? Which means, what does the organizational design look like? What's the role for Corporate? Is there a role for Corporate? Should it be a big Corporate? Should it be a small Corporate? Do we need it at all?

How do we configure forums and work-teams outside the obvious functional organizational methods— you know, (*for example*) rather than have sales and Marketing, how do we organize differently? What is the environment that we need to create for those teams to excel? What are the incentive schemes and how do they need to change?

Then, I think my second agenda-item is developing a model for Innovation; Creativity and Entrepreneurship. I'm going to spend a lot of my time thinking about those things. How far? How many people need to be like that? Do we want 14 000 people (at EHL) that are entrepreneurial; innovative and creative?

That could be havoc! Do we want 100 or 200 to be like that, and if so, who? And is it about who as a person or which roles do we need people in that are innovative? So that's the second agenda-item

LC: Interesting? maybe both

TF: Yes, maybe both. And that goes right around this leadership theme? you know, maybe it's not about the role that the person is in, but maybe it's about a key individual. So, how do we build or establish a model for an appropriate level of Entrepreneurship; Innovation and Creativity?

The third one is Reductionism. How do we get to the essence of what this business is going to be about, going forward? The essence? because you can over-complicate life. How do you, in two or three brush strokes, define what this organization is about? at a Group level, and at each business-unit / company level? What is the essence of Elleries, in two or three brush strokes? Is Elleries about credit? Is it about product? Is it about service?

And what does that mean? but in two or three brush strokes. So get to the essence of each of the brands, and of our Group. And with that? keep that in mind when we do this? how do we Organize to Excel? it needs to fit in with this Reductionism.

So, go from simplicity through complexity? back to simplicity and get to this Reductionism. What is the absolute essence of the business and how we function?

And then fourthly: Decision-making. How do we enhance our decision-making? And finding the balance of this judgement thing and finding the balance between fact and values and having honest conversation (robust rigorous dialogue and debate) around our decision-making

LC: And taking the value-judgement out

TF: Yes, taking the value judgement out, (for example) I think we should do it because in my opinion. You know, it must be rooted in the facts.

And then lastly, The Picture of Excellence. What does excellent look like for each company and for each group function? This issue around helping my job, and all our leadership jobs...is to help the younger leaders and the more junior leaders in the business define for themselves, within their areas of responsibility, What does excellence look like, for me?

So, if you're the boss of Marketing, what does excellence in Marketing look like? And then let's get on with it. If you're the boss of Credit, what does excellence in Credit look like? Really, touch and feel it in two or three lines what does excellence look like? So that the lighthouse (an analogy) you know what is it that they're going to be striking out for what are they going to be busying themselves with?

VM: *Making sure that everybody in that department can see that same picture...*

TF: Exactly. Crystallize for every leader in this business what does excellence look like for you in the space in which you lead? How is excellence defined in your space? And then let's go after it whether it's Marketing excellence or Sales excellence or Credit excellence or whatever it is. So that's kind of the 05 things that are on my personal agenda. That's what I'm going to be busy with

VM: My final question...

Toni Fourie, the CEO at EHL...versus Toni Fourie, the father and the husband (when he gets home...). Does that corporate leadership personality still come through? Or is the wife the boss at home (inducing spontaneous laughter from Toni and Louis)? And during weekends...is Toni Fourie still thinking about the office; the job; strategy; innovation; culture...or does he shut down? Can good leaders switch off?

TF: The answer is I can't and I do switch off. But that doesn't mean I don't think about those things at home. Now you might say, that you're straddling sitting on the fence. When I get home you know, people ask how I find a balance between work and family. I don't. Family comes first. End of story. No debate. Absolutely end of story. So, my balance tips in favor of my family. When I get home, I actually do switch off. So I don't take my business challenges home I just don't. My family will never ever be on the receiving end of a moody me because we had a crappy Board meeting just never.

So, I switch off to the issues of work while I'm with my family. My family is such that, when I get home, we have dinner together we don't eat in the TV-room we sit around a dinner table. We're a continental family, so it sort of comes naturally. We sit around the dinner table we laugh we joke we "lauck" (colloquial for "being playful") about, and have what we call "Grand Conversation" and we have a great dinner.

We then spend time together as a family. And "together" might mean my son is "tickle-tackling" (Toni's colloquial terminology for "strumming") on his guitar he drives his brother nuts because we actually watch a bit of television together and he's playing his guitar and my other son is kind of smsing while he's watching but we're together. And I don't work during that time.

But they're all early-to-bed people. My wife goes to bed by 9.30pm or 10pm. My kids obviously they're at school, so they go to bed around 9.30pm. And then, the household kind of goes to bed and then I go back to work. So, I do continuously grapple with those issues absolutely. But not in my family time...not at all. But that's a typical evening

Weekends the pattern is pretty similar. On a Saturday afternoon, my wife usually goes and visits her mum; and her aunty and her friends and what-have-you and my kids are out so I got time for myself. And that's when I use I do need space alone space absolutely and my wife knows that and my family knows that. So I have alone space. And they give me that space. Saturdays is generally my alone space. They're out for the day. You know the wife does what wives do they go do the hair and they go do whatever they go see their sisters and have lunch my kids are out so I get my alone space.

And that is for me to recharge. I read. I listen to music. I watch movies. I am an avid reader non-fiction. I'm not big on novels I do read the odd one, but not generally. I'm busy now with the Roman Empire the BBC documentary book-version.

I'm an avid student of philosophy; politics; economics; history those are things I love and strategy. So, I occupy myself with that kind of stuff, but in the evenings when everyone's at home, I'm a family guy. My kids will go out because it's Saturday they're out. My wife and I will go out for dinner, or we'll have sushi and wine in the Wine Room. So, when my family's there, and it's family time, work takes second place but do I kind of leave here at 5 o'clock everyday and then switch off totally. No no not at all

Who's the boss at home?

VM: That's cool, we all know!!! (...informal chuckle developing into spontaneous laughter with Toni and Louis)

TF: (*ō Laughing loudly*) You should know by nowō that\$ the only reason that men workō That\$ the only place that they can still be the bossō and even hereō with empowerment todayō even here we\$ not the boss anymoreō

LC: Elmarie is the bossō (*Louis advises tongue-in-cheek. Elmarie is Toni's Personal Assistant*)

VM: *Louis...Toni... Thank you very much. I sincerely appreciate the candid and honest discussion, and I will forward a copy of this transcript to you within a few days...*

TF: Cool Vikash. It\$ nice to hear what occupies people\$ minds. I really enjoyed thatō Thank youō

LC: Yes, good luck Vikashō Thank you.

(END)

**END OF
DISSERTATION**

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DECEMBER 2009

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