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A successful South African demerger : the case of South 32

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A successful South African Demerger: The case of South32

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

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ABSTRACT

Merger and acquisitions (“M&A”) and divestitures dominate corporate strategies. As a result, substantial academic focus is given to these strategies and little attention is given to demergers. Several demerger studies explore the financial benefits of executing such a strategy.

This study uses these M&A studies as a basis to explore the success factors of the post-demerger phase. The M&A literature indicates that in post-integration the critical variables for the success of the merged entity are: culture; identity; speed of implementation; communication strategy; business model; and leadership.

This study adopts a qualitative case study approach to evaluate and identify variables that contributed to a post-demerger phase success. In contrast to M&A findings, the culture and identity variables did not strongly support the success of the post-demerger. This study showed that the parent company culture contained elements that suited the new strategy and business model. Culture was therefore not the key element to be changed or worked on to facilitate the success of the organisation.

Similarly, the company had an identity that was already entrenched. It was possibly always going to be difficult to introduce a new one or rapidly change the original identity. Unlike in M&A’s, these two elements are key for the success of the merged entity, since the domination of one company’s identity or culture could compromise the integration process, limiting the benefits that could be achieved from synergies.

This study found that the leadership was the foundation and enabler of the other key success factors, such as communicating with stakeholders, strategy and business model. It also emerged that in the post-demerger phase, the structures to support the vision and leadership are critical for the success of the demerged entity.

DECLARATION

I, Khayalakhe Raqowa, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Signed at Johannesburg

On the 15th day of February 2018

DEDICATION

This work is dedicated to three key people who mean the world to me. Firstly, I dedicate this report to my two boys who gave me the courage and pushed me to go to work, thinking it is fun.

Secondly, my spouse, who kept the household under control and minimised the impact of my absence in the lives of my two boys while I was completing this study. Your selfless love is immeasurable.

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Special thanks to all my managers, who ensured I had the time to complete this study. During the course of the study, my role changed and in the process, I had three managers who all supported me, unconditionally. My special thanks go to Richie Subramanian, who planted the seed and provided all the support necessary to start with the study.

To my study colleagues, thank you for your daily encouragement. I am truly indebted to you.

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this study was to explore and explain the organisational factors that contribute to a successful demerger strategy. This study concentrated on evaluating only the success factors in the post-demerger phase. Similar to mergers and acquisition (M&A), the demerger process could also be divided into three distinct phases: the pre-demerger, the execution phase and the post-demerger phase (Schweizer & Lagerström, 2014).

The objective of breaking the process into its distinct phases is, partly, to achieve a better general understanding of the process as a whole, and to identify specific factors affecting each phase of the demerger process.

Fjellström and Gustafsson (2015) propose that the demerger process be viewed through the lenses of M&A, considering the similarities of the processes and the limited research on demerger processes.

1.2 Context of the study

The South African mining industry has experienced mixed corporate growth strategies during the last ten years, comprising mergers and acquisition and demergers being employed. The demergers, which have taken place in South Africa during the past decade, were those of Kumba Iron Ore and Exxaro, Gold Fields and Sibanye Gold and BHP Billiton and South32 (Nkabinde, 2015). The last two demergers occurred at a time when the commodity prices were under pressure, when there was a weak exchange rate and labour unrest was rife in the industry (Samuel, 2015), thus making them relevant for the purpose of this study and aiding in the building of a knowledge base. However, the Sibanye demerger declared a profit loss during the first year of operating as a stand-alone company

whilst South32 declared a profit gain (Samuel, 2015), hence, the focus of this study is on evaluating the post-demerger success factors for South32 only.

In order to analyse the demerger process properly, it was necessary to understand the reasons behind the need to demerge. A company might choose to demerge parts of the corporation because of favourable market opportunities or to rearrange its business portfolio (Fjellström & Gustafsson, 2015). Khurana and Gupta (2013) suggest that there are substantial advantages in a demerger strategy, such as achieving synergies, cost efficiencies, financial accountability and risk-mitigating portfolio effects, mostly from the so-called economies of scale. They further indicate that some studies found positive returns over a three-year period, following the demerger of big conglomerates, due to corporate restructuring activity, mitigation of information asymmetry, increased managerial focus and improved financing decisions. However, the 2013 demerger of Sibanye Gold Limited ("Sibanye") from Gold Fields Limited ("Gold Fields") saw both entities underperform by 33% and 13% respectively in the first year of operating as stand-alone companies (Samuel, 2015). It is thus not entirely correct to suggest that demergers always result in positive returns in the first three years of demerging. In the case of Sibanye and Gold Fields, he associated the underperformance with sector industrial action and poor operational performance of the remaining operations, resulting in impairments and losses and deferral of dividends (Samuel, 2015).

The big mining conglomerates, such as BHP Billiton, were, in the past, aggressive in their growth strategy through mergers and acquisitions. The study done by Samuel (2015) revealed that the strategy of giant organisations has been to constantly research and reinvent growth approaches. However, the change in the market conditions required that these strategies change, too. As a result, a demerger strategy was instigated. This was informed by value preservation and the opportunity to exploit low hanging fruits in the market and to capture the upside from improved management, realisation of expansion potential and taking

advantage of commodity prices upturn as well as corporate activity ("investor & media," 2015).

Schweizer and Lagerström (2014) suggest that the first two phases in the demerger process comprise subjects such as the initial discussions leading up to the decision to demerge a business unit, how to plan the disintegration and how the actual disintegration unfolds, whereas the post-demerger phase refers to the launch of the new company or business unit. One of the important questions for top leadership therefore is what the organisational strategy, culture and identity should look like to be successful as a stand-alone business. Fjellström and Gustafsson (2015) suggest that organisational identity is key to the success, post-demerger, since it comprises elements such as culture, products and communication, and is heavily rooted in the organisation's values, symbols and artefacts. Pickering (2002), on the one hand, found that new leadership, developing a new strategy, putting commercial services in place and the implementation of new business processes are some of the new capabilities required after a demerger, thus shaping a common organisational goal following a demerger can be a delicate challenge (Pickering, 2002). This study therefore intended to evaluate those post-demerger factors that contributed to the success of the demerger strategy.

1.3 Problem statement

Main problem

The main aim of this study was to uncover the post-demerger organisational factors which contribute to the success of the demerger strategy. Pickering (2002) suggests that after the demerger, a company's shape can either change, depending on the size and age of the company, or companies can demerge and assume the same identity as a parent company, or a new identity is formed. It is during this stage that the businesses' success factors are crafted and executed. In

relation to this, the matter of corporate structure and organisational size adds a significant point to the discussion. As argued by Oertel and Walgenbach (2012), larger organisations possess higher capabilities in both financial and human capital, compared to smaller ones. This then allows big organisations to cope with organisational changes. Furthermore, the ability to adapt the organisation to new circumstances in the post-demerger phase is likely to be affected by corporate strategy, business model, leadership, size, and culture (Fjellström & Gustafsson, 2015).

1.4 Significance of the study

The area of interest, which is not extensively researched and documented according to Fjellström and Gustafsson (2015), is that of organisational factors during the post-demerger phase. This study intends to provide insight into the factors of the post-demerger phase that contribute to the success of the demerger strategy. These findings could contribute to knowledge building for managers or strategists and be used as learning material. Pickering (2002) suggests that failure to manage the post-demerger phase results in negative internal and external issues. Internally, as mentioned above, the employees could be destabilised and external stakeholders' confidence might be destroyed, thus potentially leading to business collapse. The understanding of these factors will therefore help managers and strategists to be better prepared for the demerger strategy.

1.5 Delimitations of the study

This study did not address the advantages and disadvantages of a demerger process. It also did not look at social and economic impacts as a result of the demerger. The research did not assess companies' financial performance *per se* or determine whether it grew shareholder value in real terms, but refers to publicly available information.

The study focused on the strategy implementation and organisational issues, such as communication, leadership, culture, identify and stakeholder management. The study was on one South African mining company demerger, that of South32.

1.6 Definition of terms

Demerger: Transfer by a company of one or more of its undertakings to another company. Demergers constitute a unique mode of divesting assets, since they do not involve any cash transactions (Semadeni & Cannella, 2011).

Merger: Is the process by which one corporation or business entity unifies its activities into that of another corporation or business activity, whereby its operations are continued as that of a the merged corporation or business entity (Khurana & Gupta, 2013)**.**

South32: Is the diversified commodity company formed as a spin-off from BHP Billiton.

1.7 Assumptions

- The respondents had a good understanding of the demerger process.
- The respondents answered questions with integrity, objectivity and without being biased.
- The process of demerger was recent at the time of the study and it was assumed that all the respondents had a fresh memory of the events, success factors and pit-falls experienced during and after the demerger.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter introduces a literature review on relevant key topics related to the demerger process and organisational factors post-demerger. Demergers, similar to mergers and acquisition, have emerged as an alternative growth strategy which organisations employ. However, there are fewer cases of demergers compared to mergers and acquisitions (M&A). Consequently, there is abundant literature on M&A and fewer on demergers. The literature on demergers mainly covers the process itself using the lenses of M&A and financial benefits. This literature review is aimed at crystallising these organisational factors that contribute to the success of an organisation and emphasis was placed on the post-demerger phase of a process.

2.2 Demerger background

Semadeni and Cannella (2011) define demerger as a transfer of non-performing business units of an organisation from the mother company to form a “resulting company’’. It is a process whereby *pro- rata* shares are distributed among shareholders but does not involve cash movements. As such, the split of the company does not result in new shareholders or dilution of equity (Semadeni & Cannella, 2011). Corporate demergers are used as a growth strategy through either building focused management, leveraging on core competencies, or efficient capital distribution.

Singh, Bhowal, and Bawari (2009) suggest that the demerger could also be the result of unsuccessful mergers and acquisitions. M&A failures are due to internal and external environment, lack of due diligence and post-merger integration resulting in a demerger (Singh et al., 2009). It is therefore clear that it is not only

the financial position that leads to demergers, but also the soft issues. Stahl and Voigt (2008) suggest that the lack of published papers on these soft issues indicate that reasons are poorly studied (Stahl & Voigt, 2008), thus analysing the soft issues of a demerger becomes critical in understanding its success.

Furthermore, Hoare and Cartwright (1997) concluded in their paper that while a demerger may seem to present an opportunity for an organisation to come of age, a demerger has a destabilising effect on the employees' wellbeing and could result in insecurity, stress and uncertainty. This is a challenge which leadership and management have to control as it has disastrous consequences on a business if not taken care of. The second challenge the leadership is faced with in a post-demerger is that demerged organisations start with an organisational culture from the parent company and have to transition to a new culture and identity (Hoare & Cartwright, 1997).

2.3 Defining the demerger process

2.3.1 *Introduction*

It is critical to consider how the process is conceived, in order to be sensitive and give due respect to its aspects. In literature, there are several studies linking the process of demerger to that of M&A due to the lack of academic research done on the demerger. The process followed, when an M&A idea is conceived, is that of pre-merger, execution and post-merger. Schweizer and Lagerström (2014) found that in principle, a demerger process is similar to those of mergers and acquisitions.

2.3.2 *Pre-demerger*

Similar to the mergers and acquisitions, this stage of the process consists of strategic planning of an organisational change, to limit impact on business

continuity. This is the stage in the process when the idea of demerger is formulated, and prior to official public announcement (Appelbaum, Gandell, Yortis, Proper, & Jobin, 2000). Salame and Strategy (2006) argued that the planning involved in this stage could divert the focus from the running of a business, resulting in undesired results.

The involvement of the management, in this critical stage of planning and initiating strategies which would see the new organisation succeed, draws managerial focus away from operations. Gaughan (2011) found that minor problems could cause damage and have high cost implications if planning was not comprehensive during this stage. Management efforts are required to avoid HR and operational related issues. Since the process affects the entire organisation, the communication channels have to stay open, be truthful, sympathetic and up to date (Gaughan, 2011). Schweizer and Patzelt (2012) further suggest that different information is required at different levels of employment.

For organisational change to be effective requires communication of time lines and constant adherence, due to its impact and connectedness to resources allocation and the future of the organisation (Huy, 2001). Huy (2002) suggests that with the change in an organisation, the emotions of management facilitate adaptation. He discovered that low emotional commitment to change led to organisational inertia, whilst high commitment to change with little attendance to recipients' emotions led to chaos, hence the management focus during organisational change should focus on balancing emotions in order to facilitate adaptation. Understandably, the emotions will vary, based on maturity and levels in an organisation

2.3.3 *Execution*

In this phase of a demerger, plans crafted in a pre-demerger phase are executed and problems resulting from the strategic planning begin surfacing (Schuler & Jackson, 2001). From the official announcement of the process, the company was

subjected to several organisational challenges, such as management, structures, policies, and building new corporate culture and identity. The overarching problem of this stage of the process was the speed at which changes are implemented (Angwin, 2004). Similarly, the M&A execution process key success factor is argued by Angwin (2004) to be the speed of implementation. He found that slowness of implementation causes fear and indecisiveness, which leads to instability, whilst fast execution and sudden changes might cause confusion.

Leadership coordination skills and competency in executing strategic plans which affect the entire business, from employees to the customer, are critical in the success of the demerger. Gomes, Angwin, Weber, and Tarba (2013) advocate that for M&As, a lack of decisive action and clear objectives from the leadership makes the integration more cumbersome. Similarly, during a demerger, these leadership skills are key requirements for a smooth process (Pickering, 2002). The change in business strategies, structures and the implementation of culture and identity impose extra workload on the leaders, which could potentially result in losing the leadership skills and experience (Appelbaum et al., 2000).

Gomes et al. (2013) identified that communication during integration is one of the key factors for the successful and effective implementation. Likewise, Weber and Tarba (2010) found that in demergers, timely and accurate sharing of information with the stakeholders reduces insecurities, whilst Finkelstein, Hambrick, and Cannella (2009) suggest that radical changes in top management put identity and culture at risk. It is therefore necessary to communicate and implement management changes early in the process to ensure successful implementation of the new culture. The role of top management is to identify those leaders who will have difficulty in switching cultures, and remove them from the structure, for the demerged company to take new formation (Finkelstein et al., 2009).

2.3.4 *Post-demerger*

The post-demerger phase is viewed by researchers as the most involved stage by all in an organisation. This phase develops and shapes the organisation and delivers economic value add to the shareholders (Pickering, 2002). Weber and Tarba (2010) and Gomes et al. (2013) view this stage as critical in building new capabilities and structures, whilst settling the insecurities of employees. Pickering (2002), on the other hand, suggests that new strategy, new leadership and new business processes are key post-demerger capabilities an organisation should implement in order to be successful. Oertel and Walgenbach (2012) warn that the post-demerger phase could be a challenging stage, which could result in a loss of business effectiveness, due to losing talented employees and loyal customers, thus, leadership and management, at this stage, are vital for the continuation of business. However, since a demerger is a spin-off, the leadership of the demerged company is most likely to be coming from within. Oertel and Walgenbach (2012) found that large organisations have significant capabilities and skills and are less likely to be affected, hence it is relatively easier to handle the challenges of post-demerger by large organisations than small corporations.

Mirvis and Marks (1992) suggest that in the post-merger phase, managers need to assist employees in the dropping of the old culture and identity, and in the adaptation to the new ones. Similarly, during demerger, new ways of conducting business have to be adopted. Brooks, Rosson, and Gassmann (2005) define organisational identity as the way the organisation regards itself and is viewed by stakeholders and competitors. Therefore, corporate identity is a result of its culture and communication, elements which are vested in values and artefacts. However, the challenge managers face is to move the employees from the old habits to the adoption of a new culture and identity. If the newly formed entity has to be successful, it has to review these organisational factors and keep those which resonate with the desired outcomes, and quickly discourage those which are not required.

Brooks et al. (2005) established that the speed of implementation of changes during this stage of the process is critical. Depending on the company size and history, the speed of implementation has positives and negatives in building a new identity and culture. The speed of implementation is seen as a challenge in that if it is too quick, there is a likelihood of creating confusion (Brooks et al., 2005).

2.4 Value of demerger

Gertner, Powers, and Scharfstein (2002) note that the value or success of an organisation is no longer defined and measured through return on investment, but sustainability of a business is the more accepted measure which is defined by the economic value added. In order to appreciate the process of demerger and be able to quantify its value, it is important to understand the reasons behind the choice of demerger strategy (Semadeni & Cannella, 2011).

Panda and Rao (2012, p. 82) categorised the main reasons for demerger as:

- “Raising equity where a new and focused entity has the potential of attracting new investors;

- Financial performance improvement where increased management focus and simplifying core areas result in improved financial performance;

- Elimination of internal competition such that the competition for capital is reduced when small EBIT contributors are grouped together - this allows for better allocation of capital;

- Improved corporate governance where value is gained through improved corporate governance from head office to structures of management, thus clarity and transparency in governance; and

- Dismantling conglomerates also achieves the objective of removing negative synergies and ineffective structures".

Fjellström and Gustafsson (2015), on the other hand, submitted that demergers could be as a result of market conditions where rearranging the business brings opportunities, while pointing out that the reasons for demerger could be three-fold: firstly, economical motive in which synergies are not delivering good results; secondly, the focus on core competencies, which leads to lower risk and focused managerial input; and lastly, managerial motive where top management prestige and interest is at stake.

Rees and Edwards (2009) suggest that legal and political factors, in which an organisation operates, need to be considered as they may require different operating rules. The above research acknowledges that causes of demerger could be a combination of these factors or just a single factor, but substantial for a demerge strategy implementation. Furthermore, Semadeni and Cannella (2011) and Khurana and Gupta (2013) agree that a demerger is a shrinkage of the organisation size to sharpen core competences that would allow for improved shareholder returns.

Gomes et al. (2013) acknowledge that organisational factors and their relationship leading to the stability of employees, management and stakeholders are seldom linked to the success of the demerger. Identifying these factors and their relationships may contribute to the understanding of the process dynamics. They further warn about the lack of strong theoretical examination of the factors influencing success post-demerger but suggest that they are similar to those of mergers and acquisition. They identified the main factors of success for M&A as: communication; speed of implementation; leadership abilities; strategies; and culture merging. This study explores and provides insight into the critical success factors associated with the post-demerger phase.

2.5 Critical success factors in the post-demerger phase

2.5.1 *Introduction*

Marks and Mirvis (2011) emphasised in their study of M&A that the post-merger phase is the most important phase in which value is created and success of the new entity is observed. These findings are consistent with Bower (2001)'s findings, that the post-merger phase is the phase in which value is created. He further suggests that the success of the merger strategy is supported by some critical organisational factors, such as: strategy execution; leadership; culture; identity; stakeholder management; and communication. However, he found a disconnect in the process whereby managers, involved in the pre-merger and execution, fail to recognise and set up structures to support the post-merger phase. It is expected, therefore, that there would be a loss of effectiveness, as a result of changes.

Due to the lack of extensive research on these factors for a demerger process, this study adopts the M&A approach and discusses them through that lens. M&A literature identifies that leadership, strategy, speed of integration and communication are critical factors in the post-merger process (Gomes et al., 2013). According to Bower (2001), the critical success factors, post-demerger, are not entirely the same as those of post-merger, as the process of merger brings two different companies together whilst demerger is the split. Demergers are about subtracting the units of the company, which brings much complexity, since the change and introduction of new systems are done by insiders who have to let go of old known systems and adapt to new. Schweizer and Lagerström (2014) suggest that this complexity becomes more pronounced when the company was well integrated and possessed strong operational systems, culture and identity.

2.5.2 *Strategy*

Since demergers are used as a corporate growth strategy within different contexts and reasons, the dominant strategies need to reflect the drive to fulfil those reasons in all levels of the organisation, from corporate, business units and operations. Demerger strategy then supports this drive. However, within this strategy, several other strategic initiatives have to be implemented to shape the future of the new company. These strategies, as described by Scholes and Johnson (2002), are concerned with how the different parts of the organisation will deliver on the corporate and business strategy with regard to resources and processes. The ultimate drive for corporate strategy is to improve the financial position of the shareholders.

Chesbrough and Rosenbloom (2002) further suggest that to systematically unlock the latent value in an organisation requires an effective business model. Therefore, a business model serves as a tool in executing strategies. They discovered, in the Xerox spin-off, that the company was able to ascend above competitors through employing an effective business model. The business model fundamentally mediates between operations and the economic domain, and covers areas of market, cost and profit, value proposition, value chain, competitive strategy and value network (Chesbrough & Rosenbloom, 2002), thus the success of the business is largely dependent on the operational strategies. It is expected that the majority of these strategic choices are executed in the post-demerger phase.

Klepper and Sleeper (2005) discussed the challenges of developing and implementing the strategies for a spin-off and suggested that they are shaped by the parent company. The spin-off company inherits knowledge from the parent company and therefore strategies are developed to exploit the existing knowledge whilst differentiating from the parent company (Klepper & Sleeper, 2005). Semadeni and Cannella (2011), on the other hand, found that the balanced linkage between the parent-child companies is crucial for success of the child

company. However, Semadeni and Cannella (2011) warn that too much involvement from the parent company can negatively affect the performance of the child company, hence creating an heuristic logic connecting potential and economic value becomes the first strategy challenge. The misalignment of the strategy and business model can result in destruction of value in demergers.

Proposition 1: *The post-demerger business model and the strategies support the demerger as a corporate strategy*

2.5.3 *Leadership*

Rosenbloom (2000) suggests that individual leadership capability is required to influence change in an organisation and that leadership plays a significant role in strategic changes which are required for a changing environment. The coordination skills in a demerger process are important qualities which a leadership should have, especially if the demerging company was well integrated (Pickering, 2002). Leadership selection for the demerged company is therefore important in ensuring adaptation. Adner and Helfat (2003) argue that this change requires a leader who possesses dynamic managerial ability, underpinned by human capital decision, social capital and cognition for biases in action taking.

Finkelstein et al. (2009), on the other hand, warns that a radical change in leadership puts the culture and identity of the organisation at risk. These changes leave stakeholders confused, especially those who were not ready for the change. The timing and number of leadership changes for the new entity therefore influences the pace of cultural change, business continuity and employees stability. Schweizer and Patzelt (2012) further argue that leadership style can enhance employee commitment and help in the retention of talented employees during a demerger process.

Proposition 2: *Leadership sets the tone and facilitates understanding of the rationale for the success of the organisation's post-demerger phase*

2.5.4 *Speed of implementation*

Ranft and Lord (2002) found that slow speed of implementation and integration allows time to build trust between leadership and stakeholders. However, Angwin (2004) found that slow implementation of strategies and structures dampens the morale of employees and could result in loss of clients. However, both authors agree on the advantages of the speed of implementation since it assists direction and enthusiasm, and agree on its importance in attaining early victories and maintaining operations momentum. Angwin (2004) further argues that it is important to implement strategies and structures rapidly and consistently, since employees may become uncertain about the direction of the company and whether their positions in the company are secure. On the contrary, and similar to mergers and acquisitions, there is no right speed but there may be times when quick speed of action is more appropriate than slow speed of action (Gomes et al., 2013).

Proposition 3: *The speed of implementation stabilises emotions and uncertainty of the stakeholders*

2.5.5 *Communication and stakeholder engagement*

Appelbaum et al. (2000) suggest that communication is only relevant and impactful if the delivery method, timing and interactiveness are properly executed. If properly done it allows managers to obtain feedback from stakeholders, which is vital in expectations management.

Stakeholder management theory suggests that managers should create relationships and actively engage with stakeholders in order to develop sound business strategies (Prior, 2006). Preble (2005, p. 409) defined stakeholders as "*any group or individuals who are affected or can affect the achievements of an organisation's objective*". Stakeholders' engagement during demerger is critical, as each stakeholder has different expectations and interest in the organisation

(Gopinath & Becker, 2000). Stakeholder management therefore emphasises promotion of shared interest to ensure healthy relationships and long term success of the organisation (Prior, 2006).

Gopinath and Becker (2000) argue that some organisations complete the process of demerger without considering the requirements of the stakeholder, and subsequently have to deal with the loss of business and unhappy stakeholders. It is therefore crucial to communicate and keep stakeholders in the loop regarding the objectives, timing and size of the impact to them, if any.

Similarly, in M&A, communication with stakeholders is vital, as it facilitates active feedback which management can use, to manage expectations effectively. Epstein (2004), on the other hand, warns that care should be taken when communicating with stakeholders, as there would be mixed emotions with which to deal. Epstein (2004) further argues the importance of engagement and communication with customers, since these can result in customers seeking substitutes and employees seeking opportunities of employment elsewhere.

Angwin (2000) warns that over-communicating and making promises which cannot be fulfilled should be avoided. In a demerger process, it is vital to communicate with the stakeholders in addressing anxieties and deliberating the company's position. Danzon, Epstein, and Nicholson (2007) claim, from their pharmaceutical study, that the lack of good communication results in stakeholders' disengagement and consequently, customers are likely to seek substitute products.

The communication, post-demerger, is instrumental in disseminating information about the purpose, strategies, structures and values of the new organisation (Weber & Tarba, 2010). However, as the change process unfolds, what was communicated earlier might need to be changed, hence, Weber and Tarba (2010) suggest that managers should give themselves room for manoeuvring, in order to be able to cope with unexpected events.

Proposition 4: *Communication during the post-demerger phase is key to unlocking stakeholders' value*

2.5.6 *Culture*

Sagiv and Schwartz (2007) define organisational culture as the collective personality meta-system which envelops attitude, values, beliefs and conceptual information. It unfolds through strategy and structures of an organisation. The personality meta-system of the leadership therefore guides and influences organisational culture (Sagiv & Schwartz, 2007). Johnson, Scholes, and Whittington (2008) further suggest that organisational culture is shaped by work-based groupings such as industry or profession. An organisational field community with frequent interactions develop a shared meaning-system and influence culture.

It is expected that the challenge in fostering culture in a demerger could be moving from existing culture to creating a new culture. Moving from the traditional way of "how we do things here" to new ways of doing business and new ways of how employees should conduct themselves is likely to create uncertainty, insecurity and stress among the stakeholders (Hoare & Cartwright, 1997). Moreover, the organisational culture conception is a product of complex cognitive, emotional and political process, which requires Human Resources to be the driver of the process.

Hoare and Cartwright (1997) suggest that because the parent company has partial control and ownership of the new company, the changes can be managed in an orderly manner, since the company knows the employees and shares the same culture. However, they warn that the subcultures of certain business units might surface strongly, causing more trauma to those who hanker for the parent culture than those who had been evolving. Therefore, even though culture change is a slow dynamic process, it is critical to influence and manage it, as there might

be several cultures emerging from subcultures, thus confusing employees even more.

Organisational culture is supported by fundamentals, such as values, beliefs, behaviours and paradigms (Johnson et al., 2008). Traditionally, the organisational values are written down and easily distinguished from the strategy and objectives of the company. The beliefs, on the other hand, are more specific and point to how people define the organisational issues. Behaviours are ways in which organisations conduct business and develop structures which can be observed by both internal and external people.

In organisations, there are paradigms that need a review during a culture change process. Paradigms are regarded as “the taken for granted assumptions” which represent collective experience within the organisation (Johnson et al., 2008). They further note that these assumptions are core to the organisation but difficult to explain. Johnson et al. (2008) observed that these functions exist within a collective. However, individuals in certain positions have the responsibility and the mandate to encourage the culture of the organisation. Those individuals, therefore, should live the values and influence the beliefs and behaviours of the organisation. The taken for granted assumptions are key in the management of strategy, simply because it is difficult to manage that which cannot be identified and controlled. Secondly, culture can make strategy implementation or change impossible. It is therefore important for managers to understand the existing culture to implement effective business changes.

Culture change management in a demerger process is vital, hence it is planned during a pre-demerger phase to allow Human Resources to implement strategy for the desired culture (Fjellström & Gustafsson, 2015).

Proposition 5: *Swift cultural changes have a positive impact on post-demerger performance.*

2.5.7 *Identity*

Organisational identity refers to what is central to an organisation's existence to reflect "who are we or who we want to be". Research on identity change has examined this phenomenon on M&A or the creation of a new division within the organisation. Brown and Starkey (2000) evaluated the combination of companies and established the nature of inherent challenges as power struggles, conflicts and tension. However, the subtractive change i.e. demerger is expected to develop different challenges, since it questions members' understanding and loyalty to the parent company identity.

Gioia, Schultz, and Corley (2000) concluded in their study of identity change that external images of the organisation encourage insiders to do the comparison on what they view the organisation as and what outsiders consider it to be. The results of such comparison is either alignment or discrepancy, where the former strengthens and the latter leads, to sense making which triggers a response. Gioia et al. (2000) further suggested that organisational identity change is based on language and meaning of labels. Changing labels used by a parent company thus leads to identity change. Fiol (2002) supported these findings and further introduced the importance of managing rhetoric during planned transformations that will encourage dis-identification with the old and promote identification with new core beliefs.

On the other hand, Clegg, Rhodes, and Kornberger (2007) suggest that organisational identity is shaped by stakeholders, such as founders, top leadership, audiences and peer organisations. Kroezen and Heugens (2012) contributed to this work by integrating the three findings from their study to organisation identity formation. They found that in authoritative organisations, contributions to identity formations are: firstly, insiders imprint their identities through decision making; secondly, audience preferences and social judgement; and lastly, the organisational peer identities. This study also showed how

emulating the identity of peers (imprinting) and deliberate dis-identification with particular peers (enactment) form distinctive identity.

Many scholars continue to endorse the definition of identity as a feature of an organisation that is central to the organisation's character, in the view of its employees or organisation's self-image that makes it distinctive from others' features. Gioia, Patvardhan, Hamilton, and Corley (2013) have identified three pillars of identity as:

- distinctive from other organisations;
- history of action consistent with core values; and
- continuity over time.

Of the three features, the most relevant to spin-off is the "history of action consistent with core values" since the demerged company has to let go of the past and start its own history.

Unlike business start-ups and M&As that can start anew or adopt an identity, a demerged company has to create an identity that is distinctly different from that of the parent company. However, the process of identity change for a demerged company can be lengthy, owing to moving from a pre-existing identity to a new unknown identity (Corley & Gioia, 2004). The identity change for a spin-off should be rapid, since unknowns are partially predictable and fraught with ambiguity. In essence, the demerged company must have its own identity and cannot perpetually use the parent identity. As the new company strives for survival, success and recognition in the industry, it must concurrently create its own identity. Consequently, ambiguity creeps in when the core features of the company are not defined during and post-demerger phase (Corley & Gioia, 2004).

Corley and Gioia (2004) found that there is a lack of a foundation for examining identity change during spin-off, hence, in their study they approached identity

change, using planned and unplanned identity change, and further expanded the ways in which meaning-based identity change occurs. This study found that in employing an identity ambiguity tactic, organisations can promote change in identity through curiosity created in destabilising the company norms.

Giessner, Ullrich, and van Dick (2011) found that when there is a sense of continuity, post-merger employees suffer less, thus, creating a new identity fast enough is critical to the business continuity. Using the lens of M&As, the proposition is that speed of identity creation in post-demerger will promote the company's success and stability.

Proposition 6: *Rapidly creating a new identity promotes stability and continuity*

2.6 Research propositions

The purpose of this study is to gain insight into the critical success factors of the post-demerger phase. This chapter evaluates factors as proposed by the literature and discusses the benefits and challenges that could influence the success of the organisation. The analysis has given rise to the following propositions:

Proposition 1: *The post-demerger business model and the strategies support the demerger as a corporate strategy*;

Proposition 2: *Leadership sets the tone and facilitates understanding of the rationale for the success of the organisation's post-demerger phase*;

Proposition 3: *The speed of implementation stabilises emotions and uncertainty of the stakeholders;*

Proposition 4: *Communication during the post-demerger phase is key in unlocking stakeholders' value;*

Proposition 5: *Swift cultural changes have positive impact on post-demerger performance; and*

Proposition 6: *Rapidly creating a new identity promotes stability and continuity.*

2.7 Conclusion

In this chapter, a concept of demergers was discussed and linkages drawn to the M&As to get explanations on context. The process is summarised in Figure1 and highlights common factors in stages. For example, communication is viewed as a critical factor in all stages of demerger. In the first stage, the leadership convinces and persuades the shareholders on the intent of a demerger. In the last two stages, leadership communicates with stakeholders to share the strategy and to bring about stability.

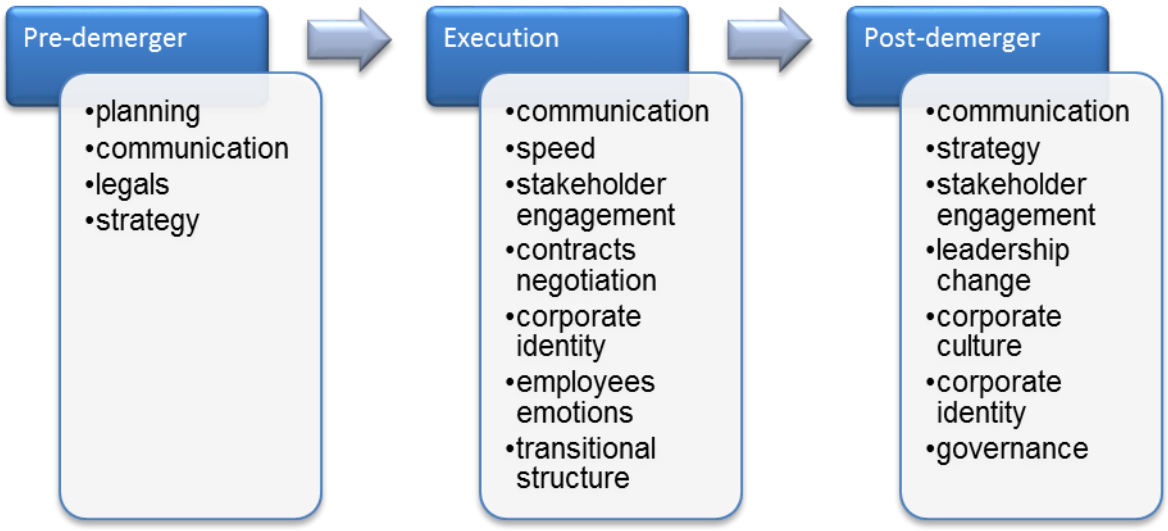


Figure 1. *Summary of demerger process*

The chapter further discusses the study focal point of critical success factors, post-demerger phase. It identifies several factors that literature links to the success of the post-merger phase, such as: speed of implementation; integration; leadership; communication; culture differences management; and Human Resources management (Gomes et al., 2013). These factors form the basis that is

built on to discuss post–demerger phase factors. The literature proposed that the critical success factors, post-demerger, include: communication; stakeholder management; leadership; speed of implementation; strategy; culture; and identity. In discussing the literature of these factors, post-demerger phase, several propositions were formulated to gain insight into the contribution they had in the South African demerger. The propositions formulated are:

Proposition 1: *The post-demerger business model and the strategies support the demerger as a corporate strategy;*

Proposition 2: *Leadership sets the tone and facilitates understanding of the rationale for the success of the organisation post-demerger phase;*

Proposition 3: *Speed of implementation stabilises emotions and uncertainty of the stakeholders;*

Proposition 4: *Communication during post-demerger is key in unlocking stakeholders' value;*

Proposition 5: *Swift cultural change has positive impact on post-demerger performance; and*

Proposition 6: *Creating identity fast enough promotes stability and continuity.*

CHAPTER 3. RESEARCH METHODOLOGY

3.1 Introduction

The research methodology used in this study is described in this chapter. The study approach and selection of the case is explained in detail. This section also describes the techniques used to collect data and the limitations of the research. It concludes by addressing the validity and reliability of the research.

3.2 Research methodology

This study has undertaken a qualitative approach. To gain insight into the concept, it is necessary to conduct a qualitative study, as it combines multiple techniques which seek to explore and explain the concept (Leedy & Ormrod, 2005). Denzin and Lincoln (2008) describe qualitative research as an enquiry to gain understanding of the topic and help answering the research question. Fjellström and Gustafsson (2015) commented on the fact that the corporate separation process is not common and little is known about it. Therefore, exploratory research is appropriate in finding answers (Denzin & Lincoln, 2008). This study is intended to holistically explore the organisational factors that contribute to the success of the post-demerger process, and not to test a theory or existing model. Baxter and Jack (2008) suggest that a case study allows for a complete and meaningful analysis of organisational processes.

3.3 Ethical considerations

This study obtained ethics approval. The respondents were informed about the aim of the study and given an option to either participate or not. They were assured of confidentiality and anonymity before the interviews and everyone signed a consent form.

3.4 Case study research

Baxter and Jack (2008) suggest that when studying a concept with limited research, it is useful to use one case, as it will provide a deeper contextual understanding of the concept. The application of the case study methodology in this research is therefore ideal, since this study evaluates the organisational factors, individual behaviours and functioning during change (Gibbert, Ruigrok, & Wicki, 2008) within a particular organisation. On the other hand, Gibbert et al. (2008) criticise the case study for having several flaws, such as lack of generalisation, unreliable methods of study, and that it allows researchers to be creative and use their own initiative in interpreting findings. However, there is overwhelming support for the case study when investigating organisational phenomena, groups and individual behaviour (Baxter & Jack, 2008). Yin (2011) further supports this argument that case research is applicable as it allows researchers to gather meaningful characteristics of real-life events from those experiencing them, and it is anticipated that the findings may be useful in similar contexts.

3.5 Choice of the case

The South African mining industry has not experienced many demergers, but two were prominent in the past decade, those of Sibanye Gold from Anglo American and South32 from BHP Billiton. Sibanye Gold had several challenges, which resulted in lower returns (Samuel, 2015). However, the South32 demerger was regarded as a successful strategy by experts and the parent company (Washbourne, 2015).

The South32 demerger happened during difficult business times in which political conditions were constantly changing and compliance to the Mining Charter was strictly monitored by government agencies. This condition required that organisations in the mining sector adapt or at least introduce new business

models. It is also worth noting that this demerger occurred during the period in which commodity prices were low. Moreover, the environmental legislation requirements were exerting pressure on compliance and obtaining new mining licences became harder in South Africa.

Despite all these external factors, the South32 demerger was a success, thus it became the choice for a case study, to give relevant and in-depth insight into the organisational factors. In selecting the case, it is necessary to understand both internal and external drivers (Yin, 2013). Chapter 2 describes the reasons for the demerger, but does not necessarily cover the South32 specifics. The study explores the perception and claims made by employees, as contributing factors to the success of the company post-demerger phase.

3.6 Study approach/ strategy

Kohlbacher (2006) consolidated the reasons and assumptions for the primary need of the case study approach when studying social phenomena. The case study is expected to effectively compile real life experiences. As mentioned before, there is limited research done on demergers, hence M&A literature was used as a foundation in developing a research tool to interrogate and acquire insight into demergers. Since this study is qualitative and exploratory in nature, a thematic inductive approach, where reasoning, using the lens of M&As, was used to convert the general statements to specific claims (Zikmund, Babin, Carr, & Griffin, 2013). This approach is consistent with Bengtsson and Larsson (2012)'s argument which supports the use of a case study to investigate a demerger through a M&A lens.

3.7 Data collection

In this study, semi-structured interviews using open-ended questions were conducted to collect data. Interviews allowed for interaction with respondents and

this helped the researcher to clarify concepts and, importantly, observe the actions of respondents, as suggested by Willig (2013) in her report. Spencer, Ritchie, Lewis, and Dillon (2003) had earlier discussed the advantages of using semi-structured interviews as:

- Comfortable atmosphere for data collection;
- Spontaneous questions;
- Clarifications during interview; and
- Open-ended questions which could generate rich data and rapport building with respondents.

On the contrary, Spencer et al. (2003) warn that spontaneous questions are not easy to analyse whilst other authors, such as Silverman (2013), warn of subjectivity from respondents. However, Bengtsson and Larsson (2012) suggest that a semi-structured interview is the best method of collecting data for a qualitative case study approach. Thus, in this study, the researcher conducted the semi-structured interviews and was watchful for respondents' subjectivity.

Semi-structured interviews as means of data collections are value-laden and there are personal and attitudinal behaviours involved (Rowley, 2012). He further suggested that respondents' background and position might lead to bias in responding to questions. The handling of data is fundamental to the value of the study. All the interviews were recorded and transcribed verbatim.

3.8 The research instrument (interview guide)

The interviews were structured to gauge the respondent's understanding of the demerger process and identifying the success factors post-demerger phase, firstly, to understand respondent's position, responsibility and decision-making powers during and post-demerger process. This allowed for easy data analysis as it indicated understanding of respondents on the process background.

Secondly, the questions uncovered the understanding of value creation and what success meant to the respondents.

Thirdly, the interviews sought to identify how the change impacted business continuity and what the key factors were. This is important, in understanding how the respondents viewed and appreciated the impact of the change on employees, external stakeholders and the business.

Lastly, the questions were designed to determine what respondents regard as critical success factors post-demerger and what the prevailing challenges were.

The interview guide was structured as indicated below:

i. Role and background of respondents;
ii. Knowledge of the company background;
iii. Respondent's understanding of the reasons for demerger;
iv. Respondent's understanding of the demerger process;
v. Respondent's understanding of value creation through demerger;
vi. Success factors post-demerger:-
    - Strategy;
    - Communication;
    - Leadership and operationalisation;
    - Stakeholders management;
    - Speed of implementation; and
    - Culture and identity;
vii. Challenges experienced during the process.

3.9 Data analysis method

3.9.1 *Transcribing*

The interviews were transcribed verbatim, from the recordings to a Word document, by a professional transcriber. The identity of persons revealing information were withheld in the cases of all the respondents. The transcripts depicted and preserved the respondents' grammar, incomplete sentences and the thinking pauses.

3.9.2 *Thematic analysis method*

Bryman and Bell (2015) recommend for qualitative analysis that phenomena are broken down into their constituents. Thus, as a result of the lack of research on the area of post-demerger phase and the absence of a theoretical framework, a thematic analysis was chosen as the best method of analysis. This method is well tested and used in the qualitative field of study. Braun and Clarke (2006) recommend this method as it identifies, describes, analyses and reports patterns and themes from the raw data. They argue that thematic analysis allows for some flexibility and is not bound to pre-existing theoretical frameworks, but allows for relevant theories to be considered during the process. Thematic analysis can either be theoretical or inductive in its approach. The theoretical approach allows researchers to draw themes from the pre-existing ideas while inductive links themes and patterns to the data only (Braun & Clarke, 2006). Themes were selected based on the relevance to the research question and on whether there was a trend within and across the data. Due to the exploratory nature of this study, an inductive analysis approach was adopted. Since the case study is an exploratory study to gain insight into the concepts, an inductive reasoning approach was applied, as suggested by Yin (2013). Moreover, the data-driven approach assisted in identifying new themes that were not discussed in the literature review. Braun and Clarke (2006) suggested that the thematic analysis

method allows the data to be analysed in a chronological approach from reading data several times to be familiar, coding the data, compiling memoes, identification of themes and compilation of report.

Themes were grouped according to their overlapping (overarching) meaning, based on inclusiveness, possession of analytical scope and explanatory strength, to develop an analytical hierarchy. The basic and main themes were depicted in a schematic layout to draw linkages and reliance's within the data set.

3.10 Limitations

The analysis of qualitative data is, by nature, subjective and open to interpretation. However, as mentioned earlier, this study attempts to gain insight into the phenomenon, thus the selection of one case is appropriate for in-depth analysis (Baxter & Jack, 2008). Furthermore, the study was limited to the respondents who were employed when the demerger took place. The researcher encouraged the respondents to express their own views and not those of the group experience or the company.

Limiting the study to one case is also based on the limited demergers in the South African mining industry in the recent past. The result of this study therefore cannot be generalised to all sectors or used as a theory base, but rather as a step or benchmark in understanding the process and organisational factors post-demerger. It is also worth noting that the research is limited to the recent demerger case due to accessibility to the respondents who were involved in the process. This enabled the study to collect the most recent and relevant experience. Given that the study attempted to gain insight into organisational success factors, the external parties were not involved in the data collection.

3.11 Validity

Gibbert et al. (2008) explained that validity of the study is best established using internal and external validity measures. Internal validity refers to how well the study is designed and executed. In this study, the interviews were semi-structured and every interview followed the same pattern and rigour in order to maintain consistency. Furthermore, the researcher conducted the interviews and did not use any assistance.

External validity, on the other hand, looks at the transferability of results from one case to another thus external validity in this study is less applicable, since it is a case based research which seeks to give a benchmark and context based knowledge rather than to generalise.

3.12 Reliability

Reliability in research refers to the extent to which results can be reproduced by conducting the same research (Yin, 2013). In the case of qualitative research where semi-structured interviews are the basis of gathering information from personal opinions, the results can never be the same, making the reliability concept less likely. However, the nature of the interviews allowed for asking the same questions and rephrasing in order to obtain consistency in responses, which thus gave some degree of reliability. Completely diverging and persistent opinions were presented and contrasted to improve data reliability.

3.13 Conclusion

In this chapter, the reasons for conducting this study and the approach which scholars recommend in studying organisational phenomena were discussed. The exploratory qualitative nature of the study is based on the fact that there is limited research done on the organisational factors for demergers, since most demerger and M&A studies focus on the financial success or shareholders' value creation.

This methodology gives insight in one organisation’s case, thus it bears limitations for use or extension to other organisations and sectors. However, it provides a benchmark and insight into the recent and relevant experience.

CHAPTER 4. RESULTS PRESENTATION

4.1 Introduction

This chapter presents the results obtained from the qualitative research conducted in the semi-structured interviews. The objective of this research was to gain an understanding of the factors that contribute to the success of the demerger strategy during the post-demerger phase. The interviews were structured to test the factors proposed by literature and to identify any new factors that could have contributed to the success of the demerger in the post-demerger phase. The interviews followed a semi-structured approach, as indicated by the interview guide in Appendix B.

The interviews generated large amounts of data. Each interview was recorded and later transcribed. The data was analysed using a thematic analysis method. Each interview was analysed individually to determine the inherent factors. Subsequently, the factors were combined to determine the salient themes. The discussion of the results is therefore in two sections, namely, individual and composite results.

This chapter displays the analysis of individual interviews only. The composite results and triangulation of data is discussed in the following chapter. A thematic analysis method is utilised to identify the themes.

4.2 Sample demographics

Twelve interviews were conducted during the study. All the respondents were employees of South32 who were in the company's employ during the demerger process. The respondents represented senior and middle management.

Table 4-1. *Interviewee demographics*

Position	Male	Female	Total number
Senior Managers	2	2	4
Middle managers	4	1	5

4.3 Guide lines for thematic analysis data presentation

Thematic analysis is the method used to identify, analyse and report data patterns or provide detailed accounts of particular themes (Braun & Clarke, 2006). They explained that thematic analysis is different from other qualitative methods, such as grounded theory, thematic decomposition and IPA, which seek to describe patterns within the data. These other methods search for specific themes across the data and require detailed theoretical and technological knowledge of approach (Braun & Clarke, 2006). Thematic analysis, on the other hand, can be an essentialist or constructionist method. Essentialist method or realist method reports experiences and the reality of respondents whilst constructionist tests ways in which events, meanings and experiences are the effect of discourses operating within the society. This latter statement supports the selection of the thematic analysis for this research. They further warn about the need to understand the theoretical position of this method as it carries a number of assumptions about the nature of data.

Depending on the outcomes or claims one may want to make from the data, the analysis could take several paths of the thematic analysis. Braun and Clarke (2006) advise of a decision tree which can assist in analysing the data:

1. Initially, data was coded using a coding technique that extracted something important about the data and had patterned responses. This is useful to this research since accurate reflection of the entire data is required for an under-researched area and where there are no defined theoretical themes. Secondly, themes which capture something vital in relation to the main question are

identified in an inductive or deductive modalities approach. In an inductive approach, coded categories and themes are derived directly from the text data (Vaismoradi, Turunen, & Bondas, 2013). On the other hand, deductive analysis aims to test previous theory, which leads to less rich description of overall data. This research mainly follows the inductive logic and draws from key constructs derived from the literature. These constructs guided the research questions and data analysis, thus the output is an iterative inductive-deductive approach. Thirdly, the themes are identified in different levels, such as semantic or latent levels. A semantic theme identification approach focuses on surface meaning whilst latent approach level identifies underlying themes. Thematic analyses typically focus on one level at a time (Braun & Clarke, 2006).

2. The analysis of the results can be in two domains, that of realist or that of constructionist thematic analysis. The epistemologies guide what could be said about the data. The realist can theorise experience and meaning in an explicit manner, since a simple relationship is assumed between meaning and experience, whilst in constructionist methods, the meaning and experience are produced or deduced instead of drawing them from individuals' data (Braun & Clarke, 2006).

3. There is an overall research question that drives the research. Following this main broad question is the narrower question, which overarches with the main question. In addition, there are questions which participants responded to during interviews and, lastly, questions that guide the coding process. It is important to note that questions put to the respondents were not necessarily themes.

4.3.1 *A step by step approach*

Braun and Clarke (2006) suggest that a step by step approach is useful when doing thematic analysis of a research data. They summarised these steps as:

- Familiarising yourself with the data – in this phase the data is transcribed and double checked against the recording;

- Generating codes – coding or labelling interesting features of the data systematically;

- Searching for themes – collating codes into themes and gathering supporting data;

- Reviewing themes – checking the themes in relation to the codes and generating the thematic maps;

- Defining and naming themes – refining the specifics of the themes and generation of clear definitions; and

- Producing the report – selecting of the compelling text extracts to support the analysis and relating to the research proposition.

4.3.2 *Thematic Networks*

The interview results were transcribed by a professional transcriber in Microsoft Word and displayed in a thematic network format. The data was coded and presented in a spider web-like network showing fluidity and connectivity of the themes and removing hierarchical tendencies (Attride-Stirling, 2001). This chapter only presents the codes extracted from the interviews. In this chapter, the focus is on the first three stages of thematic analysis only (coding, theme identification and

construction of networks) and the data is organised logically without unearthing the salient themes in the data.

The following chapter discusses and facilitates the structuring and depiction of themes.

4.4 Consolidated interviews data

Respondent	Theme	Extracts
	Strategy	
121		"I mean it was quite clear from the beginning that there were four areas that we had to focus on; optimise, unlock, identify, building resources from ground up and being a responsible miner" "So in the implementation of the strategy, for example, optimising the operations, it was about remaining sustainable in the difficult times and we had to optimise processes, optimise structures, review some of the business models"
122		"we are no longer a tier one company we have a set of good assets, good performing assets that generate cash"
123		"Definitely I think the business model that we've chosen for the organisation suits the kind of assets that we've got and the kind of position that they're in and the strategy that we've got for them"
126		"there's a lot of drive for transformation, there's a lot of drive for giving back to the community through social labour projects"

Respondent	Theme	Extracts
127		“the strategy that was put in place supported that decision in terms of accepting that it was the decision that was correct to say that these portfolios or these entities are not basically performing very well but the model thereto made sure that those portfolios or those entities can succeed”
128		“it’s about the future, the resources that are left get the best or the maximum value of the investment out of them compared to the bigger ones”
129		“We say to become a significant and empowered company” “So the model is working, the constraint is, it may take us actually five years in order to create a much more strong, sustainable business because at that point we were at one of the lowest points in the commodity pricing”
131		“I think, the strategy was to run the business lean and agile. I think we could be like a case study for BHP Billiton because I don't see that cost focus and the safety focus that we get now at South 32 and I think also the strategy has changed a bit with the fatalities so far”
	Leadership	
121		“we are told to be agile but what does that look like, what are the traits and characteristics of being agile, how do you be agile if you don't know, you’ve never seen agility”
122		“you needed to have a kind of strong leadership team, committed to the strategy of South 32, committed to make it

Respondent	Theme	Extracts
		work” “I think secondly we structure the organisation in a way that supported a smaller company that needed to be more agile”
123		“I think what has made a major difference in this demerger is we very quickly identified the right exco and they were chosen for their capabilities and their expertise to run a company like South 32”
127		“Leaders drive the culture org wanted”
128		“I would not only change top management, but I would cut it across, we rely a lot on the middle managers to actually drive those changes for us”
129		“So, in the first year your business model can significantly fail if you don't have the right people, the right skill set or the right management style”. “The benefits of a lean top structure is that it creates the ability to have candid conversations and create a bit more stamina in terms of decision making”
131		“To rapidly adapt to the initial situation that South 32 was in, where you had the low cycle commodity prices”.
	Communication	
122		“There was a very good communication plan, and including internal communications”

Respondent	Theme	Extracts
		"the sense that everyone had was BHP Billiton wanted to shut down a number of assets or sell these assets… If I'm talking internally, that type of change is a painful process, irrespective" "I think keeping people in limbo, it just doesn't work". "There's change coming, be aware there's going to be change, it's going to impact headcount and you continue telling". "stakeholder engagement at the government level in the country I think has improved a lot"
121		"it allowed for grieving period and reduced the shock" "you were not sure when and why leaders are reshuffled" "communication to employees was that you could be impacted or not just hang on" "Communication is about being out there, saying things, and expecting feedback and having a conversation" "I think it was too much conversations about the uncertainty and to keep people, sort of, relax, don't worry rather than, we have a new company, how can we unlock its value going forward"
123		"so you need to find a reasonable balance of what you share and how you share it and how you communicate"
126		"I think maybe there was a bit of work, extra work that may have been required to communicate effectively"

Respondent	Theme	Extracts
127		“There was engagements from all levels of the organisation"
128		“I think because of the contracts we have, but the engagement still continued whereby our stakeholders or our customers, they still trust that we can deliver”
129		“We should have had specific themes that could inform people, okay, this is what’s progressing” “Yes, from an individual point of view, if you’re saying, I’m looking for the comfort of knowing that I have a job, that’s an emotional, personal question” “but the other one is, do we have an organisation that is structured, that if we had to understand the route that specific function is taking”
131		“In terms of brand I don't think that was very well sold, not many people knew South 32 post-demerger”
	Structural changes	
122		“The higher level designed for the structure worked but I think there was a cultural shift that the organisation needed” “there was a lot of pull to remain with what we had and not understanding that this is a company that is evolving”.

Respondent	Theme	Extracts
		“where in BHP Billiton you would have to bounce through a customer sector centre that sits somewhere in Melbourne, in Perth, or Singapore, moving the centres of decision” “the regional president to be able to engage the policy makers or the government institutions and be able to articulate and make decisions out of those”
		“We probably could have done a bit better in terms of functional integration and I think we should have been quite strong” “South 32, we need to be agile in order to navigate through the change first and to be able to cope with the dynamics of the global commodity space”
121		“positioned leaders with the right skills set to support the flat structure and regional model” “it was about remaining sustainable in the difficult times and we had to optimise processes, optimise structures, review some of the business models” “That were put in those roles were specifically those people that had the necessary leadership characteristics to support the new structure of the new regional model”. “First we used streamlining, secondly we have a regional model that we had to support and at the same time we were optimising how we work, having a flat structure and also an effective structure that supports the operations” “so we are supposed to have this small company mentality

Respondent	Theme	Extracts
		now, being agile and not having all the bureaucracies or levels in the structure”
123		“So, we had all these major changes in very quick succession to get to the demerger, set up some of the new structures for the new company, but then we started going into a phase where we had to consolidate a bit and almost calm things down and then we started going through another phase” “Structural changes will come with those kind of transactions, it is difficult but I think because we've got such a good leadership team and a board that’s helped”
127		“Because Billiton had good elements in the business so the structures that were brought in were just to make sure that we reinforce those elements and get rid of the ones that they didn’t want” “So that change of leadership and change of structures did not destabilise the business” “What we couldn’t do as BHP Billiton and we can do now as South 32 was the external stakeholder engagement”
128		“The changes that happened in the leadership, I think the first thing was around how you create a company that is able to drive, well, to actually implement the South 32 strategy”.
129		“The benefits of a lean top structure is that it creates the ability to have candid conversations and create a bit more stamina in terms of decision making” “There’s a flattening of hierarchies, meaning employees have

Respondent	Theme	Extracts
		access to their seniors, so there's a removal of hierarchies" "Also, they've created flexibility in the system in the sense that look at the flexible working hours, it's for the benefit of the employees"
131		"It's a very lean structure and it's also regional focused"
	Culture	
122		"We're kind of still stuck in the BHP Billiton way of doing things for quite long and probably because most of the senior leaders in this organisation knew no different". "I think being more deliberate around culture change, how do you enable the new culture, the desirable culture, so being quite crispy around the culture and creating the transition process in such a way that it can accelerate the culture bridge" "So this country is very complex in the way you look at culture because apartheid ends, you know, the new South Africa, the transformation piece" "I think particularly from what we were seeking was an agile organisation that navigates ambiguity, it's got more flexibility to navigate in ambiguity and in uncertainty"
121		"So in terms of the organisation, whether you form the culture consciously or you don't, you're still forming a specific culture. However, I think straight after the demerger there wasn't that focus on really creating a specific culture"

Respondent	Theme	Extracts
123		"A lot of effort was put into the first six or twelve months to get the South 32 strategy out there, the South 32 vision out there". "But in quite strategic position, bring fresh blood in so that we can try and move away from the old BHP culture a lot quicker but I don't think we had a strong methodology in terms of how we're going to change the culture which is not a bad thing because culture comes from each and every person, it comes from within, and once again the leadership took the approach of starting to instil that culture of engagement and then use that as a way of getting to the culture that we want eventually"
128		"As much as they changed the leadership, they focused on changing top management. They still had the middle management that was part of BHP Billiton that still carried on with the previous culture of BHP Billiton"
129 V		"The way I see it, for me it was important for South 32 to say we're South 32 and not live in BHP Billiton's world" "It means providing the adequate guidance, allowing people freedom to demonstrate what they can do, and that's what we are getting here today" "You're actually seeing the old approach of fear factor beginning to vanish. People are far more free to talk to the VPs"

Respondent	Theme	Extracts
131 L		"So, that culture initially was still BHP Billiton culture but I think until of late, again, related to fatalities and so forth, we're trying to build an identity of our own, you know, with this care strategy" "When we first heard of this demerger there should have been more effort. It was done later but, I don't know, I don't think enough effort was put in"
	Identity	
121		"So organisational identity is very important and you need to quickly get onto it" "I think it's stems from the cultures, it stems from how you want to do business, how you want to be seen out there, and that will take time, and I think it's something that South 32 is working through to refine that identity out there from the various stakeholders that we deal with".
123		"I think, soon after that people saw us very much as the mini-me of BHP but I think when we started delivering good results and good new stories out of South 32 and started talking to the market, that perception is slowly but surely changing". "if you pick up those speeches you'll see there are certain key elements that we just kept on emphasising through emails, through speeches, through engagements, to build that brand identify with internal and external stakeholders" "The branding one can talk about. I think one can always do more in that space and I think we could have done more in

Respondent	Theme	Extracts
		that space”
126		“So if you want to effect changed you need to basically erase the past and everything should be centred on the new entity. You don't want to have any remnants of the past”.
127		“The benefit of the identity change and especially from BHP Billiton to South 32 was to give South 32 an opportunity to deal with opportunities that concerns only South 32 and be able to resolve issues in a quicker way”.
128		“However they were not consistent in their approach in terms of doing the same thing at the operations. You will see that at the operations it took more than a year and a half to actually get some of them to change from the old BHP Billiton colours into South 32” “So when you try and engage and understand what was the whole rationale for not being as quick, well fast enough, the reason was around, the coal price at the time was very low so that was one of the factors that actually continued to not really acting on changing the identity quick enough for the people to know about the changes that have taken place.”
129		“A quick identity change is important because it remove any stigmas of the previous organisation”
131		“The only branding that was done initially was when we listed on the stock exchange and when that sign outside was changed, but inside everything was very much BHP” “I think even up to today, you still see BHP Billiton logos, tee-

Respondent	Theme	Extracts
		shirts and so forth all around the place, documents …”

4.5 Conclusion

This chapter discussed the method of data collection and presentation that would be used to develop thematic maps. It further explains the guidelines and procedure for using thematic maps in analysing data. These guidelines and procedures ensures that a systematic approach is followed and every data is given an equal chance for analysis. lastly, a consolidated interview responses used in the next chapter of results discussions is depicted with themes and extracts from the respondents.

CHAPTER 5. DISCUSSION OF RESULTS

5.1 Introduction

In the previous chapter, the analysis of individual interview results is recorded where coding and identification of themes were performed. The following themes were derived from the individual interviews:

Theme 1: Strategy

Theme 2: Leadership

Theme 3: Communication

Theme 4: Structural changes

Theme 5: Organisational culture

Theme 6: Organisational identity

This chapter utilises the thematic networks to composite the themes and draw similarities with the propositions derived from literature review.

5.2 Thematic Networks

The composite data is presented in a spider web-like network showing fluidity and connectivity of the themes and removing hierarchical tendencies (Attride-Stirling, 2001). This chapter details the themes development. Each theme is discovered by establishing constructs that are linking the codes to the theme. The linkages between the themes and codes mainly indicate causality.

5.3 Understanding of the Demerger

5.3.1 *Demerger process*

All the respondents demonstrate a good understanding of the demerger process. They define the three stages satisfactorily, giving the researcher no reason to disregard any of the respondents' comments. However, the respondents lack the details of the initial stage. The initial stage of demerger deals with conceiving a corporate strategy by the board and communicating that strategy to key shareholders, thus it was taken as reasonable that the respondents would not have better understanding of this stage. The execution and the post-demerger phases were well understood by the respondents.

5.3.2 *Reasons for demerger*

The respondents gave a wide range of reasons for the motive to implement the demerger strategy. The respondents believed that there were three main drivers for the demerger, including political conditions, long term strategy and value creation for shareholders. The respondents mentioned that the timing of the demerger coincided with the volatile political situation in Africa, whilst others linked it to the long-term strategy of BHP Billiton to focus on high revenue generating assets. One respondent commented: *"So, if you remember, BHP strategy was investing in tier one upstream operations, which in essence, was investing in mining operations, and the smelters were always debated".* These views are consistent with the conclusion of Samuel (2015)'s report that demerger provides a solution that preserves shareholder value whilst providing an opportunity to capture upside from improved management of the assets.

Others linked it to the global environmental pressure, and some linked it to the risk of dependence to one entity, that is the supplier and the customer, that is not stable or predictable.

However, the purpose of this research is to identify the success factors post-demerger phase and not the reasons for demerger. Nevertheless, it was vital to consider the respondents' understanding of the demerger process and what they perceived as the demerger motives, as it would influence their attitude and answers.

5.3.3 *Success measure*

Again, it was important to take note of the respondents' understanding and definition of success. For example, all respondents agreed that the demerger was a success for South32. However, their reasoning and measure of success were diverse. Some respondents linked the success of the demerger to positive cash balance, others praised the resilient capabilities of South32 through the difficult economic times, whilst others linked it to the inherent capability of the demerged entities. Many respondents, though, linked the success to the leadership style and strategy. These different lenses of viewing the demerger success leads to different views of post-demerger phase success factors.

The composite thematic map in Figure 5-1 depicts the main themes that emerged from the analysis of the demerger. These main themes include political environment, parent company involvement, size of the organisation, asset potential and internal factors. Each of these themes has few parts such as: the political environment relates to transformation requirements and energy demand in the country. Whilst parent involvement is linked to the success of the demerger and had several parts that included culture, shareholders interest and leadership. The theme of size of the organisation relates specifically to the financial support, and achieving quick stability. Furthermore, the theme of asset potential relates to the importance of having assets that are cash generating and great people to support the demerged entities. The theme of internal factors relays explicitly to the leadership, strategy development and implementation parts.

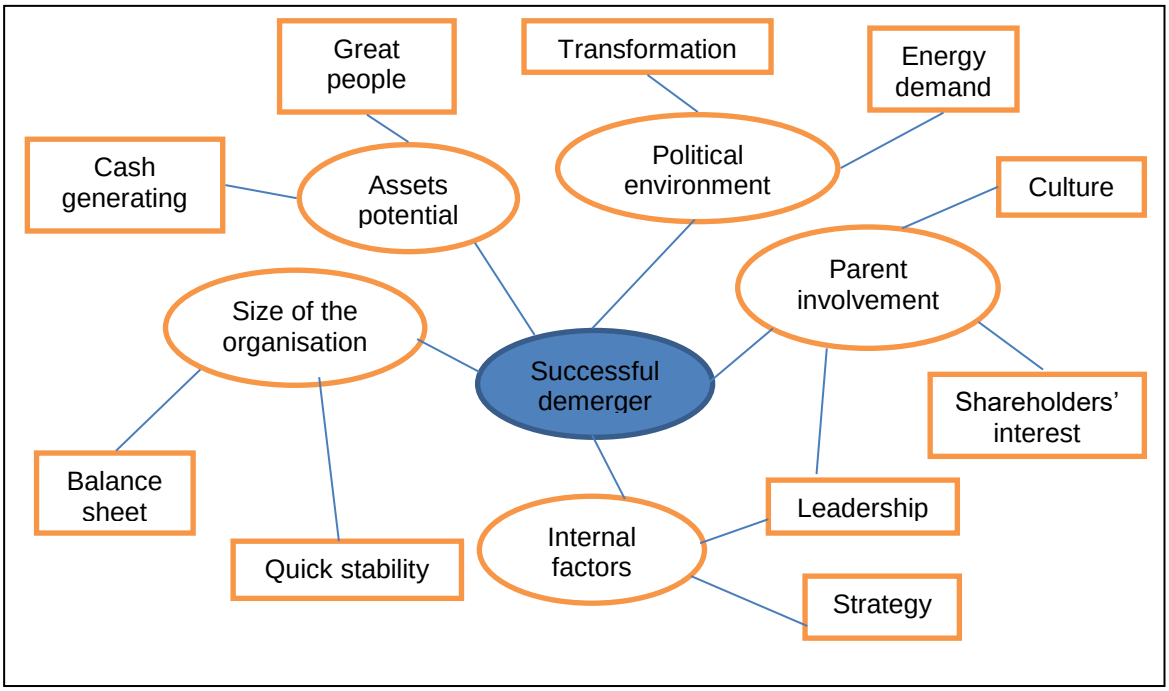


Figure 5-1*: composite thematic map – successful demerger themes*

5.4 Theme 1: Appropriate strategy

Strategy provides guidance about the direction of the company and the methods or approach to achieve the goal. The demerger strategy is to invest in high quality metals in mining operations and achieve above industry average returns for shareholders. This demerger identified success elements through which this strategy could be achieved by identifying new opportunities, unlocking the potential of existing assets and optimising existing operations. *"I mean it was quite clear from the beginning that there were four areas that we had to focus on; optimise, unlock, identify, building resources from ground up and being a responsible miner"* commented one respondent. This strategy could be seen as addressing the reasons for the demerger. However, as discussed by Klepper and Sleeper (2005), there are challenges involved in developing and implementing these strategies since they are mainly shaped by the parent company. It therefore becomes crucial to devise an effective business model to obtain value from the initial intent and new business dynamics post-demerger.

All respondents strongly connect the strategy to the post-demerger success. The strategy is well understood by both operations and the corporate respondents who were participating in the research. The strategy, post-demerger, was fundamentally addressing the inherent potential of the assets thus it was seen as fit-for-purpose. *"So in the implementation of the strategy, for example, optimising the operations, it was about remaining sustainable in the difficult times and we had to optimise processes, optimise structures, review some of the business models".*

The respondents presented the contribution of strategy to the success of post-demerger as it answered the why, how and when questions. The first elements supporting the strategy addressed the value creation from existing assets through unlocking potential and optimisation. The second element talked to the mechanism of implementation, the way in which strategy implementation was set up for success by management. Thirdly, they encouraged employees, especially middle management to own it. The last element was to ensure that the strategy created quick wins for stakeholders. One respondent comment was "*Definitely I think the business model that we've chosen for the organisation suits the kind of assets that we've got and the kind of position that they're in and the strategy that we've got for them"*.

The composite thematic map in Figure 5-2 display the main themes that emerged from the analysis, these being acceptance, assets performance, implementation and short term. Each of these themes has a number of parts as follows: the acceptance of strategy relates to it being sensible and resonating with employees. Asset performance on the other hand looked at the capability and utilisation of existing assets relating to increased management focus, entrepreneurial approach and agility. The implementation relates specifically to the leadership style, resources availability and structures. Furthermore, short term relays the business model that will quickly unlock the potential of the demerged entities.

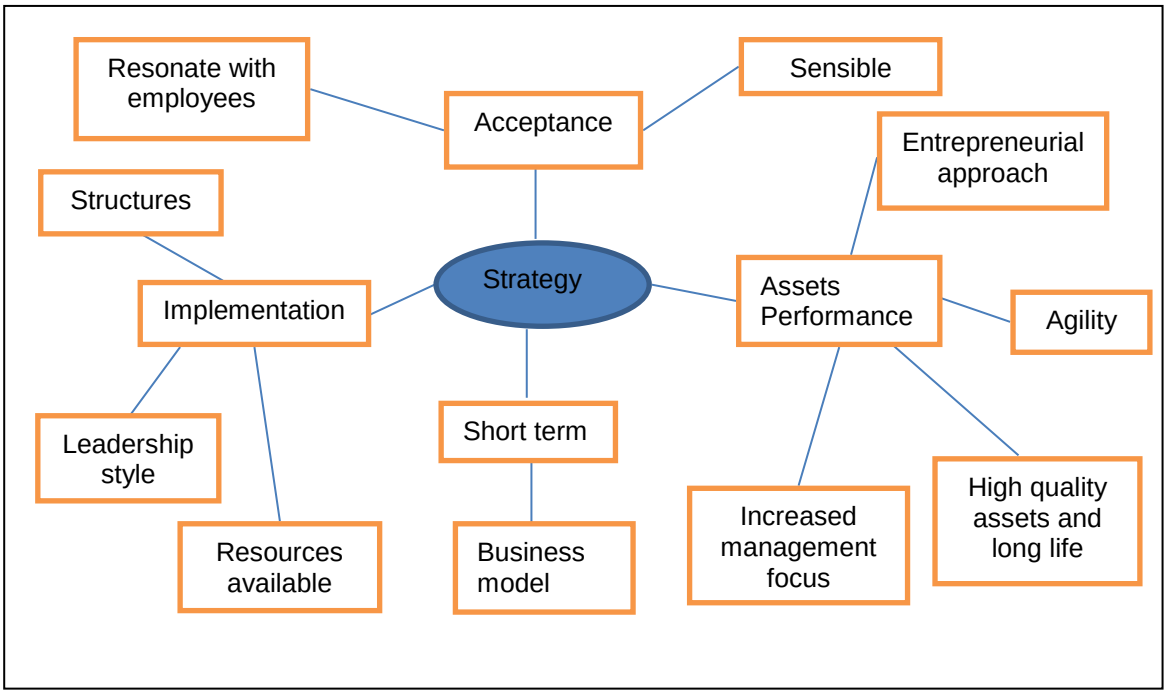


Figure 5-2*: composite thematic map – strategy theme*

5.4.1 *Implementation*

All of the respondents mentioned the implementation of the strategy as key to the success of South32. The respondents believe that the leadership implemented the right structures and gave supporting resources to influence the smooth implementation of strategy. They believe that it was the commitment from middle managers, who saw an opportunity in optimising assets and making the demerger a success. This really made an impact in the rolling out of the strategy and achieving a buy-in from employees. They suggested that the commitment from managers was due to:

- Their self-interest was at stake. During this period commodity prices were depressed, other mining houses were retrenching employees, resulting in a congested labour market so the interest of keeping employment was a concern for many;
- Sense of open opportunities. Where restructuring and changes in structures brought to the managers an opportunity to either move to other sections or for

growth in the section they occupied, and provided the opportunity to be able to execute their own ideas, which was not possible with the parent company.

5.4.2 *Asset performance*

The improved management focus on the demerged assets resulted in an increased awareness of inherent potential of these assets. This potential was overlooked in BHP. The demerger resulted in a smaller company relative to BHP, which had an opportunity to develop a strategy to unlock value from the assets and increase management focus. "*it's about the future, the resources that are left get the best or the maximum value of the investment out of them compared to the bigger ones"* commented a respondent. South32 had an opportunity to be agile and entrepreneurial in conducting its business. However, some respondents noted that agility is learned over time – it was a challenge for many employees to change. They mentioned that to unlearn the old ways of conducting business was not so easy. "*So I cannot see it that someone who has never had exposure in a typical small business environment can now be able to come up with strategies that suit a small business if they don't have that experience"*. The operating model, that came with the strategy assisted employees and the management to deal with the new ways of conducting themselves and business. The operating model creatively provided guidance on the values the company seeks and the way employees should work.

5.4.3 *Acceptance*

Respondents further linked the success of the strategy to its acceptance by employees. The high levels of acceptance are associated with:

- The past culture - The respondents linked this to the culture of fear and obedience;

- Communication - The strategy roll out to the entire organisation was well organised and presented at the time when people wanted to know what South32 would mean to them;

- Leadership style - The leadership engaged at all levels and spoke the same language. They lived the values and showed the belief in the new strategy and company direction. People follow good leaders…

5.4.4 *Short term*

One respondent cautioned that the strategy is short term since sweating assets can be done to a certain point. However, this strategy brought many quick wins which kept stakeholders engaged in the business of South32. The strategy made sense, since it was looking at optimising and unlocking the potential of the assets, and heavily focused on the people's concerns, such as no retrenchment threats. Despite the fact that this strategy is great for the new company, many respondents voiced concerns about the lack of long term strategy or position of South32 in line with transformation, environmental requirements and growth options. South Africa is faced with transformation challenges which companies in the mining sector have to address. On the environmental front, respondents showed concerns for the environmental liabilities of thermal coal, which is the main component of South Africa's energy mix. One respondent mentioned that there are possibilities of increasing the nuclear and renewable power, which will reduce the reliance on coal.

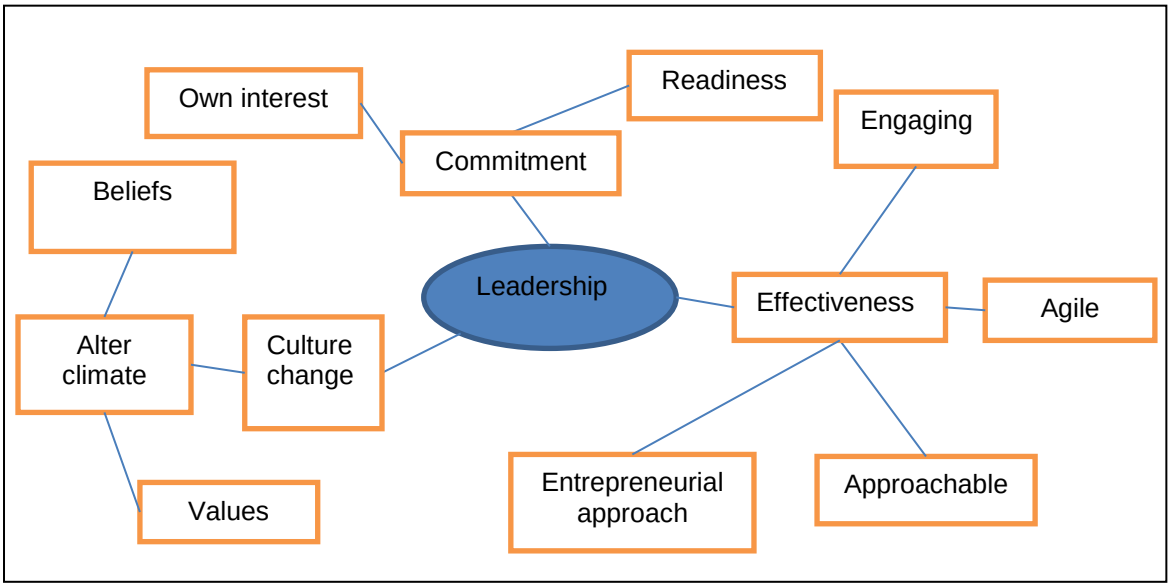
5.5 Theme 2: Good leadership

House, Hanges, Javidan, Dorfman, and Gupta (2004) define leadership as the ability of an individual to influence, motivate and enable others to contribute towards the effectiveness and success of the organisations of which they are members.

All respondents associated the success of the demerger to the leadership qualities of the executive, especially the CEO. *"I think what has made a major difference in this demerger is we very quickly identified the right exco and they were chosen for their capabilities and their expertise to run a company like South 32"* this comment supports the leadership was a major contributor to the success. There seems to be a lot of trust in what the CEO communicated to the employees. The respondents believe that his approach, values and beliefs cascaded down to the rest of the managers in the organisation. They regarded the CEO as a value-based leader. According to House et al. (2004), a value based leader possesses visionary, inspirational, decisive and performance oriented qualities.

The CEO made deliberate visits and engaged with all employees, reinforcing his stance that the company has great people. This tap on the back was significant in the post-demerger. The middle managers who were instrumental in keeping the forces together during the post-demerger phase maintained his vision and drive of commitment, effectiveness and changing the culture. The respondent noted that *"I would not only change top management, but I would cut it across, we rely a lot on the middle managers to actually drive those changes for us"*

Figure 5-3 depicts the main themes the respondents associated with the leadership, these being effectiveness, commitment and culture change. The theme of effectiveness has parts that relates to approachability, agility and entrepreneurial approach. the commitment talked to readiness and own interest. Meanwhile, culture change relates specifically to altering climate, values and beliefs.



5-3*: composite thematic map – leadership theme*

5.5.1 *Leadership effectiveness*

The respondents referred to the ability of the CEO to eliminate uncertainty as one of the key qualities needed from the leadership to ensure the success of the demerger. They alluded to the fact that employees were initially uncertain about the intent of the demerger and worried about losing their jobs. The other quality of the CEO that respondents thought contributed to the success was the firmness in which he imposed his will onto the organisation. One respondent praised the drive of the senior leadership for their having visited the operation and for having engaged at the lower levels. This engagement helped in building and reinforcing the vision and strategy. The slogan of the CEO that *"we are a small company that will be agile and entrepreneurial"* set the tone for changes in leadership approach. Leaders started to speak differently about the organisation style of doing business and were very receptive to the employees' ideas. They became more open-minded and engaged with employees at different levels. One respondent said: "*We spoke a lot about being agile and all of that and you can imagine the leaders were put into positions, and within their space they need to make the necessary changes and have the right impact*".

However, there were challenges where leaders' capability and beliefs were tested by this new way of conducting business. One respondent said: "*For example, we are told to be agile but what does that look like, what are the traits and characteristics of being agile, how do you become agile if you don't know, you've never seen agility?*" The change from the normal ways of conducting business in the South African mining industry were challenged by this engaging, respectful and inclusive approach.

5.5.2 *Changing culture*

The leadership is responsible for changing the practices and influencing the judgement of how things should be done. Following in the footsteps of the CEO, the entire leadership encouraged the new culture dimensions, such as inclusivity, uncertainty, avoidance, in-group collectivism and performance orientation. The high levels of acceptance of new values and beliefs resulted in a good drive for the new culture dimensions through predictable results set by the teams, employees showing pride and cohesiveness in achieving targets and rewarding performance improvements. However, some respondents believed that more could have been done by leadership to bring about the new culture. This was confirmed by a statement that culture evolves over a long time and some managers had to unlearn what they have been doing over many years. Nevertheless, the leadership played an important role in changing the way these were done, which suddenly resulted in increased employee engagement and performance.

5.5.3 *Commitment*

The leadership was committed to the changes the CEO envisioned. They were committed to seeing the organisation prosper. The respondents linked this affinity and drive from the leaders to two main concepts:

- Self-interest - where leaders were seen as having no choice but to make this organisation succeed due to personal pride and an unfavourable external environment, as mentioned about the labour market;

- Readiness – the management team was mentally prepared to take charge of implementing strategy, structural changes and performing diagnostics for performance optimisation. The structural changes did not deter the leadership from being committed to the new challenging deliverables.

The respondents saw the responsibilities and challenges of the leadership as:

- Ensuring that the company survives through low commodity prices and volatile political conditions by understanding the assets, people's capabilities and the value each asset can generate in order to devise suitable operating strategies;

- Managing capital allocation to high value projects and controlling cost;

- Maintaining long term focus which will create value for the new company;

- Creating a portfolio of assets which allows for optionality - base metal is future;

- Communicating with the stakeholders and reassuring them that the company will compete strongly in the market and that it does not have to be the biggest to be the best;

- Addressing the challenge is transformation in South Africa and working towards compliance;

- Building relationships with government entities;

- Driving the strategy of care by encouraging an inclusive workplace and well-designed work; and

- Promoting the culture for open discussions and questions.

5.6 Theme 3: Communication

The communication post-demerger is instrumental in disseminating information about the purpose, strategies, structures and values of the new organisation (Weber & Tarba, 2010). All respondents agreed that keeping people informed about the changes, opportunities and what could affect individuals was key in this demerger. They suggest that when people are engaged it becomes easier for the leadership to shape the organisation. One respondent mentioned that *"Communication is about being out there, saying things, and expecting feedback and having a conversation."*

The acceptance of new values, processes and leadership is high when there is honest and open communication. Angwin (2000) warns that over communicating and making promises which cannot be fulfilled should be avoided at all times. Interestingly, the respondents alluded to the effective elements of communication for the post-demerger success as honest, constructive and comforting. A respondent was recorded saying *"I think keeping people in limbo, it just doesn't work". "There's change coming, be aware there's going to be change, it's going to impact headcount and you continue telling".*

The composite thematic map in Figure 5-4 shows the main themes that emerged from analysis, these being comforting emotions, constructive and sense of opportunity. Each theme has a number of parts as follows: the comforting emotions relates to the honest conversations and open discussions, while sense of opportunity relates to building trust and hope. The constructive theme on the other hand relates to the stakeholder engagement, timeous engagement and unambiguous messages.

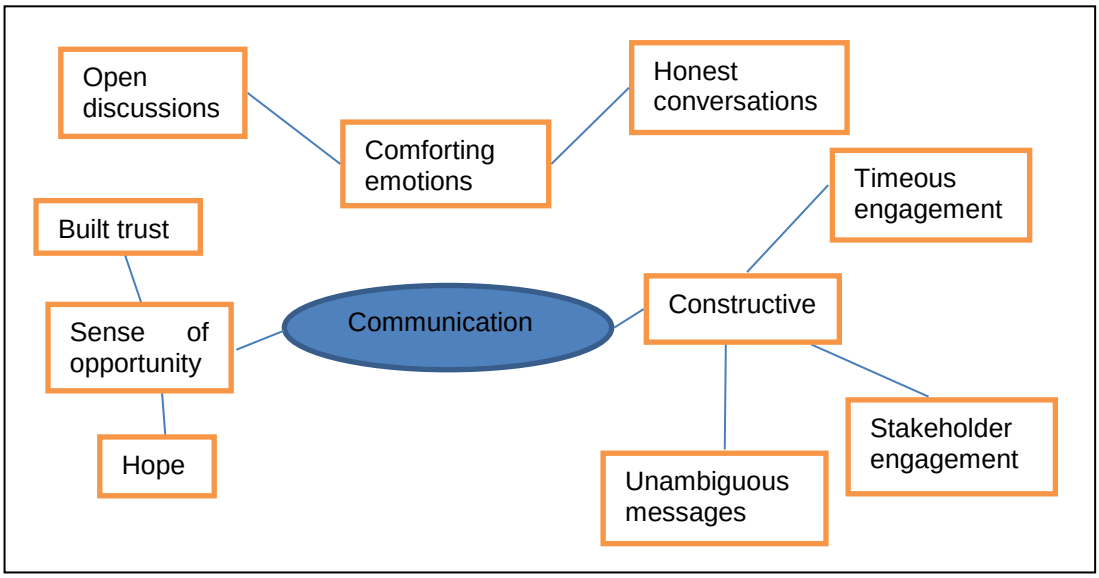


Figure 5-4*: composite thematic map – communication theme*

5.6.1 *Constructive communication*

Communication, to both external and internal stakeholders was well-planned. The leadership continued with engagements with the external stakeholders, ensuring that the company mission and values are understood. These conversations were held at the right times to have the expected impact. One respondent observed: *"So you need to find a reasonable balance of what you share and how you share it and how you communicate*". This constructive engagement with the external stakeholder (authorities, customers and society) resulted in support of the demerger. The respondent said, *"I think because of the contracts we have, but the engagement still continued whereby our stakeholders or our customers, they still trust that we can deliver".* Internally, communication with the employees was as important, thus major decisions such as structure changes and strategies were shared by the CEO.

5.6.2 *Sense of opportunity*

The employees had to be emotionally stable and look forward to the benefits from the new organisation. Similarly, clear communication of the values and strategy gave employees the hope that there is something in this demerger for them, too. One respondent recalled *"I think it was too much conversations about the uncertainty and to keep people, sort of, relax, don't worry rather than, we have a new company, how can we unlock its value going forward*". The organisation did not come up with an improved employee value proposition, employees themselves determined their own benefits from the process. The respondents mentioned the effectiveness of continuously reinforcing the message that there will be retrenchments but everyone will be better off. One respondent remembered the statement that *"There's change coming, be aware there's going to be change, it's going to impact headcount and you continue telling that*," and the other respondent noted "*communication to employees was that you could be impacted or not just hang on".*

5.6.3 *Comforting messages*

The demerger process threatened the employees during the execution phase and this discomfort spilled over onto the post-demerger phase. The fear came from the change itself and new structures that were put in place. The honest conversation allowed people to make up their minds about the organisation. This was crucial as it gave the full story upfront and managers could deal with the known responses rather than shocking the system. One respondent said, "*it allowed for grieving period and reduced the shock".* Many employees were scared of losing their jobs but with the engagements and reassurances, they remained committed to the organisation's vision. Another respondent stressed that "*from an individual point of view, if you're saying, I'm looking for the comfort of knowing that I have a job, that's an emotional, personal question."*

5.7 Theme 4: Structural changes

All respondents suggested that functional integrations were vital in the success of the post-demerger. Creating structures that complement and support the new business model, new culture, new strategy and purpose was significant in this demerger. One respondent said "*new structures positioned leaders with the right skills set to support the flat structure and regional model.it was about remaining sustainable in the difficult times and we had to optimise processes, optimise structures, review some of the business models".* The success of the demerger was seen by the respondents as dependent on integration of processes and systems. The regional business model facilitated quick decisions, making and building meaningful relationship with authorities. The respondents suggest that the structure of the organisation had to change to be more lean and agile to create the entrepreneurial organisation.

Figure 5-5 illustrate the main themes that emerged from the analysis, these being functional integration and effective structures. Both of these themes has several parts that define them. The functional integration relates to cost containment, creating flexibility, innovation and optimisation. The effectiveness on the other hand relates specifically to the culture change, capability and skills match, responsible engagement which further talks to wiring, succession and clarity.

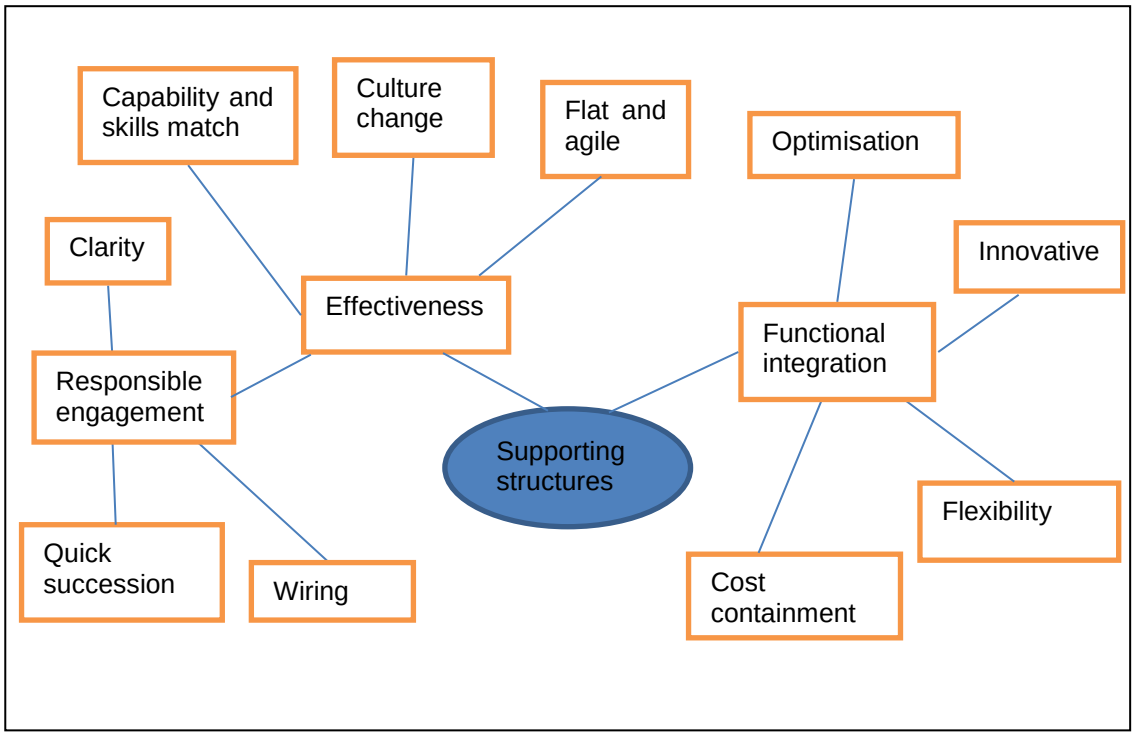


Figure 5-5*: composite thematic map – structure theme*

5.7.1 *Effective structures*

In order to support the business model, the respondents mentioned that the structures of leadership had to change. The new model required agility in the way business decisions are made. Getting the structures right for decision making was thus seen by the respondents as important. The respondents also mentioned that structure setting is the driver of organisational performance. The senior manager respondent said *"First we used streamlining, secondly we have a regional model that we had to support and at the same time we were optimising how we work, having a flat structure and an effective structure that supports the operations, so we are supposed to have this small company mentality now, being agile and not having all the bureaucracies or levels in the structure*". During the changes, the leadership allowed the operations to conduct their own diagnostics and recommend effective structures for business units. This also allowed operations to decide on the operations' targets and performance. The respondents also

suggested that the structure was not going to be effective if capable individuals were not put in the right areas.

Structure changes were also used as a vehicle to influence culture change. The organisation needed a cultural shift to implement the new strategy and new value systems. The respondents thought this change was going to be impossible without changes in the structures. All respondents mentioned that the change in the structures allowed people to be engaged with the processes of the demerger. Because of that awareness, people became more curious about the business and their positions in the organisation. One respondent mentioned that there were many changes in wiring the business and the organisation had to consolidate and give clarity to people*. "So, we had all these major changes in very quick succession to get to the demerger, set up some of the new structures for the new company, but then we started going into a phase where we had to consolidate a bit and almost calm things down and then we started going through another phase. Structural changes will come with those kind of transactions, it is difficult but I think because we've got such a good leadership team and a board that helped"* stated one respondent.

5.7.2 *Functional integration*

Immediately after the demerger execution the organisation embarked on a diagnostic process to identify areas of improvement in production and to contain cost. This process was a means of identifying redundancy and areas of optimisation in processes and systems. Consequently, structures were improved to be flexible and innovative while remaining lean and agile. The respondents mentioned that integrating the structures and system encouraged flexibility and innovation. One respondent said: *"We were rigid and only focusing on our immediate areas of influence."* The linked structures created an environment where teams were able to be innovative, take risks and try new things. In M&A integrations, managers initially focus on human integration and cultural convergence. However, this demerger focused more on strategy and leadership

structures. Structural changes and resource reconfiguration was a major factor in the success of the demerger. In M&As, structural integration and alignment are fundamentals of success. However, this demerger focused on reshaping the structures and resources to support strategy and the business model. Structures were set to promote the three pillars of strategy, which included asset and tasks optimisation, unlocking potential, and identifying new opportunities to compete for capital. In conjunction with these structural changes, leadership focused on human capabilities to support the vision and strategy of the new organisation. Knowledge-based resources, such as industry understanding and innovation capabilities, were key elements considered in the process of the reshuffling. The changes leaned, rather, towards agility, entrepreneurial and inclusivity, which was not previously the case.

5.8 Theme 5: Organisational Culture

Sagiv and Schwartz (2007) define organisational culture as the collective personality meta-system which envelops attitude, values, beliefs and conceptual information. This meta-system is disturbed during the demerger, since the parent company cuts the apron strings with the offspring. This allows the new company to forge its own culture or remain with the parent culture. However, post-demerger, the new company strove to have its own ways of conducting business and views on creating value. In this case, all respondents welcomed the change of culture even though it was, according to others, at a snail's pace.

Culture defines how things are done and is mainly based on values and beliefs of the organisation (Johnson et al., 2008). However moving from the existing culture to a new culture is a challenge, especially if the parent culture was well entrenched (Hoare & Cartwright, 1997). In this case, the main influences of culture change were, firstly, the desire to be independent and not leave the parent company values, and eliminating ambiguity, secondly to create an inclusive work

place, and lastly, to have a caring culture. These values contributed to the success of this demerger as the employees were looking forward to a new way of doing things.

The composite thematic map in Figure 5-6 illustrates the themes that emerged from analysis, these being inclusivity, parent company culture and reasons for change. Each of these themes has a number of parts as follows: the parent company culture relates to the legacy of the past, industry culture, country culture and fear culture. The inclusivity on the other hand talks to the cohesive organisation, leadership beliefs, values, work climate and rewards. Furthermore, the reasons for change relates to deliberate change, diversity and unlocking value.

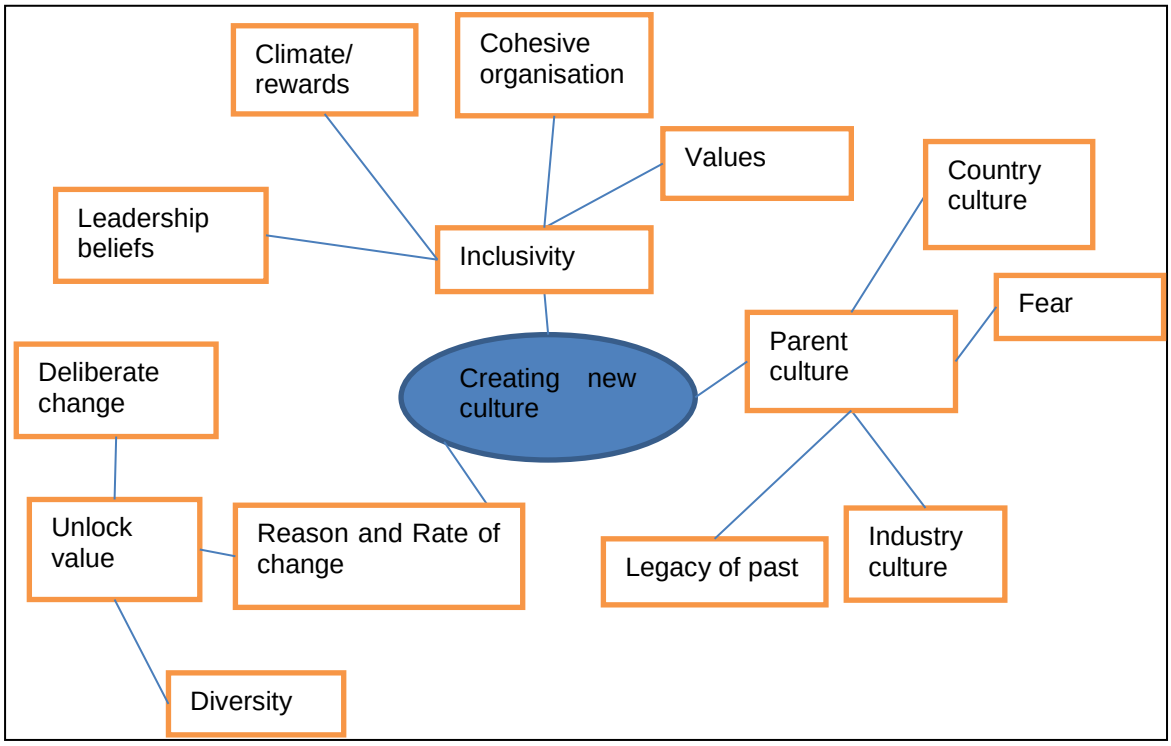


Figure 5-6*: composite thematic map – culture theme*

5.8.1 *Suppressing parent company culture*

All respondents agreed that the culture change was slow. They linked this to two main factors, strong parent company culture and keeping the organisation profitable.

(a) The parent company had a strong culture with elements that supported the new operating strategy thus it was not easy to move away from it. One respondent said: *"We're kind of still stuck in the BHP Billiton way of doing things for quite long and probably because most of the senior leaders in this organisation knew no different."* The parent company culture was deeply rooted in the leadership thus it became a challenge to change. However, leadership structural changes were driven by a need to create values and beliefs of the new company, which would then influence the culture change. "*I don't think we had a strong methodology in terms of how we're going to change the culture, which is not a bad thing because culture comes from each and every person, it comes from within, and once again the leadership took the approach of starting to instil that culture of engagement and then use that as a way of getting to the culture that we want eventually*." According to the respondents, this was not very effective as the main drivers of culture change are middle managers who have direct influence on employees. The respondents further mentioned the reason the parent culture was so entrenched, as being in line with the industry and country culture. Thus, the culture of fear and obedience was not necessarily the parent company's, but was broadly influenced by society at large. This supports the thinking that these two values were good for the new culture because what is communicated is taken as gospel. "*So in actual sense if you put out a strategy today and we are obedient, we're likely to listen and just go with it, but the new culture is about being able to speak up,*" commented one respondent.

(b) Increased focus was on strategy to ensure that the company remains productive and cash positive. According to the respondents, the decision makers placed more effort in executing the strategy rather than changing culture. One respondent thought: *"A lot of effort was put into the first six or twelve months to get the South 32 strategy out there, the South 32 vision out there."* One respondent thought that focusing more on strategy and less on culture was incongruent with the success of the post-demerger phase since it resulted in employees losing focus on safety standards.

5.8.2 *Creating new culture*

The new culture was influenced by a few elements, such as leadership and structures. Creating new culture is seen by the respondents as the responsibility of the leadership. They believe that the beginning of cultural change was reflected by the behaviour of the CEO through his values, beliefs and artefacts. However, since parent company culture or country culture was still dominant in the organisation, the CEO's perspective of culture had challenges to overcome. One respondent said: *"So this country is very complex in the way you look at culture because apartheid ends, you know, the new South Africa, the transformation piece."* This statement is consistent with the literature that culture is a product of cognitive, political and emotional processes.

The second element in influencing a different culture was the management structural changes. The respondents felt that to promote new culture, management structures with individuals who believe in the values and are agile were forces of change. They believe that this increased the intent to change from old ways of doing things. "*I think being more deliberate around culture change, how do you enable the new culture, the desirable culture, so being quite crispy around the culture and creating the transition process in such a way that it can accelerate the culture bridge?"*

One respondent noted that the culture of engagement and inclusivity is evolving slowly because it is a direct opposite of the past culture "*New culture means providing the adequate guidance, allowing people freedom to demonstrate what they can do, and that's what we are getting here today, you're actually seeing the old approach of fear factor beginning to vanish."*

5.9 Theme 6: Organisational Identity

Based on the literature review, organisational identity describes the features of an organisation that are central to the organisation's character in the view of its employees or organisation's self-image that makes it distinctive from other organisations' features. Clegg et al. (2007) suggest that organisational identity is shaped by stakeholders such as founders, top leadership, audiences and peer organisations. Kroezen and Heugens (2012) found that contributions to identity formations are: firstly, insiders imprint their identities through decision making; secondly, audience preferences and social judgement; and lastly, the organisational peer identities. In this case, the respondents suggested that identity was influenced mainly by the top leadership. They acknowledge the necessity of the demerged company's identity to be different from that of the parent company. This differentiation in identity allows the demerged company to conduct business as an independent company. They also suggest that change in identity removes the stigma of the parent company. Corley and Gioia (2004) recommend that the change in identity should be quick, to avoid confusion and ambiguity that could manifest as the new company strives for survival. They further suggest that identity could be changed through a planned or an unplanned approach. The respondents found that there was no deliberate drive to change identity except on the visible features. The respondents believed that unambiguousness and leadership influence were key elements in fostering identity change.

The composite thematic map in Figure 5-7 illustrates the main themes from the analysis and how the respondents linked several parts to these themes. Two main

themes were identified as leader influence and unambiguity. Each of these themes has a number of parts associated with them. The leader influence relates specifically to the communication to stakeholders and effectiveness of changes. The unambiguity on the other hand relates to tangible features, displaying new values and dealing with past methods.

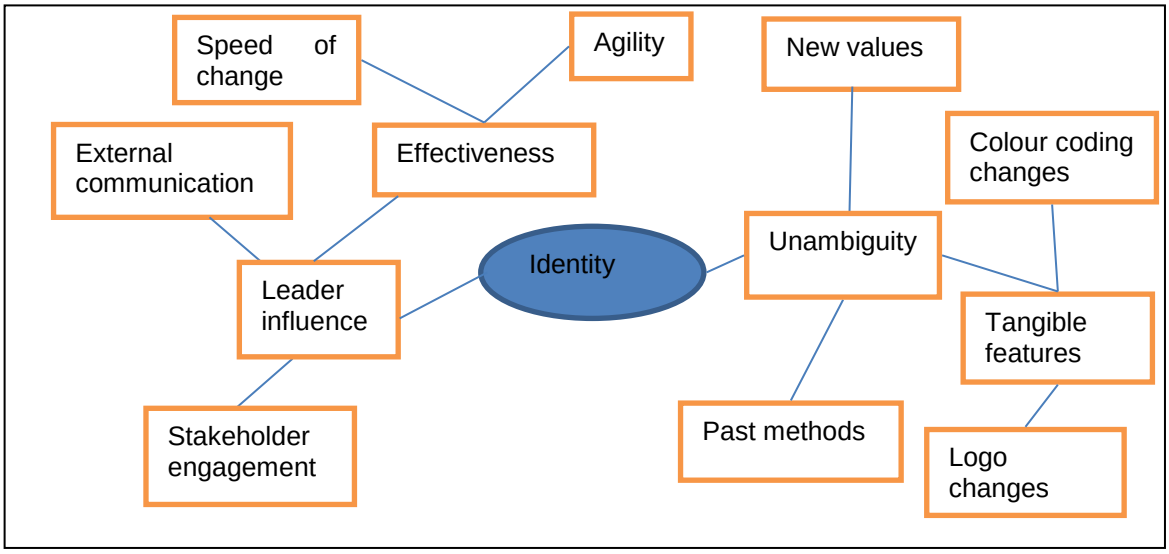


Figure 5-7*: composite thematic map – communication theme*

5.9.1 *Unambiguous approach*

The introduction of a new company was marked by a number of activities to celebrate its existence and introduce it to the stakeholders. According to the respondents, these activities served to mark the identity of the company. Initially the company was very clear on its symbols and on what it communicated. Unlike the findings of Corley and Gioia (2004) which showed that identity is best formed through ambiguity, for South32 the respondents observed that the attempt was done from the beginning, but much less effort was directed to it.

The communication of values and what the company stood for was well publicised, making the new identity visible. In addition, the company ensured that it was clear on the demonstration of its colours and the logos. The BHP Billiton

logos were slowly changed over to South32 logos in all public areas. However, the respondents felt that this did not make a significant change in people's views towards the company. Long after the demerger, many people, including close stakeholders, continued to refer to South32 as BHP Billiton.

5.9.2 *Leader influence*

All of the respondents believe that their leadership was instrumental in changing the identity of the company. They thought that the drive to change identity was not as intense as it was for strategy. The speed in changing the identity was slow, as were the culture changes. One respondent believed this was done intentionally, to limit confusion. It was clear that the organisation wanted the strategy to be entrenched, in order to survive, rather than focusing on many changes at the same time. They further state that leadership was very strategic in ensuring that identity and culture evolved with time rather than making abrupt changes. the respondent mentioned that *"if you pick up those speeches you'll see there are certain key elements that we just kept on emphasising through emails, through speeches, through engagements, to build that brand identify with internal and external stakeholders.*

5.10 Research findings against propositions

5.10.1 *Introduction*

The research proposition for this study were based on the literature from M&As. Fjellström and Gustafsson (2015) recommended that the M&A lenses could be used in studying the demerger process. This section reviews the results found in the study and tests them against the literature propositions. This informs us if the proposition should be accepted or rejected.

5.10.2 *Proposition 1:*

The post-demerger business model and the strategies support the demerger as a corporate strategy.

Literature review

Strategy for the demerged company should address the reasons for the demerger as a corporate strategy, which in this case, was to unlock the value of the assets. These strategies, as described by Scholes and Johnson (2002), are concerned with how the different parts of the organisation will deliver on the corporate and business strategy with regard to resources and processes. Chesbrough and Rosenbloom (2002) suggest that to systematically unlock the latent value in an organisation requires an effective business model.

Research findings

The respondents linked the success of the post-demerger to the benefits of the business model and strategy. They believe that the change in the business model unlocked the potential of the assets. In the parent company, the potential of these assets was not realised because the management focus was on the high revenue streams. By demerging these assets and increasing management focus, their potential was achieved.

The business model further asked for the optimisation of the processes and systems. During the diagnostic process, these optimisation opportunities were identified. The respondents overwhelmingly mentioned that the strategy and business model were key for the post-demerger phase success.

Proposition conclusion

Both the literature review and the research findings confirm that the strategies and the business model answered the main reason for the demerger strategy. In this

case, the strategy was to increase management focus and leverage on the inherent potential of the assets. The proposition that “the post-demerger business model and the strategies support the demerger as a corporate strategy” is accepted.

5.10.3 *Proposition 2:*

Leadership sets the tone and facilitates understanding of the rationale for the success of the organisation’s post-demerger phase.

Literature review

In the literature review section, individual leadership capability is regarded as key in influencing change. However, coordination skills in a demerger process are important qualities which a leadership should have, especially if the demerging company was well integrated (Pickering, 2002). Schweizer and Patzelt (2012) argue that leadership style can enhance employee commitment and help in retaining talented employees during a demerger process. The leader who has an ability to create passion and vision is equipped to change the organisation through behaviours of people by being innovative and by setting examples.

Research findings

All respondents have mentioned that the leadership was key in the success of the demerger process. The leadership, from CEO to middle managers, quickly adopted the new values of the organisation. The decisions and actions taken by the leadership were thus congruent with the values. This consistent display of and adherence to values set the tone for the employees to believe that the demerger was the best decision taken for the betterment of all stakeholders.

The respondents mentioned that the CEO’s communication and engagement at all levels made stakeholders understand the expectations and role they were supposed to play to make the company move from good to great. Leadership was

instrumental at all levels in ensuring that there is a common understanding of the strategy and business model. All respondents further agreed that the role played by leadership in changing the structures to influence culture and operating efficiency promoted the understanding, the rationale, that through improved management focus and unlocking potential of the assets, the company would be profitable.

The leadership was the main success factor in this demerger. Firstly, due to external and internal factors at different stages of the highly dynamic demerger process, and due to the then external environment being unfavourable for the business, the strategic and innovative approach of leadership were vital in stabilising the organisation and ensuring business continuity. Secondly, the leadership showed a refined commanding approach that was appropriate for the structural changes in management teams, whereby decision-making evolved into a flat, innovative and entrepreneurial structure as opposed to the prior hierarchical nature of management, which had made decision making a long process. Thirdly, the leadership encouraged management to foster a teaching approach in order to reassure employees who had concerns about how the demerger would impact them, as well as to inform them of the benefits and offerings of the new company. Lastly, a critical element in bringing about a sense of inclusivity at all levels in the organisation, in building trust amongst the employees, and in encouraging equal work relationships, was the leadership style adopted wherein management interacted more frequently and meaningfully with employees.

Proposition conclusion

The research findings support the literature review on the role of leadership in organisational change strategy thus the proposition that “leadership sets the tone and facilitates understanding of the rationale for the success of the organisation’s post-demerger phase” is accepted.

5.10.4 *Proposition 3:*

The speed of implementation stabilises emotions and uncertainty of the stakeholders.

Literature review

Angwin (2004) argues that it is important to implement strategies and structures rapidly and consistently because employees may become uncertain about the direction of the company and whether their positions in the company are secure. Angwin (2004) and Ranft and Lord (2002) agreed that the speed of implementation has the advantages of creating enthusiasm and giving direction, as well as its importance in attaining early victories and maintaining operational momentum.

Research findings

All respondents, except one, believed that the speed in implementing changes did not have an impact on stakeholder emotion. They argued that structural changes were done over time and did not dampen the morale of employees. The one respondent who agreed with the authors argued, when people know that the change is coming, it is better to deal with it fast. However, he did not give evidence of the advantages.

Proposition conclusion

The proposition that “the speed of implementation stabilises emotions and uncertainty of the stakeholders” was not supported by the respondents, thus in this case this proposition is rejected.

5.10.5 *Proposition 4:*

Communication during the post-demerger phase is key in unlocking stakeholder value.

Literature review

Appelbaum et al. (2000) suggest that communication is impactful if the delivery method is appropriate, the timing is right and if it is interactive. If properly done, it allows managers to obtain feedback from stakeholders, which is vital in expectations management. The communication, post-demerger, is instrumental in disseminating information about the purpose, strategies, structures and values of the new organisation (Weber & Tarba, 2010).

Stakeholder engagement during a demerger is critical, as each stakeholder has different expectations and interest in the organisation (Gopinath & Becker, 2000). Epstein (2004) further warns that care should be taken when communicating with stakeholders as there would be mixed emotions to deal with. He highlights the importance of engagement and communication with stakeholders, since these can result in customers seeking substitutes and in employees seeking employment opportunities elsewhere.

Research findings

All respondents found that communication was well planned and delivered at the right time to have the impact required. Key decisions were communicated by the appropriate level in the structures. For example, strategy and business model was communicated by the CEO to all levels in the organisation. Respondents found that the communication to the employees to be honest, giving them a sense of opportunity, and, at the same time, building trust. Employees were kept informed of the changes and oncoming changes. This forward looking allowed for a grieving period and reduced the shock when the actual implementation of changes took place. Some respondents felt that there was a room for communicating more with the employees.

The engagement with the external stakeholders was also noted to be the best in the history of the company. The parent company spent less time building relationships with external stakeholders and above that, had a bureaucratic

approach. The respondents felt that, post-demerger, it was easier to engage with external stakeholders, due to the drive to be agile.

Proposition conclusion

The value of communicating with stakeholders, post-demerger, is indicated as critical in both literature and research findings. In this case, communication was vital since the potential demerger impact was significant for both external and internal stakeholders. The proposition that "communication during the post-demerger phase is key in unlocking stakeholders' value" is therefore accepted.

5.10.6 *Proposition 5:*

Swift cultural changes have a positive impact on post-demerger performance.

Literature review

The personality meta-system of the leadership guides and influences organisational culture (Sagiv & Schwartz, 2007). Culture unfolds through strategies and structures of the organisation. Johnson et al. (2008) observed that these functions exist within a collective. However, individuals in certain positions have the responsibility and the mandate to encourage the culture in an organisation. Those individuals therefore should live the values, influence the beliefs and behaviours of the organisation.

In demergers, the challenge is in divorcing the existing culture and moving into new ways of conducting business. Hoare and Cartwright (1997) suggest that because the parent company has partial control of the new company, the changes can be managed in an orderly manner, since the company knows the employees. Since demerged companies already have an organisational setting from the parent company, it is unavoidable that it will start with established routines, practices, and culture (Semadeni & Cannella, 2011). They argue that the parent

company leaves a stamp on the new company. Changing the culture promptly is thus necessary for the new company to be independent and have its own identity.

Research findings

All respondents mentioned the importance of changing culture for the new company to create its own identity. However, the respondents showed a mixed view on the culture change and implementation methodology. One respondent said: *"So in terms of the organisation, whether you form the culture consciously or you don't, you're still forming a specific culture. However, I think straight after the demerger there wasn't that focus on really creating a specific culture."* However, all respondents were in consensus that in the initial step, change was through the values that were adopted, followed by the leadership and structural changes. The leadership values and beliefs were seen by the respondents as the driver of the different culture. The leadership values, together with the skill of communicating these values to the entire organisation, was the key in bringing about change. The challenge, however, was that the parent company culture was well entrenched, resulting in slow changes taking place. In addition, the respondents felt that the slow change was also due to the fact that the initial emphasis was on the strategy implementation.

Having the right management structures with the individuals who understood, accepted and lived the values was the second key element in influencing the culture. These individuals do not only have leadership skills but also have managerial skills, which are important in setting out tasks that encourage different conversations within the company. The respondents also believed that the new structures promoted new ways of doing things. As a result, employees slowly unlearned the old ways.

There were no cultural differences in this demerger, contrary to M&As, where cultural differences exist, thus downplaying the cultural contribution to the success of the demerger. The pre-demerger culture was not aggressively changed during the initial stages of the demerger. The study found that the organisational culture

was closely linked to the industry and country culture, making it impossible to change over a short period. Influencing and changing this culture was a challenge for management, thus they allow slow evolution of a new culture. A certain culture is required to support the strategy and vision of the new organisation, and, it should be mentioned, the existing organisational culture, at the time of demerger, had elements that supported the new strategy. Interestingly, the leadership acknowledged that rapidly changing the organisational culture would require a strong commanding leadership approach over an extended period. This was would have derailed the strategic intent and immediate deliverables to sustain the business continuity.

Proposition conclusion

The proposition that quick culture change contributed as a success factor in the post-demerger phase is not convincingly proven in this case. However, the contributing elements were found to be consistent with the literature. The speed was not necessarily the factor but some of the previous culture elements were relevant in supporting the new strategy and business model. Therefore, the proposition that “swift cultural changes have a positive impact on post-demerger performance” is rejected.

5.10.7 *Proposition 6:*

Rapidly creating a new identity promotes stability and continuity.

Literature review

The organisational change brings unknowns and ambiguities, resulting in the identity being lost (Corley & Gioia, 2004).

Unlike business start-ups and M&As which can start anew or adopt new identities, a demerged company has to create an identity which is distinctly different from that of the parent company. However, the process of identity change for a

demerged company can be lengthy, owing to moving from a pre-existing identity to a new unknown identity (Corley & Gioia, 2004). The identity change for a spin-off should be rapid, since unknowns are partially predictable and fraught with ambiguity. In essence, the demerged company must have its own identity and cannot perpetually use the parent company identity. As the new company strives for survival, success and recognition in the industry, it must concurrently create its own identity. Consequently, ambiguity creeps in when the core features of the company are not defined during and post-demerger phase (Corley & Gioia, 2004).

Corley and Gioia (2004) found that there is a lack of foundation for examining identity change during spin-offs. Hence, in their study, they approached identity change using planned and unplanned identity change, and further expanded the ways in which meaning-based identity change occurs. This study found that employing identity ambiguity tactics, organisations can promote change in identity through the curiosity created in destabilising the company norms.

Giessner (2011) found that when there is a sense of continuity, post-merger, employees suffer less. Creating new identity quickly enough is therefore critical to the business continuity. Using the lenses of M&As, the proposition is that speed of identity creation in post-demerger will promote a company's success and stability.

Research findings

The company's focus on changing identity was not the priority. Most respondents suggested that there was nothing much done to change identity except for the changing of name and colours. The respondents thought that the leadership was strategic and cautious in their approach towards identity change. They further stated that sudden change in identity and culture would have created confusion and lack of focus to the strategy implementation. The company's organisational heritage provided advantages that minimised the resistance to change. It was thus not a priority to rapidly form distinctive identity and culture changes. One respondent said: "*So when you try and engage and understand what was the whole rationale for not being as quick, well fast enough, the reason was around*

the coal price at the time was very low, so that was one of the factors that actually continued to not really acting on changing the identity quick enough for the people to know about the changes that have taken place".

The factors that usually influence organisational identification in M&As have less impact in demergers. Organisational identification in the demerger did not pose a threat to business continuity. The employees and the communities at large bought into the identification of the new organisation, and the shared sense of the organisation, greatly influenced by the leadership through open dialogue and engagements, evolved. Interestingly, construction of the identity through symbols and discourses was initiated early in the demerger process but did not have a significant impact on identity

Proposition conclusion

In this case, there is no proof that identity influenced the stability of the company. The change of identity was evolved with time. The identity was not aggressively changed and was allowed to evolve with time. The proposition that "rapidly creating a new identity promotes stability and continuity" is therefore rejected.

CHAPTER 6. CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter provides an overview of the research findings and presents recommendations. The research was motivated by the curiosity to understand what makes a demerger strategy successful whilst others were not so successful.

The aim of the study was to evaluate the post-demerger success factors. The approach was taken to conduct a case study of the South African demerger that was deemed successful. Furthermore, the selection of the company was based on the timing of the demerger as it had a significant impact on the data collection. The respondents were all company employees that were in the employ of the company during the demerger. The data collection was through semi-structured interviews, which allowed structured and consistent questions but gave respondents an opportunity to discuss issues outside the outlined scope.

The qualitative data was analysed using the integrated inductive and deductive thematic method. The combination of these techniques was useful since questions were based on the literature propositions and also focused on developing new themes from the data.

The research concluded by testing the propositions from the literature against the findings of the research. It is also imperative to mention that this study is indicative and cannot be reproduced in another similar environment or sector.

6.2 Conclusions of the study

The literature on demergers is centred around the financial benefits of the demerger as a corporate strategy. Furthermore, the discussion of the demerger processes and its implementation is prominent in the literature. The demerger

process is characterised by the three distinct stages which overlap – pre-demerger, execution and post-demerger. This study evaluates the success factors during the post-demerger. As mentioned earlier, the literature does not cover this aspect in the demergers, but academics agree that the knowledge and learnings from M&As can be utilised to evaluate the demerger concept.

The propositions were derived from the literature and tested against the case study findings. Some findings from this case supported the literature proposition whilst others were not in support of the literature. The study stipulated the reasons for both rejection and acceptance of these propositions. From the research objective and literature review discussions, propositions were developed and tested against the findings of the case study. The following six propositions were tested:

Proposition 1: *The post-demerger business model and the strategies support the demerger as a corporate strategy;*

Proposition 2: *Leadership sets the tone and facilitates understanding of the rationale for the success of the organisation's post-demerger phase*;

Proposition 3: *The speed of implementation stabilises emotions and uncertainty of the stakeholders;*

Proposition 4: *Communication during the post-demerger phase is key in unlocking stakeholders' value;*

Proposition 5: *Swift cultural changes have a positive impact on post-demerger performance; and*

Proposition 6: *Rapidly creating a new identity promotes stability and continuity.*

The study found that the post-demerger phase is an important stage in the process for continuity and stability management of the demerger. Further, the study showed that this stage was critical in bringing together of processes,

systems, business plan and employees. The outcomes of the study support the proposition that strategy and business model implemented during the post-demerger phase should support the initial idea and the reason of embarking on a corporate demerger strategy. The findings suggest that the business model simplified the objective and strategy to workable initiatives. In this case study, the drive for optimisation of assets, unlocking of potential and identifying new opportunities for capital competition were fundamental pillars of the strategy.

The leadership played a significant role in this phase. It is worth mentioning that the respondents found that the ability of the CEO to impose his will on the environment, which was unstable, and his ability to eliminate ambiguity was the major contributor in bringing about stability, giving hope and making sense to the employees. The leadership was seen interacting at the operations, which contributed to open communication with stakeholders.

Many researchers believe that culture can eat the strategy of the organisation. In this study the culture change was found to be slow and had no significant impact on the success of the post-demerger phase. The findings, in this case, indicate that the new strategy thrived in the old culture. This signifies that either the old culture was robust and had good elements that supported the new strategy or the conditions were such that there were no options but to survive, as a company. The old culture was reported to have elements of fear and obedience which played a role in employees accepting the changes the way they were. These findings showed that rapidly changing culture had no positive impact on the post-demerger success. Similarly, quick identity change did not have a significant contribution and was not the factor for the success post-demerger. The speed of implementation was also immaterial during this phase, as the employees dealt with their emotions early in the process. Thus, early and open communication was vital to those who were impacted by the change.

Furthermore, the study found an emerging theme that was a cause of a post-demerger success. The theme of structural changes to support the new strategy,

new culture, new business operating model and new identity was identified, in this case, as vital for the post-demerger success. The structures of leadership were changed several times to encourage agility and an entrepreneurial approach within the business.

6.3 Recommendations

This study only evaluated the success factors of the post-demerger phase. As indicated in the report, these factors cannot be generalised, as each case is unique. It is therefore important to evaluate each case carefully and identify which elements are critical. The study findings show that some success factors of the selected case are supporting literature but others, not. The three factors that supported literature are strategy and business model, leadership and communication whilst the other three factors, speed of implementation, culture and identity did not significantly contribute to the success of the demerger. It is therefore recommended that, as a starting point, the macro economic factors be understood, as they influence the conditions and the state of all stakeholders. The reasons to execute the demerger as a corporate strategy are key in the success of the process, since the strategies revolve around them.

6.4 Future research

Demerger strategy has been in existence for many years. Although there are academic studies evaluating this phenomenon, they all fall short of discussing the factors which contribute to the success of each phase of a demerger. Likewise, this research narrowly looks at the post-demerger phase based on a single case.

There is an opportunity to widen the research areas for the demerger strategy. To fully understand the post-demerger phase, areas such as individuals' readiness, defined steps post-demerger and change management are recommended to be evaluated.

The report indicated that people welcomed the demerger. However, individuals' readiness is the area that needs to be evaluated. It is not clear at which point did people become ready for a change. The questions to be asked could include the influence from leadership, peer influence, personal circumstance or surrounding conditions, to understand at which point individuals decide to embrace or walk away from the change. It would be beneficial to understand the sense of opportunity individuals see in a change.

Similar to M&A, there is a lack of defined steps during the post-demerger phase. This is probably influenced by the fact that a demerger's success is dependent on human factors and less on the macro conditions, such as political, economic or even the capability of the physical assets. Future research therefore could also include examining the effect of leadership and change management on the acceptance of change, and the sense of psychological availability by people would be beneficial.

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APPENDIX A

Table 0-1. Consistency matrix

Evaluate critical success factors post-demerger phase					
Main problem	**Propositions**	**Literature Review**	**Data required**	**Data collection**	**Analysis method**
Evaluate critical success factors post-demerger phase	Business model drives strategy implementation post-demerger phase	Klepper and Sleeper (2005); Semadeni and Cannella (2011); Chesbrough and Rosenbloom (2002)	Question 4	Semi-structured interview	Inductive reasoning Thematic analysis
	Leadership sets the tone and facilitate understanding of the rational for the success of the organisation post-demerger phase	Rosenbloom (2000); Finkelstein et al. (2009); Adner and Helfat (2003)	Question 5	Semi-structured interview	Inductive reasoning Thematic analysis
	Speed of implementation stabilises emotions and uncertainty of the stakeholders	D. Angwin (2004); Ranft and Lord (2002)	Question 6	Semi-structured interview	Inductive reasoning Thematic analysis
	Communication during post-demerger is key in unlocking value of demerger	Weber and Tarba (2010); Appelbaum et al. (2000); D. N. Angwin (2000); Preble (2005); Prior (2006)	Question 7	Semi-structured interview	Inductive reasoning Thematic analysis
	Swift cultural change have positive impact on post-demerger performance.	Hoare and Cartwright (1997); Johnson et al. (2008); Sagiv and Schwartz (2007)	Question 8	Semi-structured interview	Inductive reasoning Thematic analysis

Evaluate critical success factors post-demerger phase					
Main problem	**Propositions**	**Literature Review**	**Data required**	**Data collection**	**Analysis method**
	Creating identity fast enough promotes stability and continuity	Giessner et al. (2011); Kroezen and Heugens (2012); Gioia et al. (2013); Clegg et al. (2007)	Question 9	Semi-structured interview	Inductive reasoning Thematic analysis

APPENDIX B

Interview guide

1. In your view, was the S32 demerger strategy a success and why?
2. Can you elaborate on the stages and events you observed during the S32 demerger process?
3. In your view, what were the key elements that contributed to the success of S32 demerger?
4. Would you say that the new business model and strategies supported the reasons for the demerger strategy?
5. What was the drive and impact of leadership and structural changes post-demerger?
6. In your view, was the rate of the demerger process, leadership and structural changes appropriate?
7. How effective was the communication with the stakeholders' during and post the demerger?
8. In your view, what was S32 methodology on a culture change post-demerger? In addition, did the employees hold-on to the past culture or evolved with the new ways of doing things?
9. What would you say were the benefits of a quick identity change?