

LEADERSHIP CHALLENGES IN CREATING A CUSTOMER-FOCUSED ORGANISATION

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ABSTRACT

The changing demands of customers require organisations to be customer-oriented. This change urges organisations to move from their present status quo to a new, desired, configuration to better match the current business environment. Many theorists from the different disciplines in marketing, business process reengineering, total quality management, and efficient management advocate this customer orientation. Developments in theory suggest a number of business processes through which this customer orientation can be achieved and the role the leadership of the organisation must play in achieving this customer orientation. Against this background, the objective of this study is to explore the challenges facing the leadership of Spoornet, a railway division of Transnet, in achieving customer orientation and to describe the role the leaders must play in influencing the development of this customer orientation.

The research is based on quantitative and qualitative data from questionnaires sent to 150 employees that were randomly selected across all levels of the company, and also from secondary data available in the company. Analysis of the case of Spoornet reveals a number of issues that the leadership of Spoornet faces in developing in this organisation a customer-oriented focus. Participants in this study were very vocal about their feelings, especially in criticism of the leadership. Findings suggest that key customer-oriented factors such as management attitudes and behaviours, employee and executive skills, departmental co-operation, and reward systems must be developed with leadership playing a pivotal role in achieving the desired customer orientation objective.

DECLARATION

I, Mzimkulu Stanley Fatyi, declare that this research report is my own, unaided work, except as indicated in the acknowledgements, the text and the references. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before, either whole or in part, for any degree or examination at this or any other university.

Mzimkulu Stanley Fatyi

Signed at

On the day of 2006

DEDICATION

In memory of my grandparents, Winnie “MamRiver” and Betty Johannes,
whose impacts on my life have got me where I am today.

My deepest gratitude for my upbringing,
After so many years,
you are still with me every day in my heart.

ACKNOWLEDGEMENTS

My first acknowledgement must go, with my deepest gratitude, to those people who, through no fault of their own, are related to me, for their love, support and personal sacrifice during the writing of this project.

Terri Carmichael, this report could not have been finished without your continuous calls, insisting on weekly report progress meetings. Your unshakeable commitment, enthusiasm and valuable guidance and support for this project was testament to your professionalism and love for your work and also interest in the work of your students. Thank you so much for your support and encouragement.

Jonathan Cook, when you told me that you were leaving Wits University, I was really saddened, because we had built such a good foundation on this project. The thought of getting a new supervisor and changing my topic was painful. But, you did not disappoint me; you had it all worked out who would carry on and keep the light burning.

To all the staff of the Wits Business School, who have encouraged me and given me the necessary tools to build a work like this, I offer my sincere thanks for your valuable contribution to my studies. Reaching this point has required a critical appreciation of literature, an understanding of database design, careful thinking about the organisation of information, and a variety of other skills for which I likely owe someone thanks.

I would also like to recognise the contributions of Spoornet personnel, who provided valuable feedback on the development of data for this project.

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To anyone else who contributed in any way and who I have forgotten to mention, please accept my thanks and my apologies for my unintended oversight.

TABLE OF CONTENTS

ABSTRACT.....	I
DECLARATION	II
DEDICATION	III
ACKNOWLEDGEMENTS	IV
TABLE OF CONTENTS	VI
LIST OF TABLES	IX
LIST OF FIGURES	IX
LIST OF APPENDICES	X
1 INTRODUCTION	1
1.1 HISTORY AND BACKGROUND OF THE RESEARCH	1
1.2 PURPOSE OF THE STUDY	2
1.3 CONTEXT OF THE STUDY	3
1.4 THE PROBLEM AND SUBPROBLEMS.....	8
1.4.1 <i>The problem</i>	8
1.4.2 <i>Subproblems</i>	9
1.5 FRAMEWORK OR MODEL FOR INVESTIGATION	10
1.6 DELIMITATIONS	11
1.7 SIGNIFICANCE OF THE STUDY	12
1.8 ASSUMPTIONS	12
2 LITERATURE REVIEW	13
2.1 INTRODUCTION	13
2.1.1 <i>Definition of customer-oriented culture</i>	13
2.2 THE PROCESS OF CUSTOMER ORIENTATION DEVELOPMENT	14
2.3 PEOPLE	14
2.3.1 <i>Integrity in management attitudes and behaviours</i>	14
2.3.2 <i>Weak management skills and executive inexperience</i>	16
2.3.3 <i>Leadership styles</i>	17
2.3.3.1 Menu of leadership styles	17

2.3.3.1.1	Visionary leader.....	18
2.3.3.1.2	Coaching style.....	18
2.3.3.1.3	Affiliative leader.....	18
2.3.3.1.4	Democratic style.....	18
2.3.3.1.5	Pacesetting.....	18
2.3.3.1.6	Commanding style.....	19
2.4	PROCESSES.....	20
2.4.1	<i>Culture and structures that encourage empowerment.....</i>	20
2.4.2	<i>Inter-functional integration</i>	22
2.4.3	<i>Reward systems.....</i>	23
2.5	PROPOSITIONS.....	25
2.5.1	<i>Proposition 1.....</i>	25
2.5.2	<i>Proposition 2.....</i>	25
2.5.3	<i>Proposition 3.....</i>	26
2.5.4	<i>Proposition 4.....</i>	26
2.5.5	<i>Proposition 5.....</i>	27
2.5.6	<i>Proposition 6.....</i>	27
3	RESEARCH METHODOLOGY	28
3.1	THE METHOD	28
3.1.1	<i>Advantages of the unstructured interview</i>	28
3.1.2	<i>Disadvantages of unstructured interview</i>	29
3.2	THE RESEARCH POPULATION AND SAMPLE SIZE	29
3.3	DATA COLLECTION	31
3.4	DATA ANALYSIS.....	33
3.5	VALIDITY AND RELIABILITY.....	34
3.6	CONSISTENCY MATRIX.....	35
4	PRESENTATION OF RESULTS.....	38
4.1	BACKGROUND TO INTERVIEWS	38
4.2	CUSTOMER-ORIENTED ATTITUDES AND BEHAVIOURS	39
4.2.1	<i>Customer service.....</i>	39
4.2.2	<i>Weak management skills and executive inexperience.....</i>	43
4.2.3	<i>Leadership styles.....</i>	44

4.2.4	<i>Culture and structures that encourage empowerment.....</i>	47
4.2.5	<i>Interfunctional integration.....</i>	48
4.2.5.1	Sharing of information across boundaries	48
4.2.5.2	Optimisation of resources across boundaries.....	49
4.2.6	<i>Reward systems.....</i>	50
5	INTERPRETATION OF RESULTS	52
5.1	PEOPLE	52
5.1.1	<i>Proposition 1.....</i>	52
5.1.1.1	Lack of integrity.....	53
5.1.1.2	Focus on internal issues of organisational politics	53
5.1.1.3	No clear vision	54
5.1.1.4	Poor understanding of customer needs	55
5.1.2	<i>Proposition 2.....</i>	56
5.1.3	<i>Proposition 3.....</i>	58
5.1.3.1	No clear vision	58
5.1.3.2	No mentoring or coaching	59
5.1.3.3	Lack of empathy	59
5.2	PROCESSES.....	60
5.2.1	<i>Proposition 4.....</i>	60
5.2.2	<i>Proposition 5.....</i>	61
5.2.3	<i>Proposition 6.....</i>	63
6	CONCLUSION AND RECOMMENDATIONS.....	66
6.1	MANAGEMENT ATTITUDES AND BEHAVIOURS.....	66
6.2	EMPOWERMENT AND SKILL REQUIREMENT	67
6.3	REWARD SYSTEM AND INTER-FUNCTIONAL INTEGRATION	68
6.4	AREAS FOR FUTURE RESEARCH	70
6.5	SUMMARY.....	71
	LIST OF REFERENCES.....	72

LIST OF TABLES

TABLE 3.1 DISTRIBUTION OF PARTICIPANTS.....	30
TABLE 3.2 QUESTIONS ASKED FOR EACH PROPOSITION	31
TABLE 3.3 CONSISTENCY MATRIX.....	35
TABLE 4.1 LEVEL OF SPOORNET CUSTOMER SERVICE	39
TABLE 4.2 THINGS THAT LEADERS AND MANAGERS SHOULD DO TO IMPROVE CUSTOMER SERVICE	40
TABLE 4.3 ANALYSIS OF MEASURES OF LEADERSHIP STYLE.....	44
TABLE 4.4 REWARD SYSTEM ISSUES IN RELATION TO CUSTOMER SERVICE	50

LIST OF FIGURES

FIGURE 1.1 SPOORNET STRATEGY WHEEL	7
FIGURE 1.2 MODEL USED FOR INVESTIGATION	10
FIGURE 4.1 MANAGEMENT SKILL REQUIREMENT	43
FIGURE 4.2 LEVELS OF EMPOWERMENT	47

LIST OF APPENDICES

APPENDIX A:	QUESTIONNAIRE.....	77
APPENDIX B:	SPOORNET INTERNAL PUBLICATIONS.....	82

1 INTRODUCTION

1.1 History and background of the research

This project report relates specifically to the case of Spoornet.

Many events have occurred in Spoornet since the beginning of the writing of this project report. Dolly Mokgatle, the Chief Executive (CE) of Spoornet, resigned with immediate effect on 11 January 2005 after only having been in this position for 18 months. The speculation on the reason for her departure is a lack of support from her leadership team and unhappiness of Transnet over slow pace of management and financial reforms at Spoornet. She left before she could implement her five-year turnaround strategy of upgrading infrastructure and the old asset fleet. Spoornet performed poorly during Mokgatle's tenure, posting a net loss of R668 million in 2003/4 and a further loss of R509 million in the first half of 2005/6.

Following Mokgatle's departure, Siyabonga Gama was appointed as the new Chief Executive of Spoornet. At the time of his appointment Gama was already Chief Executive of the National Ports Authority (NPA) and a member of the Transnet Executive Committee. For these reasons, the railway environment was not new to him and he had worked closely with the Spoornet executive team. One of his main challenges was to stabilise the business and create an environment for improvement, following the sudden departure of Dolly Mokgatle and because of the many years during which Spoornet did not have a leader after the departure of Zandile Jakavula in August 2002. The second challenge was to improve the quality of Spoornet's asset base, which currently renders it unable to compete effectively with road freight. The locomotives are, on average, 30 years old, which contributes to poor reliability of Spoornet rail service. Central to the above challenges were the shortage of skill base of the organisation that would enable it to realign the organisation to enhance its value proposition to the customers, and a lack of customer-focus.

To bolster his management team, Gama appointed top-level executives such as Nick Thomson from Ernst & Young to head the finance department, and Tumi Mokwena to head the human capital department.

Gama made time to meet with Spoornet employees and management during the development of a short-term strategy wheel aimed at brutal execution. This was done with the aim of getting support for this new strategy from all the employees of the organisation. Gama also restructured Spoornet in line with the accelerated efforts of business performance improvement. Three regions were established to create a single point of accountability, management visibility and leadership presence at areas of operations. This was aimed at the entrenchment of a customer-centric culture.

All the above points are just the highlights of what has happened since the beginning of this project.

1.2 Purpose of the study

The purpose of the study is to analyse and determine the challenges facing the leadership of Spoornet in creating a customer-focused organisation. Theory from published literature on leadership and other aspects of customer orientation will be applied to determine the role of leaders and the challenges facing them in transforming Spoornet into a customer-centric organisation.

This research is driven by the belief that leadership plays a crucial role in creating a desired environment and objective in an organisation. The leader creates the conditions that directly determine people's ability to work well. How well leaders manage their moods and affect everyone else's moods become a factor in how well a business will do. Leaders are the heroes of the corporate epic; they motivate employees to go to places that they would never otherwise go. They are needed both to change the organisation and to produce results.

1.3 Context of the study

“When some South African businessmen and exporters think of Spoornet, it is not the “S” at the beginning or the “net” at the end of the word that springs to the mind, but the “poor” in the core” (Business Day, 2002d).

Customers have accused Spoornet of poor service and reliability, poor customer relations and price increases that enrich the parastatal but drive its customers towards poverty (Business Day, 2002d). The most vocal critic of the rail service has been the granite industry, which accounts for an export of R2 billion a year. The Chief Executive of Marlin Corporation, in his media briefing, highlighted his frustration at Spoornet executives who, when invited to attend meetings aimed at addressing the problems that were frustrating the customers, did not bother to attend the meetings or to respond to requests (Business Day, 2002d).

The article suggests that many customers of Spoornet generally share the same frustrations; they are aware of the problems that Spoornet is facing with regard to capacity constraints, but their biggest concern is what they perceive as the lack of empathy and not being valued by the company, and yet they boost its turnover by millions of rands every year.

The government has worked hard in transforming the South African economy into an export-driven, manufacturing and service-based one. These export, manufacturing and service industries are competing in the commodities sector in which there is little customer loyalty. If they cannot deliver a reliable service, they face losing their customers to other global competitors. For example, transport costs make Chinese coal more competitive than South African coal; therefore, the industries in this market face a bleak future (Business Day, 2002d).

Major industrial and agricultural producers line up to accuse the rail utility of poor service and alleged failure to improve. One of Spoornet’s largest clients

reported that complaints about the utility's service were falling on deaf ears (Business Day, 2004a). Highveld Steel & Vanadium Corporation added its voice to a chorus of complaints from companies in the ferrochrome, coal, granite, fruit and grain sectors. All complainants say that they are losing business because of unreliable service from Spoornet and that they cannot gain an audience with its management to discuss these problems (Business Day, 2004b).

Car maker Toyota has threatened to transport its vehicles between Durban and Gauteng by road. Iron-ore producer Kumba has warned that South Africa is losing out on rising demand for iron ore in China because of poor rail and port services. Steel producer Iscor wants a regulator put in place to oversee Spoornet. PPC, AECI and the South African Grains Council have all expressed similar concerns (Business Day, 2004b).

In addition Spoornet has exposed these industries to huge losses through high penalties that these companies pay for delayed vessels and dead freight resulting from missed vessels. For example, some vessels are rented for US\$18 000 per day for loading, depending on the size of the vessel. If this vessel is delayed for one or more days, the companies are exposed to large expenses. This is an indication of the crucial role that Spoornet plays in the South African economy and the negative impact, through its poor customer service, that it has on the country and these industries.

Increasing competition from road haulers, driven by rail's failure to meet the challenging needs of its customers, has seen Spoornet lose what was once a near monopoly position over freight transport. This, in turn, has seen its general freight division, the heart of the business, shedding market share to road, to the point where it moved into a negative cash flow position some years back (Business Day, 2003b).

The solution Business Day suggested to the rising level of complaints was strong leadership (Business Day, 2003a).

A leadership vacuum was created at Spoornet by the hasty departure of former Chief Executive, Zandile Jakavula, in August 2002. Jakavula left the company after not accepting a demotion following months of investigation into his acquisition of a Spoornet house in an inappropriate manner (Business Day, 2003a). He was found guilty of misjudgement when he did not follow the correct procedures in buying a Spoornet house, an offence seen to be in violation of good corporate governance by the government (Business Day, 2002e).

Jakavula was regarded as a strong, well-respected and knowledgeable chief executive with a clear vision for the future, and had taken Spoornet far in his two-year tenure. He was one of the leaders who had stood up to the government when it was planning to grant concessions for Spoornet's two profitable export lines, Coallink and Orex, in their restructuring drive. Acting on the advice of the United Kingdom consultancy firm, Rothschilds, the government had initiated this drive to force management to concentrate on turning around the unprofitable general freight business, the heart of Spoornet (Business Day, 2002a).

Jakavula and his management team believed that it was not a viable proposition and he found support from labour and employees for this point of view, which when it prevailed prevented a loss of 27 000 jobs (Business Day, 2002b). In his leadership manifesto he had vowed to rid Spoornet of corruption, with several employees fired and others suspended in this quest. His departure rattled the management and staff, and things slid at Spoornet as a consequence of his leaving (Business Day, 2003a).

However, the company's operating profit continued to grow to R451 million in its six-months' report of September 2002 from revenue of R5.9 billion. But the number of customer complaints had risen in tandem with Spoornet's financial performance (Business Day, 2003a). A gripe amongst industry players was that Spoornet had implemented hefty tariff increases but had failed in many cases to show value in terms of customer service. "This is the challenge that will greet the new Chief Executive, Dolly Mokgatle, the former head of Eskom's transmission division" (Business Day, 2003a). The Business Day article

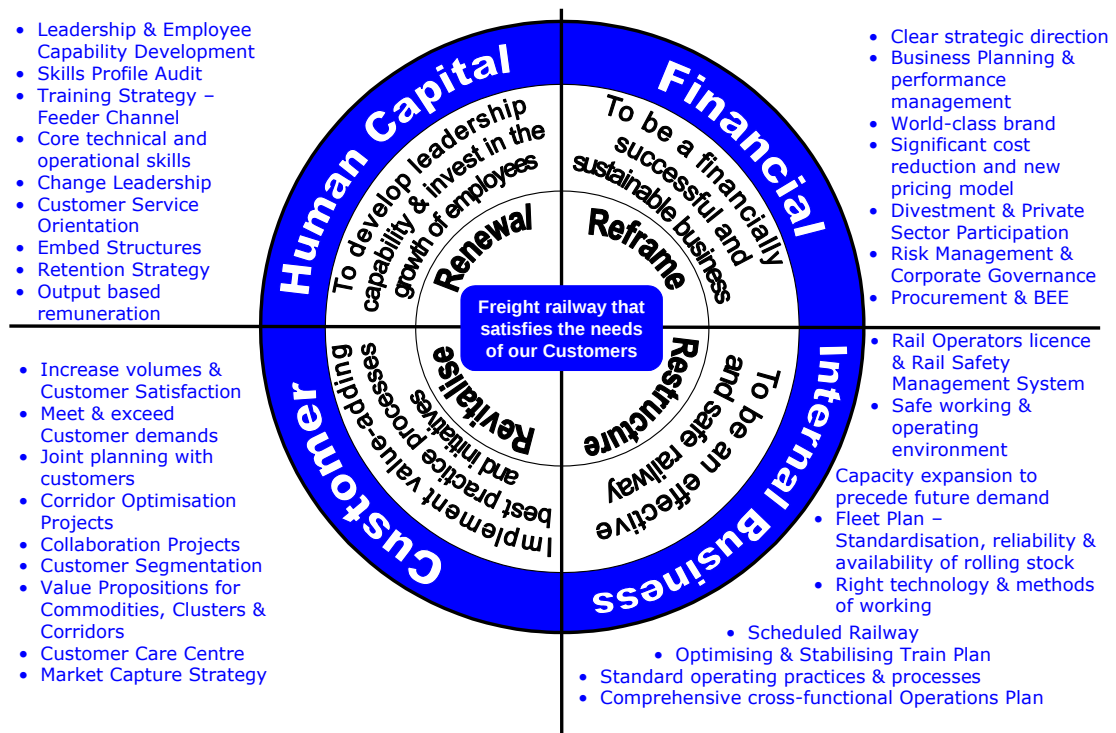
suggested that, as the head of Eskom's transmission division, she had gained a reputation as a smart and tough businesswoman. But Spoornet is a very different animal to Eskom, which is generally regarded as the most efficient of the parastatals.

In the light of the discussion above, Spoornet has been chosen as the focus of the analysis because of the leadership challenges that it is facing after the management turbulence following the dismissal of the Chief Executive and other executive managers. The above-mentioned events led to a series of problems, which caused Spoornet customers to complain consistently about the poor service of the organisation. In the wake of all these problems there were numerous calls for strong leadership at Spoornet, calls that received an acknowledgement from the Chairman of Transnet, who reiterated the need for a strong leader in the pursuit of the potential candidate for Chief Executive of Spoornet (Business Day, 2003a). The challenge that faced the new leader was for her to mobilise and stabilise her leadership team and create a new culture that would be appropriate for the changing needs of customers and also the changing market environment.

The new strategic direction set up by the Chief Executive of Spoornet, Siyabonga Gama, places the customers at the core of Spoornet's service delivery. He has reiterated that Spoornet is at the heart of the South African economy and that it is therefore Spoornet's role to understand what Spoornet's customers require it to do in order for them to succeed in their own markets. He has urged Spoornet staff to understand how they can add value to their customers' processes so that they can also drive Spoornet's profitability and at the same time encourage customer loyalty to rail and ensure customer satisfaction with Spoornet's service (CE's Desk, 2005)

The strategy wheel, which is the anchor of the new strategic direction, adopted by Gama, is shown in Figure 1.1 below.

Figure 1.1 SpoorNet Strategy Wheel



This strategy wheel is aimed at developing and ensuring a successful and sustainable turnaround of the company. Under the “strategic wheel”, the plan seeks to turn SpoorNet into a financially successful and sustainable business, and an efficient and safe rail company that delivers to its customers through best practice process and initiatives. In line with the company’s recognition of the significance of human capital, the plan also seeks to develop leadership capability and invest in the growth of the company’s employees (Platform, 2005).

In its bid to be financially viable, SpoorNet has identified a number of areas that need urgent attention, which are outlined below:

- Improvement of business planning and performance;

- Building of a world-class brand and repositioning of the company for service excellence;
- Introduction of significant cost reduction initiatives;
- Development of a new pricing model;
- Streamlining of procurement policies;
- Improvement of risk management and corporate governance; and
- Promotion of private sector participation.

To counter the perceptions of the organisation as an inefficient and unsafe rail company, Spoornet has committed itself to running all trains according to the train plan. This will go together with, among other things, the optimisation and stabilisation of the train plan, improvement of crew scheduling, integration and alignment of operational and maintenance planning, initiation of shunt yard efficiency projects, and improved event reporting.

To improve customer service delivery, the organisation has identified a number of actions, including the delivery of planned volumes, meeting and exceeding customer demands, and joint planning with customers. By placing customers at the centre of service delivery Spoornet hopes to transform itself into a winning railroad organisation (Platform, 2005).

This strategy wheel is aimed at creating and building one team, with all employees “putting their shoulders to the wheel”, sharing their challenges with a common understanding, and working towards one common objective.

1.4 The problem and subproblems

1.4.1 The problem

The problem is to analyse the leadership challenges currently facing Spoornet in terms of creating a customer-focused organisation.

The investigation will focus on attitudes and behaviours, skills, leadership styles and support, as well as activities that are necessary to integrate functions around customer service delivery.

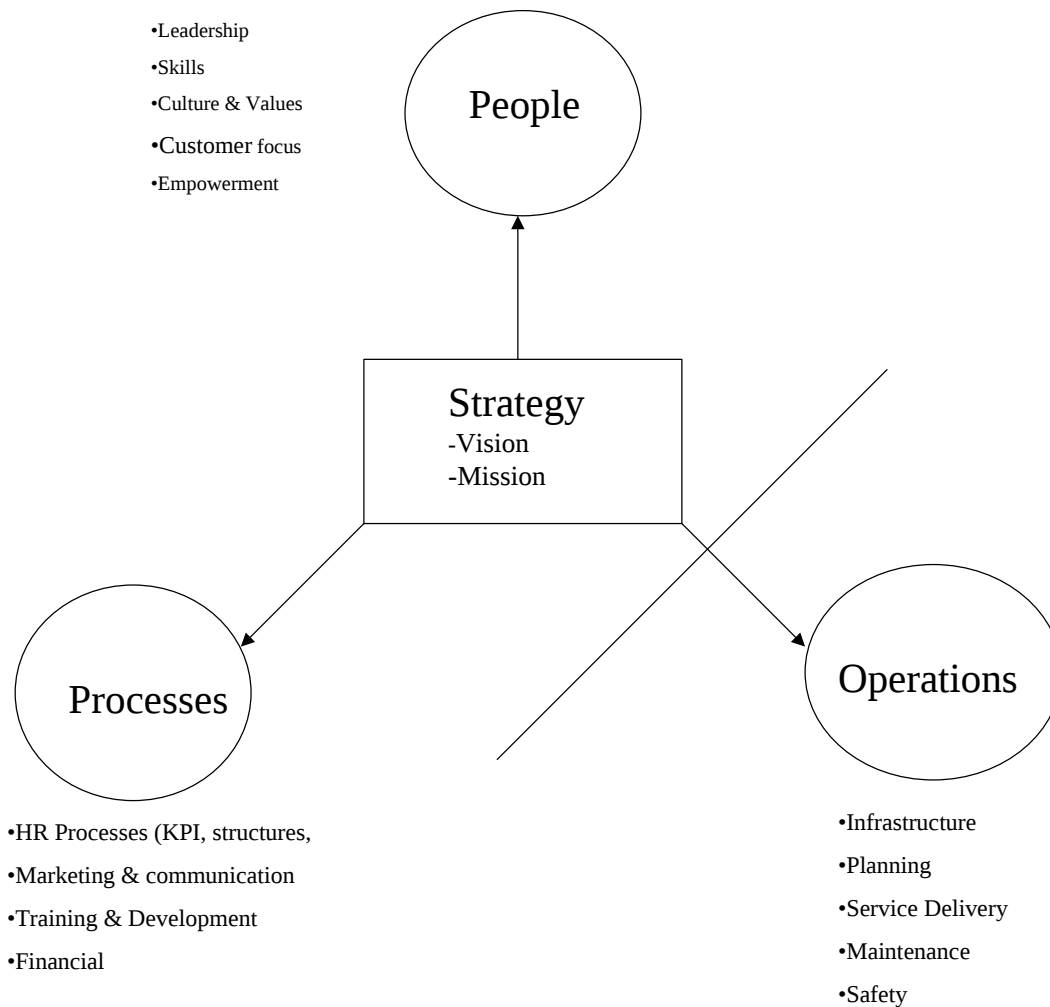
1.4.2 Subproblems

The subproblems are to:

1. Determine the management attitudes and behaviours that support or inhibit customer-focus;
2. Determine the skills required and those that are lacking in terms of customer-focus;
3. Identify leadership styles that will best lead to improved customer service;
4. Identify ways in which leaders can support employees to deliver improved customer service; and
5. Identify key leadership activities that will integrate functions to deliver improved customer service.

1.5 Framework or model for investigation

Figure 1.2 Model used for Investigation



Source: Burke Litwin Model (Burke & Litwin, 1992)

Adapted: Mzimkulu Stanley Fatyi

This model represents four key organisational variables that are considered to be the most important ones during an organisational change. These four variables are: strategy, people, processes and operations. The model attempts to explain the total behaviour output of the organisation, the most important interactions between these variables, and how they affect change.

The assumption underpinning this model is that forces from the organisation's external environment initiate change. Then, the transformational variables of strategy and people will require entirely new behaviour sets from organisational members, which are caused by interaction with environmental forces. The transformation is then followed by transactional change in processes, through fine-tuning and improvement, resulting in positive results. These are variables that will have a significant effect on whether or not Spoornet can achieve its objective of customer orientation. This model will assist in building a diagnosis process for this study.

1.6 Delimitations

It must be recognised that limiting the unit of analysis to one company is a major limitation of the study. It cannot be assumed that the findings can be generalised throughout all the parastatals or government enterprises.

The study will only be conducted in the Gauteng area, mainly at the head office, not throughout the whole organisation. This limits the views that might be obtained from other employees in different areas, which could be different from the views expressed at head office.

Also, because of the intense schedule of the new Chief Executive (CE), she might not have time to be among those interviewed.

This research will be limited to studying the leadership styles of the CE, general managers and executive managers.

The management and employee behaviours studied are derived from the available literature and case study research; there may be other factors that are associated with customer orientation that are not considered in this study.

1.7 Significance of the study

This study has significance to Spoornet in that it will provide insights on the current cultural and, behavioural needs for excellent service. This will then assist the CE and the organisation's leadership to deal with these needs and identify the required leadership characteristics for transforming Spoornet into a customer-centric organisation. Although the study was originally intended to guide Mrs Mokgatle, since she has left Spoornet whilst this study was underway, it is still hoped to be of value to Siyabonga Gama and the executive team. It will guide the new CE on where to focus his efforts in designing effective planned change; then enable him to identify and use an appropriate leadership style that will influence his top executives in developing excellent service for the customer.

1.8 Assumptions

The underlying assumptions in conducting the study are as follows:

- Participants will be free to talk and be honest about their views without fear or thought of victimisation.
- There is sufficient published literature on leadership activities required for providing a framework for excellent service to customers.

2 LITERATURE REVIEW

2.1 Introduction

This project deals with the role that the leadership of SpoorNet should play in creating a customer-centric organisation. It is therefore necessary to review literature relating to both leadership and key components of customer-orientation development. This project begins with an overview of the components of customer orientation and concludes with a discussion on the leadership styles that need to be applied in the transformation of an organisation.

For the purpose of consistency and clarity, in this project “the leadership” is defined as the executive team led by the CE of the organisation.

The literature review has been ordered according to the categories defined in the Framework used in this study. (See 1.5 in page 10)

2.1.1 Definition of customer-oriented culture

Narver & Slater (1990) regard customer orientation as the form of organisational culture which most efficiently and effectively creates superior value for the customer.

Harris (1998) defines a customer-oriented culture as the dominant, dynamic aspect of an organisation whose orientation, attitudes and actions are geared towards the customer.

2.2 The process of customer orientation development

It should be mentioned that although leadership drives change in an organisation, there are certain processes required if the change is to succeed. For example, this change could not succeed without an understanding of the process through which it should be managed. Basically, this means that a good internal environment must be created to effect this change. It is imperative to look at key steps through which customer orientation can be achieved and developed. What follows are a number of ideas, things to try, approaches to consider, and leadership steps required, in pursuit of customer-focus. They are grouped under five headings, which represent the researcher's summary of these key steps. The framework for investigation of people, processes and operations presented in Figure 1.2 in page 10 is used to present these key steps.

2.3 People

Studies of people as the major problem to the development of enhanced customer orientation are discussed under the headings presented below.

2.3.1 Integrity in management attitudes and behaviours

A review of studies of the process of customer-orientation development as outlined below reveals that management behaviour is an essential factor in instigating and instilling improved customer orientation. If leaders are to persuade people to change, they have to be seen to be living the change. Leadership should demonstrate credibility through their track record, trustworthiness, consistency and reputation for integrity, which will persuade people to believe the message (Kotter, 2001).

Messikomer (1987) argues that managers and executives often espouse the notion of improving customer orientation levels but behave in a different manner. Messikomer (1987) claims that such illogical behaviour is caused by entrenched cultural beliefs, and concludes that the difficulty often is not so much in getting management to accept the vision, but rather in overcoming the inertia bred of individual corporate cultures.

This suggests a need to dislodge established beliefs and practices, and adopt new, more holistic views on management. It is the managerial culture change that seems to be needed in current organisations. Management is the object of change, as it catalyses and influences change (Savolainen, 2000). If top management advocates and enacts the spirit of change, the entire organisation incrementally absorbs the same spirit, which becomes a mind-set for the organisation.

Through the role modelling and mentoring process, leaders show followers how to perform their tasks, and in return, followers want to emulate leaders' behaviours for higher levels of performance. Leaders often occupy a boundary role position in organisations, where they define organisational culture, climate, and group norms. Leaders shape the way their subordinates get things done (Jung, 2001).

Harris & Piercy (1999) suggest that to develop marketing strategies that rely on market-oriented characteristics domestically and internationally, when managerial behaviour may substantially impede achieving high levels of market orientation, is dangerous. There are some signs that this has proved to be a common weakness in strategy implementation, which affects services business in particular (Harris & Piercy, 1999).

The chief executive needs to understand the individuals, coalitions and networks that will resist or threaten change. A wise chief executive will listen and understand these and will use the power of legitimate relationships combined with supportive stakeholders to overcome this (Hacket, Lilford & Jordan, 1999).

In conclusion, when the executive level fails to lead and manage the organisation up to the expectations of the staff this can create a culture, which is resistant to change. This means that any obstacles managers encounter in effecting organisational change are largely of their own making (Hoag, Ritschard & Cooper, 2002).

In summary, the measure of leaders' behaviour will be a good measure of their subordinates' perceptions of their leadership style and the subordinates' behaviour towards customer orientation.

2.3.2 Weak management skills and executive inexperience

Weak management skills and executive inexperience have been described as behavioural obstacles that can severely restrict customer-orientation development (Harris & Ogbonna, 2001). The inability of managers to solve complex problems and take strategic decisions further contributes as barriers to effective implementation of change (Zeffane, 1996).

Imberman (2000) highlights three factors that are characteristic of executive inexperience as: disregard or disrespect for subordinates; inability to grasp the big picture; and the disposition to resist change and postpone any innovation.

Creativity can be enhanced in different ways, such as changing organisational culture to one where employees are encouraged to freely discuss and exchange ideas. If managers are trained to employ transformational leadership behaviours, they may help subordinates become intrinsically motivated to put extra effort into trying out new and creative approaches to their problems. Because managers are key players in groups and organisations that develop, transform, and institutionalise group norms and organisational culture, they should exert their best efforts to ensure that they establish a creativity-inducing organisational environment (Amabile, 1998).

2.3.3 Leadership styles

Given the fact that no single individual can achieve organisational goals without the help of others, it is important to gain an understanding of how and why certain leaders are able to transform their organisations and instill a genuine belief in focusing on customer needs. This is consistent with the findings of leadership theorists (as stated below) who suggest that the presence of certain leadership styles may significantly influence employee motivation and, ultimately company performance.

2.3.3.1 Menu of leadership styles

In describing the leadership repertoire, Goleman (2000) draws an analogy to a golf player who picks and chooses clubs based on the demands of the shot. He says that the golf pro senses the challenges ahead, swiftly pulls out the right tool, and elegantly puts it to work. Thus how high impact leaders operate, too.

What is required to manage torrential change today is a menu of change-leadership styles. Each leadership style represents a unique set of perceptions, attitudes, and behaviours regarding how organisational disruption should be addressed (Bowman, 2000).

The effectiveness of any group or organisation is dependent on achieving a match between the leadership style and the context or environment in which the leader operates. In other words, the environment prescribes the leadership style that must be chosen. Management style can swing from participative to authoritarian, depending on the decision circumstances at a given time (Boyett, 1996).

The best most effective leaders act according to one or more of six distinct approaches to leadership as outlined below (Goleman, Boyatzis & McKee, 2002).

2.3.3.1.1 Visionary leader

This leader articulates where the group is going, setting people free to innovate, experiment and take calculated risks. Knowing the big picture and how a given job fits in gives people clarity; they know what is expected of them.

2.3.3.1.2 Coaching style

Coaches help people identify their unique strengths and weaknesses, tying those to their personal and career aspirations. They encourage employees to establish long-term development goals, and help them to conceptualise a plan for reaching those goals, while being explicit about where the leader's responsibility lies and what the employee's role will be. Coaches are good at delegating, giving employees challenging assignments that stretch them, rather than tasks that simply get the job done.

2.3.3.1.3 Affiliative leader

An open sharing of emotions is one hallmark of the affiliative leadership style. These leaders tend to value people and their feelings, putting less emphasis on accomplishing tasks and goals, and more on the employee's emotional needs. They strive to keep their subordinates happy and create harmony.

2.3.3.1.4 Democratic style

By letting employees have a say in decisions that affect their goals and how to do their work, the democratic leader drives up flexibility and responsibility. By spending time getting people's ideas and buy-in, this leader builds trust, respect and commitment. This leader encourages people to express their frustrations and their complaints freely.

2.3.3.1.5 Pacesetting

This leader sets extremely high performance standards and exemplifies them. He or she is obsessed about doing things better and faster, and asks the same

of everyone. He or she quickly pinpoints poor performers and demands more from them. If they do not rise to the occasion, he or she replaces them. But this style must be used with caution, it destroys climate.

2.3.3.1.6 *Commanding style*

These leaders demand immediate compliance with orders, with a motto of “Do it because I say so”. Leaders managing a business crisis such as urgent turnaround can find the commanding style particularly effective especially to unfreeze useless business habits and shock people into new ways of doing things.

Four of these styles, “visionary”, “coaching”, “affiliative” and “democratic”, create the kind of resonance that boosts performance. The leader is attuned to people’s feelings and moves people in a positive emotional direction. Speaking authentically from his or her own values and resonating with the emotions of those around him or her, he or she hits just the right chords with his or her message, leaving people feeling uplifted and inspired even in a difficult moment. People form an emotional bond that helps them stay focused, even amid profound change and uncertainty (Goleman *et al*, 2002).

The dissonance styles of pacesetting and commanding, although useful in some very specific situations, should be applied with caution. Rarely using praise and freely criticising employees, the commanding leader erodes people’s spirit, the pride and satisfaction they take in their work, the very things that motivate most high performing workers (Goleman *et al*, 2002). Dictatorial transformation is appropriate when the organisation requires major change, but there is no support for it within the organisation. It is a style that is indicated when established practice and culture come into conflict with the need to move organisations forward in a changing world economy (Hanson & Middleton, 2000).

Leaders who have mastered four or more of these styles, especially the resonant styles, have the very best climate and business performance (Goleman, 1999).

The work of the above theorists will be used to explore and examine the leadership styles of the top management of the organisation under study, gain insight into whether there are links between these styles and the current situation of this organisation and how these gaps can be filled to develop the customer orientation of the organisation. This study will provide a framework for measuring the right mix of leadership of this organisation in achieving the desired end results of customer orientation.

2.4 Processes

The degree to which an organisation can increase its customer orientation is inextricably linked to the organisational structures, systems and processes created to sustain them. Those organisational control mechanisms that play a major role in achieving customer orientation are discussed in the paragraphs below.

2.4.1 Culture and structures that encourage empowerment

In a competitive environment in which organisations must be faster, leaner, provide better service quality, be more efficient and profitable, an empowered and proactive employee is thought to be essential. The ability of an employee to make the proper response during the service delivery is largely a function of the employee's knowledge and control (Melhem, 2003). Empowerment can only be achieved if the necessary condition and the right climate are established by the leadership as discussed by the theorists below.

Harris & Ogbonna (2001) argue that the identification of systems and structures that impede customer orientation are undoubtedly useful; however, such

knowledge is pointless without the understanding of the process through which change can be managed.

The organisation must provide for a climate that promotes open communication and active listening, and encourages personal risk, trustworthy behaviour and initiative. For individuals to feel empowered they must perceive their working environment as being liberating rather than constraining (Steven, Danielle & Sylvie, 1999).

When introduced correctly, empowerment can be a powerful tool of organisational change. An approach to service delivery based on employee empowerment has the potential to remedy problems such as poor customer service and inefficient operations (Ron, 1998).

Effective strategic change requires approaches to leadership that are more likely to enhance workplace change through employee participation, motivation and commitment. To meet new challenges, business organisations must develop attributes of corporate culture most likely to support their change strategies. Participant-oriented change is based on the basic premise that the more people have to say about the form and direction which the change has to take and the more they are involved with the decision making process, the more likely they are to be committed to that process (Zeffane, 1996).

Weber & Weber (2001) suggest that trust in management, perceptions of supervisory support for improvement, and perceptions of organisational readiness for change are critical employee attitudes for management consideration during a change effort. Weber & Weber (2001) argue that the following characteristics are vital for achieving a successful organisational change:

- Feedback: this provides employees with an understanding of how they are doing and to what extent they are able to receive information on their job performance from their supervisors. This two-way flow of information provides the basis for trusting management and creates perceptions of management support for improvement.

- **Autonomy:** A high level of autonomy on the part of employees, they believe they are able to act independently and control their own work.
- **Participation:** When employees believe they have the ability to participate in decisions, there will be a positive impact on the work environment; i.e., trust in management and perceptions of supervisory support for improvement.

Management efforts to identify organisational goals clearly during a change initiative could have a positive impact on employee attitudes.

2.4.2 Inter-functional integration

Two potential pitfalls to customer orientation can be described as being a lack of inter-functional integration and political manoeuvring. Such behavioural obstacles can severely restrict customer-orientation development and, thus, organisational performance (Harris & Ogbonna, 2001).

In solving the above-mentioned problems, Drew (1997) recommends that breaking down departmental barriers and establishing cross-functional co-operation and horizontal forms of organisation are central to reorienting organisations from an operational focus to a customer-driven approach.

Leaders can promote a culture of teamwork and continuous improvement through role modelling and encouragement, and this culture will eventually lead to desired organisational outcomes (Bush & Rivers, 2001).

Leaders play an important role in group processes because they define what the group's goals are and facilitate the process of motivating followers to exert their maximum efforts to collectively achieve their goals. Leaders have a strong impact on how their subordinates go about achieving their goals (Jung, 2001).

Without true functional integration, information sharing and co-ordinated action is unlikely. This results in slow decision making of the organisation which, in turn, restricts development of the customer orientation.

The views of Harris & Ogbonna (2001) will be used to investigate whether there are any interdepartmental problems in the organisation that is being researched in this study and to determine the key issues around these problems. The theory from Drew (1997) will be used as a guiding framework in understanding what needs to be done to focus the organisation on a customer-oriented approach.

2.4.3 Reward systems

In order to achieve functional integration and to gain consistency, it is essential that the top management design a reward system that is aligned with the desired strategy of customer orientation. Appropriate reward strategies can assist in guiding and changing employee behaviours, leading to long-term performance improvement as suggested by the theorists below.

Brooks (1996) argues that the leadership of an organization can trigger a receptive environment for change by consistently upgrading systems and structures, which facilitate improvements in efficiency and effectiveness, which in turn enable more tangible changes to be registered and acknowledged.

The alignment of reward structures with flexible responses to varying customer demands seems to be a key factor in promoting quality service. One of the factors influencing the degree of consistency between management commitment to quality service and the customer's perception of quality service is the implementation and promotion of an incentive system based on rewarding the adaptability of the worker to the varying demands of the customers (Baker, 2001).

In a performance management system, strategic initiatives are broken into clearly defined accountabilities and responsibilities and then integrated into the performance objective of all employees who are responsible for turning these initiatives into actions. For transformational change to occur, every employee in the organisation needs to know what his/her responsibilities are, how his/her performance is to be evaluated and how his/her performance will be monitored against a predetermined set of goals (Appelbaum, St Pierre & Glavas, 1998).

Melhem (2003) argues that a company's reward and incentive structure is expected to give employees positive reinforcement for solving problems and pleasing customers. The role of incentives will help managers to be more willing to involve lower-level employees in decision making, and enhance employees' concern for the success of their organisation (Melhem, 2003).

The reward and recognition systems must be embedded in the way the culture of the organisation is managed, but they must also look toward the customer and not reinforce preoccupations with outdated and internal practices. To be truly successful, each team and every individual should be paid against clear customer-focused standards and achievements should be celebrated (Macaulay & Cook, 2001).

The reward system is driven by the transactional behaviour of leadership, which develops from the exchange process between leaders and subordinates in which the leader provides rewards in exchange for subordinates' performance. These leaders motivate followers to identify with the leader's vision and sacrifice their self-interest for that of the group or the organisation (Eisenbach, Watson & Pillai, 1999).

The work of Brooks (1996) and Baker (2001) will be used to examine and understand the structure of the existing reward systems at the organisation being researched. The views of Appelbaum *et al* (1998) and Melhem (2003) will form a basis for determining the extent of alignment of the reward systems to the role or functions of the employees. The theory of Macaulay & Cook (2001) will be used to investigate whether the reward systems are linked to and to

support the development of customer orientation in the organisation under study.

2.5 Propositions

2.5.1 Proposition 1

In order to move a company from poor to excellent customer service, the company's leadership needs to display management attitudes and behaviours which communicate integrity. For example:

- When the executive level fails to lead and manage the organisation up to the expectations of the staff in terms of trust, honesty and consistency; this can create a culture, which is resistant to change [Messikomer (1987); Hacket *et al* (1999); Harris & Piercy (1999); Savolainen (2000); Jung (2001); Kotter (2001); Hoag *et al* (2002)].

2.5.2 Proposition 2

In order to move a company from poor to excellent customer service, the company's management and executive should have the skills necessary to be effective in creating a desired change toward customer orientation. For example:

- Management and executive are faced with decisions everyday. Most of these decisions are minor, but occasionally a major decision has to be made. Those who fear change tend to resist making decisions and are reluctant to reach a firm decision, even if all possible facts are presented. Management skills must be developed through executive training programme in order to prepare the executive team for the new

challenges facing the organisation [Zeffane (1996); Amabile (1998); Imberman (2000); Harris & Ogbonna (2001)].

2.5.3 Proposition 3

A menu of change leadership styles is required to manage cultural change. Leadership should apply at least four out of the six leadership styles advocated by Goleman, Boyatzis and Mckee (2002), especially the resonance building styles to foster the very best climate and business performance. For example:

- The environment prescribes the leadership style that must be chosen. Management style can swing from participative to authoritarian, depending on the decision circumstances at a given time. The best leaders are able to use the right approach in the right moment, and flip from one approach to another as needed [Boyett (1996); Bowman (2000); Goleman (1999); Hanson & Middleton (2000); Goleman *et al* (2002)].

2.5.4 Proposition 4

Leadership must relate to employees in a manner that empowers individuals and allows them to be innovative in their efforts to improve customer service and that enables them to participate in decisions at a high level. For example:

- When employees believe they have the ability to participate in decisions, able to act independently and control their own work, there will be a positive impact on the work environment; i.e., trust in management and perceptions of supervisory support for improvement [Zeffane (1996); Amabile (1998); Ron (1998); Steven *et al* (1999); Harris & Ogbonna (2001); Weber & Weber (2001); Melhem (2003)].

2.5.5 Proposition 5

Leadership should create structures and a culture that encourage inter-functional integration. For example:

- Basic assumption of logical compartmentalisation, which has major negative implications for functional integration and the sharing of information across departments, impedes market orientation. Leadership should develop programme of process sharing, cross-functional team building, and building of social interaction between key groups so as to align the organisation to one objective of customer orientation [Drew (1997); Bush & Rivers (2001); Harris & Ogbonna (2001); Jung (2001)].

2.5.6 Proposition 6

The leadership should implement reward systems that encourage a customer-service orientation. For example:

- Consistent upgrading of systems and structures, which facilitates improvements in efficiency and effectiveness; and linking the reward system linked to customer satisfaction; and enabling more tangible changes to be registered and acknowledged will trigger a receptive environment for change [Brooks (1996); Appelbaum, St-Pierre & Glavas (1998); Eisenbach, Watson & Pillai (1999); Baker (2001); Macaulay & Cook (2001); Melhem (2003)].

3 RESEARCH METHODOLOGY

3.1 *The method*

The method chosen as most suitable for this research is the case study; so a deep qualitative analysis of the organisation will be employed in this study. Qualitative analysis through interviews will be used to gain insight into the existing mindset of the organisation with respect to customer orientation and leadership characteristics in Spoor.net. The findings from the interviews will be related back to the literature reviewed, and challenges facing the leadership in achieving a customer-focused organisation will be evaluated.

Qualitative study methods will be used to gather data on each interviewee's perceptions of the market-oriented culture and leadership characteristics required for cultural change. A qualitative approach provides a basis for intensive examination of the case; i.e., in-depth analyses, interpretations and understanding of employee perceptions in the broader context. An in-depth case study of the impact of leaders' actions and attitudes on the development of market orientation must be conducted (Harris & Ogbonna, 2001). These actions and attitudes are appropriate to a cultural change or to any kind of change issues, which frequently require proximity to the actors and contextualised interactions (Savolainen, 2000). Therefore, the method of data collection for this study is unstructured in-depth interviews with all the hierarchical levels of the organisation, from junior personnel to the CE.

3.1.1 Advantages of the unstructured interview

The main advantage of the unstructured interviews is that the researcher can shift focus as new data comes to light, to gain more flexibility.

3.1.2 Disadvantages of unstructured interview

The following are the main disadvantages of the unstructured interviews:

- The researcher, by nature of his or her presence, may alter what people say and how events unfold.
- Recording events may be problematic. Written notes are often insufficient to capture what one is observing.
- The researcher will receive different information from different people and may not be able to make comparisons among the interviews.

3.2 The research population and sample size

The population comprised all Spoornet head office staff within the Gauteng area where the decision-making and strategy formulation takes place.

Qualitative data were gathered by in-depth interviews at different organisational levels across all departments: 32 interviews were conducted at all levels including top and senior management, middle management, junior managers/supervisors, and employees.

A convenience sampling method was used in selecting the initial participants and then the sample was drawn as information emerged. The first participant at each level was selected on the basis of convenience. The participants were contacted personally, telephonically or via electronic communication and were invited to participate in the study. They were then requested to indicate their willingness to participate in the study. An e-mail giving an outline and the purpose of the study was sent out to participants, requesting their participation in this study. A questionnaire was included in this e-mail (see Appendix A). An appointment with set dates was set up for the in-depth interview with the CE.

The participants were drawn from different departments as shown in Table 3.1 below.

Table 3.1 Distribution of Participants

Participant	No of participants
Chief Executive (CE)	1
Top and senior management	20
Middle management	50
Junior managers/ supervisors	38
Administration and labour staff	41

- The Chief Executive, as a leader of the organisation, was selected to determine her understanding of customer orientation, understanding of the current situation, and to get her views on what should be done to achieve customer-focus in Spoornet. This was expected to provide a basis to evaluate her leadership style and its suitability in changing the Spoornet into a customer-focused organisation. For example, does she understand and believe in her leadership team?
- Top and senior management were expected to give insights on what they think about the CE, whether they understand her vision and her leadership style. They were also selected to determine whether they have leadership styles that complement and support the CE in the desired objectives. Do they believe in customer orientation or see the need for customer orientation and do they think that it is something that can be achieved by Spoornet?
- Middle management, which plays a major role in implementation, was expected to provide insights on their perceptions about their leaders and about the internal environment of Spoornet. It was anticipated that the perceptions would give insight into leadership styles that are applied by the top management and whether the environment is conducive to customer orientation.

- Junior managers or supervisors and administration staff who are operationally focused were expected to give insight on how they are treated by their leaders and what they think about their operational environment. This would also assist in evaluating the leadership styles applied and the compatibility of the internal environment to customer orientation.

The Chief Executive Officer would be interviewed last and the order of interviews for other participants was mixed between different levels of the organisation to obtain objective views.

3.3 Data collection

All interviews were conducted with the questionnaire and in the comfort of the participant's office. Since the interviews were organisation specific, to make the interviewee more comfortable so that the interviewee could give his/her views freely, the participants were asked not to put their names on the questionnaires. Secondary data from other sources available in the organisation was also used in support of the findings of this study. The types of questions that were led in the interviewing process are as outlined in the Table 3.2 below.

Table 3.2 Questions asked for each Proposition

Proposition	Questions	Target Participant
<u>Proposition 1</u> Management attitudes and behaviours must support the delivery of an excellent customer service	How does Spoornet rate on customer service? Give examples of actual events in relation to your rating? What should the leadership of Spoornet stop, start or keep doing? What are the forces discouraging and encouraging customer orientation in Spoornet?	All participants

Proposition	Questions	Target Participant
<u>Proposition 2</u> Weak management skills and executive inexperience	What skills should executives and employees have for good customer service? Do you have those skills at a sufficient level? How could you acquire them if not?	Top management to Junior personnel
<u>Proposition 3</u> A menu of change leadership styles is required to manage cultural change	To what extent are these statements true to the leadership: before making decisions he/she considers what the subordinates have to say; consults with subordinates before taking action; maintains definite standards of performance; does little things to make things pleasant; the individual has all the skills and knowledge needed for the position; the individual is emotionally intelligent; this person has a high level of integrity?	Top management to junior personnel
<u>Proposition 4</u> Leaders must relate to employees in a manner which empowers individuals and supports them in their efforts to improve customer service	Do employees have authority to correct problems when they occur?	Top Management to junior personnel
<u>Proposition 5</u> Leadership should create structures and a culture that encourage inter-functional integration	To what extent does SpoorNet place a high priority on sharing information about customers, information across departments, sharing resources across the whole company, and getting all functions to contribute to customer value?	Top management to junior personnel
<u>Proposition 6</u> Leadership should	How does SpoorNet's performance management and reward system encourage or discourage team and individual performance	Top management

Proposition	Questions	Target Participant
implement reward systems that encourage a customer-service orientation	with respect to customer service?	

3.4 Data analysis

Analysis was based on pre-designed categories representing the propositions. Supplementary data were obtained from the organisation's records including customer surveys, employee survey, client meetings, company newsletters and other records. The documents were also analysed into the categories described above. Some of the data in the form of respondents' discourse will be reproduced in this study to help tell the story.

Notes from the in-depth interviews with participants were analysed using the interpretive field study method, based on the principle of abstraction and generalisation.

According to Klein & Myers (1999), it is important that theoretical abstractions and generalisations should be carefully related to the field study details as they were experienced and/or collected by the researcher.

In supporting other theorists, Klein & Myers (1999) argue that the validity of the inferences drawn from one or more cases does not depend on the representativeness of cases in a statistical sense, but on the plausibility and cogency of the logical reasoning used in describing the results from the cases and in drawing conclusions from them. Klein & Myers (1999) state that this principle of abstraction and generalisation requires relating the idiographic details revealed by the data interpretation through the application of principles

of contextualisation and the fundamental principle of the Hermeneutic circle. In this study data was collected as a means to support theory.

On the basis of the participants' responses to the interviews, the researcher used this principle in generalising about the existing company culture towards customer orientation and the leadership characteristics that employees are currently confronted with in drawing conclusions on the general feeling of all the employees.

3.5 Validity and reliability

Leedy & Ormrod (2001) state that, in a qualitative study, the interpretation of the data will inevitably be influenced by the researcher's biases and values to some extent, reflecting the notion of researcher as instrument. There may be multiple perspectives held by different individuals, each having validity and truth. One goal of the qualitative study is to reveal the nature of the multiple perspectives.

Since the participants were chosen from all the levels of the organisation hierarchy, this provided multiple perspectives on the current internal environment, the perceived leadership styles, and the challenges facing the leadership in achieving a customer-focused organisation. The data and their interpretation were scrutinised for underlying themes and other patterns that characterised the study more broadly. The researcher brought subjectivity to the observations made. A summary of what the participants said has been captured and in some instances the participant's own words have been used to convey the perspective.

The sample based on involving participants in different levels of the organisation hierarchy can be viewed as being representative of the whole organisational population and can be used to generalise on the perceptions observed and gathered from the participants.

Any evidence that contradicts the propositions was actively probed and recorded.

The in-depth interview gives the inner feeling of the participant; therefore, the perceptions obtained from the participant will be consistent if the same participant is asked about the same subject again. In understanding the barriers to market orientation, the participant provided perceptions as experienced on a daily basis in the organisation, which do not necessarily change overnight. Therefore the results obtained from the participants were expected to be consistent and reliable.

3.6 Consistency matrix

Method of Analysis: Interpretive field study method (principle of abstraction and generalisation)

Problem: Challenges facing the leadership of SpoorNet in creating a customer-focused organisation.

Table 3.3 Consistency Matrix

Subproblem	Proposition	Literature reference	Questions
<u>Subproblem 1</u> Determine the management attitudes and behaviours that support or inhibit customer-focus	<u>Proposition 1</u> Management attitudes and behaviours must support the delivery of an excellent customer service	Messikomer (1987); Hacket <i>et al</i> (1999); Harris & Piercy (1999); Savolainen (2000); Jung (2001); Kotter (2001); Hoag <i>et al</i> (2002)	To what extent does management place a high priority on focusing on customer commitment; setting customer satisfaction objectives; understanding customer needs, and responding rapidly to

Subproblem	Proposition	Literature reference	Questions
			customer queries?
<u>Subproblem 2</u> Determine the skills required and those that are lacking in terms of customer-focus	<u>Proposition 2</u> The company's management and executive should have the skills necessary to be effective in creating a desired change towards customer orientation	Zeffane (1996); Amabile (1998); Imberman (2000); Harris & Ogbonna (2001)	Do management and executives have the necessary skills to create an environment that is conducive to customer orientation?
<u>Subproblem 3</u> Identify leadership styles that will best lead to improved customer service	<u>Proposition 3</u> A menu of change leadership styles is required to manage cultural change	Boyett (1996); Bowman (2000); Goleman (1999); Hanson & Middleton (2000); Goleman <i>et al</i> (2002)	To what extent are these statements true to the leadership: before making decisions he/she considers what the subordinates have to say; consults with subordinates before taking action; maintains definite standards of performance; does little things to make things pleasant?
<u>Subproblem 4</u> Identify ways in which leaders can support	<u>Proposition 4</u> Leaders must relate to employees in a manner that empowers	Zeffane (1996); Amabile (1998); Ron (1998); Steven <i>et al</i> (1999); Harris &	Are employees allowed to take charge of problems that require immediate action? Do employees

Subproblem	Proposition	Literature reference	Questions
employees to deliver improved customer service	individuals and supports them in their efforts to improve customer service	Ogbonna (2001); Weber & Weber (2001)	have authority to correct problems when they occur?
<u>Subproblem 5</u> Identify key leadership activities that will integrate functions to deliver improved customer service	<u>Proposition 5</u> Leadership should create structures and a culture that encourage inter-functional integration	Drew (1997); Bush & Rivers (2001); Harris & Ogbonna (2001); Jung (2001)	To what extent does SpoorNet place a high priority on sharing information about customers, information across departments, sharing resources across the whole company, and getting all functions to contribute to customer value?
<u>Subproblem 5</u> Identify key leadership activities that will integrate functions to deliver improved customer service	<u>Proposition 6</u> Leadership should implement reward systems that encourage a customer-service orientation	Brooks (1996); Appelbaum, St-Pierre & Glavas (1998); Eisenbach, Watson & Pillai (1999); Baker (2001); Macauley & Cook (2001); Melhem (2003)	Do we reward actions and behaviour that sustain customer relationships and keep our promises in SpoorNet?

4 PRESENTATION OF RESULTS

This section presents the findings of the research. The results are summarised in order of the questions asked.

4.1 Background to interviews

A total of 32 responses were received after more than four follow-up reminders. The interviews involved employees from all levels of the organisation hierarchy and included both marketing personnel and non-marketing operatives. The previous CE of Spoornet, Dolly Mogkatle, resigned before the data was collected for this research. The current CE did not grant an interview for this research because of a heavy schedule. He has, however, made several internal publications in which he has described his views and plans about Spoornet. Three of these publications are included in Appendix B of this report.

Four senior executives, whose perspectives of the company were considered valuable, resigned during the course of this report. The remaining three senior executives also did not grant an interview for this research because of their heavy schedules. The rest of those employees who did not respond were frightened of victimisation, as the company was going through aggressive restructuring. The majority of respondents were male (66%) and black (78%).

4.2 Customer-oriented attitudes and behaviours

4.2.1 Customer service

Table 4.1 Level of Spoornet Customer Service

	1	2	3	4	5
Rating	Very poor	Poor	Average	Good	Very good
No of respondents	1	11	16	4	0

The respondents gave a number of reasons for their rating of Spoornet customer service, ranging from lack of understanding of customer needs, slow decision making, weak management skills, slow customer response time, to poor communication with customers.

In support of their responses (presented above), the respondents raised a wide spectrum of issues that they viewed as a barrier in achieving customer service. They also proposed a number of key aspects that the leadership of Spoornet should do in improving the customer service of the organisation. All these issues and proposals are summarised and catergorised in Table 4.2 (page 40). The strong views of the respondents raised under the “Stop” column relate to issues that the leadership should stop doing in order to achieve customer orientation in Spoornet. The “Start” column lists the views that the respondents felt leaders and managers should start doing in improving customer-orientation process. The recommendations by respondents to leaders and managers of Spoornet in achieving customer orientation are listed under the “Continue” column.

Table 4.2 Things that Leaders and Managers should do to Improve Customer Service

STOP	START	CONTINUE
<u>Inward focus</u> Being internally focused on non-value issues Self-centred Engaging in corporate politics <u>Making unfulfilled promises</u> Not holding up to their promises Delivering outside the agreed delivery period <u>Poor communication</u> Failing to keep staff informed <u>Being indecisive and lack of accountability</u> Indecisiveness Shifting blame Looking for excuses <u>Displaying lack of integrity</u> Displaying lack of management skills Talking strategy and doing something else Making employees uncomfortable by spreading rumours Demotivating Mistrusting Disbelieving <u>Showing no sense of customer orientation</u> Neglecting customers Inflexibility and prescribing to the customers	<u>Customer orientation</u> Focusing on regaining customer confidence and credibility through delivering on promises at all costs Giving feedback to customers on a regular basis Differentiating the offering to suit individual customer's need Focusing on service delivery Following up on customer complaints & listening to customers Get competent people at the coalface regarding customer Improving communication & proactively communicate with clients Giving sense of urgency to customer requests Providing a reliable, predictable and dependable service <u>Demonstrate integrity</u> Lead by example Take decisions that make sense Manage closely and correctly Be more committed to their work and company Be honest with the customers and employees Be visible to the lower graded worker Apply positive thinking Professionalism High-quality leadership <u>Be visionary</u>	<u>Customer-oriented</u> Customer relationship management Empower customer facing people with decision-making powers Improve service delivery Informing clients about and involving clients on the train planning programme Recapitalise resources especially locomotives and wagons Give feedback to customers Deliver the service according to the SLA Concentrate on safety, customer service, profitability, operational efficiency Do things cheaply Provide value for money vs competitors <u>Affiliative</u> Looking after employees Ensuring safe and acceptable working environment Investing in employees through training and development <u>Build teamwork</u> Make sound decisions that are in the interests of the

STOP	START	CONTINUE
Treating and expecting all customers to behave the same way Telling customers how to run their business Treating customers like they are doing them favours Poor communication to the client <u>Lack of clear vision</u> Continuous restructuring and reshuffling of staff Having endless expensive and senseless meetings and gateways Undertaking a project and never get it completed or rolled out Change in management frequently <u>Building interdepartmental barriers</u> Working in silos and see each department as part of the whole Working against one another Building departments into empires Having a narrow focus, only concentrating on one's own area of responsibility and accountability <u>Showing lack of management skills</u> Managing by fear, worrying about restructuring Disrespect for subordinates, show of arrogance Telling employees how they think they should do their work	Have a paradigm shift, be innovative See bigger picture Strategic thinking by senior management Planning for the future to avoid making the same mistakes as the previous management Change oriented Long-term planning <u>Create a culture of cooperation and teamwork</u> Co-operative with each other Improve interdepartmental communication Communicate with all role players The different departments should interact with each other where applicable Being aligned and working as a team with a common goal Open transparency between departments Quality communication <u>Build strong management skills</u> Design a procedure that will work Listening to employees and encouraging participative management styles Business listening skills Motivating employees to treat customers as they should be treated Management must start making people feel good and proud of good things that they do They must start managing the employees Actively get involved and have ability to solve complex problems	organisation as a whole not just for a department Communicate more Strive to always do better and see where you can improve and share your knowledge and experiences with others Have multi-disciplined meetings Communicate to all stakeholders Form alliances with all the supply chain parties <u>Visionary</u> They should continue to refocus the company in the right direction They should continue to focus on market segmentation and rail friendly business Implement proposed improvement programme as per the business plan Reengineer delivery process Invest in new technology Invest in the future of the company Improve business processes <u>Coaching</u> Motivating Trusting Believing Empowering Grooming <u>Integrity</u>

STOP	START	CONTINUE
preventing innovation Answering questions without finding answers from those who are doing the work physically Being driven by systems Abuse of or harassing junior personnel De-motivating employees Treat employees unfairly	<u>Be decisive and accountable</u> Take decisions immediately Take ownership of problems Implement ideas and strategies without delay	Commitment and hard work <u>Create reward systems</u> Reward employees for good performance through incentives
	<u>Be affiliative</u> Caring for their employees Listening Realising the importance of each one from a general worker to the CE Management should be more involved in their employees work environment Explaining to the workers their strategic plans Doing a survey on how many people really want to be in the company Motivating employees	<u>Decision making and accountability</u> Continue making quick decisions Continue taking ownership of problems Reduction in expenditure Keep the profit levels high
	<u>Coaching</u> Trusting Believing Empowering Grooming Motivating	

4.2.2 Weak management skills and executive inexperience

Figure 4.1 Management Skill Requirement

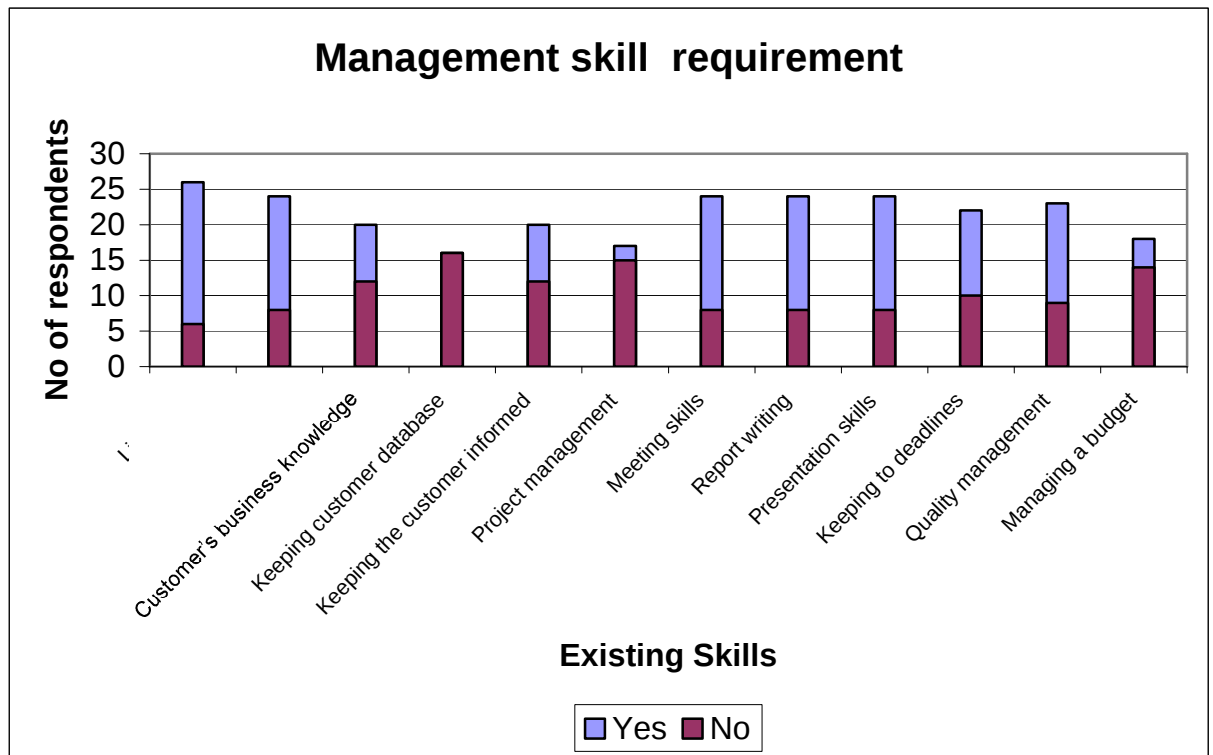


Figure 4.1 depicts the views of respondents on skills required for the management to be competitive. It highlights levels of existing skills and skill shortages within SpoorNet. For example, 60% of respondents felt that customer business knowledge is lacking in SpoorNet, whereas 100% of respondents believed that there is absolutely no customer database in SpoorNet.

4.2.3 Leadership styles

The measure of leadership behaviour and style is based on the subordinate's perception as outlined in Table 4.3 below.

Table 4.3 Analysis of Measures of Leadership Style

Style / Characteristic	Yourself	Your executive manager	Your general manager	Your CEO
This person gives direct orders	10	14	15	13
This person is persuasive	17	11	8	7
This person has a participative style	24	8	6	8
This person delegates appropriately	12	13	8	5
This person makes decisions jointly with the team	13	6	8	4
This person makes decisions on their own	2	11	14	10
This person makes decisions with their own peers	6	7	10	7
This person collaborates with their team	20	8	6	5
This person gives enough information for the team to make its own decisions	11	8	4	5
This person does not share enough information with team, but team must make decision	1	9	11	5
This person makes ad hoc decisions	1	10	9	4
This person makes decisions based on solid facts	15	9	6	7
This person correctly diagnoses	14	11	3	8

Style / Characteristic	Yourself	Your executive manager	Your general manager	Your CEO
problems				
This person often solves the wrong problem	1	7	5	1
This person implements decisions once they are made	22	7	5	5
Nothing changes after decisions are made by this person – no implementation	3	2	7	4
Decisions made by this person are not communicated to staff	1	4	5	3
People can easily discuss problems / ideas with the individual	21	13	5	4
People do not feel safe discussing issues with this individual	2	4	9	1
The individual fosters a learning environment	14	13	6	7
The individual has a solid base of knowledge	13	15	10	11
The individual has all the skills and knowledge needed for their position	19	15	8	7
The individual is emotionally intelligent	10	10	6	9
This person is often unavailable to speak to	1	4	10	6
This person makes me feel committed to SpoorNet	9	9	4	11
SpoorNet would be better off if this person left	0	2	7	1
This person sits on the fence and won't commit themselves	0	4	10	1

Style / Characteristic	Yourself	Your executive manager	Your general manager	Your CEO
This person is a great ambassador for SpoorNet	9	7	6	13
This person has a high level of integrity	14	9	6	12
You only see this person when there's a problem	0	4	10	12

The numbers in the columns represent the number of respondents that support the leadership characteristics or styles of each leader. For example, in the second last row, 14 respondents viewed themselves as having a higher level of integrity than their leadership team of executive managers, general managers and the CE. Only 12 respondents believed that the CE has integrity. The immediate team of the CE, the general managers, only received support from six respondents.

4.2.4 Culture and structures that encourage empowerment

Figure 4.2 Levels of Empowerment

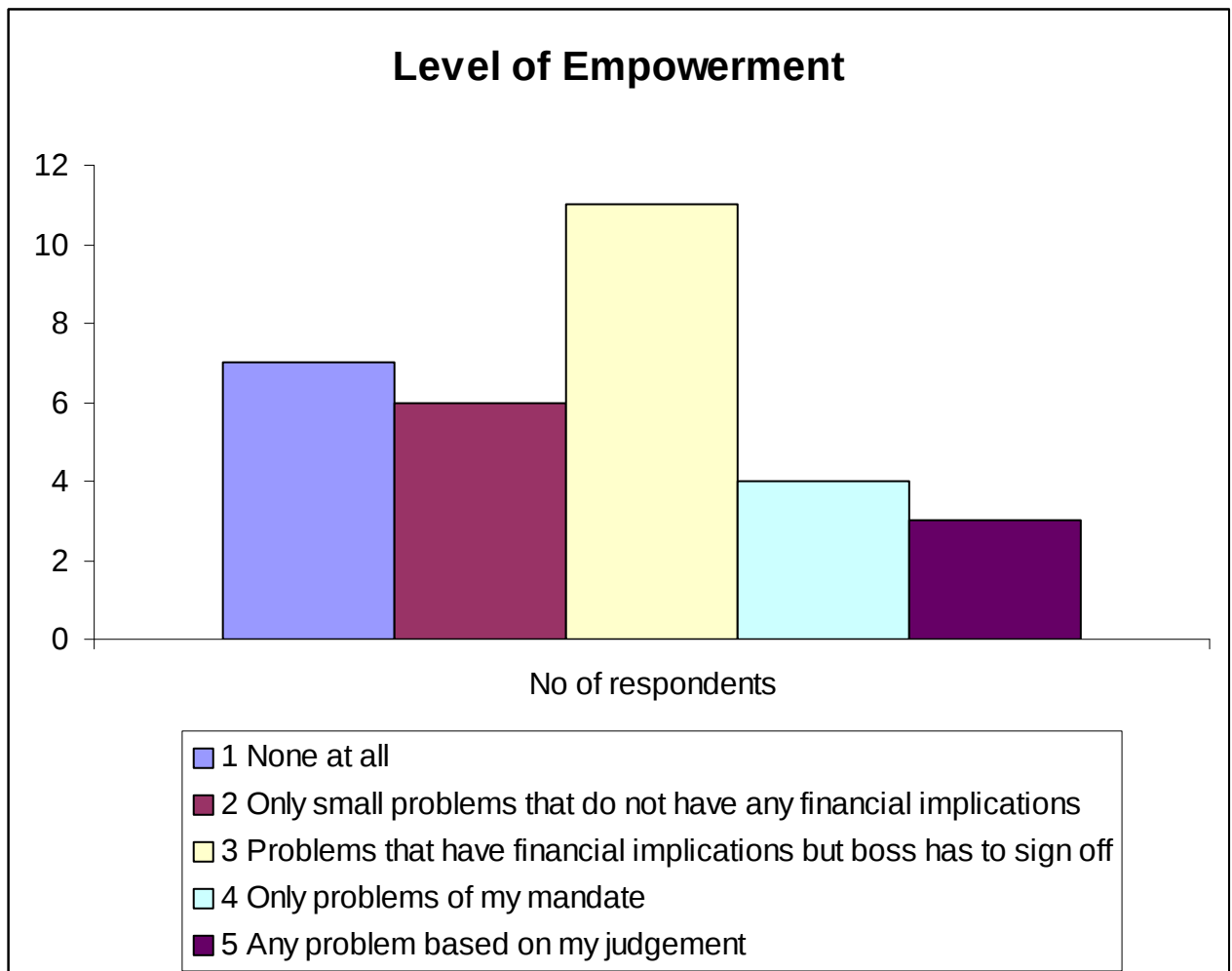


Figure 4.2 depicts the views of respondents on the levels of empowerment within Spoornet. For example, 21% of respondents felt that there is no empowerment at Spoornet, whereas 9% of respondents felt that there is a high level of empowerment because they are allowed to use their judgement to take decisions.

4.2.5 Interfunctional integration

The results of the study of inter-functional integration are presented in the sections below.

4.2.5.1 Sharing of information across boundaries

The following were considered to be problems in this area:

- Customer information is exclusive to marketing people on the portal;
- Information is shared to a limited extent in meetings with other functional staff;
- Communication between departments is always a problem;
- Competition exists between departments;
- Database is unreliable;
- Customer information is only shared at management level and not all employees have access to such information;
- Sharing of information happens by word of mouth, with no technology to support it;
- The information is centralised and not for all employees consumption;
- Database on the computers is very outdated;
- Spoornet is inwardly focused and does not share much information across departments and with customers;
- There is a strong element of silo management;
- Database only has relevant information and limited access to employees and other divisions;
- Sharing of information is not good enough but it is improving;
- Strategies are non-existent, except customer strategies and industry strategies, which we have completed and saved in the portal.

Issues raised in this section deal with problems pertaining to inter-functional integration. There is a high level of consistency among respondents about lack of information sharing and departments not willing to work together for a

common objective. Also what comes out strongly is inaccurate data information, where accurate information would facilitate the sharing of information among departments.

4.2.5.2 Optimisation of resources across boundaries

In terms of optimisation of resources across boundaries, the respondents highlighted the following problems:

- Optimisation across boundaries is prevented;
- Reporting systems are not automated; there is a lot of manual human intervention;
- Reporting systems are not centralised;
- There is no common goal/vision;
- Creativity is not encouraged;
- Spoornet is still very much practising a silo/own department's interest;
- There are no clear business processes, and there is a lot of duplication;
- The company is structured in way that creates competition between departments;
- There is a culture of blaming each other, and no clear accountability;
- There is no communication on a real-time basis;
- There is a lack of cross-functional meetings;
- There is too much of a silo mentality in the company.

The views in this section seem to support the issues mentioned in the previous section, with lack of co-operation between departments, duplication of duties, suspect data integrity and unclear business processes highlighted by respondents. All these issues mentioned above are viewed by participants in this study as hindrances to the optimisation of resources. These issues also highlight the disintegration of functional departments in Spoornet.

4.2.6 Reward systems

Issues raised in this section of the interview that discourage individual and team performance in Spoornet are summarised in Table 4.4 below.

Table 4.4 Reward System Issues in Relation to Customer Service

Team performance	Individual performance
• There is a lack of accountability • There is a lack of communication • Objectives are not clearly defined • Departments operate in silos • There is nothing on the performance appraisal that encourages teamwork • Rewards are individual based • There is a lot of favouritism with regard to performance appraisal, it is an unfair process • There is no performance management • Performance objectives are not agreed to at the beginning of the financial year and they are forced by the superior • No known reward system for team performance • Performance measurement is a very subjective measurement tool in Spoornet • Focus on team members competing amongst themselves	• Performance appraisal is linked to personal salary reviews or increases • General manager can unilaterally adjust one's final score/rating • There are no proper rewards for individual performance • Unreliable/poor key performance indicators (KPI) measurements • There is no system in place to reward outstanding performance • Key performance areas (KPA's) are not negotiable • Financial targets are imposed on individuals • There is no succession planning • Good work very seldom acknowledged • People are not fairly rated • Employees are measured on

Team performance	Individual performance
• Performance measurement on customer service related problems that are out of your department's control discourage the whole team • Incompetent management or team leader • No systems in place to recognise customer service excellence • 90% of key performance areas are inwardly focused and do not address customer issues	things that they have no control over or input into • No feedback given to employees on how or what to do to improve their performance • Performance measurement is viewed as a punitive measure • Performance objectives are not agreed to at the beginning of the financial year and they are forced by the superior • There is no reward system • Individual focus on internal issues rather than on customer service • One gets measured on customer service related problems that are out of one's control • There is lack of tools, training, infrastructure to support performance measurement • Performance reviews are used as a revenge platform • No cognisance is taken of one's actual responsibility, it is a "one shoe fits all" situation • Current performance management does not encourage individual performance

5 INTERPRETATION OF RESULTS

In this section, the research findings are evaluated with reference to the research problem, the propositions made, and the literature reviewed.

5.1 People

5.1.1 Proposition 1

Management must display attitudes and behaviours that communicate integrity

In this section, the respondents were very vocal about their views on issues that affect customer service in Spoornet. Although 50% of the respondents felt that the level of customer service is average, 38% of the respondents regard the customer service at Spoornet as poor. This represents strong evidence of serious issues surrounding customer service, which pose serious challenges to the leadership of Spoornet. The findings suggest the organisational issues in the form of weaknesses that may have to be addressed by the leadership of Spoornet to build effective customer orientation, rather than paying lip service only to this goal. The findings of this study regarding management behaviour and attitudes that are consistent with the theories of Kotter (2001) and Messikomer (1987) are summarised in the following categories:

1. Lack of integrity;
2. Focus on internal issues of organisational politics;
3. No clear vision; and
4. Poor understanding of customer needs.

It is interesting to note that all the respondents expressed similar views on the issues mentioned above. And most of these respondents have a direct responsibility for the achievement of customer orientation because they deal with customers on a day-to-day basis.

The results of this study strongly suggest that certain management behaviours as mentioned above are serious barriers to the achievement of a successful customer orientation in Spoornet.

5.1.1.1 Lack of integrity

Interestingly, all the respondents highlighted integrity as the major problem in the behaviour of Spoornet management. Issues such as management not walking the talk, management' mistrust of its employees, management demotivating its employees and not believing in their employees, poor reputation of the organisation's leaders were all mentioned by the respondents. These findings are not consistent with the theory of Kotter (2001), which argues that management integrity is the essential factor in installing improved customer orientation.

When the respondents view their leadership in such a manner, it indicates that they do not have trust, belief or confidence in their leadership. This becomes a serious problem in the sense that the strategies of customer-service orientation that the leadership is putting in place will not be taken seriously by the employees. The employees will simply ignore even the good intentions of the leadership because of their past bad track record.

These findings show that there is strong evidence of complacency among employees, an unwillingness to listen to their leaders, and strong doubts about trusting their leaders.

5.1.1.2 Focus on internal issues of organisational politics

High levels of political manoeuvring and internal conflicts are prone to lower levels of customer orientation. Indeed, it is intuitively plausible that managers focusing on internal issues of organisational politics, characterised by friction,

would probably neglect customers. It is widely recognised that developing and sustaining high levels of customer-focus under such conditions is difficult. The existence of this strong tendency in Spoornet defines a real constraint on the degree to which the company can be customer-oriented.

5.1.1.3 No clear vision

There is an indication that a number of respondents consider this to be a major problem in Spoornet, but this view only refers to the time prior to the appointment and arrival of the current Chief Executive (CE). The previous CE was unable to offer a clear vision and direction to Spoornet, and these findings were collected during her tenure. This previous CE did not devise a clear strategy for Spoornet despite the promises that she made on her appointment. All that the employees witnessed was the destabilisation of the organisation through the suspension of senior executives and the number of resignations following her departure. These findings support the theories of Hackett *et al.* (1999) and Hoag *et al.* (2002) that if the executives do not understand the coalitions and networks of the organisation that will resist or threaten change, this could create a strong barrier in achieving a customer-oriented culture.

With the appointment of the new chief executive in Spoornet, people have started to see clarity with respect to the goals of the organisation. The new leader has articulated the vision of the organisation very well through implementation of a strategy wheel and the creation of a credo of “one team, one vision”. People now know and understand what is expected of them, even though they might not honour the tasks given to them. The new leader did this through robust communication, using different forums such as an internal radio station called “Radio Heartbeat”, internal magazines, workshops, visits to depots and mounting posters of the strategy wheel in all the public places of the organisation to ensure its visibility. This strategy is also communicated in different languages such as Sotho, Zulu and Tswana to ensure a clear understanding of its meaning and purpose by all different language groups in the organisation.

People can now see how their work fits into the bigger picture and can understand what is expected of them. People are motivated to be innovative through “winning ideas’ programme” which have been set up to gather more ideas from employees. Good prizes are given for the best ideas and suggestions. All this is aimed at maximising the buy-in for this overall long-term goal and strategy.

5.1.1.4 Poor understanding of customer needs

The overwhelming response from the respondents on this issue appears to have been driven by the frustrations of not getting any support from their leadership in their interaction with them on customer-related issues. A lot of claims and allegations came out of this study against the leadership about the way they treat and handle customer-related issues. Most of the respondents have a direct relationship with customers and get first-hand information from them in sharing their own frustrations about dealing with Spoor.net.

The emerging evidence about the company practices in achieving customer orientation suggests that there is rather more lip service to be found than a genuine and effective implementation of customer orientation. What is clear from the findings is that leadership does not practise what they preach about customer service inspite of all the good intentions of putting systems in place. Certainly part of the problem is one of understanding customer needs, and the move from customer orientation aspirations to practical management action to realize those aspirations. As Messikomer (1987) argues, managers and executives often espouse the notion of improving customer-orientation levels but behave in a different manner. A positive behaviour is required from management to change the entrenched cultural beliefs of the organisation.

The aspirations to realize customer orientation have been shown by the appointment of Perry & Associates consulting company to promote change management and develop a culture of customer service that will ensure that

current customers are retained and that market share is increased. The main target for this change management was the Sales and Marketing Department staff. This initiative, which started in August 2005, is supportive of the findings regarding the lack of customer-focus and understanding of customer needs at Spoornet. No new policies or changes have been implemented following the completion of this project. This kind of behaviour suggests that the leadership either does not believe that there is a problem, or if the process of addressing customer orientation is on their agenda, that the leadership has not prioritized it.

The single most important point to which the above arguments lead is that customer orientation is not about doing things differently and throwing money at customer problems but that it is somewhat more about effective implementation of customer orientation based on changing the way critical processes are managed, internal systems are created to sustain them, and traditional thinking and practices of the organisation as a whole are changed. This situation presents the biggest challenge to the leadership, which is to create an environment in which diverse approaches share an interest in the primacy of customer satisfaction and the processes of aligning organisational behaviour with market characteristics.

To develop marketing strategies that rely on customer-oriented characteristics, when managerial behaviour may substantially impede achieving the desired high levels of customer orientation, is dangerous in the sense of wasted time and money.

5.1.2 Proposition 2

The management and executives should have the skills necessary for effective customer orientation.

One of the key issues that came out of the survey is dissatisfaction by most employees when it comes to the manner in which management leads employees. The issues pertain to: the ability of the leadership to take decisions; its lack of focus; and its disrespect for and unfair treatment of employees. This

study responds positively to the theories of Imberman (2000) and Zeffane (1996), which claim that executive inexperience and weak management skills restrict customer-orientation development. The responses summarised in Figure 4.1 (page 53) present strong evidence of weak management skills on customer database, customer's business knowledge, and keeping the customer informed. This study highlights a lack of training and development in those skills and capabilities that enhance company responsiveness and customer-focus.

With the lack of the skills mentioned above, it will be difficult for Spoornet to achieve customer orientation. It is important to have a full understanding of the customer and the industry in which the customer operates; the opportunities that are available; and the challenges facing Spoornet as it deals with its customers. Spoornet is at the heart of the South African economy, and therefore management and leadership need to know and understand various segments of the industries, and their long-term market outlook so as to position Spoornet to capitalise on market opportunities. Training on these customer attributes is crucial in achieving customer satisfaction with Spoornet's services.

Also, in the Employee Satisfaction Survey that was undertaken by Spoornet, one of the key issues that came out is a broad dissatisfaction by most employees on the Training and Development Strategy of the company. The issues pertain to employees not enjoying equal opportunities to leadership development in the company, which would ensure that the employees were given relevant on-the-job training and coaching. These findings are in line with the views of the respondents of this study that are listed in the above paragraph. It is evident from both of these studies that there is a lack of training, coaching and development of management and leadership of Spoornet. Encapsulated in one of the pillars of Spoornet strategy is the growth of employees and the development of management and leadership. This put a huge burden on the Human Capital Department of the organization to review the leadership development practices and competence level requirements for these positions.

5.1.3 Proposition 3

A menu of change leadership styles is required to manage cultural change.

The findings of this study did not provide clear evidence of the leadership style and characteristics present in SpoorNet. The results, as presented in Table 4.3 (page 54), indicate a level of bias by the participants, who evaluated their leadership characteristics more favourably than realistically. This rigid response could also be caused by fears of victimisation resulting from the external threat of restructuring that is currently being experienced in the organisation. As a result, it is difficult to draw any definite conclusions on the basis of these results.

But the general comments from the respondents that emerged from the other findings of this research such as the views presented in Table 4.2 (page 50), described three characteristics of poor leadership in SpoorNet. These are outlined below.

5.1.3.1 No clear vision

Managers and senior executives have been seen to be weak in exercising their leadership when they have not been able to provide signposts for where the organisation is heading. Many statements from respondents referred to the “lack of goals or strategies, internal focus, and continuous restructuring”. Uncertainty precludes action, and no one seems to be willing to take ownership for any decisions regarding change, probably because no one wants to be responsible for failure. Though the new CE, Siyabonga Gama, has developed a new strategy wheel for SpoorNet, the problems highlighted above are very much prevalent in the organisation. Hence, the conclusion can be reached that vision is still lacking within the organisation.

5.1.3.2 No mentoring or coaching

The belief of many respondents that leadership displays a lack of management skills implies a vacuum or gap that is created by the departure of highly skilled executives. This became very visible when Zandile Jakavula, the ex CE of Spoornet, left the organisation in August 2002. The company could not find a replacement from within the organisation, but eventually getting someone from outside the organisation, confirming the lack of mentoring or coaching highlighted by the participants in this study. This is a problem that employees are experiencing currently and one that affects their development and growth in the organisation. There is no mentoring policy that exists in the company that would help in sustaining the required critical skills in Spoornet. The respondents' consistent mentioning of "disbelief" or "de-motivation" of managers with regard to their employees confirms this lack of coaching because good coaches communicate a belief in people's potential and an expectation that they can do their best.

5.1.3.3 Lack of empathy

Many respondents reported that the managers show disrespect for their subordinates, treat them unfairly, and make them uncomfortable. Leadership is seen to be poor when it does not value people and their feelings. In an organisation like Spoornet in which trust is lacking and there is a low level of morale, affiliative leadership becomes fundamental in building a positive climate for change, which is needed to achieve the customer-orientation objective.

All the above leadership characteristics or styles create the kind of resonance that boosts performance of the company and influences the motivation of employees, according to the theories of Goleman *et al* (2002) and Bowman (2000). Having this repertoire of emotional intelligence strengths makes leaders strong enough to handle the wide ranging demands of running an organisation. The fact that there is a lack of the above styles in the leadership of Spoornet, puts a big burden on the senior executives of Spoornet in terms of the way in

which it can achieve the customer-focus objective. Without these three leadership styles of visionary, coaching and affiliative, it would be difficult to influence change in such a volatile and unstable environment as SpoorNet's.

5.2 Processes

5.2.1 Proposition 4

Leadership should create structures and a culture that encourages empowerment.

In this study, there is clear evidence of a lack of empowerment of employees. Figure 4.2 (page 57) shows levels of empowerment and it is evident from this figure that empowerment does not exist in SpoorNet. This outcome should not come as a surprise since SpoorNet is a traditional hierarchical organisation. This type of environment runs contrary to the theories of Steven *et al* (1999), Harris & Ogbonna (2001), and Melhem (2003), which state that empowerment can only be achieved if the necessary condition and right climate, which promotes open communication, encourages risk taking, and builds trust and knowledge, are established by the leadership of SpoorNet.

The above outcome of this study is further supported by the views of the respondents, mentioned in Table 4.2 (page 50), which highlight issues such as poor communication, mistrust, disrespect for subordinates, and lack of management skills as issues that impede customer orientation. Trust, communication and knowledge are antecedents of empowerment as mentioned in the theories of Melhem (2003), Harris & Ogbonna (2001), and Steven *et al* (1999), reviewed in this study; they create an environment of satisfied employees who are capable of providing better value for the customers. Without the right skills, it is impossible for individuals to participate in the business and to influence its direction or even to do their jobs effectively. In the Employee Satisfaction Survey undertaken by SpoorNet, one of the key issues that emerged is the broad dissatisfaction by most employees in terms of training and

development in the organisation. It became evident from this survey that there is poor on-the-job training, and lack of coaching and leadership development. This immediately highlights a serious job competence issue in SpoorNet, especially in relation to the achievement of a customer-orientation process strategy. This kind of environment is not conducive to empowerment.

Prior to the appointment of the new CE, Siyabonga Gama, top management was reluctant to share financial, performance and strategic information with people throughout the whole organisation. There have been major improvements since the appointment of Siyabonga Gama as CE. Financial performance of the organisation is published on a weekly basis; this process has become transparent, and employees know the financial status of the company and what is expected of them to improve the situation. Strategic information is clearly communicated to employees in different languages and is visible in all the public arenas of the organisation.

With this in mind the serious challenges for leadership lie more in the increasing of knowledge and trust if a high level of empowerment is to be achieved in SpoorNet. Weber & Weber (2001) put it very clearly that trust in management, perceptions of supervisory support for improvement, and perceptions of organisational readiness for change are critical employee attitudes that must be taken seriously in the transformation of the organisation.

5.2.2 Proposition 5

Leadership should create structures and a culture that encourage inter-functional integration.

In this study, there was repeated reference to a lack of communication between departments, to poor teamwork, and to silo management. These problems are viewed as a strong barrier to customer orientation by the theories of Harris & Ogbonna (2001) and Drew (1997). This problem of silo management results in departments not working towards the common goal of customer orientation.

Each department sees its role as ending within its own operational area, and does not take an interest in anything that is beyond its own functional area.

Spoornet is divided into so many departments that are key to the delivering of service and the satisfaction of the needs of its customers. Within train operations alone, one gets departments such as the Capacity Department, which is responsible for the supply of wagons and all the auxiliary equipment for a train; the Locomotives Department, which supplies locomotives; the Service Delivery Department, which schedules and runs trains; the Wagon and Locomotive Maintenance Departments, Infrastructure Maintenance Department, etc. Each of these departments has its own leader in the form of an executive. A lack of cooperation from one department affects the functioning of other departments because of their interdependent nature of running of train services. The frustrations that have been experienced by the customers are usually attributed to the lack of cross-functional co-operation between these departments.

Day to day fights between departments seem to be prevalent, with each department blaming the other and with a clear lack of accountability and ownership of the problem. This clear lack of accountability seems to be caused by a lot of duplication between departments, resulting from unclear business processes. There is no transparency in what the departments are doing; people hide information with the aim of clouding their own inefficiencies. There is a lot of manual human intervention in the provision of information that is vital to running of train services in Spoornet. For example, people will not declare in the intelligence dispersion systems the resources that they have, such as wagons within their area of operation making it very difficult for the national planning offices to plan well for client demand. Because of this major human intervention and the lack of a teamwork culture, sometimes the required information is not distributed on time to the required portals, again having a major effect on customer service delivery.

This kind of behaviour prevents the dissemination of information across departments, depriving other key stakeholders of information intelligence that is

vital to the execution of their duties. The views of the participants in this study support the theories of Harris & Ogbonna (2001) and Drew (1997), which define lack of functional integration as a potential pitfall to customer-orientation development. The challenge facing the leadership with respect to this problem is to promote a culture of teamwork and establish cross-functional co-operation so as to achieve the desired end results of customer orientation.

5.2.3 Proposition 6

Leadership should implement reward systems that encourage a customer-service orientation.

Issues raised in this study and summarised in Table 4.4 (page 60) give strong evidence that the company exhibits a low level of customer-oriented reward system. A variety of issues raised, such as that employees are measured on objectives over which they have no control, indicates that people have no idea of what they should be measured on or that there is a lack of training on the importance of the performance objectives presented to employees as a tool of measurement. This view is not in line with the theories of Appelbaum *et al* (1998), which advocate that every employee in the organisation needs to know his/her responsibilities and how his/her performance will be evaluated and monitored against a predetermined set of goals. Without knowing their roles and responsibilities, the employees will resist any change that the leadership introduces to the company. There cannot be any progress on the desired objective if the change that has been introduced cannot be measured.

Participants in this study also mentioned that performance measurement is used to punish employees and that there is no fairness in it. Trust in management becomes an issue when employees view management's intentions in this manner, to the extent that they will reject any attempt by management to improve customer orientation on the grounds of not trusting its intentions. Basically, leadership of SpoorNet do not ascribe to the theory of Eisenbach *et al* (1999), which puts emphasis on leaders motivating their followers to identify with their vision and to sacrifice their self-interest if they are

serious about achieving the organisation's objectives. It follows that leadership in Spoornet does not create a receptive environment for change with the kinds of behaviours mentioned above and performance measurement cannot be implemented effectively in this kind of a hostile environment, performance measurement will be more of a window dressing tool.

The participants in this study also mentioned that the performance appraisal in Spoornet does not encourage teamwork. This view confirms what has already been mentioned in Proposition 5 about the lack of inter-functional integration in the company. Team effectiveness is maximised when the desired process, such as the customer-orientation process requires the co-operative effort of all members owing to the interdependence of work functions. So, a team-based incentive compensation plan can nurture the development of positive behaviour related to teamwork and co-operation. What became clear in the study is that the reward system currently in place promotes individual performance rather than teamwork. But if the company wants to achieve customer orientation through teamwork, then it can only be successful if reward systems are also designed to reward the achievements of teamwork against clear set customer-focused objectives (Macaulay & Cook, 2001).

Another interesting point that emerged from this study is that there is no reward system in place to recognise customer-service excellence. Reward systems in Spoornet in the form of incentive bonuses are budget and profit driven. These incentive bonuses get paid at the end of the financial year provided that the company achieved the operational profit budget. It is a standard reward system, which gets paid to all employees regardless of individual or team performance. This kind of an incentive pay out is not linked directly to customer satisfaction in addition to business milestones, which is in opposition with the strategy of customer-focus set up by the organisation. In addition to the above, employees in this organisation also look to the company for incremental wage increases with no correlation to the company's well being.

The challenge of aligning SpoorNet's reward system to produce the behaviours that support the business strategy of customer orientation will be the critical success factor in enhancing the company's strategic effectiveness. Leadership will have to come up with an incentive system design that consistently supports the customer-focus strategy.

6 CONCLUSION AND RECOMMENDATIONS

6.1 Management attitudes and behaviours

The findings of this study have a number of important implications for the Spoornet senior executives. The results of the study strongly suggest that certain management behaviours are a significant determinant of lack of successful achievement of customer orientation in Spoornet.

This study endorses the view and argument that appropriate leadership training will help existing and new managers to improve their effectiveness. Leadership training can be achieved in a variety of different ways and on a number of differing occasions. For example, during recruitment and induction, managers may be vetted for leadership skills and training needs in the area identified. Spoornet could invite customers to assist with selection and training of new leaders during the recruitment process, the logic being that since the customers are directly affected by success in hiring and training the right people, they can play a role in hiring and training these people.

In Spoornet, training and development activities have been identified as a huge expenditure and a waste; this has meant that these activities have not been budgeted for over the past financial years. This means that there is no training and development for executives and employees. To build the integrity of leadership and an understanding of customer needs by employees, it is necessary to develop executive, managerial and employee skills and knowledge even if this means re-tuning the existing courses to achieve the required customer-focus orientation. This suggests concentrating training and development initiatives on those skills and capabilities that enhance company responsiveness and market focus. This effort will focus the values and attitudes of leadership and employees on customers' needs. Spoornet must design and implement induction and recruitment procedures to encourage new employees to understand and appreciate customer values and to foster positive attitudes towards customers.

One other way that could influence the thinking and beliefs of leadership is the simple organising of events and social functions around target industrial sectors in the form of training seminars. SpoorNet could also organise “Customer Days”, in which groups of customers visit the company to tell the senior management what they believe are the needs and preferences in the market. The effect of having senior executives meeting customers informally, and talking to them is fundamental to shaking the SpoorNet corporate values and beliefs. Senior executives should also be involved in investigating and solving at least two customer complaints on a monthly basis so that everyone in the company can take customer complaints seriously. All the above ideas should be made a policy of the organisation in developing ways for effectively listening to customers, responding positively, and building customer loyalty through this care and attention.

6.2 Empowerment and skill requirement

For employees to be empowered, they must be allowed to exercise a degree of discretion during the service delivery-process by being given more freedom, responsibility and a sense of ownership to satisfy the variable needs of different customers. Two features that are essential for the effective implementation of a customer service-orientation strategy are trust and knowledge or skill.

Managerial trust in lower-level employees improves their involvement and participation in decision-making situations. Without trust, empowerment cannot work. Leaders need to trust employees by distributing power, exhibiting confidence in their employees, accepting new ideas and providing necessary resources. Leadership must encourage a risk-taking culture and this risk taking can only prevail in a culture of trust. Central to this argument is that employees close to the customer are the first to know about problems and are in the best position to determine what can be done to best satisfy the customer. These employees can be more responsive and proactive than their leaders in dealing with customer problems and complaints as a result of their constant interaction

with customers. So it is vital for leadership to build this trust with their employees so as to facilitate a customer orientation-process strategy.

Knowledge, skill and expertise are very important conditions for empowering employees to act and deal with customers with that skill or knowledge. This is one area in SpoorNet that seems to be a problem across all levels of the organisation. If leaders themselves are not knowledgeable about the job content, there is no way that they can empower their employees because they become self-protective and defensive in dealing with their employees. Since growth of employees is one of the pillars of SpoorNet strategy, the CE needs to address this problem aggressively, as he has done with the problem of information sharing and communication improvement. The Human Capital Department needs to develop a clear employee development programme by assessing the existing skills in relation to the current job skill requirement. This will enable this department to identify gaps in skill match, develop the current employees through training, or source the required skills from the market. Knowledge increases an employee's confidence in decision making, and, more importantly, in the serving of customer needs.

It appears to be judicious to involve employees as far as possible in decision making, especially where such decisions are likely to have a direct effect on them. In this way an environment can be created where employees at all levels can have a sense of ownership, and their involvement will be manifested in their interactions with customers.

6.3 Reward system and inter-functional integration

The communication of SpoorNet's strategy of customer-focus can be efficiently executed through a properly designed reward system. An open system of communication, which can include sharing the organisation's overall incentive policy, tends to encourage people to ask questions, share data, and ultimately be involved in making decisions. Proper communication has been shown to increase employees' satisfaction and appreciation of reward benefits. With

proper infrastructure in place, incentive compensation programme can be extremely valuable in supporting the way management wants to drive the company.

In support of the above, the following conditions must be present for rewards to elicit desired performance:

- Important rewards must be given and tied to performance;
- Information must be made public about how rewards are given;
- Leadership must be willing to explain and support the reward system in discussions with their subordinates;
- Performance must be objectively and inclusively measured;
- Meaningful performance appraisal sessions must be put in place; and
- High levels of trust must be developed between management and subordinates.

Objectives set jointly by employees and managers will help to develop the often elusive trust. It will demonstrate to the employees involved that their contribution is considered important, and should make it easier for them to understand and accept what is expected of them.

All employees should be included in the reward opportunities. Since teamwork and co-operation are essential to the achievement of the organisation's objective of customer orientation, as discussed, group incentive plans will be the best choice for success. The reward can be designed around short- and long-term objectives aligned to the overall organisational goals. The time horizon for payment of rewards should be short so that employees do not lose sight of their relationship to performance. The payment should be made as soon as possible after the accomplishment of the set objectives. Leadership needs to introduce flexible incentive schemes, varying from a month to a year, so as to support the above argument. These reward systems should not be restricted to only monetary value but should also be made in the form of vouchers or holidays to employees.

Leadership needs to recognise the fact that reward programme should focus on a system in terms of which individuals can be intrinsically motivated by their jobs. The tasks should be designed to make them interesting, with room for creativity, and employees should have some say in decisions that concern them.

In conclusion, Spoornet must focus its employees on the benefits of the customer-orientation strategy. As an aid to reinforcing this process, Spoornet must base its rewards on individuals or team achievements in the area of customer care. These achievements can be measured through well-developed marketing methods. A further development in reward strategy might be to develop competencies such as effective communication, teamworking and innovation to support the customer-orientation strategy. It is essential for Spoornet to align these competencies to the behaviour and performance of its employees.

6.4 Areas for future research

The research conducted in Spoornet was limited by the researcher not getting an opportunity to do indepth interviews with the CE and his general managers. This would give the researcher a better view of the leadership styles of the whole top-level team of Spoornet and test the theory of Goleman *et al* (2002) on this team. Such a study will indicate whether a right mix of leadership styles that exists in Spoornet and will identify gaps in that mix and the implications of these gaps for the sustaining of the desired changes in the organisation.

From the framework or model of investigation set out in Figure 1.2 (page 20), it would be interesting to look at operational fundamentals such as service delivery and infrastructure, to find out if these fundamentals support the customer-focus objective and to identify challenges that exist, as has been done with people and processes in this study. An ideal situation would have all these fundamentals fully integrated for the achievement of customer orientation.

A third area of interest, associated with the second one, is the use of methodologically sound techniques in the analysis of data, and the employing of alternative methods to measure the customer-orientation processes in Spoornet. The direct association between processes and their level of impact on customer-service orientation could be measured through the use of alternative methods.

6.5 Summary

The aim of this project was to identify the challenges facing the leadership of Spoornet in achieving a customer-oriented organisation, focusing on both people and processes as the drivers of this customer-focus objective. The study generated a large amount of information on key challenges facing the organisation despite the limitations of using a convenient sample, but these limitations were mitigated by collecting data from different levels across the organisation.

It can therefore be concluded that the use of this technique will make a positive contribution to the strategy of achieving customer orientation in Spoornet.

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Appendix A: Questionnaire

Leadership challenges in creating a customer focused organisation: the case of Spoornet

Survey questionnaire for Spoornet employees

Respondent number:

Section A: Demographics

Requesting demographic information enables the researcher to obtain information that is valid for all South Africans, so that recommendations can benefit all players in our diverse society. It is hoped that these questions will not cause offence.

1. Please indicate which of the following describes your job best:

Senior executive	Executive	Manager / Supervisor	Staff / Employee
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2. Please indicate your gender:

Male	Female
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3. Please indicate your race:

Asian	Black	Coloured	White
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Section B: Customer-oriented attitudes and behaviours

4. In your opinion, how does Spoornet rate on customer service? Please tick one of the boxes below:

1	2	3	4	5
Very poor	Poor	Average	Good	Very good

5. Please give brief reasons for your rating in question 4. Give an example of an actual event if possible.

6. In terms of customer service, what should leaders and managers at SpoorNet stop doing, start doing, and continue doing?

STOP	START	CONTINUE

7. What skills should executives and employees have for good customer service? Do you have those skills at a sufficient level? How could you acquire them if not?

Skill for customer service	Do you have enough of the skill?	How could you improve the skill?
Listening		
Own subject knowledge		
Knowledge of customer's business		
Keeping a customer database		
Keeping the customer informed		
Project management		
Meeting skills		
Report writing skills		
Presentation skills		
Keeping to deadlines		
Quality management		
Managing a budget		

8. To what extent do you have the authority to address customer problems yourself?

1	2	3	4	5
None at all; must get permission for all decisions and actions	Only small problems that do not have any financial implications	Problems that have financial implications but boss has to sign off	Problems that have financial implications up to my mandate	Any problems based solely on my own judgement

9. How does Spoornt share customer information across functional and divisional boundaries? (Eg a database with employee access) to foster good customer relations?

10. How does Spoornt optimise / prevent optimisation it's resources across functional, divisional and geographic boundaries?

11. How does Spoornt's performance management and reward system encourage or discourage team and individual performance with respect to customer service?

	Team performance	Individual performance
Encourage		
Discourage		

12. Tick which of the following leadership styles or characteristics you applied yourself or have seen applied by the management at SpoorNet? Tick only the boxes that apply.

Style / Characteristic	Yourself	Your executive manager	Your general manager	Your CEO
This person gives direct orders				
This person is persuasive				
This person has a participative style				
This person delegates appropriately				
This person makes decisions jointly with team				
This person makes decisions on their own				
This person makes decisions with their own peers				
This person collaborates with their team				
This person gives enough information for team to make own decisions				
This person does not share enough information with team, but team must make decision				
This person makes ad hoc decisions				
This person makes decisions based on solid facts				
This person correctly diagnoses problems				
This person often solves the wrong problem				
This person Implements decisions once they are made				
Nothing changes after decisions are made by this person – no implementation				
Decisions made by this person are not communicated to staff				
People can easily discuss problems / ideas with the individual				
People do not feel safe discussing issues with this individual				

Style / Characteristic	Yourself	Your executive manager	Your general manager	Your CEO
The individual fosters a learning environment				
The individual has a solid base of knowledge				
The individual has all the skills and knowledge needed for their position				
The individual is emotionally intelligent				
This person is often unavailable to speak to				
This person makes me feel committed to Spoornet				
Spoornet would be better off if this person left				
This person sits on the fence and won't commit themselves				
This person is a great ambassador for Spoornet				
This person has a high level of integrity				
You only see this person when there's a problem				

13. Is there anything else you would like to add?

Thank you for your time.

We will use the results of this survey to improve customer service at Spoornet.

Please return the completed questionnaire to Stanley Fatyi by either e-mail or fax (011- 7736320)

Appendix B: Spoornet internal publications

Communiqué from the desk of Spoornet Acting Chief Executive - Siyabonga Gama

As you will by now know, I have accepted the challenge to come and work with you as Acting Chief Executive of Spoornet. I have accepted this responsibility and accountability because of my belief in Spoornet's importance to the country, the country's competitiveness and Spoornet's contribution to the economic health of South Africa and Southern Africa countries.

Over the next few days and weeks I will make time to meet with Spoornet employees and management as we develop and agree on a short term strategy for winning based on brutal execution. This is the only way to stabilise the business and create an environment for improvement.

If Spoornet really is the cumbersome and inefficient bureaucracy that the media and others describe it as, then we quickly need to eliminate indecisiveness, lack of execution, and the lack of a sense of urgency. There is a need for everyone to understand the central strategy of Spoornet and the role that each employee has to play in it so that we exploit our competencies around heavy haul and long distance rail transport.

It is clear that we need to set priorities around some key aspects:

- o Operational excellence – scheduling trains within our constraints requires steady and sustainable improvement
- o Common customer focus – providing a reliable train service so that customers can consistently fulfill their manufacturing orders
- o Understanding of the markets where we can compete – we need to position ourselves to compete and take a market leadership role in the transport sector
- o Acquiring a suitable quality and quantity of rolling stock assets
- o We need to reduce costs, but not at the expense of operations or planned maintenance – instead, luxuries will disappear
- o Understanding that there is no bottomless supply of money to fund costly and non value adding activities

I realise that it will take dedicated people with particular strengths to lead their teams – each one of us will need to roll up our sleeves and work at meeting the goals and plans that we have committed to. Spoornet has immense challenges financially and operationally that will need sustained actions to turn Spoornet's fortunes around. As a result, we cannot afford to leave any room for complacency or to focus on issues other than those that will deliver value to our operations or our bottom-line.

I encourage cross-functional teamwork to solve problems and cannot tolerate people who are not working towards successfully executing our strategy. We will also have to understand that Spoornet is not the place for politics, but we want a cadre of workers who have a bias for action. I believe in a “zero alibi” culture which means that once a commitment has been made, take ownership, take action and let nothing stand in the way of achieving it.

I will be thorough in my attention to the numbers that set our goals and indicate our progress. As we improve and start to see the positive effects of our efforts, we will gain the momentum needed to build a proud organisation.

Spoornet is a critical element of the Transnet group and we will be working closely with the ports businesses and other Transnet divisions to make sure that

the businesses grow and succeed together. All stakeholders and particularly employees and labour unions are important players in the team needed to achieve this goal. We are assured of the involvement of the Transnet management team who will play an active role in assisting us where we require support.

We have no option but to be successful and win. I am convinced that we can turn Spoornet around and I urge you to contribute and be part of the team that takes credit for success. You can count on my support over the next few weeks, as I hope I can count on your commitment!

Siyabonga Gama
Acting Chief Executive

PUTTING OUR SHOULDERS TO THE WHEEL

Last Friday I met some more of the key managers who drive the Spoornet train plan at Esselenpark and shared with them some of the ground-breaking perspectives that the Senior Management Conference came up with at the Riverside retreat on 22 to 23 March 2005.

I am happy to report that we all seem to agree that we must adopt a simple credo as our vision. **“Spoornet will be a freight railway that satisfies the needs of our customers”**. Placing our customers at the centre of Spoornet’s service delivery will assist to transform Spoornet to be the winning railroad

organisation that it must become! We must be obsessed with the understanding that our only reason for existence is to serve our customers as best as we can. It is not enough just to deliver products. Our customers want information about where their products will be consolidated, what time the trains will depart and arrive, prices, customs information and much more. While we must continue to focus on running the trains efficiently, it is of cardinal importance to serve the customers needs with passion and verve.

It is important for us to have a full grasp of the customer and the customer's marketplace, what opportunities are available and what the challenges are. We need to know and understand the various segments of our industries, where they are headed and what the long term outlook is, so that we can position Spoornet to capitalise on opportunities. Spoornet is at the heart of the South African economy; it is therefore Spoornet's role to understand what our customers require us to do in order for them to succeed in their own markets. We must therefore understand how we can add value to our customer's

processes so that we can also drive our own profitability as well as customer loyalty to rail and ensure customer satisfaction with our service. We must make sure we do the right things, the right way, at the right time, every time with passion, pride and commitment! 24/7!

In the past two weeks we have shown our capability to do more with the resources we have. The Coal team handled 1.469 m tons during the week ending 27 March while the ore team handled 622,000 tons during the week ending 20 March. This is the result of co-ordination, hard work and resilience on the part of our people. Well done! While these are record-handling levels, I now know for sure that we are now ready to break these records again! We must continuously innovate, communicate and be creative in the manner we design and redesign our work so that we can discover new ways of running this business. The availability of rolling stock and its reliability is central to good and efficient operations. We must continue to work together to ensure that we reduce downtime and that planned maintenance is delivered with military

precision. It will be important that we deploy our core and key engineering resources closest to where the operations are, for the operations serve the customers and our technical people must of necessity, serve and ensure we deliver our train plan. We must be brutal in managing deviations to our train plan as well as the people who do not pull their weight in contributing to the success of Spoornet.

We have now also completed the process to identify the 5 key priorities in our turnaround plan. These are an unwavering commitment to customer service delivery, a 100% scheduled railway, safety, developing the people capacity to lead and creating the capacity to handle more freight on our railway!

We have to build the necessary loyalty to the above 5 key priorities as they will form the basis of our performance measures for this new financial year. Together with these, we shall be vicious in our cost and revenue management efforts to ensure in a very short space of time, we begin to see the emergence of the pillars that will drive a sustainable turnaround. We must manage our work outputs on a daily basis and miracles will occur!

Putting our shoulders to the wheel must therefore be about all of us, as one team with a shared and common understanding of our challenges, pulling our weight towards our noble objectives.

We shall continue to communicate widely our “strategy for winning” so that every corner, every workshop, every shunting yard will understand the virtues of brutal and ruthless execution of our train plan. I commend all of you to clear all the barriers that hold Spoornet back from glory and greatness and put your shoulders to the wheel, for soon enough, there will be no turning back!

ONE TEAM! ONE VISION!

VIVA SPOORNET!

Siyabonga Gama

Acting Chief Executive

LEADERSHIP DEVELOPMENT PROJECT: 610 & UPWARDS

Colleagues,

By now you are aware that Spoornet is undertaking a major structure review. A key ingredient in any structure review is the need to ensure that the structure delivers the strategy and most importantly the promise to our customers. To this end, it is equally crucial to make sure that the resourcing of the roles as envisaged in the new structure takes a balanced view of the prospective incumbent's needs, working style, interest, leadership style and competence level.

Additionally, Spoornet has also undertaken an Employee Satisfaction Survey. One of the key issues that came out of the survey is a broad dissatisfaction by most employees when it comes to the execution of our Training and Development Strategy. The issues pertain to making sure that all employees enjoy equal opportunities to leadership development in the company including making sure that post training, the employees are given on the job coaching as well as afforded the challenge of practising what they have learned on the job.

Encapsulated in one of the pillars of our strategy is the growth of our employees and the development of our leadership capability. Accordingly, I have tasked Human Capital to review our Leadership Development practices with a view to making sure that we get the most out of our training spend. In order for Human Capital to discharge this mandate effectively there is a need for us to provide them with meaningful input so that the leadership development initiative to be conceived hits the mark.

Lastly, as part of our stated aspiration of forging ahead towards a rail company that is safe and satisfies the needs of our customers we need to rollout a number of initiatives and projects in the current financial year. This would of necessity mean the redeployment of some of you to a variety of key projects in the short to medium term. In order for us to ensure a gainful redeployment, we would need to understand once again your interests, leadership style and

competence level relative to the task at hand. Given the abovementioned context the Leadership Development Project will focus on assessing the work style and ability of the management/leadership team and the intent is to utilise and develop leadership/management resources appropriately as we strive for greater success in strategy execution.

Participation will be open to all 610's and up and will be managed through an external website as the assessment is based on an Internet enabled system that is geared to assess certain skills and your preferred style of behaviour at work. Once you have logged on to this website, prepare to spend about one and a half to two hours performing various tasks and capturing necessary information. As available time is a luxury few managers have, the system will allow you to complete a few tasks and complete the rest at a later stage. Details of the website for assessments will be communicated to you shortly.

Please ensure that you complete all the tasks between the 29th August and 9th September 2005. The system will ask you to furnish the following information:

- ∞ Your ID number
- ∞ Some biographical information
- ∞ Complete short questionnaires to determine your preferred style of behaviour at work

Although this is only the first phase of the project, the exciting aspect is that it will already enable me to get to know more about you, as one of the key links in making us "one team with one vision". Feedback on your strengths and style of work will be provided at the conclusion of the project. There will be other initiatives aimed at the development of junior personnel.

Warm regards

Siyabonga Gama

Chief Executive