GSGM7223 MANAGING ORGANISATION

Assignment Guidelines

Case Study (Stratafin Inc.: Auditing Change) – **20%** (60 Marks)

Instruction: Read the case study below and answer the following questions.

Stratafin Inc.: Auditing Change

It was a chilly winter day in June 2010 Ben Adams, Chief Executive Officer (CEO) of StratAFin Inc., reflected on the previous Friday's company event when all the staff had spent the evening learning the diski dance, the official dance to celebrate the upcoming World Cup football tournament. The South African nation was united in its excitement about hosting this prestigious international sporting event held every four years in a different country, and the StratAFin atrium reflected this energy. The vast central area in the building was festooned with flags representing all the participating countries; the colour and diversity of the flags mirrored the diversity of employees and job function within the firm. All the staff, from the most senior to junior levels, had embraced the diski dance evening with great enthusiasm. This made Adams reflect on the profound changes that both South Africa and StratAFin had undergone in the last decade.

Adams had loved the adrenaline rush of leading his firm through large-scale change for the last seven years. his dilemma now was whether he had done enough to align the company with the new operating environment in South Africa or if at this point there was a need for radical change. If so, did he have the right team, culture and business model in place to implement it?

In the 1994 general elections, the African National Congress (ANC) was voted into power, and Nelson Mandela became the first democratically elected president (see Exhibit 1). In the eyes of the international community, South Africa was no longer "the polecat of the world." The new government inherited a country in which the provision of basic needs (housing, health, education, access to water and electricity) for the majority of the population was insufficient. The gross domestic product (GDP) real growth rate in 1994 was approximately 1.1 percent, and the country's Gini coefficient (measurement of inequality between rich and poor) was 59.3. By 2002, the GDP real growth rate had increased to 2.6 percent, however, the Gini coefficient had increased to 65, which signaled greater inequality between rich and poor over the previous eight years. Life expectancy had dropped from age 65 to 45, due largely to the dramatic increase in HIV/AIDS. During this period, the government focused on extending health care and crucial infrastructure of water, sanitation and housing to the broader population. After 2994. A huge Black middle class emerged, but there was still a need for a further transfer of economic power. As a result, there was a push for implementation of industry charters to address this and for Black Economic Empowerment (BEE) to be a consideration in most government policies. While initially there was no clearly articulated strategy, BEE was more carefully defined by the BEE Commission in 2000. A formalized strategy for broad-based BEE was released three years later in 2003. In 2010, there was still much debate in the media about racial issues and whether the transfer power had, in fact, taken place. The country still faced societal challenges with the education backlog, imbalance of wealth, systemic racism and perceptions of reverse discrimination. In spite of this, South Africa remained a rapidly developing state, the economic powerhouse of Africa. Furthermore, the 2010 World Cup football tournament encouraged much more global interest in the country, which promised interesting possibilities for South African businesses.

THE MODEL OF PROFESSIONAL SERVICE FIRMS

Professional service firms, such as accounting firms, are defined as organizations that employ professionals, that is, people who have obtained a qualification accredited by a professional body, who practice under the disciplinary rules and standards of such a body and who also are personally liable for the work they do. In addition, professional service firms focus primarily on the nature of the value of what they offer to their clients. The emphasis is on customization, and this is what differentiate professional service firms from other organizations. Most professional service firms are structured both vertically and horizontally. The vertical design consists of three levels: senior directors or partners at the senior level ("finders"); junior partners, associate partners, managers or associates at the middle level ("minders"), and professional assistants at the lowest level ("grinders"). The ratio of finders to minders to grinders is referred to as "leverage". Junior staff, called trainee accountants, work closely in project teams alongside more experienced staff, thereby learning the skills of the trade through an apprenticeship process while delivering service to client companies. Senior professionals are expected to share their highly personalized tacit knowledge, which they have acquired over many years of experience. Long tenure of the partners contributes towards robust retention of knowledge. This leverage results in an effective knowledge management structure and an efficient income generation strategy (because the majority of the work is undertaken by the "minders" but billed to the client at the "finders" rate). Furthermore, senior level resources are made available to market to market the firm and solicit new work.

Accounting firms motivate trainee accountants by setting the goal for them to become partners. Typically, the partner track after graduation is between seven and nine years. the practice of accounting and finance is learnt universities and via the trainee accountant system. Once out of this "apprenticeship" system, the option is to either progress up through the ranks of the corporate structure or to leave the firm. Generally, accounting firms employ more trainee accountants then are required in the long term, specifically because there is natural attrition at the end of the apprentice period. From a remuneration point of view, the general billing and salary arrangement in accounting firms internationally is that an accountant has to cover their cost to the company (salary) by three times through billing to clients. For example, an accountant earning R500,000 per annum should write annual fees of R1,500,000. Usually, the first third covers the salary, the second third covers overheads and the last third is profit to be shared among the partners.

ACCOUNTING FIRMS RESPOND TO GLOBALIZATION

In 2002, South African accounting firms sere facing many challenges. Many clients were consolidating in order to be globally competitive, and their expectations were growing due to global exposure, resulting in fierce competition between accounting firm trying to differentiate themselves. This often required accounting firms service portfolio to expand. Many accounting firms accepted the intrinsic risks of expansion in the knowledge that this should yield increased reputation, a greater client base and larger profit. At the same time, there were international changes in terms of the introduction of International Financial Reporting Standards (IRS)

StratAFin was formed through the merger of three prominent South African accounting firms in 1998. It had offices in Centurion and Cape Town, South Africa and an association with firms in Nairobi, Kenya and Lagos, Nigeria. The merger allowed the firms to consolidate their offering , to large corporate clients and to reposition itself as a full service corporate accounting firm.

The traditional model of an accounting firm featured a chairman/senior partner and a managing partner who ran the firm. This was the model that existed in 95 percent of accounting firms around the world. Typically, these would be men and women who had been practicing accounting for many years and who were respected and had credibility within the financial environment. The challenge experienced with this model was that two people at the top of the earnings scale were then removed from practicing and billing hours. As a result, within StratAFin, there was strong motivation to change this and to retain the senior partners in their area of expertise. As the world flattened with increasing globalization and foreign investment into South Africa picked up wit the end of the apartheid era, StratAFin positioned itself more towards doing business with multinationals operating in Africa. It wanted to offer a more personal experience than was offered by the Big Four international accounting firms to become essentially as African accounting firm that would use its understanding of the operating environment as part of its distinctive offering. StratAFin acknowledged, however, that if it wanted to play in a global arena, it had to operate as a First World leading accounting firm. It also recognized that pursuing growth as a strategy would bring greater complexity. As Adams stated, "the complexity of pursuing growth meant that the day-to-day challenges of the organization called for full-time professional management focus.

IMPERATIVES FOR CHANGE

To respond to these new challenges, StratAFin embarked on a transformation process in the early years of the new century. One of the key thought leaders and proponent for the need to transform the business was Joseph Mbizo, head of the corporate finance department and probably the country's most renowned Black accountant. Mbizo had a long history with the firm and played a most influential role in its organization. He had joined immediately after graduation, completed his training contract and remained there ever since, apart from two and a half years in the late 1990s when he had worked for one of the Big Four accounting firm in Sydney, Australia. This experience taught him how these firms organized themselves institutionally and ho they became "forces of nature within their environment." Mbizo came from an activist background and realized that the man fears of the various sub-sectors of the country's population were very well-founded and that transformation issues within the company had to be addressed.

The original objective for the transformation was twofold. First, there was a need to corporatize and institutionalize, so as to position the company as a world-class, best-practice international accounting firm on the African continent. Mbizo realized that a way of controlling the cost/income imbalance as a result of the loss of revenue from having senior partners at the helm, as well as a way of modernizing the firm, was to appoint a professional Chief Operating Officer (COO). This was the role for which Adams was recruited. At the same time, the release of the government's codes on Black empowerment was imminent, and there was much debate about what they were going to be. There was a recognition that transformation had to take place in order to align the firm with what the government was espousing to insure the future sustainability of the business. Consequently, the second component of transformation for StratAFin was to make it more representative of the South African population in terms of racial and gender diversity at all levels. Socially and ethically, this was understood to be the right thing to do.

CHANGING THE MANAGEMENT MODEL

Most of Adam's teenage years were spent in Wales where his group of best friends was globally and racially diverse. To his mind this was the norm, and looking back, he felt privileged to have grown up in such an unbiased environment. Back in South Africa in the early 1980s (the height of the apartheid era), he completed his schooling at an all-boys boarding school in the conservative town of Pretoria. It was here that he became more aware of the societal challenges facing the country. This understanding of the challenges of diversity was further contextualized for him when he was conducting research for his Master's in Business Administration (MBA) thesis, which examined "the effect of national culture in mergers in financial services companies in Africa." He began to see how companies were fragments of the society in which they have operated.

Adams had spent the early years of his career with one of South Africa's largest retail banks, moving through positions in back office management, through IT implementations, strategic planning and investor relations. His long tenure with the bank enabled him to complete his studies while working; he successfully received a Bachelor of Commerce (B. Com), majoring in information systems and industrial psychology, and an MBA from South Africa's leading business school. Adams realized that his career path within the large bank was not very clearly mapped out. He felt that he was not learning how to run a business as he was operating in a division where everything ---financial and human resource systems, marketing and branding – was dictated from group level. He realized that strategically he was learning very little, and he was becoming restless. Adams appreciated that he needed to join a smaller organization where he would be able to apply all the skills he had acquired from both his studies and general management grooming within the bank.

StratAFin was looking for a COO who understood business and the professional services environment. Most importantly, StratAFin needed someone who would be respected by the partners as a person who could bring value to the firm. This was a critical issue as, without internal acceptance, nothing would be achieved by the new recruit. At this stage, StratAFin's vision for change was not yet clearly articulated, but the idea of adopting best practice and modernizing was certainly apparent, and this excited Adams. He joined StratAFin in October 2003, nine years after South Africa had celebrated the end of apartheid and begun its transition to democracy. Initially, Adams played to his strengths in areas that were not necessarily those of a person who had been schooled in accounting; information technology (IT), operations, marketing and human resources (HR). he thus realized the opportunity for quick wins. It was also an interesting time: the firm was performing relatively well financially, but, as Adams stated, it "wasn't firing on all cylinders."

Adams believed that there were two initiatives in which he was involved that inspired greater confidence in his leadership abilities. The first was that he was able to remodel the entire IT platform; in particular, he implemented as online timesheet/budgeting process that immediately started delivering results and through its transparency enable many divisions to exceed budgets regularly. Adams acknowledged that if one understands the human dimension of organizational life, one has great insight into what drives the business. He reworked the individua bonus scheme, making performance bonuses far more achievable, with threshold bonuses being handsomely rewarded (up to 50 percent of base pay) for those who performed exceptionally. The resulting benefit for the firm was that this new bonus system often forced more junior staff to initiate discussions with their partners around work allocation and utilization. The second action was that, shortly after his arrival, he was alerted to the fact that the firm's lease within the Civic Towers city office block was due for renewal within 18 months and that he was expected to provide the solution, namely, whether to renew, move or build.

BUILDING A NEW IDENTITY

It was decided to build new premises in the suburb of Centurion, halfway between the two large cities of Pretoria and Johannesburg, to help establish a new corporate identity. This decision galvanized the thinking into what StratAFin wanted to become. After much discussion, it was felt that a free-flowing building was needed, a place where information could flow and where people could congregate and could have a physical sense of the brand that StratAFin was aspiring to become. The symbolism in the old building had been colonial and White-male oriented. Every aspect of the new building was designed to create a flow of communication and to be easy to navigate. Several "pause areas" were incorporated into the design, encouraging frequent internal contact. The vast central atrium with its iconic eight metre high statue depicting emblems from currencies throughout Africa was designed to emphasize openness, expertise and movement. The restaurant facility was created to be used widely and frequently for many functions.

The new brand even filtered down into furnishings and art. There was an awareness of how bland other accounting firms' corporate décor approach. The art displayed at StratAFin, accumulated over the years, had been dominated by pictures of previous company chairman, English hunting scenes, and a collection of etchings of European cathedrals. Because Adams and many partners and staff were concerned about the systemic racism and discrimination in society, they wanted the firm's art to celebrate the diversity of the country and its artists. The new artwork was symbolic of the changed organizational culture: it was eclectic and self-defining, meant to reflect South Africa as it should be. There were no masks or drums or other such clichés of African culture.

By ealy 2005, 18 months after joining the firm, Adams had generated confidence in his leadership ability, and in March 2005 new leadership roles were assumed. Brent Botha, who had been the senior partner in the most profitable division became chairman and Adams the CEO.

THE TRANSFORMATION JOURNEY BEGINS

The move into the new building at the end of 2005 became a symbol of all the change that was taking place in the firm. Adam's mandate was now to transform its organization. The formal official mandate came from the executive committee (essentially equivalent to the board of directors, to which Adams reported), and the more informal mandate came from the many individuals who sought to influence from the corridor. There was consistency of intent between the two: Adams embraced this opportunity to make effective changes.

One of the charismatic leaders was Stuart Murray, who headed up the financial planning division. He had worked for and with StratAFin since the 1970s; as well, he had been intensely involved with assisting Black trade unions and the ANC in exile with their financial affairs, causes which were unpopular with the White government and establishment of the day. Murray's reputation gave the firm a progressive attitude, and the subsequent ramification was an influx of women and Black accountants. By 2003, there was disparate work going on around transformation within the firm; for instance, there was an employment equity committee and a recruitment committee, but there was nothing to bind any of these initiatives into a cohesive strategy. Murray consequently suggested that all the individual initiatives should be pulled together into one process. He led the original discussions within the firm by suggesting two alternatives be considered. The first option was to contract with external consultants who would draw up a proposed methodology that could then be amended, adopted and imposed from the top down. The alternative suggestion was for the firm to draw up a transformation process itself by using a standard strategic planning methodology. The firm accepted the second suggestion, and Murray set to work with Adams late in 2004. They adapted a strategic transformation model that Murray found on the Internet from the United States (US) National Aeronautics and Space Administration (NASA) and, based on guidelines therein, laid out the suggested steps to be followed.

A SYSTEMATIC APPROACH TO TRANSFORMATION

At the end of 2004, the senior partners spent 10 days in one month listening to outside people, who came to share views on the broader perspectives of transformation in the country and to better enrich their understanding of the context of transformation for StratAFin. To sell the concept of transformation within the firm, a one-week conference was organized with a cross-section of 34 employees balanced between gender, race, departments, and organizational levels. The purpose of the conference was to formulate recommendations on a transformation strategy for the firm that would enable it to function effectively in and to make a constructive contribution to a changing South Africa. To ensure a thorough understanding of the subject, prior to the conference every attendee was given a substantial amount of explanatory reading material, which addressed issues such as diversity, employment equity and BEE benchmarks, social investment, economic upliftment and organizational transformation. Discussions centred on what transformation meant for the firm and what it meant for individuals. The desired outcome of the process was to be a transformation strategy that was comprehensive, legitimate, attainable and effective. It was a very controlled process; everyone was made to feel comfortable and knew that anything could be discussed in confidence.

A report was produced after this meeting and was circulated to everybody within the firm. Everyone was able to provide comment and was given an opportunity to talk about it; it was a theme that ran through the entire firm and energized one and all. Every occasion was used to show people exactly where transformation fitted into other strategies of the firm and how it was central to the business's sustainability. After receiving feedback from all levels of the firm, a smaller group met again for an additional three days to finalize the input. This document was then presented to the full body of 35 partners at the partners' retreat in 2005. Different people in the firm who had been part of the charting process came to the retreat to share their experiences. A "road show" was then conducted within the whole firm as well as to clients, explaining what was being done in terms of the transformation of StratAFin. A transformation committee was established and met periodically to ensure continual open dialogue and t report back on what was and was not working.

Reflecting back on the process in 2005, Mbizo commented on how inclusive and transparent it was: "All people at all levels seemed to take ownership and had a positive approach to the process. It was refreshing to note how honest people were when engaging ." Murray believed that the courage that the firm showed was profound: "In 2004, the topic of transformation was still very controversial but the process brought everyone along and many fears were successfully addressed.

CORPORATIZATION

The strategic growth that StratAFin was considering was monumental and was going to affect every aspect of the business. Growth of the firm would not be successful without ensuring that effective support structures were in place. When Adams joined the firm, the support structure consisted of one HR manager with an assistant, a marketing officer, a financial manager, an IT manager and a few administrative people. These functions were very operational, with little value being added to the business. The magnitude of the task ahead was so great that Adams realized he had to build a team of very strong experienced professionals in the areas of human capital, marketing, business development and IT. Many of the committees of accountants that had been running these areas of the firm were very quickly disbanded. Some people who had taken ownership of the areas felt displaced, and as a result some of them started to look for jobs elsewhere. The importance of retaining and managing knowledge within the firm was understood, but there were occasions when this was not possible.

A further challenge was that it was difficult to always find the right replacement first time. The firm experienced many casualties in terms of bringing in the wrong senior managers. The recruitment process would sometimes take up to six months, so it was a great blow when the recruit realized a few months later that this was not the correct career solution. On one occasion, a new recruit walked into a meeting on her first day and realized that she had made a mistake. In this instance, both parties benefitted from the immediate acknowledgement that the recruit had made the wrong employment decision. Adams stated that this was where he learnt to become far more philosophical. While he tried many changes, he realized that it was not the end of the world if some of them failed. The importance was "to keep trying and to have fun trying."

The result of disbanding the committees was that it gave Adams more support and more leverage. Adams believed his power came from his ability to influence as well as from his previous actions that demonstrated his ability and credibility. He relentlessly pursued active engagement with StratAFin employees, discussing what was important to them, what their view of the firm was and where it was headed. He then consolidated this information into a common vision, value system and strategy for the firm going forward so as to ensure unity of purpose. A priority for Adams was to make certain that he spoke often and enthusiastically about the firm's planned transformation strategy in order to build support, which would ensure alignment of people, their departments and their practices to the new line of thinking. Excitement about growth and change was created. The intention was to persuade people to believe how much they could actually achieve. Adams stated that it was important to ensure all managers disseminated a clear unified message in informal "corridor" talk.

CHANGE DOES NOT COME CHEAP

The firm recognized that if it wanted to invest in human capital development and deployment of the best technology possible, replicating on a smaller scale what the leading firms around the world were doing, it needed to have money to do so. Adams realized this would result in a debate around short-term versus long-term benefits. He insisted that if the firm wanted to grow and follow its vision, long-term investment was necessary. There was now the recognition that the firm needed to invest significantly in human capital initiatives such as recruitment, development, continuous learning, and scholarships. Financial growth was required to enable the firm to transform.

The firm needed change agents, that is, people who would challenge the status quo within the firm. This meant having resistance and a thick skin to take on people who were in positions of power. A marketing director, HR director and financial director were appointed. All were professionals with strong track records and who were quite outspoken and firm in their views. The new marketing director initially focused on internal issues, ensuring that the corporate identity and brand values were brought alive so that staff could align themselves with them and gain a strong sense of where the business was headed. Up until this point, employees had been defined as either professionals or non-professionals, who were defined as those who were not practicing as accountants. This made them feel like "second cousins." The new HR director, Colleen Hollis, insisted that this had to change.

The firm's leadership decided early on to avoid playing games by embarking on "quick and dirty" solutions to transformation. For example, becoming a partner usually took seven to nine years. Some competitors were achieving transformation targets by making Black accountants partners one year after finishing their training contracts without allowing them the opportunity of completing their learning experience. StratAFin found this incomprehensible. The firm realized that there was no sustainability with this model, that universally there were no short-cuts to becoming a top-rated accountant. Too rapid promotion did not allow an individual the opportunity to gain sufficient experience to become a trusted adviser. This could result in damaging that individual's reputation forever.

MANAGING RESISTANCE TO CHANGE

Adams stated, "Resistance to change is part and parcel in any organizations." What compounded it as StratAFin was the generational gap. An accounting firm needs both the "grey hairs"--- those accountants who have industry contacts, wisdom and strategic insight and have seen how the world works --- and the "young bulls," who are starting to flex their own intellectual muscles, who are asserting themselves and their influence on the business, who are much more mobile and comfortable working in diverse teams and who are very conscious of what the firm is going to do for them. There was also gender resistance. Accounting was predominantly a very male-dominated environment. One of the reasons for this might be that the nature of the work meant that some client demands placed huge strain on a working mother. The HR department recognized the stress for women who were trying to juggle family responsibilities and late work commitments. While StratAFin perceived itself to no longer be a clock-watching operation and did try very hard to accommodate these challenges, there was still a mind-set prevailing in some of the senior partners that employees needed to be visible and not work remotely.

With regards to managing resistance to change, the importance of pulling people by-and-large in the same direction was acknowledged. Successfully managing this relied on several factors: first, understanding the collective vision in broad terms of what the firm wanted to achieve and ensuring that there was some tangible sense of what was trying to be created. Secondly, ensuring that the people who had formal and informal influence were in time with the change, this would then influence the corridor talk as these gatekeepers created comfort and ensured the vision was filtered throughout the firm. There were also about 10 to 15 percent of people who were so off the mark that Adams realized it did not make sense to expand energy on them. His approach was always to try and bring them along and clearly articulate the vision, however, there were still a few who resisted the change. When Adams fired a senior partner for sexual harassment, it reverberated throughout the organization.

THE TRANSFORMATION COVENANT IS BORN

Building the new identity, encouraging buy-in from StratAFin staff, increasing long-term financial commitments and tackling issues of resistance were all factors that supported the transformation process. In March 2006, the company's Transformation Covenant was adopted. It was a ten-page aspirational but detailed documentation of intent, developed by people who wanted to turn StratAFin into a best practices organization and published on the firm's website. The Covenant gave huge leverage for change as it had a true mandate and was an undisputable reference point. Simply stated, it aimed at changing the fabric of the firm. The vision of 2005 was to align the firm with the national imperative for change. This required a substantial undoing of national and thus individual psyche. The Covenant included seven objectives on which to focus. The transformation process was very broad-based; it dealt with minutiae such as the way that the firm served tea and that trainee accountants were recruited, as well as how staff spoke to each other. Because it made solid business sense, many of the terms did not necessarily fit under the umbrella of transformation but under a heading of continuous improvement. The process of transformation and adopting best practice were aligned with each other.

Adams considered organizational development an essential tool to assist with the monumental change that was taking place. He made the analogy with a basket of apples: each apple represented a different component of the business and had to be taken out of the basket and looked at in its different dimensions to see how it could be changed to reflect what the firm was trying to achieve. When a decision was reached about what processes needed to be adopted to change it, then it could be put back and another apple pulled out. Because Adams thought the firm needed people who understood organizational development, he appointed an organizational development practitioner in early 2006. However, it turned out that this was premature as there was still much basic HR work that needed to be done beforehand. Adams learnt that organizational development focused at a strategic level was beyond the thinking of the firm and its readiness at that stage. Many partners still hankered after the traditional model of recruiting an accounting firm.

FLEXIBILITY AND CONTINUOUS IMPROVEMENT

While there were many changes happening internally, the firm was constantly aware of many challenges in the external environment and that they had to remain responsive to the dynamics of the market. One such development was the Broad Based Black Economic Empowerment (BBBEE) legislation, which was promulgated by government to enforce large-scale change in all aspects of South African business life via the introduction of BBBEE scorecards that became a requisite for most organizations.

In 2006, the firm's corporate culture was not yet fully conducive to contributing towards a flexible and nimble organization. Thinking had progressed, but some of the old practices were till entrenched; for example, the partners' name on the letterhead used to be arranged in the order that people had been made partners. With 49 names, it was extremely difficult to ensure this was correct. This was amended to reflect the names in alphabetical order. Another example of inflexible traditional practices was that more senior people would not allow juniors to call them by their first names. The cultural inflexibility around this too had to be changed.

At the time of the transformation process, Adams coined a phrase: "performance leadership." The expectations on a partner were vast: they had to bring in the work, do the work, develop and performance manage people, recruit people, assess people for acceptance as partners, service and relate to clients, deal with complaints, and sell and market the full spectrum of the value chain. The partners had been trained in accounting faculties at universities where they had learnt to be accountants and did not know how to perform the wide range of roles expected of them; they knew how to practice accounting but did not have the necessary business management competencies. StratAFin took on the responsibility of large training interventions to ensure its accountants were comfortable with the many roles and demands placed upon them. Adams learnt fairly early on that managers resisted difficult conversations so as to avoid conflict. When the inability to hold tough conversations impacted on effective performance management, then the results were a skewed promotion structure: there was no basis on which people could not be promoted.

The importance of having extremely competent HR professionals who understood the environment and could support StratAFin and all of its employees was acknowledged. When Hollis started at StratAFin as HR director in July 2007, there were detailed performance management documents in place, but no one was using them and no effective performance management was being done at any level. By 2010, everyone had been party to a performance agreement discussion and sign-off process. The results were immediate and its importance recognized. It needed to become a habit.

MEASURING CHANGE

The thrust of StratAFin's HR strategy was to make sure the firm accessed the best young Black talent, and the HR department worked hard at recruiting the best graduates. They achieved this by a number of actions: a young Black HR person ensured she was a regular presence at universities' career exhibitions and one of the firm's young and upcoming Indian accountants often commented on financial affairs on various TV channels, which raised the firm's profile. In addition, the firm offered several bursaries to high potential Black students who were unable to pa for their own studies.

In early 2009, a follow-up two-day conference was held with 40 employees, once again representing all areas within the firm. This conference provided an opportunity to review progress made since adoption of the Transformation Covenant. Two speakers had a profound impact: a young Black trainee accountant, who began life in a disadvantaged rural community, spoke about the seemingly impossible journey to fit into urban and corporate life and StratAFin in particular, and a 57-year-old White woman accountant shared her grief that both her sons had left South Africa as they didn't see the possibility of future success in the business world there because of BBBEE. While it was felt by all that there had been many successful transformation interventions in the firm, there was general consensus that the issues of work allocation fairness, the tone of some conversations among senior partners about diversity issues and the retention of Black partners still remained areas for improvement. The meeting concluded with a list of recommendations to address these and other problems. By 2010, there was recognition that the firm had come a long way in meeting its transformation objectives but that more work was required. Unless ways were found to maintain the energy and momentum, there was a risk of slipping back into old habits. Transparent transformation was the theme of the 2010 partner's conference. After forthright debate, the leadership team acknowledged that it was not a process to be left in the hands of a few people but that every single person in the firm had a responsibility to do something.

Adams came up with the expression "transformation through personal accountability." He believed that the only way to shift the whole fabric of the firm was to get people thinking deeply about diversity when originally it may not have been part of their psyche. The challenge he laid down to every partner and manager in the firm was to commit to three or four actions to make a personal contribution to the transformation process. Hollis compiled a list of possible areas for personal involvement such as volunteering to recruit at alma mater universities, spending time developing the juniors, being transparent when not able to allocate work to specific juniors, having honest development conversations and making a conscious effort to sit at a lunch table with employees different from oneself. Each senior partner had to report on what they had done in this regard to Adams within three months.

Acknowledging that accountant training gave little focus to line management skills, three HR managers were embedded in the departments. One of their key objectives was to facilitate all team meetings, where trust among the team could be built via open, honest and regular communication. They were briefed to hold one-on-one meetings to support individuals who were struggling to find a voice. Young Black accountants believed that access to quality, chargeable work was a key challenge, and it was the HR managers' brief to understand work allocation and work on any transformational issues therein. StratAFin had gained new recruits who joined because of what the firm had been doing around transformation and the general organizational culture. "However, we have lost people, some very good people. That's why it is critical that our HR processes enable us to know first-hand of any issues that arise as we attempt to transform the firm. I do not mind people leaving, as long as they are leaving for the right reasons, such as moving into commerce, joining a consulting house or simply changing careers. But if people leave because they are not comfortable within the firm's culture and value system, then we have a serious problem. There is no blueprint for transformation. I see transformation as a journey and a continued work in progress. Every day new challenges arise, and we need to maintain the energy and passion for dealing with these issues," said Adams.

STATUS OF TRANSFORMATION IN 2010

The issue of transformation within StratAFin was very different from the transformation agenda of international accounting firms. Prior to arriving in South Africa, Hollis worked as head of HR in a division of a large Canadian accounting firm. She noted that the issues these firms were grappling with were less about race and more about gender, support groups, working mothers, non-nationals and gay and lesbian rights. In South Africa, the role of the national psyche on the culture of the firm, and people's views on the business, had to be considered. She made the comment that managing in South Africa is like racehorses trying to run through treacle.

By the end of 2010, the company had a total staff complement of over 350 people. From 2006 to 2010, there were 190 resignations and 230 new recruits. This meant that, during this period over half the employees left the firm. Resignations were or a wide range of reasons, many due to the model of how accounting firms operated, with large numbers or trainee accountants being brought in to work through the process and then moving on to a wide range of organizations including StratAFin clients and competitors. A significant number of Black staff left to open their own entrepreneurial businesses. This rate of staff turnover was much the same for all their competitors over a similar period of time.

In 2010, StratAFin patnered with a leading South African business school to run a strategic development program for their executive committee Exco. The business school's program manager had proposed an immersion day in Ivory Park, a "bottom of the pyramid" township 10 kilometers from the StratAFin offices. Hollis turned down the suggestion saying that Exco would feel uncomfortable there.

StratAFin started building on their success and celebrating them. The firm was extremely proud of the 11 majaor industry awards it received in 2010, which illustrated the progress they had made. Regular celebrations were held to acknowledge achievements such as winning one of the largest corporate accounts from a Big Four company; divisional teams went out to celebrate the signing off to large audits; high energy staff events, such as making animated movies in cross-functional teams, were firmly imprinted on the social calendar, the corporate website and brochures regularly published the many successes; alumni achievements were celebrated; and participation by all at corporate sports events was encouraged (130 staff participated in Johannesburg's Walk the Talk, wearing StratAFin distinctive ochre T-shirts).

Adams accepted that transformation was a personal journey that one had to take. "You can hear people preaching transformation, but something inside you has to ignite a flame to want to do it, and then they have to participate actively in terms of self-discovery. There are many people in the organization who are now at this point. Working in a diverse organization is probably one of the most incredible experiences you can have in life. This gives you an opportunity to really release positive energy. The positives far outweigh the frustrations. You have to adopt a long-term view." There was a greater understanding that as an organization progressed there would be many challenges, but that as long as the people and organization kept making choices, then they were embracing change.

THE LONG JOURNEY CONTINUES

While sitting in his office and thinking back on the diski dance evening, Adams contemplated the firm's journey. StratAFin had made huge strides. Through a multi-dimensional change process, they had reinvented themselves as a more professional and flexible organization better equipped to respond to the global and local opportunities being presented. However, the subject of internal transformation still weighed heavily on him. Mbizo acknowledged that the firm had a long way to go: "things are not right yet, but we still keep trying." Murray agreed with this sentiment: "We have made huge strides; we have done good work, and we can pat ourselves on the back because we deserve it **in** certain areas. But there's a lot more we could change; some of the ideas behind the Transformation Covenant have yet to be achieved." As Hollis explained the situation, "We have been on a significant journey, and we are now at a place where strategically everybody accepts that we have to do it, but operationally it is difficult. It is a long journey. If you allow people to take their eye off the ball, they do not focus on it. We can have fantastic strategic documents that everybody buys into and is committed to, but at the end of the day you have to operationalize those through individual action, and that is what is really difficult.

Exhibit 1

NELSON MANDELA: SOUTH AFRICA'S SOCIO-ECONOMIC AND POLITICAL ENVIRONMENT

Nelson Mandela was the first South African president to be elected in a fully representative democratic election; he served as president from 1994 to 1999. He was born on July 18, 1918 in the Eastern Cape. His father named him Rolihlahla which literally means "to pull the branch" of a tree, or colloquially, "troublemaker." His ancestral roots were in the Thembu people and the Madiba clan. About a year after his birth, his father had a dispute with the local White magistrate and was found guilty of insubordination. He was deprived of his land and most of his cattle, and the family was moved to Qunu where they relied on the support of relatives and friends. Mandela led the struggle against apartheid and was the leader of Umkhonto we Sizwe, the armed wing of the ANC. In 1962, he was arrested together with other leaders of the ANC, including Walter Sisulu, Govan Mbeki, Ahmed Kathrada, Dennis Goldberg, Lionel Bernstein, Raymond Mhlaba, James Kantor, Elias Motsoaledi and Andrew Mlangeni. He was convicted of sabotage and sentenced to life in prison. Mandela served 27 years in prison, most of which were on Robben Island, the notorious maximum-security island prison across from Cape Town.

At the opening of Parliament on February 2, 1990, State President F.W. de Klerk announced the unbanning of all political parties. Mandela and other political leaders were released on February 11, Mandela spent the first night of his freedom at the residence of Archbishop, Desmond Tutu at Bishopscourt. He led the African National Congress (ANC) in negotiations held at the World Trade Centre in Kempton Park, South Africa, which culminated in the founding of a multi-racial democracy in South Africa. It was Nelson Mandela who in 1994 expressed a great need to address the socio-economic problems facing a changing South Africa, saying that "democracy will have little content, and indeed, will be short-lived if we cannot address our socio-economic problems within an expanding and growing economy."

Apartheid was a political ideology of legalized racial discrimination and segregation sanctioned by Parliament and instituted through various social institutions such as education, health, economics, justice, politics and church. As a consequence of apartheid, Black people in South Africa were subjected to poverty and degradation that were juxtaposed with modern industrial and commercial infrastructure designed to serve the White minority. Income levels were racially determined, and the country was ranked as the most unequal in the world. Most business organizations in South Africa operated in an environment where salary disparities between Black and White were appallingly large. These disparities were often justified on the grounds that Black people, owing to their low levels of education and skills, were at the bottom of the economic pyramid.

The new government promulgated a number of legislative measures and policies intended to correct the imbalances created by apartheid. Some of these government interventions aimed at transferring economic power to Black people, and strategies crafted to drive these interventions were popularly known as Black Economic Empowerment (BBE). When the BBE strategy proved to be less effective, government designed the broad-based Broad Based Black Economic Empowerment (BBBEE) strategy to address all sectors of Black people.

As a result of government policy interventions such as the Broad Based Black Economic Empowerment Act of 2003, and a number of industry charters promulgated shortly afterwards, market profiles began to change with the Black middle class emerging with increasing buying power. in government, the profiles of key decision makers, who were responsible for choosing and recommending service providers such as accounting firms, were changing fast. Also, business organizations owned and led by Black people were on rise.

Question 1

Discuss how should Adams and his teams keep the organization aligned with changes in the environment? Support with **THREE (3)** relevant answers. (15 Marks)

Question 2

Evaluate whether radical change is a viable option at this stage of the change process? Justify your response with **TWO (2)** points. (10 Marks)

Question 3

Assuming all of you in the group are in the management team of this company, recommend **THREE (3)** action plans what should all of you do as leaders in order to sustain the momentum of change? (15 Marks)

Question 4

Analyze the challenges faced by StratAFin during change transformation process. Support with TWO **(2)** relevant answers. (20 Marks)

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