

- Taking ownership and responsibility and admitting mistakes; no-one is always right.
 - Having positive expectations of people and utilising their strengths and capabilities.
 - Avoiding window-dressing.
 - Providing open, honest and constructive feedback on performance and behaviours.
 - Putting the right people in positions.
 - Listening and showing an understanding of suggestions and concerns.
 - Getting the job done through people by trusting and respecting them.
 - Providing information on strategic and operational issues and performance, and receiving feedback.
 - Showing face; being approachable and genuine.
 - Living as a role model and caring about the impact you have.
 - Giving the bad news, but showing empathy to those concerned.
3. Actions and initiatives; not presentation and plans.
 4. Culture change can be accelerated by the look and feel of the working environment; would you, as an executive, work in the same conditions as your workforce?

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FROM FOSSIL TO FIRST-IN CLASS: TRANSFORMING CORPORATE CULTURE IN BRITISH AMERICAN TOBACCO HEIDELBERG FACTORY

Bernd Meyer

The first-time visitor to the British American Tobacco (BAT) Heidelberg factory is in for a surprise. The Highveld of Gauteng Province in South Africa is not renowned for its beauty, especially in winter. Leaving Johannesburg, the traveller finds the landscape littered with mine dumps, some more reclaimed than others. As relics of the gold rushes on which the foundations of the modern city rest, these often stand in stark contrast to the glass and chrome superstructures which have, in turn, replaced the dismal vestiges of South Africa's apartheid past.

The distance between Johannesburg and Heidelberg is not great and the visitor will soon find himself or herself in countryside of verdant pasturelands and mealie fields in the summer, to be replaced with brown scorched earth in the harsh dry winters. This is a contrast which also describes the BAT Heidelberg factory which, in a period of less than five years, has progressed from what felt like a permanent winter to a bright and optimistic summer.

The stimulus for change was a new business strategy involving the centralisation of manufacturing into larger and more efficient strategic factories. The Heidelberg factory, being the biggest factory in the Southern African area at the time, was chosen to become the strategic factory for the area. It took over the production resulting from the closure of the Paarl factory in South Africa's Western Cape region, as well as one in Angola. The Heidelberg factory now not only supplies the South African market, but also exports to more than 25 countries throughout Africa and the Middle East.

This marked the trigger point for significant change in the Heidelberg factory, and in its culture, technology and processes. The Heidelberg factory had not seen any major changes in recent years and was very much focused on domestic supply. The factory environment and infrastructure had also been subject to some inertia.

With the movement of production into the Heidelberg factory and the necessary extension of manufacturing and other areas, a change management plan was developed addressing three main pillars:

- Technology.
- People and Culture.
- Processes.

The strategic changes were revealed in 2007 when a 10-year Masterplan was formulated to replace noncompetitive, obsolete equipment and processes with the latest technology and 'best-in-class' processes and systems to align Heidelberg Operations with the best in the Group. The capacity of the factory was also increased by 30%. Together with the Masterplan, a clear Operations strategy and Vision were developed and communicated to the workforce. The Operations strategy was broken down into annual performance charters, which are monitored. Through this line of sight, individual performance objectives are developed each year for all managers and relevant parts of the nonmanagerial workforce.

Improving technology was one component of the business strategy; the human-capital component had to be another. It would have proven impossible with the existing tension and climate in the factory to achieve significant progress on any key performance indicator without first addressing the culture and hence the people with a major change management process.

As far as skills were concerned, the mobility and flexibility of the workforce were overestimated. Very few of the employees from the BAT factory in the Western Cape were willing to relocate. Less than 8% of the total workforce chose to stay with BAT and to relocate to Gauteng. This proved a major challenge, especially given the increased production volumes and complexity in the Heidelberg factory. Instead, more than 80 employees needed to be recruited quickly.

In addition, the skills shortage in the South African labour market meant that the recruitment of new staff could potentially restrict the transformation of business operations and, even worse, could threaten the survival of the factory. To overcome this challenge, a number of experienced, qualified staff employed by BAT were brought in from around the world (eg from the Ukraine, Mexico, Germany, etc.) to help, on the one hand, with the installation and commissioning of machines and, on the other hand, with the training of the newly employed recruits.

At the same time, a focused recruitment drive and extensive training and development meant that, by 2010, the Heidelberg factory had become so self-sufficient that it was also able to assist other BAT factories where know-how and resources were in short supply.

Replacing technology, the upgrading of systems and processes, and the development and training of new staff were all necessary, but not sufficient, to improve both productivity and customer satisfaction. The lack of investment in both technology and infrastructure, the entrenchment of old habits, attitudes and practices, and a traditional management style had left many in the workforce underproductive and disengaged.

Levels of dissatisfaction and disengagement were reflected in the 2006 results of the 'Your Voice Survey', a regular Group-wide survey which analyses the climate of opinion and morale of staff on each of the sites. In 2006, the Heidelberg factory recorded one of the worst results ever within the BAT Group: employees from the

Heidelberg factory scored 50 or below¹ on 10 of the dimensions. From lowest to (relatively) highest, these dimensions ranked as follows:

ORDER OF PRIORITY (LOWEST SCORE TO 'HIGHEST SCORE')	DIMENSIONS
1	Open-minded Open-minded; encourage all to contribute; receptiveness; listen to ideas of others; free to openly discuss issues
2	Talent Management Expect and achieve high performance; recruit the right people; promote the best people; provide feedback on performance; career development and recognition
2	Pay and Benefits Competitive salaries and benefits; performance rewarded
4	Freedom through Responsibility Freedom to take decisions; accept personal responsibility; feel trusted; consulted; implement new ideas
6	Strength from Diversity Actively use a diversity of people (culture, language, gender, age, viewpoints, brands, etc.) to create opportunities
7	Respect Employees Company interested in wellbeing of employees and respects them, regardless of job level. Restructuring and reductions handled sensitively
8	Leadership Engaging leadership
8	Enterprising Spirit Confidence to look for opportunities; to be innovative and to accept risk when doing things differently
10	Learning Provides regular feedback, coaching and transfer of best practice

Something needed to be done; and quickly!

But what?

1 Out of a potential 100.

It would have been easy for the management team, led by Bernd Meyer, the new Demand Chain General Manager for the Southern Africa area, to second-guess what employees were expressing through the survey and to implement actions which they thought (or hoped) would solve the problem. However, given the sense of exclusion and marginalisation reflected in the scores, a better strategy seemed to be in-depth consultation with as many staff as possible. It was important, though, for such sessions not to simply restate the challenges ('whinge' sessions), but, rather, for employees to feel trusted with, and responsible for, identifying practical solutions to the items where scores were low.

At the same time, an open, honest and transparent communication and leadership style was driven into management, starting at the top. This meant that managers needed to live the example and had to communicate on a continuous basis with their reports or teams. Factory-wide communication through plasma screens and face-to-face briefings (team talks, breakfast sessions, Imbizo meetings, etc.) ensured that managers had to explain to employees the reasons and motivations for all the changes, and also ensured that people felt included in decision making or, at least, properly informed.

Clearly, this new 'way of working' was a serious challenge for some managers. Some managers, from junior- to top-management level, were not able to change their 'conservative' style, which was dominated by orders and intimidation and excluded the employees from being treated with dignity and mutual respect. As a result of this, and also as an unfortunate consequence, some managers either chose to leave the company or were not able to adapt to the new environment and had to leave. Although these decisions looked tough, they sent clear messages throughout the whole organisation and most were fully supported by the majority of the workforce ("This should have been done years ago."). Also, factory employees understood that it was no longer the weakest link that would suffer, but that fairness would be displayed throughout the hierarchies and everyone would be treated in the same way, whether management or nonmanagement. This commitment ensured the support of the majority of the workforce, who had been denied fairness in the past, with the consequence that a wide gap had been opened over the years between managers and the nonmanagement staff.

A series of consultation workshops was held with employees from all levels. The objective of these workshops was to obtain the ideas and suggestions of employees on what practical steps should be taken to overcome some of the challenges they identified in the global survey. A methodology was devised whereby the lowest-scoring items were presented as a series of challenges. For each set of challenges, employees were asked to specify the nature of the issue and to come up with practical actions which they felt would ameliorate the challenge under discussion. Up to 60 employees attended each workshop. In order for them to feel comfortable and that their ideas would be heard, they were allowed to choose both the composition and

size of the group they joined. The various sets of challenges were numbered, and these numbers were placed in a box. Each group then chose random numbers from the box and worked on two or three of the challenges only. One group member acted as scribe. Thereafter, round-robin feedback sessions were held in the large group, and the solutions put forward by the small groups were discussed and debated. This process basically identified the gap between the ideal and the actual, and the solutions which were felt would bridge the gap.

A large number of solutions were generated. On consolidation, it was found that there was not one isolated solution for each challenge in each dimension. Rather, the items and the dimensions were so interrelated that some solutions would solve a series of challenges and not just one.

Indeed, it was found that the main challenges could be solved by communication, not only in the sense of the distribution of information but also in terms of leadership capability (ie the diversity/people management skills and basic communication patterns of managers, foremen and supervisors). Some of the most mentioned solutions raised by delegates included the following:

- Regular ‘town halls’ or briefing sessions so that the strategy, changes and company performance are communicated to everyone (in a language they understand). There was a concern that information and instructions should be concise and accurate as they are cascaded down.
- Consultation with those affected by changes (while planning is under way).
- Basic communication patterns and people management skills of some managers, foremen and supervisors required review. It appeared that many ‘people managers’ were using traditional, autocratic styles and that this impacted the dignity, motivation and the retention of employees.

Included under people management skills was a competence in, and responsibility for, managing diversity (and eliminating perceptions of favouritism, racism and job reservation), as well as coaching, the support of individual development plans, career planning and succession planning within a broader BBBEE² framework. Development opportunities (in the form of multiskilling – “not operators and case packers but multiskilled, flexible and transferable Production Process Controllers”) were desired by many shop-floor workers, who also felt that more effort, in terms of development and career opportunities, was put into newcomers than long-serving employees.

There was also a strong desire for fair and consistent performance management as part of engaging leadership. Respondents suggested that all managers should be required to give open, honest and constructive feedback on performance and more

2 BBBEE or Broad-Based Black Economic Empowerment is a multipronged piece of legislation instituted by the South African government to overcome the economic inequalities created by apartheid.

objective individual performance reviews (one-on-ones), which, in turn, would be linked to individual incentives. Effective performance management would, however, require clear and transparent key result areas (KRAs) which are integrated across departments. It was also felt that performance appraisals should be two-way, balanced, constructive and encouraging.

An interrelated aspect was the trust of employees as expressed in the delegation of aspects of authority and responsibility to the lowest possible level.

People management skills linked into the perceived need for foremen, supervisors and managers to hold regular team meetings, not only for the dissemination of information and the planning of work, but also to obtain 360-degree feedback and to 'check in' with the lives and concerns of employees. Team-building sessions (eg breakfasts, clay-pigeon shoots) and sports days for all employees were also seen as important motivators. It was suggested that those team meetings which were currently held should be extended from 30 minutes to 60 minutes.

- Many groups felt that the overwhelming pressure of production was affecting levels of motivation and discretionary effort.
- It was essential for the potential for victimisation to be dealt with firmly and consistently. Foremen, supervisors and managers, it was felt, should understand that there is zero tolerance of victimisation.
- Education, visibility, transparency and discussion on pay benchmarking were suggested. This was not well understood and needed to be explained in simple language, and in a number of languages.
- Diversity challenges were felt to include the need to provide the opportunity for long-serving and temporarily disabled employees to tender for outsourced contracts, and the need to ensure the representation of designated groups at managerial levels. It was also suggested that some black managers, foremen and supervisors are marginalised between management and workers and (are expected to) treat employees in the same way as many white managers. This challenge would be solved, they felt, by increasing representation at all levels, as well as improving management style.

It was suggested that what are perceived as 'cultural' problems in Heidelberg could be dealt with by:

- Managers, foremen and supervisors taking time to get to know individuals and their culture.
- An effort on the part of all employees to mix together at breaks and social events.
- More social events during working hours.
- Greater cultural sharing both within teams and by individuals describing specific events or activities (eg Eid, Diwali, a marriage ceremony) in the newsletter.

- A diversity calendar so that special days are recognised and respected.
- Better accommodation of female staff.
- Information in the newsletter.
- Priority leave for relevant individuals (cases were mentioned where employees were taking sick leave because their foremen denied them leave for Eid).
- Communicated and performance-managed competence in diversity at all levels.
- Eradication of window-dressing.

The change process began with feedback to all employees on the consolidated findings from the workshop, and what would be done about them. There were a number of 'quick wins' which could be implemented immediately, as well as short-term, medium-term and longer-term priority areas.

One of the critical priority areas was reviewing the management structure and the reduction of nine reporting levels to five. This resulted in improved two-way communication and speedier decision making.

In addition, several initiatives were introduced to improve communication in the factory:

- A factory magazine dedicated to the Heidelberg factory.
- Plasma screens at strategic points providing up-to-date information on a wide range of topics related to employees and operations.
- Regular staff business briefs and breakfast sessions hosted by the General Manager.
- A 'bottom-up', open-door policy through which employees were encouraged to get in touch with management at any time.

Reward and recognition schemes were also used to support the cultural change which was required by the new business strategy. These included nonmanagement bonuses, weekly heroes' awards, and free lunches for staff improving safety.

Workshops on change management (known as 'future-fit training') were held for all staff to assist with their adaptation to a new working environment. These workshops stressed the fact that change is inevitable and that individuals could choose how they respond to it. Employees could air their concerns but were left in no doubt that change was non-negotiable for the sustainability of business operations.

The year 2008 saw the introduction of a new and experienced leadership team with a different perspective on their leadership role. The increased diversity provided by appointing some managers from elsewhere in the global BAT family helped to decrease parochialism and bring in fresh ideas. This was accompanied by a move to a more engaging management style which would not only improve levels of

motivation and engagement amongst nonmanagerial employees but also enable the factory to function at a world-class level.

Managers were expected to 'buy in' to a new set of behaviours and to:

- Get the job done through others.
- Be assertive, but never aggressive.
- Be respected for their commitment to the achievement of high and challenging (yet achievable) team goals in a fair, consistent and supportive way.
- Provide open, honest and constructive feedback on performance – both positive and negative – and to acknowledge superior performance.
- Be nondefensive, and both give and receive constructive criticism.
- Consult staff and to respect their opinions.
- Be builders of systems and people.
- Be replaceable – leave systems intact and self-sustaining.
- Be sources of strength for others.
- Promote adult–adult relationships.
- Be perceived as effective managers of diversity and as respectful of both self and others.

As stated earlier, this proved easier for some managers and supervisors than others, and, when additional training proved futile, some tough calls were made. These, however, only served to enhance the belief amongst the workforce that real change was taking place rather than window-dressing. They also increased employee commitment and motivation, which, in turn, have been supported by a comprehensive training schedule to develop and sustain world-class business performance. In general, intensified training took place not only in the technical area, but also on soft skills, becoming future-fit and dealing with change, basic school education, English-language training, and other development initiatives. These programmes were launched to enhance the general skill set of the whole workforce, including management.

The nonmanagement bonus system, unlike previously existing bonus systems, addressed parameters that employees could directly influence with their work. Importantly, this system is easy to understand and takes simple measures such as machine performance, quality, absenteeism and safety into account.

In order to show managers and nonmanagers alike that other BAT factories were more advanced and also to widen the horizons and experience of the people, employees were chosen to go overseas to visit other BAT factories and come back with ideas to implement in the factory. This helped to break the purely local focus,

to show that things can be done differently, and that the Heidelberg factory has still some way to go to fulfil its vision to 'be simply the best'.

Obsolete equipment, attitudes and behaviours were reflected in the quality of the working environment. It must have been difficult to be proud of a workplace which was so badly in need of a makeover and a coat of paint. The whole atmosphere in the factory reflected a resistance to change and demonstrated conservatism and underinvestment. Hence, a considerable amount of refurbishment was begun: the canteen was renovated into the light and airy place it is today; social rooms and facilities were upgraded and colour introduced into what had been a dismal and shabby place of work; a gallery of photographs of smiling, happy employees forms a collage on one inside wall; and external walls display triple life-size colour posters of employees doing various aspects of their work. The message is clear: the Heidelberg factory is not interested in art works based on anonymous models; rather, it is proud of the people it employs, many of whom, in turn, are proud of where they work. The visitor now wants to linger and drink in the colour and artistry of the posters and to appreciate the symbolism of this simple gesture. The idea was to highlight for staff that employees in the factory own its destiny. The anonymous face of the factory was changed into a living organism where everyone has a name and a place. This was also reflected by embroidering a name on employees' shirts and uniforms, giving everybody the chance to address employees by their preferred name.

A series of consultation workshops were held again in 2008 to track progress and to isolate new and ongoing challenges and suggested improvements. The staff had scored significantly higher in the 2007 survey of attitudes and perceptions, and Bernd Meyer and his leadership team were keen to find out what was working and what was still causing frustration.

A significant number of improvements were noted by employees at these workshops. These included improved diversity management and representation; better communication; a less rigid hierarchy; younger, fresher management; the factory upgrade; uniforms and names on uniforms; foreign visits and visitors; better social activities; improved control over one's own pay and benefits; the production bonus; better management of talent and learning; respect, trust and more opportunities to make decisions; and, finally, people management and teamwork in some quarters.

However, a continued challenge was felt to be the reluctance of some team leaders, supervisors and managers to change their ways, particularly in relation to an autocratic management style, but also, paradoxically, not managing underperformance effectively.

Various operational challenges were also raised, with employees putting forward some practical suggestions about how to improve operational effectiveness and efficiency.

Individual training and development plans to facilitate the internal promotion of (lower-level) staff were a continued frustration. Some aspects of diversity management and communication also continued to grate.

Feedback sessions for staff were again undertaken and the 10-year Masterplan given new impetus by a recommitment of leadership to change.

By the end of 2010, productivity had increased by 25% and customer satisfaction reached 85%. In 2010, employees rated the Heidelberg factory higher than many other international, fast-moving consumer goods companies operating in South Africa. In addition, the global company employee perceptions survey put the factory top, scoring higher than the head office environment.

But Bernd Meyer is not one to rest on his laurels. The consultation process was repeated for a third time in April 2011. This consultation process, though, was slightly different from those held in previous years. The 2011 data identified departmental differences in new and continuing challenges. The 2011 action planning sessions were therefore designed to address issues on a departmental basis so that more specific recommendations could be made according to departmental needs. Common themes were consolidated into a factory action plan, and specific departmental challenges are being addressed in each department. Improvements in working conditions and the work environment captured by employees included those relating to the physical environment; working conditions; talent development; people leadership; and initiatives taken by the company in relation to illicit trading.

Three common challenges were shared by the majority of employees, particularly those at a nonmanagement level. However, the focus of employees was firmly on solutions. The practical suggestions made were again reported and fed back to the leadership team. The three common themes identified were the following:

1. What can be called CHAMELEON MANAGEMENT practices amongst a minority of managers, supervisors and team leaders. Although these managers know how to behave, they change their colours according to the situation they are in. Hence, they say the right things when their superiors are around, but then act disrespectfully towards their direct reports when no-one is around to see them. They also generally fail to consult or hold team meetings. Career development and promotion opportunities are also often ignored. Criticism is generally more prevalent than positive feedback. It was suggested that the strict performance management of people-leadership behaviours, and especially in 360-degree feedback from all direct reports on a consolidated and anonymous basis, would assist with the resolution of this challenge.
2. Remuneration. Given the high cost of living, many groups felt that their remuneration was not keeping up with inflation. It was generally felt that benchmarking against other companies should be more transparent, that increased housing subsidies should be implemented, and that a travel allowance should be paid to those not travelling by company-sponsored bus. Another issue here was not having a choice of medical aids.

3. Security. Security seems to be a recent issue, but an issue which is breaking the proverbial camel's back. There are three main concerns:
 - Clocking out, then having to queue for 10 to 15 minutes at the security checkpoint. Various suggestions were made as to how this problem can be solved.
 - Searches not being random but rather governed by the likes and dislikes of the guards. It was suggested that a truly random process was available on the fingerprint scanner technology.
 - It was felt that a machine (eg something like a metal detector) should be used for body searches rather than hands.

Although many people at the beginning of the change journey were sceptical (to say the least), and even though many did not understand why money was spent on things that did not directly impact technology and machines, the results had proved them wrong by 2011. A factory-wide increase of productivity by more than 40% within three years, a significant reduction in absenteeism by up to 43%, and measurably improved quality through less consumer complaints are just a few hard indicators that have shown that real transformation is not just about a single intervention, a few technical modifications or the change of a few processes, but rather a full package which is supported by the majority of employees.

This cannot, however, be taken for granted. Hard work, on a continual basis, is needed to sustain an inclusive and high-performance culture. Ultimately, it is about real leadership; living the example; courageous decision making; as well as cascading responsibility and trust to those on the factory floor.

Thus, for Bernd Meyer and his management team, sustaining a world-class culture is an ongoing process and not an isolated event. Their commitment to the process is, however, reflected not only in improved productivity and levels of engagement, but also in hundreds of faces which mirror-image the photographs and posters on the walls. For many visitors, the BAT Heidelberg factory provides food for the soul and is a place to which many will want to return.

Discussion

The success of cultural transformation at the Heidelberg factory can be partially attributed to an effective talent management strategy to increase the levels of engagement, competence and motivation of employees. Many of the critical success factors which underpin an effective talent strategy are to be found in this case study:

- A burning platform to ignite strategic change.

- Knowing what the strategy was designed to achieve, and why and how.
- An integrated change process involving technology, processes, and people and culture.
- The commitment of the most senior executive, who not only brought in 'new eyes and ears' but also understood what was required now and in the future (including a diversity/people management competence).
- Talent strategies aligned with strategic objectives.
- Everyone has talent and experience, and talent and experience are everyone.
- Line management capability was rigorously pursued.
- Skills development at all levels to meet new strategic requirements.
- Transparency of information and two-way consultation (Managers listened, heard and respected opinions and suggestions. Most employees concentrated on solutions rather than problems.).
- Consistency and fairness in dealing with a lack of competence or commitment at all levels.
- Senior management role-modelling desired behaviours.
- Consequences were attached to attempts to revert to the status quo.
- All employees were to be treated as adults, trusted to offer meaningful suggestions and to take responsibility for their actions.
- Recognition of commitment at all levels; pride in the workforce; employees treated as individuals with a name and a critical role to fill.

Part 3: Emerging-market Talent Management Learnings

Chapter 16: Lessons Learnt from Managing Talent in Emerging Markets