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SABMiller South Africa: Contextual Leadership in transforming Culture

Caren Scheepers and Amy Moore wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On March 9, 2017, Ajay Maharaj Bachulal[[1]](#endnote-1) was making his way to the brewery of SABMiller plc (SABMiller), a leading South African beer and soft drinks bottler and manufacturer, in Polokwane,[[2]](#endnote-2) situated in the northern province of Limpopo, South Africa. Bachulal was about to begin his new position as plant manager. He had successfully achieved a culture change in his previous position at another one of SABMiller’s Breweries, called Prospecton, located south of Durban in a coastal province, Kwazulu-Natal (KZN). Considering this success, he was excited to see what might happen in his new role. Bachulal wondered whether he would be as successful in improving the plant’s performance and its critical key performance indicators (KPIs), such as factory efficiency, as he had been at the brewery in KZN, which had seen a remarkable improvement under his management.

Bachulal considered how to approach the workforce at SABMiller and how to adapt to the new environment’s cultural aspects. While both plants adhered to SABMiller’s system, policies, and procedures, he sensed that their approaches to work and life were very different. Bachulal considered whether the interventions he had implemented at Prospecton Brewery would be relevant for the brewery in Polokwane. He was aware that his general manager had high expectations of a quick turnaround of spectacular results and would expect Bachulal to cultivate a culture of collaboration. In light of these expectations, the proverbial 100-day window to show one’s worth in a new position might not be applicable to Bachulal’s new role.

background

South African Breweries (SAB) was a homegrown South African company. It was founded in 1895 by Charles Glass, who initially had provided beer to people arriving in Johannesburg during the gold rush. Over 120 years, its product offering had diversified under the company’s aim to build the optimum portfolio of soft drinks, lager, and other alcoholic beverages to capture growth.[[3]](#endnote-3) While the company experienced organic growth, it also saw growth resulting from completing a series of highly successful acquisitions and joint ventures on five continents.[[4]](#endnote-4) For example, SAB began a Coca-Cola bottling operation in 1977, and acquired a 49 per cent interest in Appletiser in 1979, representing an expansion into fruit juices.

In the 1990s, SAB underwent a series of mergers and acquisitions, which globalized the company. In 1993, it acquired Dreher Brewery in Hungary; in 1994, it entered mergers and acquisitions in Tanzania, and then Angola, Mozambique, and Zambia. In the same year, SAB merged with the second-largest brewer in mainland China. In 1999, SAB was listed on the London Stock Exchange, with the business valued at US$5.4 billion.[[5]](#endnote-5) In 2002, it acquired the Miller Brewing Company and the company name was changed to SABMiller. The company’s expansion continued into the first decade of the 21st century with the acquisition of Honduran brewery Cerveceria Hondurena in Central America and a majority interest in Italian brewing company Birra Peroni.[[6]](#endnote-6)

In 2016, SABMiller’s annual report indicated that 200 different beers were produced by 70,000 employees in more than 80 countries. Group profits were reported at $5.81 billion, with Latin America representing the highest contribution (33 per cent), followed closely by Africa (29 per cent), and then North America (14 per cent), Asia Pacific (13 per cent), and Europe (11 per cent). Its global brands included Peroni Nastro Azzurro, Miller Genuine Draft, Miller Lite, Pilsner Urquell, and Grolsch. Additionally, SABMiller produced Cola-Cola products in 23 African markets as well as in Latin America. For the overall market, beer accounted for almost one-third of SABMiller’s global retail sales value in packaged beverages; the global soft drinks market accounted for approximately 40 per cent of global retail sales value in packaged beverages.[[7]](#endnote-7)

SABMiller had a focused program called “The Manufacturing Way.” It was a process aimed at optimizing production in its factories and was linked to four technical strategic priorities: (1) building pride in the technical fundamentals of the company’s brands; (2) enhancing its reputation for operational excellence; (3) developing a reputation for product and packaging innovation; and (4) enhancing the sustainability of its supply chain.[[8]](#endnote-8) The Manufacturing Way, firstly, was linked to the organizational model and to competency and capability. Secondly, it focused on continuous improvement, through streamlined work practices and the development of new competencies.

Bachulal’ s career progression

Bachulal had started his career with SABMiller as a unit manager, and then moved into the roles of packaging engineer and packaging manager, through which he was accountable for delivering packaged products to the sales and distribution team for subsequent on-time and full delivery to customers and consumers. While delivering on this core business objective, he was accountable for manufacturing and controllable fixed costs for his department, as well as for product safety and quality, and the safety of employees.

Bachulal’s career at the Prospecton brewery developed in the context of The Manufacturing Way with the aim of operational excellence. The packaging department in the Prospecton brewery consisted of five packaging lines, including a 330 millilitre (ml)-can line, which was utilized to 20 per cent and in peak times up to 40 per cent; and a 750-ml returnable quart line, which was run at 100 per cent full capacity the entire year.

After 2014, Bachulal had the opportunity to work for a couple of months as country technical manager and, ultimately, as general manager before being relocated to Polokwane. The unadjusted factory efficiency (UFE) measure was important to Bachulal. The UFE of a packaging line, for example, that had been rated to produce 4,166 cases of bottles per hour, but that produced 3,500 cases per hour, was considered as 3,500 ÷ 4,166 = 84 per cent UFE. The measure of machine efficiency was a direct enabler of UFE and had a huge influence on the reliability of a packaging line. When machine efficiency was low, it indicated machine losses (breakdowns, speed losses, short stops, and reduced yield). These ultimately reduced both UFE and throughput. An important focus of management was therefore on ensuring the machines were reliable, because their unreliability could cause downtime on the packaging line—meaning the product was not being produced—and affect sales. Throughout his career, Bachulal had focused on improving plant throughput because most of the plant’s KPIs were measured per hectolitres packed.

In addition to his interest in these “hard facts” focus areas within manufacturing, Bachulal was interested in ancient literature and had been studying the Vedas—ancient Aryan literature that was a collection of hymns and other religious texts composed in India.[[9]](#endnote-9) His exposure to these texts enabled Bachulal to perceive his packaging management team objectively.[[10]](#endnote-10) His personal leadership journey focused on how to influence members of a large team to respect each other’s opinion, and he endeavoured to demonstrate a tone in his leadership style and behaviour of respect underlay with humility. Following this example would give his team the opportunity to hear what others were telling them, and would create a culture of trust among everyone.

Bachulal’s contemplation of the ancient literature opened his eyes to the fact that he regularly engaged with his team members in technical discussions, when actually coaching and mentoring had been required. He realized his team members had not been allowed to demonstrate their greatness because of the “SABMiller System”—the processes and procedures used in the organization. SABMiller’s The Manufacturing Way did not allow for creativity or for doing things differently; mistakes and missing targets would lead to the reprimanding of employees. As a result, employees did only as they were told.

Bachulal arranged for the packaging management team at the Prospecton site to undertake a leadership coaching journey[[11]](#endnote-11) with an external company. Through this, the team made progress with their coaching goals, but their efforts had been hampered by meetings, explanations, problem solving, and telecommunications. These frustrated the team to the point of losing faith in the process. As a result, Bachulal and his management team were led to question the way things were done at the plant.

Questioning the status quo

Bachulal and his team decided to break away from the SABMiller system that had been holding them back from unlocking their people’s potential and to move forward on a journey to true empowerment. Bachulal still remembered the astonishment on the faces of his colleagues when he announced there would be no more meetings. He also had all the visuals on targets and the outdated information on notice boards taken down.

Traditionally, employees at SABMiller had been accustomed to a leadership style focused on creating a “high performance” culture where your numbers indicated whether you had been successful or not. It had been an excellent strategy for growing the business over the last 25 years, and had assisted in developing and promoting top results-orientated individuals into senior positions. Bachulal realized that this strategy, however, had unfortunately not focused on the “how” but instead paid attention to the best practices that had to be followed, which had not proved to be an empowering and engaging model. He and his team challenged the status quo, and in so doing, Bachulal realized that leadership could be a catalyst for innovation and creativity.

Catalyst for culture change

Bachulal believed that while a sound strategy was important in any business, the context in which a strategy was executed was where SABMiller was falling short: the company had been far too rigid in terms of its plans and the route to take toward achieving these plans. His definition of a sound strategy was not what many people were accustomed to. He realized the team was packaging beer in different package sizes according to the required sales demand. Although a strategy in this context could have been 10 pages long, he instead formulated it as “maximum volume (HL) [hectolitres] into warehouse, while saving R3 million[[12]](#endnote-12) in invariable costs by March 2017, with safety and quality being non-negotiable.”[[13]](#endnote-13)

Bachulal held that when senior leaders in the organization clearly articulated the business non-negotiables in a simple manner, other leaders could filter them down to every individual so they could understand why they did what they did. He contended that in current leadership models, “servant leadership” was hailed as the new perfect model, but he believed that the developers of the concept were missing a key aspect.[[14]](#endnote-14) Bachulal believed that, to stay relevant, a business had to both function and deliver on a long-term strategy. This could not be achieved through servant-type leadership only. The business strategy still had to be rolled out, but how management did this had to have elements of servant leadership. For this reason, he had used the Sri Yantra diagram from the ancient Aryan scripture to describe the opposite needs from business requirements and people empowerment and fulfilment. Bachulal illustrated his ideas by sketching a pyramid of a typical business model where the strategy was rolled out according to rank, and beside it a pyramid showing the creativity potential (see Exhibit 1).

In the typical business model, he illustrated the typical strategy rolled out in a four-tiered organization: Level 1 employees were operators and artisans;[[15]](#endnote-15) Level 2 employees were team leaders, engineering controllers, and planners; Level 3 employees were unit managers and packaging engineers; and Level 4 employees were packaging managers, brewing managers, and engineering managers. Usually, strategy was developed through the department managers and then rolled down from Level 3 to Level 1. Bachulal’s other pyramid depicted the same organization with highly qualified individuals hired to work at Levels 1 to 4. Management would hear these employees’ ideas, but would roll out the strategy according to the business plan rather than adhering to the SABMiller system.

Bachulal team’s weekly short interval control would highlight that they were not moving toward fulfilling their business plan, and they would be in trouble for not complying with the strategy. Bachulal’s ideas turned the typical pyramid on its head with his incorporation of creative thinking in his second diagram, but his ideas had been blocked in the ranks. For example, Level 1 (the lower level) employees on the shop floor in the organization identified huge opportunities and had ideas to deliver results. These employees were aware of most problems and knew how to resolve them. Level 2 employees were able to identify non-value activities and had ideas that could be implemented. Level 3 employees had ideas, but they had not been part of formulating the business plan and had to answer for the progress of the plan toward strategy implementation, whereas Level 4 managers were only involved in the high-level strategy.

For the company to achieve positive outputs from these two scenarios, it would need to realize that although the business strategy was critical, to be ideal, the strategy had to be fluid and it had to have input from all employees to make it agile (see Exhibit 2). For example, Bachulal believed that having two opposing priorities (see Exhibit 1) inhibited the different levels of employees from discovering one another’s views. Whereas in his illustration of an ideal balanced strategy (see Exhibit 2), Bachulal suggested that taking the combined approach of achieving business outputs and empowering people to use their ideas assisted the company in conducting activities that added value and stop conducting those that were not adding value. In that illustration, Bachulal incorporated the positive points from each of his two pyramids to create a system where the company benefited from both, where strategy and creativity were combined to empower employees and make the business more agile. He applied his ideas in practice.

Level 1 ideas were used to inform the roll out of the business strategy and were checked for alignment with Level 4. Level 2 ideas were discussed with Level 3 employees, and trials were undertaken to see if the ideas made work easier and assisted in achieving strategy requirements faster. Levels 2 and 3 would then again assess whether the actual roll out on the shop floor was still aligned with the business strategy and if it, in fact, was making work easier and adding value. Empowerment was critical; Level 2 and 3 employees could decide to stop anything that was not adding value and start doing something that did add value. When Level 1 engaged with Level 4, Level 1 employees had to tell Level 4 employees how their actions were delivering the business strategy. This engagement was also a time for Level 4 team members to coach and guide Level 1, 2, and 3 team members.

The business needed a strategy that everyone could understand and that could be clearly articulated day-to-day by talking about the tangible actions employees took every day to improve business results. They combined the typical strategy with the creative contributions and omitted any rank, ego, or business models that would confuse the different levels. By doing this, Bachulal’s team was able to have a fluid strategy, and when employees at different levels engaged with each other, they could slowly and systematically identify non-value activities. Everyone was required to collaborate and to offer input on how the plan should be rolled out. Empowering employees allowed them to stop any activity that did not add value, provided their simple strategy was in place and could be referred to at all times.

The paradigm shift was for all levels to start asking rather than telling other people what to do. Employees could participate to create an upward spiral of creativity and innovation in everything they did. The business created a balance where it had leaders engaging with shop floor teams to create new business objectives and to discuss their views based on organizational experiences. Once the business was clear on what the business was trying to achieve, a simple and clear “why” was developed at every level. This model was a top-down and bottom-up approach, where senior leaders valued functional and shop floor opinions while functional and shop floor teams respected decisions from senior levels, thus building the level of trust in the organization.

Talent Development within SABMiller

Bachulal’s efforts to develop his employees was supported by the organizational context. SABMiller was known for its strong performance culture. “People are our enduring advantage” was a phrase used by many people in the learning and development department and was one of the six company values. A variety of human resources practices were set up to support this focus on people. Psychometric assessments were used as part of the selection process for management and executive placements across the group, testing personality, strengths, areas for development, and potential. For experienced hires, induction processes were in place to help transition employees into new roles. On-the-job training was provided to ensure employees had the right skills for the position. The performance management system ensured each division and employee had specific performance and behavioural targets, and bonuses, salary increases, and promotions were affected by the overall employee rating.

SABMiller also had several aspirational training programs. The SAB KickStart program offered an exciting opportunity for hand-picked entrepreneurs who serviced part of the South African business’s core industries. For over two decades, the SAB KickStart program (which provided a year of mentorship and training) developed the skills of, and offered guidance to, young entrepreneurs. The five best performing participants every year had a chance to win grants of up to R500,000.[[16]](#endnote-16) There were also several internal programs that were considered to be aspirational, and a person who was nominated for and accepted into such a program was seen as strong talent. One of these programs was the management development program, which was run annually for over 43 different groups, and was initially administered by the University of Witwatersrand.

The Executive Leadership Program

In 2014, the Gordon Institute of Business Science (GIBS) was awarded the contract to develop, design, and deliver SABMiller’s management development program. Bachulal recalled Liezl Owen, the senior program manager at GIBS responsible for the SABMiller program, saying that the four program aims were (1) to enable the delegates to have a greater strategic appreciation of their operating contexts, especially in dynamic markets; (2) enable delegates to have a heightened focus on how they could add value back to SABMiller, helping to deliver bottom line results; (3) improve the ability of delegates to network and collaborate across the African businesses of SABMiller; and (4) increase delegates’ personal and leadership effectiveness for the future.[[17]](#endnote-17)

Owen explained the different learning methodologies as follows: “We used a variety of different learning methodologies—classroom lectures, guest industry and in-house speakers, integration and reflection time, individual and group coaching, and practical application of the theory through individual business improvement projects (IBIPs).”[[18]](#endnote-18)

Priyal Ramdass, a SABMiller learning and development specialist, indicated, “We were constantly thinking of aligning the business direction with learning needs and, therefore, constructed a new program in 2016 for a slightly more senior level delegate. We carefully created, in co-creation with GIBS, the right environment for learning and the individual’s capacity to absorb the learning and we created individual project outputs.”[[19]](#endnote-19) The 2016 program was composed of two study blocks, with classroom delivery at the business school’s Illovo campus. Bachulal was part of Cohort 1, and Anesh Chanerika, one of his managers, was part of Cohort 2. Groups were constructed deliberately to incorporate diversity in terms of gender, race, educational background, business areas, and geographical spread.

The study blocks contained nine days of classroom content, which were spaced apart by a few months to allow for reflection on, and application of, assignments. The assignments included themes of self-knowledge and leadership styles, as well as drivers of local, national, and international competitiveness. To support reflective learning practices, an hour at the start of each day was dedicated for an integrator (trained in adult learning theory, practice, and processes, and with strong facilitation skills and a curiosity and understanding of group dynamics) to facilitate a process of reflection.[[20]](#endnote-20) According to the delegates, “the integration sessions were key to learning” and “helped to strengthen the learning process.”[[21]](#endnote-21) Before the program started, delegates identified a problem or opportunity at work, and through the first module, were encouraged to reflect on their learning and how it could be applied to their business challenge. This was the IBIP. Delegates were dealing with real-time issues and had the opportunity to present what they had achieved to a senior internal panel, facilitated by GIBS, at the program’s end.

Individual and group coaching was also built into the program to help emphasize the power of a facilitated dialogue process and to encourage sharing among delegates across different departments and divisions. The coaching included a tailored 360-degree personality assessment. Leadership storytelling was the focus of the group coaching, leveraging the group’s wisdom around how each individual could approach their IBIP. Individual coaching developed tailored personal development plans. The program included a session on nutrition, and one on thinking through whether their social profiles reflected the brand they wanted to project.

Bachulal chose improving factory efficiency and volume at peak as his IBIP, and used course tools to gain confidence in his change initiative. The program’s focus on an authentic leadership style enabled him to think more about what he wanted to project in his team. It gave him the motivation and opportunity to engage and listen—in a structured way—to his colleagues.

Learning and innovation required

While SABMiller needed to launch different package sizes and brands using different technology, the equipment in its packaging hall was on average 20 years old, and the company’s ability to be both agile and quick to change and launch products was limited. If, for example, a competitor launched beer pouches as a sustainable development initiative and it became the norm, the company would react to this and lose about 9–12 months in developing this capability.

Bachulal knew that for the company to migrate its culture to a learning organization, it had to create a space where people were not afraid to fail. Their idea suggestion scheme of years ago had died a slow death because employees were not being given feedback on their ideas. As a result, they lost faith in the process.

The packaging management team developed a better understanding of the meaning of meeting, where the letters in the word *meeting* stood for “My Excuse/Explanation to Influence Nobody’s Goals.” Meetings actually killed employee engagement in a manufacturing environment, and with the technology available on the information technology side of the business, they were able to obtain all information from push reports. The team noticed that meetings were usually filled with excuses or explanations of what had gone wrong 24 hours ago. If the company were to operate with this “best practice,” which was probably 20 years old, employees would not be developing any future thinking capability. Bachulal’s team found more value in engaging directly with the people on the shop floor and finding out (1) how they were doing, (2) what agreements they had reached with support people to improve KPIs, (3) what management could do to help them to make a step change in performance, and (4) thanking them for their input in delivering a KPI. It also allowed the company to identify laggards in cases where the desired output was not achieved.

While there were a few business requirements that could not be ignored—for example, ensuring the safety of SABMiller’s products and people—Bachulal’s team took a simple view of what the company was aiming for. These company requirements had to cascade down into everyone’s goals with tangible outputs, which made sense for the work area. Once these were incorporated and employees had guidance on what had to be done, Level 2 and Level 3 employees would ask their Level 1 team members for ideas on how they could improve and became more efficient, and pointed out which activities were not helping them to improve. The empowerment needed to be clear and action taken immediately to change something that did not work. The Level 4 team had clear guidelines set for approvals if they were to tamper with product standards or legal requirements. As this process became more robust, Level 1, 2, and 3 employees would challenge their standards and best practices because they would have more sophisticated ways of delivering better results faster.

Bachulal was convinced that his approach to merge strategy and innovation into one system provided new insight into how the company could use creativity and innovation to speed up business processes. The end goal of his ideal, integrated, balanced strategy model was to have business processes and best practices be part of a continuous discussion at all levels, where only what was relevant to the business objectives would be done and non-negotiable items remained non-negotiable.

Bachulal described his leadership journey over the past year or so as breaking down egos as well as rank, and creating a culture where people were valued for who they were and how they applied themselves to achieve results for the business. In the beer market, consumers had less disposable income; the majority of them were attracted to the beer value proposition, which was aimed at what consumers could afford for a beverage. SABMiller prioritized returnable bulk packs, which in turn led to its returnable bottle packaging lines running at more than 95 per cent capacity in the peak period, and to its sales forecast asking for more than peak capacity. The business would benefit from volume and margin growth if it were to increase production of its returnable bottle packs during the peak period. The question was where it could farm the additional capacity. The business challenge in peak season was to improve the bulk returnable volumes through the peak sales period to meet customer demand. Concurrently, Bachulal’s personal motto was to improve efficiency and volumes in packaging by building a culture of inclusivity.

SABMiller faced a major challenge at its Prospecton brewery at the time: Lines 4 and 6, the 660-ml and 750-ml lines, were loaded to capacity. Accordingly, the company had to identify where it could find additional capacity. In analyzing their losses, management realized they had a team of highly qualified individuals doing routine tasks every day. Their equipment capability was not going to change through major capital investment in the next six months; the leaders in the business unit and at the packaging management level had to understand what the business needed and be able to articulate this naturally, in their own way, without any pressure. First, they had to find ways of decreasing their forecasted losses—and include their employees in discovering possibilities for doing so. It was decided that no manager’s rank would dictate the views of the manager, and that only solutions that incorporated the ideas of employees in every work area would be considered for determining how to add value of 4 per cent UFE per bulk line.

During SABMiller’s annual manufacturing conference in July 2016, the company’s manufacturing and supply chain director clearly explained the requirements for peak periods. Fortunately, 23 people from different areas of the Prospecton brewery (i.e., operators, artisans, team leaders, managers, and others) had attended the conference. On their return to the plant, Bachulal and his packaging team spent a few hours discussing the message from the conference and how they should communicate it to everyone in the packaging hall. They decided to condense the presentation onto a few PowerPoint slides, and Bachulal personally presented the slides to the different teams in the packaging hall. The message was clear, but instead of simply delivering it, Bachulal decided to make the presentation more of a brainstorming session. The challenge he raised was what they should do from that day to free up time, and how they would agree upon and implement these ideas, which they would share in a week’s time.

During July 2016, line managers were asked to update their meeting rooms to add value. Bachulal took time to workshop concepts around visual management, focused improvement, and teamwork with his packaging management team. They set aside thinking time and started using their meetings as workshops. Their first attempt at this addressed visual management in the meeting rooms, where the team selected KPIs based on what required the most improvement. They decided to update the charts, and asked the team leaders to take the lead in making this initiative work. It worked for two weeks, and then the charts started to go blank. The management team asked themselves why their teams were not seeing value in the initiative and what had gone wrong, and then decided to use another approach. They decided they would have a session with the unit manager to discuss what they were trying to do and ask for ideas on what they should be tracking and why.

The discussion was very robust and the team members had some great ideas. They chose to track selected KPIs, and then prioritized tangible actions as visual management. This discussion built upon some of the tools used in the executive leadership program integration sessions—constructive group reflection processes and visual process tools. Bachulal requested his packaging engineers to discuss their problems, agree on a way forward, and implement ideas that added value. The process was working well with the machine owners and operators, who met at the machine every morning for 5–10 minutes to discuss problems and potential solutions. The machine owner took this information to the superintendent, with whom all mechanical and electrical machine owners met to discuss problems that had arisen and to prioritize what had to be done to fix them. These priorities were then taken to the packaging engineer and line engineering controllers. The packaging engineer had the right to veto any decisions.

Support from the packaging engineer

Bachulal’s packaging engineer, Anesh Chanerika, who had also participated in the executive leadership program, demonstrated a solid understanding of the market and subsequent sales demands. He understood the consequences of machine unreliability and downtime. Chanerika was successful in increasing performance in the packaging hall by improving interactions between the operators and the artisans on the shop floor. Traditionally, manufacturing environments were characterized by a silo mentality between production and engineering. These departments tended to blame each other for reliability issues. Recognizing that the operator had the most insight about his machine and process, Chanerika realized it would be worthwhile to tap into his insight.

The daily interaction between artisans and operators had first been piloted with one machine. Chanerika discussed his idea individually with the filler artisan and operator, and then took a couple of weeks to get the system working well. Chanerika visited these communities daily to determine how the process was progressing and conduct various coaching sessions with these individuals. Chanerika then communicated the process to the rest of the packaging hall, which created excitement and led other operators and artisans to visit the area to learn about what was happening. As a result, they actually asked to implement the same process in their areas. The process was eventually rolled out to all machines. Chanerika then incorporated the process into his normal routine and into the structure of meetings, where any issue with a machine was dealt with by asking, “What was the feedback from the community?”

Entrenching these systems had not been easy and required continuous reinforcement from Chanerika and visible support from Bachulal. Artisans presented the results of the process at the weekly artisan forums. They were proud to showcase their achievements and discussed the process’s shortcomings and learning points. Chanerika was pleased that these initiatives demonstrated to employees that they were important and had permission to think creatively. His personal leadership goal had been “to create a thinking environment with a people matters approach.”[[22]](#endnote-22)

The packaging line reported an improvement from 89.21 per cent to 91.04 per cent at the end of August 2016. Specifically, Line 4 had improved its machine efficiency from 88.35 per cent to 90.23 per cent (see Exhibit 3). It improved the machine variance by 1.45 per cent, which allowed the additional production of 32,756 hectolitres of beer—26,329 additional cases of 750-ml quarts—resulting in additional revenue of R35,551,450 by the end of 2016.

Anheuser-Busch InBev Acquisition of sabmiller

There had been speculation since 2014 about whether SABMiller would be taken over by Anheuser-Busch InBev (AB InBev). Following more than a year of negotiations, in October 2016 the $100-billion AB InBev acquisition of SABMiller was completed.[[23]](#endnote-23) The *Financial Times* reported that the deal was the third-largest acquisition in history, with the new company boasting annual sales of $55 billion.[[24]](#endnote-24) Part of the motivation behind the deal was the increased presence SABMiller had in developing countries and continents including China, South America, and Africa.

The deal, however, came with uncertainties on how the merger—and the changes it brought about in everything from company structure and leadership priorities to the overall company culture—would affect SABMiller’s current employees. The combined group would be organized into nine geographical zones, with Africa (headquartered in Johannesburg) covering South Africa, Botswana, Swaziland, Mozambique, Malawi, Namibia, Zambia, Lesotho, Uganda, Ethiopia, African Islands, Tanzania, South Sudan, Kenya, Nigeria, and Ghana. The leadership structure would be formed by the executive board of management, composed of 20 zone presidents and functional chiefs, who would report into AB InBev chief executive officer Carlos Brito.[[25]](#endnote-25)

AB InBev had a reputation for its tough, centralized cost-cutting management style. Initial speculation was that Brito undertook to extract $1.4 billion in annual cost savings by 2020[[26]](#endnote-26) through a few different mechanisms, including cutting its global workforce by 3 per cent post-merger over a three-year period.[[27]](#endnote-27) While a people plan was created to “treat and remunerate our people fairly, keep hold of our best talent and support our teams through the potential changes,” it was expected that approximately 5,500 positions would be eliminated.[[28]](#endnote-28) How this reduction in staff would affect the breweries in particular was unclear. According to Javier Gonzalez Lastra, an analyst at Berenberg Bank, “AB InBev is known for running their breweries very efficiently and their front-of-office very effectively.”[[29]](#endnote-29) Following the revised management structure, Bachulal was given the opportunity to become the new plant manager.

Moving forward

Bachulal had to motivate his people at his new plant in the context of the uncertainties created by the acquisition of AB InBev. At Polokwane there was still room for improvement, especially concerning the inter-departmental commitments, and they had to focus on getting more buy-in from the larger system in terms of the production plant. Getting this commitment from department heads required greater effort from Bachulal. A system had to be developed to assist in improving inter-department commitments.

Bachulal realized from his previous visits to the plant that these artisans had been sought after in the market and that Limpopo offered several competitive opportunities. In the smaller KZN province, talented employees often remained with their organizations because they enjoyed living at the coast and opportunities were less readily available. People in KZN were also generally more focused on interpersonal relationships than on tasks to be completed, and were distinctly family-orientated.

As Bachulal was turning into the plant’s parking lot on his first day in the new role, he noticed that several of the buses and taxis transporting the workforce had already arrived. He reflected that his mastery of the Zulu language, which most of his workforce in KZN had spoken, would only partly assist him here: most of his current employees spoke Tswana. Bachulal realized there would be many other challenges in the new environment,[[30]](#endnote-30) and he pondered how to approach the culture change at the Polokwane plant.

Exhibit 1: Bachulal’s existing strategy, Illustration



Note: L = level.

Source: Reprinted with permission from Ajay Maharaj Bachulal’s assignment for the Gordon Institute of Business Science SABMiller executive leadership program, September 15, 2016.

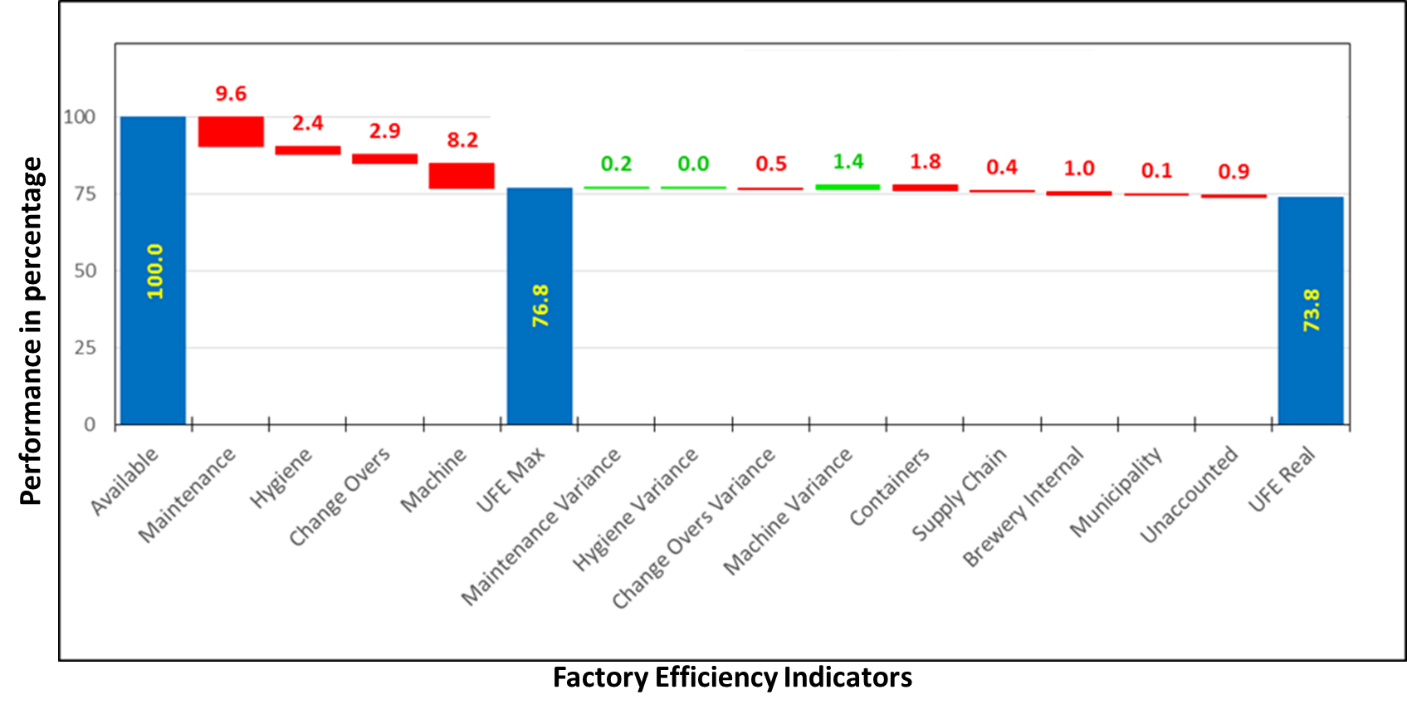
Exhibit 2: Bachulal’s ideal balanced strategy, Illustration



Note: L = level

Source: Reprinted with permission from Ajay Maharaj Bachulal’s assignment for the Gordon Institute of Business Science SABMiller executive leadership program, September 15, 2016.

Exhibit 3: Line 4 performance—measure of factory efficiency (%)



Note: FE = factory efficiency.

Source: Reprinted with permission from Ajay Maharaj Bachulal’s assignment for the Gordon Institute of Business Science’s module “Creativity, Innovation and Knowledge Management,” part of the SABMiller executive leadership program, August 15, 2016.

ENDNOTES

1. Ajay Maharaj Bachulal was interviewed by the authors on December 8, 2016, and on July 10, 2017. [↑](#endnote-ref-1)
2. Polokwane is the capital of the Limpopo Province of South Africa and has around 700,000 residents; City of Polokwane, *Executive Mayor’s 100 Days in Office Report*, August 18, 2016 to November 30, 2016, accessed May 29, 2017, www.polokwane.gov.za/City-Governance/PublishingImages/Pages/TheMayor/EXECUTIVE%20MAYORS%20100%20DAYS%20IN%20OFFICE%20REPORT%2018%20AUGUST%202016%20to%2030%20NOVEMBER%202016.pdf. [↑](#endnote-ref-2)
3. SABMiller plc, *Annual Report 2016*, 11, accessed August 26, 2017, www.ab-inbev.com/content/dam/universaltemplate/ab-inbev/investors/sabmiller/reports/annual-reports/annual-report-2016.pdf. [↑](#endnote-ref-3)
4. SABMiller plc, op. cit., 9 [↑](#endnote-ref-4)
5. All currency amounts are in US$ unless otherwise specified. [↑](#endnote-ref-5)
6. SABMiller plc, op. cit., 4–5. [↑](#endnote-ref-6)
7. Ibid, 18. [↑](#endnote-ref-7)
8. Ed Koch, Head of Manufacturing Development at SABMiller, “Competitive Advantage Generated Through the Global Deployment of a Continuous Improvement Programme,” TRACC European Conference, Prague, Czech Republic, June 9–10, 2010, accessed May 31, 2017, http://events.etracc.net/upload/userfiles/domain\_id\_11/files/Ed%20Koch%20-%20SABMiller.pdf. [↑](#endnote-ref-8)
9. The texts were composed between about 1500 and 1000 BCE; Cristian Violatti, “The Vedas,” Ancient History Encyclopedia, January 18, 2013, accessed May 31, 2017, www.ancient.eu/The\_Vedas/. [↑](#endnote-ref-9)
10. Interviews with Ajay Maharaj Bachulal on December 8, 2016, and July 10, 2017. [↑](#endnote-ref-10)
11. The leadership coaching journey was a process facilitated for personal and team reflection. [↑](#endnote-ref-11)
12. R = South African rand; R1.00 = US$0.07 on March 31, 2016. [↑](#endnote-ref-12)
13. Ajay Maharaj Bachulal’s Integrated Business Improvement Project for the Gordon Institute of Business Science SABMiller Executive Leadership Programme, September 15, 2016. [↑](#endnote-ref-13)
14. Robert K. Greenleaf, “What is Servant Leadership?,” Center for Servant Leadership, 2016, accessed March 25, 2017, www.greenleaf.org/what-is-servant-leadership. [↑](#endnote-ref-14)
15. An artisan was responsible for the technical maintenance of the machines in the packaging plant. [↑](#endnote-ref-15)
16. Destinyconnect.com, accessed March 28, 2017, www.destinyconnect.com. [↑](#endnote-ref-16)
17. Information from the opening slides of the presentation of Liezl Owen, program manager at GIBS, for the SABMiller executive leadership program. [↑](#endnote-ref-17)
18. Interview with Liezl Owen, April 6, 2017. [↑](#endnote-ref-18)
19. Interview with Priyal Ramdass, Learning and Development Manager, SABMiller, on April 4, 2017. [↑](#endnote-ref-19)
20. Todd Wuestewald, “Adult Learning in Executive Development Programs,” *Adult Learning* 27, no. 2 (2016): 68–75. [↑](#endnote-ref-20)
21. Evaluation feedback from SABMiller Cohort 1 executive leadership program delegate. [↑](#endnote-ref-21)
22. Interview with Anesh Chanerika, Packaging Engineer, SABMiller, Prospecton Plant, December 14, 2016; assignment for the SABMiller executive leadership program, March 2016. [↑](#endnote-ref-22)
23. Lisa Brown, “A-B InBev Finalizes $100 Billion Acquisition of SABMiller, Creating World's Largest Beer Company,” *Chicago Tribune*, October 11, 2016, accessed March 28 2017, [www.chicagotribune.com/business/ct-megabrew-ab-inbev-sabmiller-merger-20161010-story.html](http://www.chicagotribune.com/business/ct-megabrew-ab-inbev-sabmiller-merger-20161010-story.html). [↑](#endnote-ref-23)
24. Tara Nurin, “It's Final: AB InBev Closes on Deal to Buy SABMiller,” *Forbes*, October 10, 2016, accessed March 28, 2017, [www.forbes.com/sites/taranurin/2016/10/10/its-final-ab-inbev-closes-on-deal-to-buy-sabmiller/#361a571837d6](http://www.forbes.com/sites/taranurin/2016/10/10/its-final-ab-inbev-closes-on-deal-to-buy-sabmiller/#361a571837d6). [↑](#endnote-ref-24)
25. Judy Bizzozero, “AB InBev, SABMiller Merger Set to Close Oct. 10,” *Natural Products Insider*, August 31, 2016, accessed November 30. 2017, www.naturalproductsinsider.com/blogs/food-beverage-perspectives/2016/08/ab-inbev-sabmiller-merger-set-to-close-oct-10.aspx. [↑](#endnote-ref-25)
26. Ann Crotty, “SABMiller-AB InBev Merger: Slashing,” *Financial Mail*, August 12, 2016, accessed March 28, 2017, [www.financialmail.co.za/fmfox/2016/08/12/sabmiller-ab-inbev-merger-slashing](http://www.financialmail.co.za/fmfox/2016/08/12/sabmiller-ab-inbev-merger-slashing). [↑](#endnote-ref-26)
27. Nurin, op. cit. [↑](#endnote-ref-27)
28. SABMiller plc,op. cit., 56. [↑](#endnote-ref-28)
29. Thomas Buckley, “AB InBev Said to Plan 5,500 Job Cuts After SABMiller Deal,” Bloomberg, August 26, 2016, accessed March 28, 2017, [www.bloomberg.com/news/articles/2016-08-26/ab-inbev-said-to-plan-5-500-job-cuts-after-acquiring-sabmiller](http://www.bloomberg.com/news/articles/2016-08-26/ab-inbev-said-to-plan-5-500-job-cuts-after-acquiring-sabmiller). [↑](#endnote-ref-29)
30. The Zulu language was one of the official languages of South Africa. [↑](#endnote-ref-30)