** **

9B18C045

T-Systems South Africa: Commencing Turnaround through Women’s contextual Leadership

[Caren Scheepers](https://iveypubs.my.salesforce.com/003A000001CqpVS) and [Sheila Motsepe](https://iveypubs.my.salesforce.com/003A0000024DJdE) 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.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2018, Ivey Business School Foundation Version: 2018-11-13

On October 19, 2016, Mardia Niehaus, former chief executive officer (CEO) and current chairperson of the board of T-Systems South Africa (TSSA),[[1]](#footnote-1) looked out the window, adoring the autumn leaves of the maples along the Rhine Valley, as she sped past on the train from Frankfurt to Bonn. That morning, Niehaus had landed in Germany after an exhausting overnight flight from South Africa.[[2]](#footnote-2) She appeared pensive in the window’s reflection, as she contemplated the previous day’s eventful TSSA board meeting.

Niehaus had been the CEO of TSSA between 2005 and 2012, after which she became chairperson of the board of the same company. In 2016, from her position as chairperson, she was considering the recommendations she would offer Gert Schoonbee to sustain TSSA’s culture transformation. Schoonbee had become the CEO of TSSA in 2012. Niehaus was mindful of not interfering with Schoonbee’s management of the company, but wanted to direct some of the company’s approaches. She had been promoted to the position of senior vice-president Middle East and Africa for T-Systems International, which required her to move to Bonn, Germany, the location of the head office of TSSA’s parent company, Deutsche Telekom AG (Deutsche Telekom). Her challenging role required intense focus; therefore, she purposefully needed to limit her involvement in the South African operations.

Company background

When Niehaus took over TSSA as acting CEO in 2005, the company’s revenue was declining 14 per cent year-on-year, and she needed to turn the company around. Niehaus was often asked how she had been able to turn the organization around from being number 12 in the market to number one. In four and a half years, TSSA had grown its headcount from 600 people to 2,500 people, and its revenue from R600 million[[3]](#footnote-3) to R3 billion.

Niehaus recognized that the turnaround occurred because TSSA was able to execute what it had promised. The strategy and the story on paper were not extraordinary. Most of TSSA’s competitors had similar strategies; however, the difference was in the implementation.

Deutsche Telekom offered fixed-network and mobile services, Internet, and television (TV) services for consumers; and communication and technology solutions for multinational corporations. Deutsche Telekom operated in 50 countries across the world and employed more than 300,000 people. The company recorded revenues of €62,658 million[[4]](#footnote-4) (US$83,241.2 million) during the financial year ended December 2014. The operating profit of the company was €7,247 million (US$9,627.6 million) in 2014, an increase of 47 per cent from 2013. The net profit was €2,924 million (US$3,884.5 million) in 2014. In the United States, Deutsche Telekom had 55 million mobile customers at the end of 2014. In Germany, Deutsche Telekom catered to 20.7 million fixed line customers, 2.4 million pay TV subscribers, 12.4 million broadband customers, and 39 million mobile customers at the end of 2014.

With a footprint in more than 20 countries, 46,000 employees,[[5]](#footnote-5) and external revenue of €8.2 billion in 2015, T-Systems International, of which TSSA was a part, had a global influence on the telecommunications industry. T-Systems International had partnered with 90 other companies, including Avaya, Cisco Systems, Inc., Huawei Technologies Co., Ltd., Informatica, Microsoft Corporation, Salesforce.com, Inc., and VMware, Inc. to offer business customers various cloud models, from tailored private clouds and low-cost public cloud services to hybrid clouds.

Information technology outsourcing (ITO) was growing at a rapid pace, and Statista reported that, in 2015, the total contract value of the worldwide ITO market was US$88.9 billion.[[6]](#footnote-6)

Niehaus’s background

Niehaus was a clinical psychologist who started her career at Anglo American plc’s Maccauvlei Learning Academy in Vereeniging, South Africa. She was trained as an assessment centre assessor, then later moved to M-Net, a South African subscription-funded TV channel, in a training and development practitioner role. At age 27, Niehaus was a general manager, on the executive committee of M-Net, and managed human resources at MultiChoice, a South African video entertainment company. She then became the human resources director at Debis Systemhaus GmbH (Debis), an outsourced technology company (then Daimler Chrysler). Deutsche Telekom acquired Debis in 2000 and restructured the company as TSSA.

When Nieuhaus went on maternity leave with her third child, TSSA’s revenue was declining. The struggling company was not acquiring new customers and decided to reorganize and downsize 20 per cent of the workforce. On Niehaus’s return from maternity leave, the CEO offered Niehaus the role of head of sales. The CEO gave her a week or so to decide and advised her that, in the meantime, while they took over sales, Niehaus also needed to become deputy CEO. Since no deputy role existed then, this appointment caused conflict with the German parent company. TSSA’s CEO explained that in the South African development environment, such a role was important to grow people into positions. After about a week, Niehaus accepted the position.

TSSA needed to conduct a massive transformation because it now had only 600 employees, was number 12 in the market, and was not a clear player in the South African information and communications technology (ICT) market. At the time, TSSA was one of the smaller players, a small multinational company that was not successfully securing any of the big deals that were being acquired by its competitors, such as Dimension Data, Business Connexion Group (BCX), EOH Holdings (Pty) Ltd., and Gijima Group Ltd.

Within three months of Niehaus’s appointment as deputy CEO, TSSA’s CEO had a disagreement with the shareholders and left the organization. Niehaus became the acting CEO and remained in that role for nearly a year. It was an interesting gender dynamic since, according to Niehaus, men would never have remained in an acting role for a full year; instead, after three months, most men would have expressed their frustration and delivered an ultimatum.

In 2005, the leadership at Deutsche Telekom changed, and the company underwent intense discussions about its investment in South Africa. On Niehaus’s return from a conference in Germany, after the new T-Systems International CEO had been appointed, Niehaus called a meeting and announced that the company had one of two choices. TSSA could either close down because it would not receive any support to grow inorganically and the parent company was considering divesting its business in South Africa, or it needed to grow itself out of the problem. If the latter, TSSA needed to create its own organic growth and scale up operations since ICT, and especially outsourcing, was all about scale. TSSA urgently needed to develop a strategy for increasing its size to become a larger player in the market.

It was a highly uncertain time at the organization and several good employees left; they could see the ominous warning signs as revenues declined. TSSA was still profitable because it had reduced costs and restructured six months earlier. If left as it was, TSSA would become totally insignificant, but if successfully restructured, the company could be a serious competitor.

Leading the turnaround

Niehaus needed to put a team together to lead the turnaround. However, members of the board and the executive committee resisted her role as acting CEO. Their concern was that Niehaus was a clinical psychologist, had limited ICT knowledge and skills, and was a woman with three young children. Niehaus did not consider herself a technology expert; it was not what motivated her. Niehaus was aware that others in the industry thought that it was the beginning of the end for TSSA. Deutsche Telekom conducted a worldwide search to find a suitable candidate to be TSSA’s new CEO.

Niehaus decided that she needed to make changes. Some people on the executive committee were uncomfortable staying and resigned to pursue other opportunities. Niehaus had to ask a brilliant senior manager who was unable to make the necessary changes to leave the organization.

One of the trusted team members was Schoonbee, an engineer, who was the strategist. Schoonbee supported Niehaus and together they made an excellent team. It was as if they were performing a dual CEO role, making decisions jointly, with the involvement of the other executive members. Schoonbee and Niehaus had lively discussions and regularly engaged in constructive conflict about decisions. Their combination of skills made a difference to the strategic direction of the organization. For example, where Schoonbee, as chief operating officer, would consider strategic direction and task-related matters, Niehaus had well-developed skills to influence people’s mindsets and solicit their support of the strategies. It was a kind of tandem leadership since the complexity of the work called for a range of skills that were not often found in one person.

Employees believed in the dream

Everybody believed in the dream, and that was the first step. Everyone was exposed to all of the information.

The second step was to build an environment that created hope. In addition to the dream, the introduction of hope created the view or the belief that it was possible to be successful at implementing the company’s strategy. This hope linked everything that employees did to the success of the strategy. The dream was translated into clear, achievable daily tasks, and the achievement of those tasks was monitored and measured. Niehaus and her executive team provided employees with regular feedback about their progress.

The executive team also needed to change direction when necessary. For example, when they realized the strategy was not yielding the desired results, they came together and discussed what was not working and made decisions about what to do differently. It was not complex decision-making, but the strategy was consistent and ensured that every single practice tied into the story. Nothing was done on the side; everything was seen as part of the story and the implementation needed to achieve the end result.

Niehaus brought a softer angle by focusing on bringing people together on the vision, the customers, and the parent company. Schoonbee focused on actively driving the translation of those dreams and stories into real action. Their partnership was part of the success of the turnaround.

Sanlam, a South African financial services group, was an important TSSA client, as was Daimler AG, the multinational car manufacturer; however, for years TSSA had been unable to add any new contracts. TSSA thus needed to make a change, and, from a sales perspective, the company was ruthless in its focus. TSSA had lost many employees and, being cost-conscious, it lacked the funds to acquire a notable headline name in the industry. At that stage, TSSA was perceived as a declining company, so it could not attract the best talent. TSSA needed to take what it had and make the best of it.

TSSA needed to create something extraordinary with ordinary people—an expression that some people objected to as not sounding like a compliment. However, the approach did not mean that ordinary people were not good. Niehaus also described herself as an ordinary human being with some brilliant and some not so brilliant characteristics that needed to be developed. Niehaus worked with a range of people who had varying competencies and turned those people and their various competencies into a ruthless sales team.

In September 2006, after a year of acting in the role, that Deutsche Telekom permanently appointed Niehaus in the role as CEO—and she had to prompt them to make the decision. The world was running up to the financial crisis of 2008, and TSSA’s biggest growth took place exactly in that time. The board and the executive team held a fundamental belief that TSSA’s leadership should not cut the important things. For example, TSSA continued the activities that would make it sustainable through the bad times, but it did not reduce any people practices. The tougher the challenge became, the more time Niehaus spent talking to people. She made a commitment that she would personally visit every single office, in the company four times a year. When she met employees, she told the story about what TSSA was doing.

People quickly began to see results, indicating that things were going in the right direction. During this time, Niehaus was adamant that TSSA would not stop providing coffee to employees. The company executives were very careful with their travel, but they did not cut the activities that Niehaus believed were necessary for sustainability, including training and spending time with people to ensure that they understood what was meant by the dream of creating an ICT company that had a soul. It was not easy to explain what that meant; nonetheless, people felt that the dream was becoming tangible and understood that “an ICT company with a soul” meant capitalism with a conscience.

TSSA’s management realized that the company needed to be financially sound to provide opportunities and training, and there was no shortcut. Niehaus would, however, never ask anyone to do anything that they might not feel comfortable with; nor would she give in to unreasonable pressure for certain things. The leadership team purposefully created a company where people were more than just a number—a place where they had a real voice, and a chance to make a real contribution. The leadership team wanted to become the number one company in ICT.

Winning the big deal

At the beginning of 2008, TSSA won its first big deal, which was with Old Mutual Limited (Old Mutual), a South African-based financial services group. TSSA asked a manager at Old Mutual why the company had chosen TSSA. The manager, a particularly difficult person, recalled his experience when Old Mutual had been conducting site visits.

TSSA had a hundred employees busy preparing for this visit because Old Mutual was on the short list of two companies and TSSA needed this deal. The employees realized that they needed to win this deal because the company had identified three big deals and had said no to one and lost another. Thus, the Old Mutual deal was the only one that could enable TSSA’s much needed growth. At the time, Old Mutual was offering the biggest telecommunications outsourcing deal in the country. Outsourcing deals were worth R1 billion at that stage, and the press coverage around the deal had been extensive. The deal would require an increase of more than 600 people, so TSSA’s staff component would suddenly grow substantially—doubling to 1,200 people.

On the day of the site visit, TSSA felt the pressure because nothing was assured. TSSA’s leadership had prepared the employees well for the visit and chose a young team leader whom they believed could do a good job. The leadership team briefed the team leader on how and what he should say when speaking with the potential customer. However, when the Old Mutual entourage entered the centre with the particularly difficult manager and the TSSA executive introduced the team leader, the difficult manager said that TSSA’s team should wait. The manager suspected that the team leader had been briefed, so he chose to speak to another person on the floor. He chose to speak with a young woman who had probably worked at TSSA for only a year and a half. This young woman stood up and spoke about what she did and what the company was doing, its purpose, who they were, and why they were doing it. She did it so well that it appeared to be scripted.

When Niehaus conducted a debrief, the Old Mutual manager admitted that, up to that point, he had thought that they were brilliant salespeople. Niehaus knew that the woman he spoke to was a very good salesperson; she had to play a key role in sales as a CEO of an outsourcing company. The Old Mutual manager said, when the young woman spoke so authentically from the heart, so passionately, he saw and felt everything Niehaus spoke about, including TSSA’s culture of ICT with soul.

Recovering TSSA through a sense of purpose

The recovery of TSSA was enabled through a sense of purpose. TSSA’s leadership shared with people the story and the way in which they would like to work; these leaders engaged people and modelled their expectations by the way they interacted and answered people’s questions, even very difficult questions. This approach led to the trust that people started to develop in the leadership and in the organization. It transcended and became a visible manifestation of the dream that people started to feel. People outside TSSA—even potential customers—started to feel the change.

Niehaus realized that what made a company magic was a fundamental truth of people who wanted to feel a sense of purpose. People also wanted to feel acknowledged and heard in that purpose and in the execution; they wanted to share in the success of that business. Niehaus ensured that employees felt recognized, through benefits or any of a wide variety of activities, such as being rewarded as employee of year or having excellent training. Niehaus believed that what had initially driven her and the team in creating the magic had not changed, but what they created had changed the company.

Looking ahead

Niehaus believed that whether TSSA should change or sustain its culture, it was up to every single management team to take notice of their current reality and capture some of its strengths. For Niehaus, the truth that remained was that people wanted to feel a purpose, do something worthwhile, and be recognized for that; they wanted to be heard, seen, and feel important. For its message to remain current, they might need to change aspects of its culture to fit its evolving reality. However, Niehaus thought that it was not a totally new approach that was needed.

Niehaus handed over the company to her successor, Schoonbee, in 2012, when she became a member of the TSSA board. She insisted that Schoonbee should be appointed because she was convinced of his strategic skills and acknowledged that she would not have been able to turn the company around without his support. She wondered what difference she could now make on the TSSA board.

1. T-Systems South Africa (TSSA) offered business customers integrated solutions for fixed and mobile networks, secure data centres, and a unique cloud ecosystem made up of standardized platforms and global partnerships. The portfolio included all digital transformation services and appropriate infrastructure, platforms, and software from the cloud, as well as future areas such as big data, the Internet of Things, M2M (machine to machine), and Industry 4.0, based on maximum ICT (information and communication technology) security. T-Systems South Africa (website), accessed January 24, 2018, www.tsystems.com/za/en. [↑](#footnote-ref-1)
2. Mardia Niehaus, in discussion with the case authors, June 14 and April 18, 2018; Mardia Niehaus, “Dealing with Change” (lecture, Gordon Institute of Business Science, University of Pretoria, South Africa, June 7, 2018). [↑](#footnote-ref-2)
3. R = ZAR = South African rand; all currency amounts are in ZAR unless otherwise specified; US$1 = R13.7806 on October 31, 2016. See the history of fluctuations in historical exchange rates at “Historical Rates for the USD/ZAR Currency Conversion,” Pound Sterling Live, accessed January 24, 2018, www.poundsterlinglive.com/best-exchange-rates/us-dollar-to-south-african-rand-exchange-rate-on-2016-10-31. [↑](#footnote-ref-3)
4. € = EUR = euro; US$1 = €0.91 on October 31, 2016. [↑](#footnote-ref-4)
5. “T-Systems South Africa Country Profile,” T-Systems, accessed January 24, 2018, www.t-systems.com/za/en/about-t-systems/company/company-profile-335430. [↑](#footnote-ref-5)
6. Olebogeng Glad Dipetso, Margaret Mary Sutherland, and Caren Brenda Scheepers, “Stakeholder Views on the Drivers and Inhibitors of Performance of Outsourced Information Technology Employees,” *European Business Review* 30, no. 4 (2018): 446–469; “Total Contract Value of the Information Technology Outsourcing (ITO) Market Worldwide from 2000 to 2015 (in Billion U.S. Dollars),” Statista, 2016, accessed June 19, 2017, www.statista.com/statistics/190122/total-gloabl-contract-value-information-technology-outsourcing. [↑](#footnote-ref-6)