

The Role of Leadership in Change Management within the Fmcg Industry

By

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Abstract

Fast-moving Consumer Goods (FMCG) organisations are continually faced with the need to adjust their structures, objectives, processes, and technologies to develop and maintain a competitive advantage based on cost leadership and differentiation strategies, as modern consumers favour products that meet their specific needs. A leadership gap appears to exist in the current FMCG industry as the traditional FMCG landscape was characterised by mass production. The aim of the paper was to investigate the role of leadership in managing change within the FMCG industry in South Africa, focusing on RCL Foods. A non-probability sample comprising 95 leaders was drawn from a population of 102 leaders within RCL Foods Chicken division. Data was collected using an online Google Form questionnaire developed specifically for this paper by the researcher. Statistical analysis revealed the overall finding that the role of leadership in managing change is critical. It is proposed that FMCG businesses develop a formal change management framework to be used as a standard where they adopt expertly designed change management strategies that could be widely used to develop their business model as per the business change management approach. The paper encountered time and financial constraints and therefore recommends that future studies include a mixed methods approach to include qualitative data from both leaders and followers within other divisions at RCL Foods and within other FMCG companies, both locally and globally.

Keywords: Fast-moving Consumer Goods; Change management; Leadership, Transformational Leadership

Introduction

Fast-moving Consumer Goods (FMCG) organisations are continually faced with the need to change their structure, goals, processes, and technologies. FMCG organisations' strategic innovations are easier and faster to replicate due to their products being mostly commodities (Kunc, 2005). These types of corporations are frequently confronted with the difficult task of developing and maintaining a competitive advantage based on their cost leadership and differentiation strategies. This is mainly due to the fact that a FMCG firm's innovations and cost leadership could be matched or overtaken by competitors in a very short period of time (Kunc, 2005). Continual change is thus necessary to ensure a sustainable competitive advantage. The paper sought to investigate the role that leadership plays in the management of change in FMCG organisations. To achieve its aim, research objectives were developed, a theoretical framework was then selected, and thereafter a comprehensive literature review was conducted on existing leadership and change management theories and case studies. A research method was then selected, and finally conclusions were drawn and recommendations for further studies made.

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Problem Statement

The main problem is that the FMCG industry is experiencing rapid changes, however seemingly leadership is not playing its role. A leadership gap appears to exist in the current FMCG industry as the traditional FMCG landscape was characterised by mass production, which in turn led to lower unit costs and a supply chain based on quantity and generalisation. However, nowadays consumers favour products that meet their specific needs in terms size, flavour, and dietary preferences, to name a few. They are even willing to pay a premium for products that are specifically tailored to suit their needs. These new modern requirements subject the industry to ongoing changes that call for a special type of leadership to effectively lead followers who are inherently resistant to change.

Although the entire FMCG industry is characterised by rapid and continuous change, the chicken industry in particular and especially South African based company RCL Foods Chicken, has encountered additional issues that may have impacted upon leadership's ability to navigate the business to profitability. Challenges such as the imports pressure of bone-in chicken meats in the country (SAPA, 2017), coupled with numerous food quality issues such as listeria, which saw the loss of hundreds of lives, are damaging some powerful brands' images (Kaptchouang Tchatchouang, Fri, De Santi, Brandi, Schiavano, Amaglian & Ateba, 2020). Epidemic issues such as avian flu as well as the various chicken breed challenges make it almost impossible to predict an accurate long-term bird's live mass forecast to ensure predictability of product offerings in line with customers' needs. These have all necessitated strong leadership to successfully manage the business through the constant changes.

As mentioned previously, Munroe (2012), states that if one does not get leadership right, nothing else is right. In other words, nothing happens in the world without effective leadership as it determines what happens in the present and future. According to Senge cited in Paul (2003), employees do not usually resist change in itself however they do often resist being changed. As such, Boikhutso (2013) argues that change management is one of the most critical tasks that businesses have to deal with. He adds that when change is needed, businesses often do not have much option other than to respond to it or ultimately lose their market competitiveness. His argument therefore is that change, albeit difficult and often painful, is the only way for businesses to survive. The challenge however remains in how leaders can manage this change, make crucial strategic decisions, and lead the business to success when the speed of change is so unpredictable.

Literature Review

Change management itself is associated with a series of related dangers and so keeping to the traditional way of doing things or the status quo often seems to be the easier and less risky decision. However, the avoidance of change is the opposite of leadership. Studies show that around 50-70% of change management initiatives fail to make any long-term impact on the company once they are executed (CLC, 2002; LaClair & Rao, 2002). The reasons for this high percentage of failure requires exploration but a clear understanding of the role played by leadership in change management is needed before such an exploration can proceed.

Lewin's (1951) conceptualisation of the change process, which includes the three stages of unfreezing, changing, and refreezing, as represented in figure 1 below, has produced most recommendations of what leaders ought to be doing when facing the preparation and execution of a change. Change agents and academics have since focused on the importance of change

execution processes to shape employees' attitudes and behaviours toward change (Herold et al., 2008). In the unfreezing phase, initial problems and opportunities are identified, data is gathered, and the ground is prepared for the implantation of change. In the change phase, the development of new attitudes or behaviour occurs to enable the implementation of quantifiable change or movement in a certain direction. This change is followed up and stabilised by the change agent with the assistance of executives and top management team. The final stage is characterised by the refreeze phase where an assessment of consequences is done and an ongoing monitoring process through policies, new norms and mechanisms are established. It is also at this stage that the business acquires its learning.

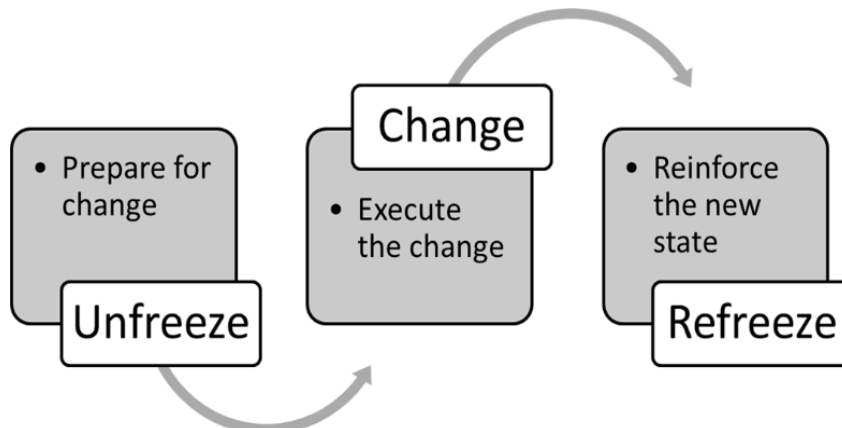


Figure 1: Kurt Lewin's Theory of Change (Lewin, 1951)
Source: Werner (2016)

Building on Lewin's theory as illustrated above, Werner (2016) defines a change agent as a skilled and experienced person from inside or outside the organisation, who helps an organisation transform itself by focusing on organisational effectiveness, improvement, and development. He argues that through process consultation, the change agent can plan and facilitate the change process by:

- Assisting the task team to determine the gap between the current and desired end-state;
- Working closely with a carefully selected cross-functional task team whose task it is to drive change and development in the organisation;
- Encouraging trust, creativity, and teamwork in the organisation;
- Equipping members in the organisation with suitable skills to identify problems and seek solutions themselves; and
- Ensuring buy-in is obtained and resistance to change is addressed.

Karp (2015) contends that leadership intervention success in times of change depends both on the inward state exhibited by the change leaders and the followers' skills to effectively decode change signals. Successful implementation of change also requires planning the involvements of leadership and establishing basic principles to sustain the company during challenging times. As earlier discussed, resistance to change is real and only natural to people who have been comfortable with the status quo. Thus, change does not take place easily and may take time, but it is a leader's job to facilitate needed change in order to drive the company to new opportunities, protect it from external threats, and strengthen its competitive advantage. A leader must ensure that the company adjusts to react to threats, opportunities, or changes in the environment. As such, leadership is about change, not stability and it is a leader's responsibility to help followers see the need for change and buy into a new way of doing things (Daft, 2015).

Over a period of four decades, Kotter (1996) observed many leaders and organisations during the implementation of their change strategies. From these observations he identified and extracted the success factors and developed a methodology known as the 8-Step Process for Leading Change. This process is depicted in figure 2 below:



Figure 2: John Kotter's 8-Step Process for Leading Change
Source: (Kotter, 1996).

Kotter (1996) observed that the creation of a sense of urgency through a bold, ambitious opportunity statement that communicates the importance of acting without delay, aids others in seeing the need for change. He proclaims that a volunteer army needs a coalition of effective people to guide, coordinate, and communicate its activities. Developing a strategic vision and initiatives clarifies how the future will be different from the past and how the leader can make that future a reality through initiatives connected directly to the vision. Kotter (1996) believes that major changes can only occur when large numbers of people come together around a shared opportunity. People must buy into the urgency to drive change so that it can be realised.

Gert Bosscher, a senior manager at Bunge, an American agribusiness and food company, stated: "It's not a project. It is a movement. It is a journey. Join us and leave your mark." Enabling action entails the removal of barriers, inter alia, inefficient processes and hierarchies to provide the much-needed freedom to work across silos and make a real impact. Generating instant wins must be acknowledged and communicated early and regularly to track progress and energise volunteers to persevere. Sustaining change acceleration entails pressing harder following the initial achievements. The leader can use his/her increased credibility to improve systems, structures, and policies. He or she must remain relentless when initiating change after change until the vision is realised. To institute change, the leader needs to elucidate the connections between the new behaviours and organisational success, ensuring these continue until they become strong enough to replace old habits and patterns. Munroe (2012) adds that the leader cannot take followers where he himself has not been before. Increasingly unpredictable times in the FMCG world, especially in RCL Foods Chicken division, demand a new approach. Change is therefore necessary if businesses are to continue to exist or flourish through the economic lifecycle and the ever-evolving FMCG industry.

Research Design and Methodology

Research methodology

The paper employed the positivist, quantitative methodology as it sought to collect data from a moderately large sample of 102 elements using a closed-ended questionnaire as the data collection instrument. The purpose of collecting data from a relatively large sample was to ensure that most managers, executives, and directors within RCL Foods Chicken division were adequately represented. The positivist paradigm is aligned with this a study as it is about the broad coverage of data gathering (Wiid & Diggines, 2013). As such the positivist, quantitative philosophy was used to collect data from the majority of managers and executives at RCL Foods Chicken division

Research design

The paper employed a descriptive design with the purpose of investigating the role leadership plays in managing change in the FMCG industry, utilising RCL Foods Chicken division as the unit of study. The advantage of using descriptive design is that it is capable of establishing the extent of the identified gap as data is gathered throughout the business (Wiid & Diggines, 2013). This design was deemed suitable for accomplishing the primary objective of this study, which is to investigate the role leadership play in managing change in the South African FMCG industry. Babbie and Mouton (2009) further add that descriptive designs are appropriate for frequent studies with the view to broaden and enhance the research findings from preceding scholars.

Target population

Sekaran and Bougie (2016), describe the target population as “the entire group of people, events, or things of interest that the researcher wishes to investigate.” The targeted population of this study was 102 senior managers, executives, and directors within the RCL Foods Chicken division and who have extensive change management experience. Due to time and accessibility constraints and to gain a better insight and bigger picture of the various changes managed, the sample element consists of senior leaders (executives and directors) under the chicken division.

Sampling techniques and sampling size

A convenience sampling method was selected to conduct this study. In this sampling method, participants are selected based on non-random criteria and have no way of knowing their probability of being selected as part of the sample for the research. The participants will respond to the survey as per their convenience and availability (Sekaran & Bougie, 2016). According to Sekaran and Bougie (2016), the convenience sampling is advantageous because it is not time consuming and is low-cost. However, it does have some drawbacks as it cannot be used for generalisation. A further shortcoming of using a convenience method is that the researcher does not have control over their elements of the sample.

To overcome the inherent subjectivity bias of this method, the researcher made the sample as representative as possible of the population by collecting data from 93% of the target population.

Data collection and analysis

This survey collected primary data using a self-administered online questionnaire to determine the role played by leadership in change management within RCL Foods Chicken division. The online questionnaire was the most convenient method to gather leaders' responses, taking into consideration that leaders are based in different locations and not always

physically accessible. Questionnaires were generated using the Google Form software and then distributed to the sample via email.

Online questionnaires using google form were distributed to the convenience sample via emails. A 30% response rate of online questionnaires is considered acceptable and even exceptional in some cases (Nulty, 2008). This study obtained a response rate of 93% in order to offer an effective conclusion (Sekaran & Bougie, 2016).

A period of two weeks was allowed for responses after the survey was e-mailed. A personalised follow-up e-mail was then sent to those that did not respond, together with follow up calls as well as face-to-face interactions where possible as a gentle reminder. The researcher had allocated six weeks for data collection and a total of 95 valid responses were attained from the target population of 102 during this period.

Discussion of Results

To address the objective, six questions were developed, and of the 102 leaders who participated in the survey, 95 responded to the online questionnaire and the data was analysed as shown below.

How often do you manage change within your organisation?



Figure 1: Frequency pie chart representing leaders' change management experience

Data from the figure above shows that 56% of respondents manage change all the time whilst 44% often manage change. This shows the frequency of change management taking place within the business as well as how often leaders manage change. All leaders are involved with continuous change management initiatives to varying degrees. This finding coincides with Kunc (2005), who argued that FMCG companies' innovations and cost leadership could be matched or, overtaken by competitors in a very short period. Thus, frequent, and constant change is necessary to not only survive but to ensure a sustainable competitive advantage.

Are you always fully involved during the change process?

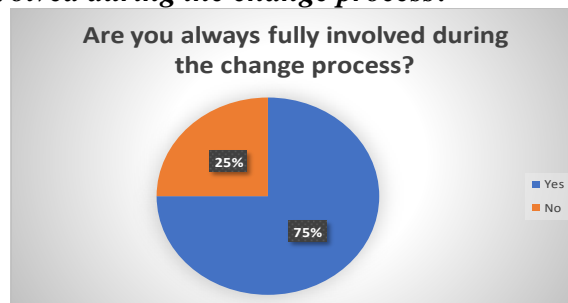


Figure 2: Frequency pie chart representing leaders' change process involvement

Figure 2 above shows that 75% of leaders are always fully involved in the change process and also facilitate change processes, while 25% are not fully involved in the change process within the business. This confirms the nature of the FMCG industry where change is really a constant and necessitates the active involvement of leaders in the management of change.

How important (in your opinion) is the role of leadership in managing change?

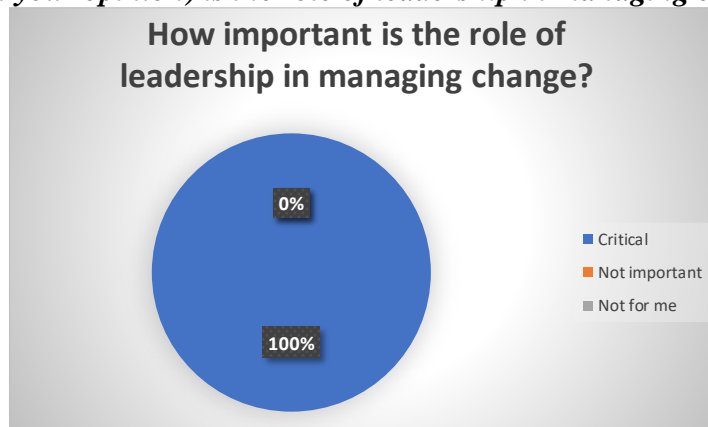


Figure 3: Frequency pie chart depicting the importance of leadership in managing change

The above figure indicates that all leaders within the business believe the role of leadership in managing change is critical. Leaders are the main source of energy and inspiration during the change process and as such play a critical role to ensure the entire process succeeds. Ultimately it all depends on the commitment level displayed by leaders. Success comes with higher levels of commitment to produce sustainable changes (Pratap, 2017). This finding also resonates with LaClair and Rao (2002), who claim that avoidance of change is the opposite of leadership.

When does your role end during the change process?

This question sought to establish how involved leaders are in this organisation with regards to the change process.

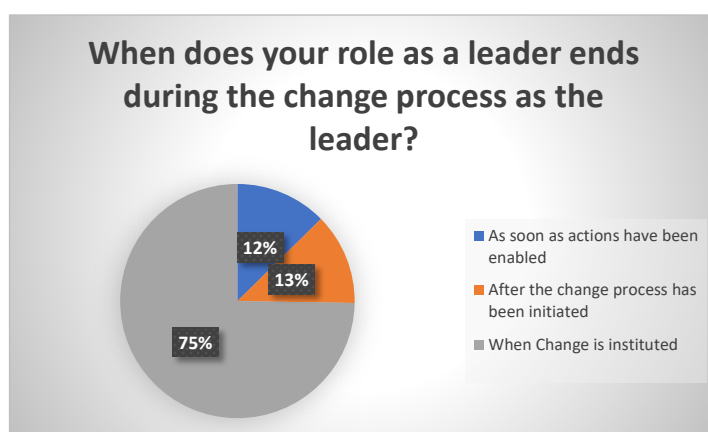


Figure 4: Frequency pie chart representing leaders' role duration in the change process

The figure above depicts that the 75% of RCL Foods Chicken division leaders are involved in the change process up until the desired change is instituted, while the remaining 25% are either involved after the change process has been initiated or as soon as actions have been implemented. Deshler (2020) declares that leaders must either manage change or risk

change managing them. When leaders manage the change process, change is implemented efficiently and sustainably and meets the expectations of stakeholders, staff, partners, and clients.

Do you follow a formal framework to manage change?

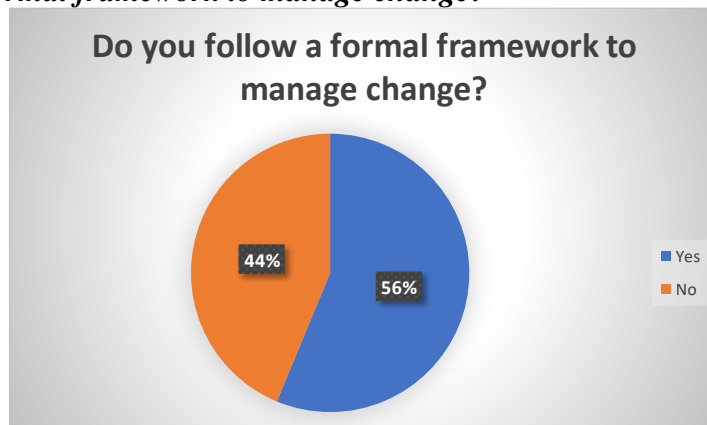


Figure 5: Frequency pie chart of the business' change management approach

The figure above shows that 56% of leaders claim to follow a formal framework to manage change while 44% state that they do not follow a formal framework. Since change management is one of the most difficult tasks businesses have to deal with (Boikhutso, 2013), it is of utmost importance that FMCG organisations implement a formal framework as a standard to be followed to minimise risks of not achieving set objectives, which could be costly.

What is your take on change?

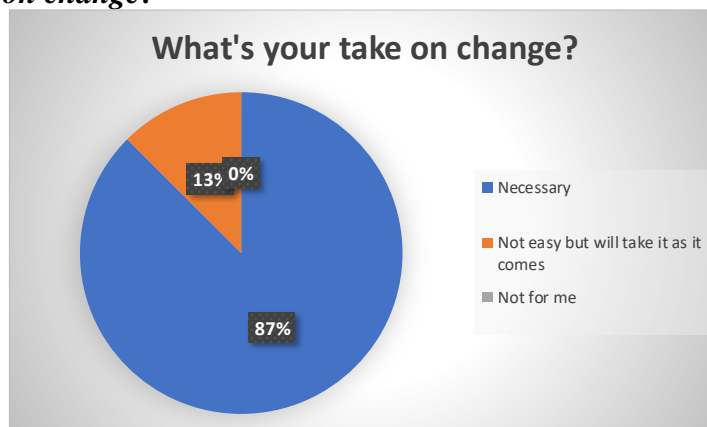


Figure 6: Frequency pie chart presenting the leaders' change beliefs

The figure above reveals that 87% of respondents believe that change is necessary, while the remainder admit that change is not easy, but they will deal with it as necessary. The leader has a responsibility to help followers see the necessity for change and ensure there is adequate buy-in to the change (Daft, 2015). This author adds that the leader needs to ensure that the business reacts and adjusts promptly to the various ongoing micro and macro-environmental changes.

Conclusion

Drawing from the above findings, the study concludes that the role of leadership as well as leaders' full involvement in the management of change in the South African FMCG industry

is critically important. The study also revealed correlation between leadership practices and effective management of the change process within the FMCG industry.

Recommendations

Based on the findings of the study, it is recommended that RCL Foods develop a formal change management framework to be used as a standard, particularly for organisation-wide restructuring and unpredictable changes due to macro and/or micro environmental forces, which the business is frequently subjected to. In combination with FMCG industry change management experts, who rely on their experience and reading of studies such as the one at hand, the business should include all levels of employees in the development of a change management strategy uniquely designed to address the specific challenges that most frequently face the organisation. As a framework designed to manage change however, it must be flexible enough to accommodate future changes and must be suitably adaptable for all units within the organisation. As such, this change management framework could also be used for mergers and acquisitions, which the business often undertakes as well as major and/or minor restructures to ensure that the intended business outcomes are met. Taking into consideration the degree and frequency of change that takes place within RCL Foods and other FMCG companies, ensuring that a change management framework is well-implemented is crucial to such an organisation's survival and continued competitiveness. This practice, the adoption of a formal change management framework, tend to promote a more successful outcome.

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