

Ascent: Building a Learning Company

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***Abstract:** This disguised case is about the efforts of a company to convert itself into a learning organization. The case is intended to serve classes in organizational design and/or organizational behavior.*

INTRODUCTION

Raj, Kumar, and Jay sat quietly contemplating their next move in the conference room of Ascent's office, in a building overlooking the Gaborone Mall. Jay got up suddenly, walked briskly towards the window and looked out at the crowded shopping scene. He then turned towards his other two colleagues and burst out, "Raj, the offer we got from Parker Consultants is simply irresistible, you can't deny that fact. It also comes at the right time. We need that label to get all those elite projects..."

"I know," agreed Raj. "But what about all those changes that they will ask us to make? You know Parker is going to want us to be molded in their design. Someone will have to pretty much work full time to get us through the transition." "How about Thomas?" asked Kumar.

"Not a bad idea, why not," Jay exclaimed. He walked back and slumped onto the swivel chair. "He has OD [organization development] experience and all the qualifications and knowledge. Besides, he has handled similar work in other companies, and has been with us for a year now. Knows all about Ascent, and most importantly, he won't let us down."

"The only problem is, Thomas gets hassled easily and is not always able to manage his team well. They are often behind schedule," grumbled Raj. "But I guess he is the best in the firm for the job, and our only choice," Kumar replied. "Well Raj, that is a result of your policy of selective recruitment..." slid in Jay. "Not by choice, Jay," cut in Raj. "You can blame the Botswana labor policy for that. You know the law doesn't really encourage extensive recruitment of employees from outside the country. The Ministry regulates the number of work permits it issues each year, and it is hard to find local citizens with the skills and education ... this limits my choice."

"OK, you two, stop it," Kumar intervened. "Shall I call Thomas in?" Raj and Jay grinned at each other and nodded. Both of them had known each other since their college days back in India. It was friendship which had seen and survived years of squabbles and disagreements, both professional and personal. Kumar reached out for the phone and grew impatient as it continued to ring. He was about to hang up, when he heard the crisp tones of the Ellen, the receptionist. "Ellen, is Thomas around?" Kumar inquired. "Actually he is right here with me, shall I send him over to your office?" Ellen asked. Hearing an affirmative at the other end, Ellen passed on the message to Thomas.

BACKGROUND

Ascent was established in 1976, in Gaborone, Botswana, by Mr. Lal, a Botswana citizen of Indian origin. Ascent was a firm of Chartered Accountants (Certified Public Accountants) and primarily provided accounting and auditing services to its clients. At its inception, there was not much to the firm: it operated out of a two-room office, had only one telephone, and besides Mr Lal, had another employee who was the receptionist/secretary/janitor. In 1980, the firm was sold to Raj, an expatriate from India. Mr Lal was happy to cash out of his venture at what seemed to be a good price. Raj had migrated to Botswana like many other Indians looking for better job opportunities. His brother had been settled in Botswana and this made things easier for Raj in finding his feet in the new land. Raj was young, entrepreneurial, ambitious, creative and imaginative. Ascent for him was a beginning to fulfill and nurture his ambition.

Botswana in 1980s was an economically struggling nation: its labor was not skilled or educated and the country was still primarily dependent on its diamond resources. The government of Botswana had reacted to the lack of industry by committing itself to creating an attractive climate for foreign investment. The country abolished all foreign exchange controls, instituted low corporate tax rates, implemented speedy processing of applications for business ventures and adopted a policy of complete transparency in all its dealings. The Ministry of Trade and Industry took measures to simplify and expedite the issuance of work and residence visas. The Registrar of Companies worked to reduce the turnaround time to register a company from twelve weeks to ten working days. The government further provided assistance to investors through investment incentive schemes in the form of grants and tax relief.

The government of Botswana recognized the potential of foreign investment – especially in the services sector – for generating employment for its local population. Foreign companies were allowed to recruit expatriates only on a contractual basis with a stipulation that during their term of employment they would train a local Botswana (native of Botswana) to take over their positions upon expiration of their contracts.

Soon after buying Ascent, Raj invited his friends Jay and Kumar, both qualified and experienced Chartered Accountants from India, to join him in the firm. Jay took up the offer at once while Kumar became a part of the firm two years later. Keeping with the Botswana government policy, their staffing strategy consisted of recruiting expatriate workers from India on a contractual basis. Over the years, the firm slowly grew from a local accounting firm into a diversified service provider in the areas of accounting, taxation, corporate services, business consulting, information technology consulting and property management. From a sole proprietorship in 1976, the business had gradually grown to four partners and 130 employees with three offices in Gaborone, Francistown and Selebi-Phikwe by 1996 (see Figure 1).



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Yet, in spite of its growing stature, the really big audit and consulting projects continued to elude Ascent. Ascent lacked the charisma and support of a “*multinational connection,*” *the affiliation with a global accounting firm that was considered a requirement for entry into the big leagues.* The firm tried to overcome this problem by becoming an affiliate of a leading American multinational firm in 1992.

However, this partnership soon dissolved because the American principal lacked knowledge about the country, environment and culture of Botswana. Ascent thus found itself on its own again,

competing with the big firms like Price Waterhouse Coopers, Deloitte and Touche and Coopers and Lybrand etc. 1996 proved to be a year of momentous change for Ascent. That was when Ascent received an overture from Parker Consultants, a U.S. based multinational that was seeking to establish a presence in Botswana. Parker Consultants, with its headquarters in Chicago, was a major accounting firm providing auditing, taxation and consulting services to large corporations. Parker Consultants already had a base in Johannesburg, South Africa and was interested in further expanding into the interior of Africa – they were looking for a well-established local firm with a network of clients. In November 1996, the deal was finalized and Ascent became a part of Parker Consultants.

The deal with Parker Consultants (PC) came with strings attached. No sooner had the ink dried on the contracts between Ascent and PC than the latter's vision for Ascent started becoming apparent. Raj had so far run the firm in a somewhat entrepreneurial style. However, now that they were no longer independent, PC was going to provide substantial direction on Ascent's operations. It was assumed that Ascent would benefit from the efficiencies and managerial sophistication of one of the world's leading firms. PC strongly believed that continuous training would enable optimal human resource development and organizational success. The company's belief was that "*rigidity breeds stagnation and ultimately leads to demise: flexibility leads to survival and success*". Raj learned that the current corporate mantra at PC headquarters was "Learning and Training". The company was gung-ho about becoming a "learning organization," and expectations to this end were being communicated to the company's branches throughout the world. To meet expectations from corporate headquarters, Raj now had to convert Ascent into a learning organization, something he knew little about.

After consultation with his other three partners, Raj decided to set into motion a series of initial steps for change in the organization. Raj had no illusions about his own ability to redesign the organization in ways that would be satisfactory to PC. While he was a well qualified accountant and was largely responsible for building the company up to its present size and stature, he had little formal knowledge or aptitude for undertaking an organizational redesign. Soon, the entire responsibility of organizational redesign was transferred onto Thomas' shoulders.

THE PROBLEM

Thomas, 40, had joined Ascent in 1995 as a contractual expatriate from Kerala, India. He had 15 years of experience as a manager in financial companies in India. Thomas had an MBA degree and had taken additional courses in Human Resources Management. He was very proud of his interdisciplinary background and was confident of getting an extension of his present contract. His achievements so far at Ascent consisted of setting up a Business Services Consulting division, recruiting and training his staff and winning and completing large projects from a major corporate client and the Botswana Labor Ministry. Thomas was, however, glossing over the fact that he was having problems managing his consulting team; there were serious problems hindering the group from finishing projects in a timely fashion. He had a qualified and skilled team but one that was not functioning well as a cohesive group.

In his defense when criticized by Raj, Thomas always had the same reasoning. "Well, Sir! With people of different backgrounds working together, you are bound to have problems. We not only have people from different backgrounds from the local community, but people from different tribes, not to mention expatriates from a completely different culture. It is not disagreements, it is the lack of appreciation of the values of one another until they get to know one another. Once they learn about one another, they adjust and start appreciating their co-workers. Such initial shocks and initial compatibility problems will be there in an organization like ours..."

Thomas was in fact trying to get some information about Botswana values and norms from Ellen, the receptionist, when Kumar had telephoned him. Lately, he had been having problems getting across to Wambere, one of the executives in the consulting division. He had talked to Wambere earlier that morning about teamwork and cooperation, but was not sure if he had made any impression on her. Thomas, preoccupied with his problems of managing his Botswana staff, shuffled towards the conference

room. His hand trembled slightly as he knocked, as a thought darted across his mind “Anything to do with Parker Consultants and not my staff problems.....”

Thomas entered the room and with some nervous anticipation faced the three partners: Jay, Kumar and Raj. In the next few minutes, Thomas learned about his next project: the task of redesigning Ascent into a learning organization, a company with a lean structure and the ability to work in diverse teams, an emphasis on open and honest communication and dialogues and a commitment towards constant training and upgrading of human knowledge and skills. Thomas nodded to all the requirements laid out by the partners. After all, his next contract depended on being enthusiastic. In his thoughts, though, the job already appeared daunting. The prospect of being saddled with it, in addition to all his existing burdens, was unappetizing.

THE CHANGE PROCESS

Even as he had begun working at Ascent, Thomas had begun to gauge the prevailing conditions within the firm. He still felt a need to achieve a better understanding of the organization before he set about redesigning it. Thomas felt a thorough assessment of the structure and climate of all the departments would be a good idea, and proceeded to interview employees at all levels of the various departments. The feedback opened his eyes to the reality of the firm.

Organization Structure

Ascent had three levels of management grades. The Managing Director, Raj, and three other Partners -- Kumar, Jay and Anita -- constituted the top management. Except for Anita, all of others were Chartered Accountants with expertise in finance. Anita was qualified in the area of information technology – she had earlier been a professor in the area of management information systems. Anita had joined the company looking for a change and wanting to use her knowledge in actual practice. The Partners were also the shareholders of the firm. The second tier of management included the directors and managers from the various departments. The firm had seven departments: taxation, accounting, audit, corporate services, IT, business consultancy and administration. The third level of employees consisted of the accountants and consultants who undertook the actual accounting work (see Figure 2). The clerical and junior staff were responsible only for the administrative duties within the firm. There were a total of 130 employees divided as follows:

Partners, directors:	12	Professional Staff:	60
Executives and managers:	54	Non professional staff:	12

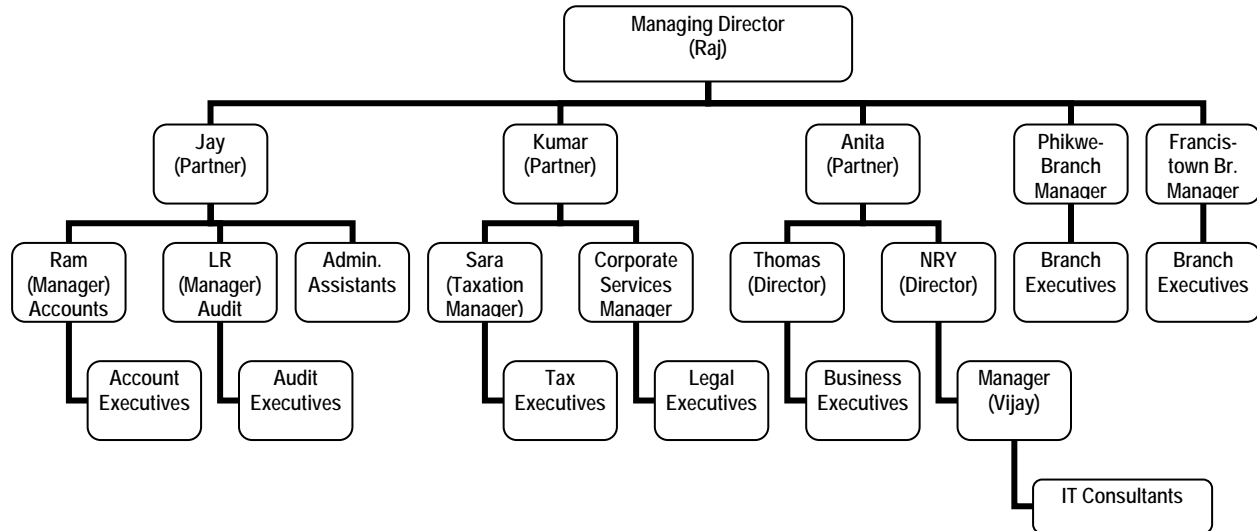
Recruitment Policy

Due to the lack of an educated and skilled local Botswana population, Ascent continued to utilize expatriate recruitment of employees. The firm advertised in leading newspapers and business magazines in India. Applicants were shortlisted and after a series of interviews, successful candidates were made offers of contractual employment. Criteria for selection included professional/educational qualifications and skills and experience. The firm took the full responsibility of acquiring a work permit and visa for the selected expatriate employees. Sometimes the firm promoted internal candidates. Employees performing well usually received extensions of their contracts, and were retained for a continuing period of time.

Performance Appraisal Systems

Ascent compensated employees strictly according to the terms and conditions specified in their contract, and provided no further financial incentives for successful completion of audit, tax, corporate and other consulting projects. Raj, the Managing Director, had the final authority to oversee any personnel decisions taken by the departmental managers. Raj had full authority to promote an employee or reverse any prior decisions on hiring, promotion, retention and compensation.

Figure 2: Ascent's Organizational Structure



Organizational Culture

Ascent was being run as a one man show: all decision making and strategic planning authority rested with Raj. Contact and interaction between the management team and the rank-and-file was kept to a minimum. The firm did not hold any meetings between the management team and employees. The management team held frequent meetings; but neither invited other employees to these meetings nor solicited any inputs from them. Employees were not encouraged to speak aloud or voice their concerns over management style or decisions. There was little delegation of authority – everything had to be approved by Raj. This had created an atmosphere of distrust, lack of commitment, and a complete sense of frustration among employees. There were conflicts between the local and expatriate staff and between the management team and junior staff. The corporate culture was centralized, rigid, and had a transactional operating style of leadership. The company did not have any proper, regular training plans or programs.

Thomas decided that major long term transformational changes were clearly necessary. However, he would need the support of the top management to implement any changes he came up with. In this was his quandary – how could he go back to Raj and say that Raj's management style was the root of many of the inadequacies of the company and that Raj was part of the problem facing the company in its quest for reinventing itself?

DISCUSSION QUESTIONS

What changes should Thomas recommend in the following areas?

- (a) Organizational Structure
- (b) Recruitment Policy
- (c) Performance Appraisal Policy
- (d) Organizational Culture
- (e) Management/Leadership Style

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