

The Tema Shipyard, Dry Dock Company Limited – A Leadership Consulting Lessons

A Full Case Study with Teaching Notes

- **Is this a First-time CASE submission (i.e., your first submission as an author to a CASE conference)? Yes**
- **Did a Mentor help you write this case? No**

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Abstract

The case study is focused on Tema Shipyard - the location of a once vibrant and one of the largest shipyards and drydocks on the African Continent in the port city of Tema, Ghana. Due to a significant global market decline, mismanagement, corruption, and partisan political interference, the once Africa's premier dry-dock has lost its luster, and many operations have fallen into disrepair. The Government of Ghana (GOG), the sole shareholder in the company hired a Leadership Consultant to recommend how "the Tema Shipyard, Dry Dock Company Limited (TSDDCL) could be effectively operated for the economic potential to be best be exploited." Ultimately, the recommendations made by the consultant were not well received by the MDU, TSDDCL management, and the Workers Association all of which were key stakeholders necessary to the success of any future opportunities for TSDDCL. This case study which is a real case was designed to help students think through the importance of the dynamics of doing business in an emerging economy, public-private Business Partnerships, and to grasp more profoundly the challenges of leadership consulting. This case is intended for use in upper-level undergraduate, MBA/MS Organizational Leadership (OL) and Executive Leadership programs.

Keywords: Consultancy, Leadership, Communication, Change Management, Shipyard

A leadership Consulting Lessons

Tema was a once thriving port city on the east coast of Ghana well known for its trawling and seafood processing industries. One of the biggest marine companies is the Tema Shipyard, Dry Dock Company Limited (TSDDCL). This case study is about the TSDDCL a once vibrant and one of the largest shipyards and drydocks on the African Continent. TSDDCL has two graving docks, and a slipway and one of the graving docks is the biggest dock between the Cape of Good Hope (South Africa) and the southern tip of Europe. Built over six decades, the once Africa's premier dry-dock has lost its luster, and many operations have fallen into disrepair as a result of the global market decline, mismanagement, corruption, and political interference. Tema Shipyard is equipped with suitable workshops for Ship Maintenance and Heavy Steel Fabrication. The facilities enable services in maintenance, repairs and metal engineering works: ranging from Ship Repairs, Shipbuilding, Dry-docking to Heavy Steel Fabrication, General Engineering, Metallock ® Repairs and Non-Destructive Testing (NDT)(PSC Tema Shipyard, 2017). Despite the challenges, the Tema Shipyard remains a major asset to the Government and people of Ghana.

Strategically located on 48.45 acres of land in the center of the West African sub-region, it is situated adjacent the Commercial Port of Tema, Ghana, and only thirty (30) km away from Kotoka International Airport, Accra. The Shipyard is of strategic importance and can undertake dry-docking and repairs of ships up to 100,000 deadweights (DWT) which ply the western shoreline of Africa. TSDDCL has two (2) graving docks of 100,000 dwt and 10,000 DWT capacity and a 150 tonnage slipway(PSC Tema Shipyard, 2017). The shipyard is capable of servicing various size vessels and offshore operating facilities, from small

vessels to very large ships, Oil Tankers, Barges, and Rigs, operating within the Gulf of Guinea and those from-and-to Southern Africa and those en-route to Northern Africa and Europe(PSC Tema Shipyard, 2017).

The History of the PSC Tema Shipyard

TSDCL, originally known as the Tema Shipyard and Dry-Dock Corporation (TSDC) was built as part of the Tema Harbor in the 1960s for the realization of the economic potential of Ghana's maritime industry after Ghana's independence from British colonial rule. In 1996, the Government of Ghana (GOG) divested 60% of its interest in TSDC to Penang Shipbuilding Construction Corporation of Malaysia in a Joint Venture Agreement (JVA) dated 8th November 1996, and the company took on a new identity of PSC Tema Shipyard.

The joint venture agreement with the Malaysian Conglomerate came about as a result of GOG's aim to acquire a strategic partner to help transform the shipyard into a modern and well-equipped facility. Penang was charged to rehabilitate the shipyard and procure funding to meet costs of the rehabilitation and the completion of the refurbishment of the company (GBN, 2012). However, after over a decade of the agreement, the anticipated vision was not achieved, and neither were the goals of the joint venture agreement met. The GOG in 2009 set up a Committee of Enquiry to investigate the operations of PSC and make recommendations for its performance improvement. The Committee of Enquiry chaired by one Chris A. Ackumey indicted the Malaysian administration for breaches of the Share and Purchase Agreement (SPA) and the Joint Venture Agreement (JVA) especially the disposal of the shares of Penang Shipbuilding and Construction to Boustead Heavy Industries Corporation in 2007 without reference to the

GOG which was the minority shareholder (Taylor, 2013). The Malaysians failed to inject working capital to revamp the company, and the company was saddled with workers' agitations against the Malaysian administration on allegations of corruption and violations of labor rights. Some of the recommendations of the Chris Ackumey Committee include but not limited to the following (Taylor, 2013):

1. Ghana Ports and Harbors Authority (GPHA), Ghana National Petroleum Corporation (GNPC) and Social Security National Insurance Trust (SSNIT) among others have the asset and financial capability to raise the needed capital.
2. The view of the workers of the Shipyard is that the GPHA should take over the running and management of Shipyard. The committee is of the opinion that this proposal is worth considering. GPHA is the Landlord of the Shipyard which has a big capital asset base and also has the financial capacity to take over the assets of the Shipyard and finance its urgent rehabilitation.
3. GPHA by the nature of their business deals with a lot of shipping lines and ship owners operating in the region. They have also created the niche for themselves as having the necessary structures in place as professionals in their business management.
4. It is true that GPHA is not directly involved in the ship repair industry, but it could be recalled that the Shipyard and GPHA used to be the same organization. We think that this is a step in the right direction coming from the workers themselves. This in our opinion would bring to the barest minimum any conflict or confrontation the workers would have with management other than the one they proposed.

Based on the Committee's recommendation of the company's strategic importance, the GOG initiated a process that culminated in the conclusion of arrangements for the transfer of the ownership of the company to the government and people of Ghana. In June 2012, the GOG purchased from Penang, the Malaysian Company with 60 per cent majority shares in PSC Tema Shipyard. With the conclusion of the agreement and the transfer of Penang's majority shares, the GOG became the sole shareholder of the company and became TSDDCL.

This decision of the GOG to become the sole shareholder of the company was met with a lot of criticism from the then main opposition party and its members of parliament mostly based on the ideological disagreement that government should not be in the business of running businesses and also on perceived corruption during the sale and purchase agreement. However, the agreement was also met with high optimism from the Government in power and several other stakeholders most importantly the workers at PSC and the Tema District Council of the Maritime and Dockworkers' Union (MDU).

To its great good fortune, TSDDCL is in the right place at the right time. As a result of Ghana discovering large commercial amounts of crude oil on its shores, there has been massive investment in offshore oil exploration, drilling, and shipping. The oil shipping tankers and the vessels servicing the oil rigs will themselves need to be maintained at locations as close as possible to their bases, of which PSC is the closest. The Government Minister of Transport who led the negotiation and signed the agreement of sales and purchase on behalf of the GOG gave the assurance that with the exploration and production of oil and gas, "the new era has created opportunities, particularly in general engineering services, fabrication for offshore and repair works for oil drilling rigs, swamp barges, and

works associated with the oil and gas industry for the Shipyard.” (GBN, 2012). He reiterated that the economic opportunities had enhanced the shipyard’s economic viability. Seth Kugblenu, Executive Director of TSDDCL, said after several years of the company being in the hands of expatriates, Ghanaians could now boast of their sole ownership. This he said, would usher in a new space to motivate workers of the company to give of their best to ensure its accelerated growth(GBN, 2012).

Worker Agitation and a Divided Front

However, four years after the Shipyard coming under the sole ownership of the GOG, the TSDDCL has not seen any significant improvements leading to worker agitation and industrial action. The Maritime and Dock Workers’ Union (MDU) has called for efficient running of Tema Shipyard: “The management of the PSC Tema Shipyard must be assigned to the Ghana Ports and Harbors Authority (GPHA), Ghana National Petroleum Corporation (GNPC), Social Security and National Insurance Trust (SSNIT) and other reputable organizations to make the strategic national asset productive.”(GBN, 2016). Although the MDU and the workers agitating at TSDDCL share the same goals, the MDU was against the industrial action by the workers. In a letter signed by the MDU’s Chairman, Felix Nii Anang-La, to the Government Minister of Transport, and released to the Press: “The recent agitations in TSDDCL has been a source of concern to the Tema District Council of MDU, and we have been involved in the efforts to restore peace in the Company in order to work toward the building of a sustainable future for the Company and employees.” (GBN, 2016). The MDU said: “It is our view that a combination of the experience and capital strength of GPHA, which is well-established in the maritime industry; GNPC, which operates in the oil industry and SSNIT will be able to revamp PSC Tema Shipyard” (GBN, 2016). The MDU said

the organizations to be involved should form a consortium to execute their mandate successfully because Ghana stood to reap enormous benefits from the Shipyard. The MDU said: “We are aware that different interest groups may like to take advantage of the current agitations of the workers of TSDDCL to advance their personal interest” (GBN, 2016). The Union dissociated itself from the agitations in the TSDDCL and condemned the action.

A Leadership consultant is hired

A Leadership consultant is hired by the GOG to recommend how “the TSDDCL could be efficiently operated for the economic potential to be best be exploited.” The Consultant found that the TSDDCL management were unambitious and survival focused (perhaps unsurprising given TSDDCL 's recent history), that GOG were content to leave things as they are, that the slipway needs substantial investment to bring it up to standard, and that both the TSDDCL and GOG were by their very conservatism missing many business opportunities by failing to market and promote themselves.

The consultant recommended that a new Chief Operating Officer be hired to replace the current one and to promote the slipway and its members' skills. The CEO's duties should include identification of the refurbishment needs, publish a business plan, identify and project manage the work, and seek funding. The CEO would be expected to network with investors like SSNIT, GNPC and GPHA, which are all GOG entities and the major customers, represent the company on outward trade missions, subscribe to Organizations and maintain efficient records. The Consultant also recommended that the GOG should negotiate a leasing arrangement with Tullow, one of the leading oil exploration and drilling companies operating in Ghana to use TSDDCL facility for the fabrication of parts for the building of a new Floating Production, Storage, and Offloading (FPSO) unit.

The consultant identified a candidate for the post, and he also obtained details of a source of finance by SSNIT, a government organization set up to manage pensions and residual government money to finance local business expansion.

It was therefore with some optimism that the consultant attended a meeting of the PSC which included the executives of MDU and other stakeholders. Copies of his report were made available, and a PowerPoint presentation was given. The GOG supported the unthreatening proposals, but the TSDDCL Management, TSDDCL Workers Association and MDU turned them down flat. They felt they were not going to be patronized by a GOG appointed consultant. The meeting ended with no next steps.

Reflecting on the fiasco, the Government Minister of Transport commented with exasperation on the 'history, tradition and politics' which so bedeviled any development plans put forward for the Shipyard. He wondered aloud whether it was a good idea for the GOG buying back its shares in the TSDDCL and whether it might be better to sell the slipway to a progressive multinational marine engineering company who would have short shrift with the parochial incumbents.

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Teaching Notes

Abstract

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Theory Application

To understand this case properly and for students to answer the case questions adequately, they should understand the theory application underlying the case. The primary focus of this case is leadership and management consulting. "Management consulting [is] the creation of value for organizations, through improved performance, achieved by providing objective advice and implementing business solutions" (Wickham & Wilcock, 2016, p. 4). Management consulting industry as we know it today, started in the late nineteenth century when outsiders started helping firms with their processes and use of the new technologies (Wickham & Wilcock, 2016). They were

mainly engineers and accountants. The industry grew almost without interruption until 2001 but in the next ten years recovered (Wickham & Wilcock, 2016). The downturn from 2008 has not stopped the growth in consultancy, but increasingly it is the new digital technologies that have offered the largest opportunities.

Change is a naturally occurring phenomenon that should not be feared, but rather embraced for its ability to provide new possibilities and opportunities. Successful adaptation and “adaptive leadership is specifically about change that enables the capacity to thrive” (Heifetz, Grashow, & Linsky, 2009, p. 14). The consultant should aim to provide answers through “the creation of value for organizations, through improved performance, achieved by providing objective advice and implementing business solutions” (Wickham & Wilcock, 2016, p. 3). Good collaborative coaching is the bedrock of sound management consulting. Consultants should strive to maximize efforts between internal specialists from their client organizations with the leadership, vision, and asset of dedicated time that we can bring to our clients. “The rationales of managers for hiring consultants are varied and include in particular their quest to legitimize their actions with respect to other stakeholders, including investors, rival managers and employees” (Engwall & Kipping, 2013, p.86). This is an important pitfall in management consultancy; every consultant should be mindful of.

It is important for a consultant to recognize that “adaptive challenges come in many shapes and forms. Often, they represent complex shifts in the organizational landscape (such as changes in technology, customer preferences, or market dynamics) that require a complex response” (Heifetz et al., 2009, p. 77). The goal of the consultant is to listen intently for comprehensive understanding, to evaluate and assess feedback to effectively problem-solve and to present customized solutions for client guidance to simplify strategy and decision making. “Studies show that in most organizations, two out of three transformation initiatives fail. Managing change is tough, but part of the problem is that there is little agreement on what factors most influence transformation initiatives. Ask five

executives to name the one factor critical for the success of these programs, and you'll probably get five different answers" (Sirkin, Keenan, & Jackson, 2005, p. 108).

A consultant should utilize several different tools including hard measurement tools to assist in factoring that "success of change programs depends on project duration, performance integrity, the commitment of executives and staff, and the additional effort required" (Sirkin et al., 2005, p. 108).

Teaching Objectives

- Acquire the analytical skills needed to develop an understanding of the client business, the issues it faces, the opportunities available to it and to develop innovative approaches in dealing with them;
- Recognize the importance of delivering your findings to the client;
- Understand the means by which those findings can be delivered;
- Appreciate some rules which will make the communication of findings and the implementation of change more effective.

Assignment Questions

1. What next steps would you propose for the client and consultant respectively?
2. How could the consultant have done things differently?
3. How do you think the consultant would view the outcome of the project?

Teaching Approach and Roadmap for Discussion

This plan is for a 50-minute class session (with 10 - 15 minutes for opening and wrap-up).

- 10 minutes Next Steps
- 15 minutes Doing things Differently
- 10 minutes View of Project Outcome

The discussion questions and the theory application could be given to students ahead of the class.

The theory application can be used by the instructor as part of the opening.

Q1: What next steps would you propose for the client and consultant respectively?

There are a number of possible next steps for both the client and the consultant. The main “next steps” that could be considered for the client (GOG) is the recommendations to meet with members of the Workers Association and MDU and seeking a better understanding of their objections to try and move another proposal forward. Once heard, the groups could appoint a liaison to work closely with the consultant on a revised plan. The GOG and the consultant made a mistake in not seeking the input from these groups initially, which would have fostered a culture of inclusion. Further suggestions include the GOG asking members of the Workers Association and MDU to meet to have an informal brainstorming session with the intent of outlining and mapping “next steps;” this strategy would also allow the GOG to benefit from Workers Association and MDU’s industry knowledge. There could be some valuable information that the consultant missed in the first proposal, and it would make the members feel included in the process. Additionally, it would cement a positive relationship with the consultant, which would make him look less like an outsider trying to implement change without consideration of others’ experience or knowledge of the industry. Engaging the client would reduce the insecurity the executives, workers, and MDU clearly were experiencing.

Furthermore, while the Government Minister seems to realize the value of the consultant’s ideas, he also acknowledged that this was a difficult culture to change due to the history, tradition and politics’ which so bedeviled any development plans put forward for the port. The consultant had some reasonable ideas about how to revamp the Shipyard; unfortunately, the consultant struggled with the delivery of the strategies. Moving forward, the consultant should consider the “descriptive” decision-making theory. (Wickham &

Wilcock, 2016) note that “human beings are rarely rational in the way that normative theory predicts or dictates. The descriptive tradition is important to consultants because they must work with what managers do, rather than what they should do” (p. 224).

The consultant should focus on engagement with the key stakeholders to enable a cultural shift that would promote change. One potential strategy to accomplish this involves utilizing an “emergent approach,” as it would allow a business strategy to, “emerge [organically] rather than being explicitly developed” (Wickham & Wilcock, 2016, p. 236). Similarly, the consultant should be reflective, and review the original project charter to ensure that the proposal met the client's initial request. The consultant should focus on rebuilding trust by showing both a willingness and responsiveness to address the needs of all key stakeholders in the proposal. He should identify the forms of resistance exhibited and provide strategies in a manner that speaks to and addresses the resistance.

Q2: How could the consultant have done things differently?

The consultant should have more accurately judged the desire for change across the various stakeholders from the start. This is a case of the consultant’s failure to properly plan and prepare for the massive and radical organizational change that would be the result of the proposal. The consultant perhaps did not understand the type of change that would be required and what those impacts would be to all involved. Based on the four types of strategic change; the consultant’s proposal appears to be a “Revolutionary” change to the indirect clients (Executive and workers), meaning that it is radical in both process and structure of the organization (Wickham & Wilcock, 2016).

Once the consultant realized the executives of the shipyard were unambitious and survival-focused the next action item should have been to assess the client’s desire for

change. By digging deeper into the client agency's culture and politics, the consultant would have learned more about the various factions and their drivers. The consultant could also learn each faction's loyalties (Heifetz et al., 2009, p. 93) and therefore, gain a better understanding of the concerns that must be addressed to allow the executives and workers to move in a new direction. A more accurate diagnosis would have provided the consultant with valuable information when planning the presentation and the overall project strategy.

The consultant should have invested more time and energy into communication with stakeholders about the project. A strong communication plan could have allowed the consultant to become aware of resistance sooner in the process, thus giving time for an intervention. The consultant also appears to have acted overzealously in seeking a person for the proposed position and choosing financial backers before he had approval for the proposal. This could have been indicative of the consultant's hubris; specifically, assuming a proposal would be unilaterally accepted without concern seems brash in hindsight. This could have given the impression that the consultant had more power and influence than they did, and thus, was patronizing them.

Q3: How do you think the consultant would view the outcome of the project?

The consultant could view the outcome two different ways. First, the consultant would view this project as a failure as he was hired to put together a detailed proposal for a new, successful plan for the GOG to be accepted by all the necessary stakeholders, and that did not happen. Second, the consultant could redirect blame when considering the results; the fault would be deferred to the client, who would have been responsible for engaging the other stakeholders in the process at the beginning of the project, not the

consultant. The GOG and consultant seem to have tried to work around the executives and workers of the Shipyard with the hopes that this new proposal would support their case for revitalizing the Shipyard. In this interpretation, perhaps the consultant achieved some level of success as he provided some practical recommendations.

In evaluating how the consultant would view this as a failure on his part, the consultant should reevaluate the validity of his assumptions regarding the executives and the workers of the Shipyard. Without including members of these important stakeholders in the process, and getting their input on ideas on how they could create a new plan for the future of the Shipyard, he did not create a well-balanced, objective plan. Wickham and Wilcock, (2016) describe successful management consulting as delivering, "high quality and practical advice that (the) client can use" (p. 3). Further, "this advice, when implemented, should lead to a measurable improvement in the organization's fortunes...and should be communicated without fear or favor" (Wickham & Wilcock, 2016, p. 3). The consultant's job was to not just to sell his ideas, but also to create a plan for how the stakeholders "can unify around the project" (Wickham & Wilcock, 2016, p. 5). The consultant was unable to successfully assist the client with producing the desired outcome of the project, which speaks to the consultant's failings at a core competency.

As far as the GOG's role in this project's failure, the case is unclear as to how detailed the GOG was in setting out the parameters and scope of the project for the consultant. It appears the GOG agreed to the aim, objectives, and deliverables before the consultant began his work and knew of the consultant's approach. Both the consultant and the GOG failed to consider the impact of these changes on the other stakeholders. Change management is often overlooked as a key component to any successful implementation

project. A key to enabling the successful execution of a project is the communication of a clear message to the organizations from the leadership group involved (in this case, the GOG). The consultant proposed a solution without having appropriately engaged key stakeholders in the process; it was in part the responsibility of GOG in engaging the consultant to ensure all appropriate stakeholders were part of the process.

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