

Telkom chief seeks to calm fears after saying up to 1,000 managers face axe

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Telkom (TKG) CEO Sipho Maseko has moved to calm a storm over his comments on Friday that up to 1,000 managers face the axe at the company, although he confirmed that its staff numbers would be reduced in wide-ranging changes to cut costs.

Although analysts have long warned that Telkom needs to scale back its costs, Maseko's comments to the Bloomberg news agency suggest deeper and more far-reaching cuts than many had imagined.



He told Bloomberg that Telkom plans to cut as many as 1,000 managers and that he needs to cut the approximately 21,000-strong workforce by almost a third over five years. Later, however, in an interview with Business Day, Maseko said details of the restructuring, including the number of jobs on the line, had not been finalised.

"At current levels of revenue generation we have more costs than the revenues can support. We either improve revenues or we start reducing some of those costs. But we are trying to do both. As far as staff is concerned, we are looking at how can each one of them cost us less and help us generate more revenue," he said.

Top US management consultants Bain had been brought in to advise Telkom on its turnaround. Bain, in a report quoted by Bloomberg, described Telkom as "severely underperforming", and requiring a review of its broadband plan, mobile strategy and capital expenditure.

Telkom has acknowledged previously that there is an urgent need to address its cost base. Its operating revenue for the six months to September last year increased 0.3% to R16.2bn. Employee expenses were R4.9bn last year, from R4.8bn in 2012. Telkom has set itself a three-year plan to stabilise its flat revenue during the 2014 and 2015 financial years, and grow it in 2016.

A manager... of two or three staff

It has about 2,500 managers and plans to flatten that structure as some managers have only two or three people to manage.

"We are trying to create a flatter organisation. But we are not being reckless about it," Maseko said.

According to him, as Telkom shifts towards a customer-orientated business, the aim is to reduce the layers between the most senior person at the company and customers. This, among other things, will improve interaction between Telkom and customers.

"We are looking at how to reduce layers - and it doesn't have to be management layers - between the most senior person at Telkom and customers. Because we want to be a much more customer-orientated company... this enables us to deal with customers' requirements better," Maseko said.

"If we don't respond to customers' needs, we will miss the boat," he said.

Solidarity spokesman Marius Croucamp said the trade union had been aware of plans to reduce managers. The company



Telkom's HQ... Managers are worried. (Image: Pieter-ZA, via Wikimedia Commons)

had yet to provide details, including numbers.

"It is not a good situation we are in. Telkom has promised to consult us but our job is to ensure that we secure employment," he said.

As part of the review, Telkom is investigating alternative ways to save jobs and reduce costs. An industry analyst said Telkom should consider reviewing its retail stores portfolio. It could cut costs by selling them to independent operators. Telkom owns all its retail stores.

Maseko said Telkom would consider all options to save jobs. "We want to minimise the impact of people being out of a job. Whatever happens to those people ... we will try to ensure they end up with a job of some sort," he said.

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