Dr. Mustapha Terrab and the African Leadership of OCP Group

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Prologue

In 2006, the King of Morocco assigned Dr. Mustapha Terrab to lead Office Chérifien des Phosphates (OCP), the Moroccan phosphates company. Terrab's nomination by the king was followed by many similar appointments at the top of state-owned companies. The mission of these new appointments was to serve the kingdom's ambition to modernize the way of doing business in Morocco, to improve overall national competitive advantage, and to position the country as an emerging economy in Africa.

Upon his arrival, Terrab was faced with a company characterized by a bloated bureaucracy, a serious debt crisis of almost $3.3 billion, and little to no visibility in the greater African market where the company had potential to exercise its global leadership in the fertilizers and phosphates sectors. He needed to define a new vision to transform this company from the inside out in order to become a lean and modern organization, to position OCP as an influential player in the international market, and finally, to place OCP as a first mover on the African continent through the whole value chain of agribusiness.

OCP Background

OCP, founded in 1920, is a dual-purpose organization. It is both a mining company that extracts the phosphate rock from four mining sites (Khouribga, Youssoufia, Ben Guerir, and Laayoune), and also a chemical company that transforms this resource to phosphoric acid and fertilizers from its two chemical hubs (Jorf Lasfar and Safi). OCP employs around 24,000 employees in its mining and chemicals sites and also in its subsidiaries around the world. Moreover, OCP continues to play a crucial role in the generation of Morocco's state revenues from its phosphate and fertilizer exports. The revenues of OCP total $5 billion which represents 20% of the country's overall export value, and 3% of Morocco's GDP. In addition, Morocco has 50% of the global phosphate reserves recognized by the US Geological Survey (2016) (Exhibit 1).

The competitive advantage of OCP's business model is that it is fully integrated in the value chain of phosphate products by producing phosphate rock, phosphoric acid and fertilizers at the same time. In addition, OCP's global market share in 2015 for phosphates was 29%, for phosphoric acid

54%, and only 16% for fertilizers, and which do not reflect the company's leadership potential in this market (Exhibit 2).

OCP's main customers are India, Latin America and the United States, where the phosphates reserve mines are depleted. In its new Africa strategy, OCP intends to play an important role in the global value chain of agriculture to contribute to global food security and sustainable fertilization, especially through a new organization OCP created in 2016, "OCP Africa," with 14 subsidiaries in many African countries.

Dr. Mustapha Terrab

Mustapha Terrab was awarded a PhD in Operational Research by the Massachusetts Institute of Technology (MIT) in 1990. He also held a Master's in Engineering from the same institution, and a Master's degree in Engineering from École des Ponts et Chaussées (ENPC).

Terrab worked as assistant professor and researcher at MIT and was a consultant at the Cambridge Draper laboratory from 1989 to 1993. From 1990 to 1992, Terrab taught decision-making Sciences and engineering systems at Rensselaer Polytechnic Institute at Troy in New York.

Terrab was a former advisor to King Hassan II within the G14 think tank in 1992, which was created to elaborate strategies for Morocco's economic crisis after an alarming World Bank report. In 1995, Terrab was named Secretary General of the Middle East and North Africa Economics Summit's executive group. In 1998, Terrab won the Frederic C. Hennie III prize for his exceptional contribution to MIT's Electrical and Computer Engineering department's teaching program.

One telling example of Terrab's leadership was the liberalization of the Moroccan telecom sector when he was assigned as a general manager of the ANRT (Agence Nationale de Réseaux et Télécom) in 1998, a Moroccan state regulatory authority. He soon had to deal with resistance and convince different stakeholders and players within the telecom sector to adopt his vision of liberating the sector. Furthermore, Terrab had to convince the ex-Interior Minister Basri, who was opposed to the liberalization of telecoms, about his vision. Terrab requested an appointment with Basri to try to convince him that the liberalization of telecom was in the interest of Morocco. The first interview was successful for Terrab: "I surprised him by the honesty and integrity of my arguments," he recounted. Following this first encounter, Basri agreed to meet him regularly to learn more. As a teacher and an educator at his core, Terrab met the Minister of Interior for five to

six hours a week for six long months before having his full support for liberating the telecom market. Basri eventually became the best ally of Terrab against his opponents. Additionally, thanks to the transparency of a process led by Terrab to create a fair and a competitive environment for the bidders, the second licence was paid at $1.1 billion, surprising everyone including Terrab himself, as he had estimated it to be around $700 to $800 million.

Terrab's leadership at OCP has stirred the admiration of many authors and was the subject of Pascal Croset's 2014 book *Ambition at the Heart of Change*.

OCP Challenges for Terrab

Market strategy

OCP, as a state-owned office, was run with an extremely rigid volume strategy, based on a five-year rolling production plan adjusted to demand, all without taking into account the market's dynamics and with totally obsolete industrial facilities. Since the 1980s, the price of phosphates remained stable at around $30 per ton while the price of other commodities in the last twenty years increased until the mid-2000s (Exhibit 3).

The only tactical orientation was the decision that had already been taken to continue the company's industrial growth in the phosphoric acid sector via joint-ventures with international industrial companies. Yet, the assessment of OCP's performance was based on a single criterion, which was the volume of export of phosphates rock and phosphoric acid. Otherwise, OCP had no clear strategic plan to manage the challenges of market fluctations or to modernize its industrial facilities.

Obsolete industrial value chain

When Terrab assumed leadership in 2006, the phosphates extracted from the mines (around 38 million tons per year) were transported by trains to ports for export, or to chemical plants to produce phosphoric acid and fertilizers. The transport by train was not cost advantageous at $8/ton, and also was not environmentally friendly, emitting 930,000 tons/year of CO_2 emissions.

Moreover, with a lack of investment in the existing plants to improve OCP's competitive advantage, the industrial chain was obsolete and disconnected, especially between the mine and the chemicals.

In addition, OCP's production costs were higher than its competitors. Rock production was 30% more expensive than most rivals, despite the company owning the world's biggest sites. In short, OCP's size was not generating any significant economies of scale, and its value chain activities were costly and outdated.

Culture

The existing organizational culture at OCP was quite specific upon Terrab's arrival. There was a distinct hierarchy with three levels: managers and engineers, technicians, and operators. OCP offered exclusive access to clubs and leisure facilities as benefits to each level in the hierarchy, but there was clearly defined segregation. None of them had right of access to the others.

In terms of the supervisor/employee relationship, respect for the hierarchy was also mandated. OCP technicians and operators were not in the habit of questionning their managers. For example, a front line supervisor would not have a conversation in the field with an engineer or manager. Instead, it would be the engineer, or a department manager, who would start the discussion by addressing their subordinates. It was also necessary that all executive directors greeted the CEO whenever he arrived. Moreover, there was little information sharing between the hierarchies. For example, managers of the sites were concerned only with volume and had no concept of the financial impact of their activities. There seemed to be few employees at the top who held a holistic and comprehensive picture of what was happening at OCP and the global market.

A top-down management style also bred significant bureaucracy in the company. For example, Terrab discovered upon his arrival that as the CEO, he would have oversight and signature authority on simple invoices for operations starting at $2000, which inevitably hindered business operations.

Human resources challenges

In 2006, one of the main human resource management issues that Terrab faced at OCP was the upcoming departure of a large number of employees due to retirements over the next six years. Terrab discovered that there had been an absence of strategic planning in human resources, and

there was no succession planning in place for this widespread retirement exodus. In addition, no plans for new recruitment nor annual trainins had been instigated.

Terrab also came into an HR system of promotion based on seniority rather than merit. Thus, compensation and bonuses were disconnected from employee performance, and did not create a performance-driven environment.

Financial issues

For many decades, OCP was facing difficulties in consolidating its financial accounts due to the lack of harmonisation between different OCP subsidiaries and the absence of any cash or foreign exchanges that could hedge its risks. In addition, a former executive stated that "*OCP Company never publicized its financial accounts which was standard practice for most Moroccan public institutions at the time*" [i]. It wasn't until 2007 (after Terrab's arrival) that the first ever publication of a consolidated group balance sheet appeared.

This balance sheet painted a bleak economic picture of OCP, especially with the deficit of the internal pension fund (IPF), which accounted for nearly $3.3 billion (52% of OCP's average turnover). The IPF had long been seen as a burden on OCP's profitability. According to Croset and Drissi [ii], **"**From the perspective of management and the dynamics of transformation, one of the biggest problems was the release of the internal retirement fund, which accounted for much of the breakdown of the company's balance sheet"

Bureaucratic processes

The procurement process was failing both internal group customers (taking 15 months on average to satisfy orders) and suppliers (taking up to two years to settle bills) in 2006. It was estimated that 300,000 invoices had been awaiting payment for more than a year. Any purchasing decision for investment exceeding $200,000 had to be signed by the managing director. Managers appeared to be getting bogged down by these processes. For example, every day, the general manager of OCP received between 30 and 60 dossiers full of documents requiring his signature. This took a significant portion of his time and he was ultimately forced to prioritize. Some things would just not get done.

An investment process is very vital to any industrial company in order to upgrade and renew the plants for better performance and growth. The investment process for OCP further demonstrated how the bureacracy was styming the operation. The process required that each site create an annual list of investment demands that did not include any feasibility study or rationale. This list was transmitted to a budget committee that met only once annually. This situation meant slow response times and a compromised investment process.

OCP and Africa

Agriculture remains at the heart and soul of business in Africa. This industry employs some 70 percent of the workforce and generates, on average, 30 percent of Africa's gross domestic product (GDP)(ECA 2007) Yet, the industry remains highly underdeveloped on the continent. Not only is there the lowest yield of any global region, but huge tracts of land remain unutilized. In 2015, the average use of fertilizer in Sub-Saharan Africa was only 11 kilograms per hectare compared to 50 kilograms per hectare in other developing countries. Moreover, fertilizer use rates in Africa per hectare are the lowest in the world at an equivalent of three percent of Asia's and nine percent of North America's use rates.

However, agriculture still has a great potential in Africa which represents 25 percent of the world's arable land but generates only 10 percent of global agricultural output [iii] . In addition, according to the International Fertilizers Industry Association (IFA), world demand would rise on average by 1.6% per annum (p.a.) between 2016 and 2021, but the highest growth rate would in Africa would be 3.6% per annum for the same period.

In 2006, when Terrab started work at the company, OCP had no strong presence in Africa to market its products, and no clear policy to help solve the continental agriculture challenges. This did not align with the image of OCP as an international leader in phosphates and their derivatives, and a new strategy was required.

Changes and results

In late 2006, Terrab assigned Kroll Talbot Hugues to conduct an independent business review for OCP. The corporate audit not only offered a financial diagnosis, but also an overall operational

diagnosis conducted by 15 consultants who were fully authorized to interview people and obtain data.

The outcome of the audit was presented to Terrab on 19 July 2006 with several alarming areas of concern:

- Financial situation
- Overall OCP strategy
- OCP's processes and procedures
- Industrial performance
- Data management.

After the release of the report, four members of the board executive committee left the company suddenty which created a lot of unease among OCP's employees. These board members departed in September 2006, weeks before Terrab would meet the King to present the audit report. At the meeting and after reading the report, the King asked Terrab to lead the transformation to address the company issues and challenges. This meeting was an important milestone in OCP's transformation because Terrab now had the power to start a reform with the support of the highest authority in Morocco. This would also enable him to tackle some difficult resistance he was facing from OCP senior management.

Under Terrab's leadership, an innovative vision for 2020 emerged which was a strong shift from its past. This vision adopted a revolutionary objective to become a powerful player on a global scale, with the power to control the prices in the international market, and to ensure that each ton of rock extracted from the Moroccan soil created maximum value for the people living in the country. This new vision required a deep transformation of OCP, and it was driven by many strategic objectives such as: capacity building by doubling the production of phosphates and tripling fertilizer production, cost-cutting of 30% of actual costs, securing long-term revenues, strategic and integrated planning, and major changes in human resources, operations and finances, and the overall organization.

Reinventing the Culture and Recreating the Corporation

OCP's new culture

Upon arrival at OCP in 2006, Terrab wanted to place his employees, both managers and the workforce, at the heart of OCP's transformation. This required a total culture change within the organization. One day, Dr. Terrab met an operator complaining about his son who wanted to play tennis, but in his dad's "worker's" club, there was no tennis court available and no access to managers' clubs and facilities. This was a further example of the deep segregation and hierarchical structure that had been rampant within the company since its foundation in 1920. Terrab decided to open the managers' clubs across the country to all the workforce, a move that was considered revolutionary. Terrab stated in an interview with the Moroccan magazine *Tel Quel* in 2013, "I made them understand that respect is acquired by hard work and competencies, and not by this form of apartheid!" [iv].

Croset, Berry, Terrab and Sitkin[v] provide an example of the challenges Terrab confronted in implementing culture change. In 2008, Terrab started a second tour of the OCP sites around Morocco to meet his employees and communicate the key points of the group's new vision 2020. He concluded his presentation with an an invitation to staff members to ask questions. Given the hierarchical culture, Terrab was faced with silence. It long a long time before the first person raised a hand to ask the first question.

> OCP employee: *"You are suggesting that we speak… but I don't have anything specific to say to you here and now. It is the first time that anyone has given me this opportunity in my entire career at OCP, and I'd like to thank you and say that this is a good thing."*
>
> Terrab: "*This will, in any event, not be the last opportunity you'll have to express yourself..."*
>
> OCP employee: *"What you are trying to do is really good. But you are going to have a problem with management. And not only in-house but also from outside lobbies. Still I can promise you that we will be there to protect you."*
>
> Terrab*: "What you are talking about is an act of courage"*

Terrab's intentions in meeting with employees directly was to signal as clear a break as possible with past culture and attitudes, by him "seeking contact" and "letting people talk" [vi].

According to Croset et al. [vii], Terrab listened to people even at the lowest rank of the corporate hierarchy which is unique for a CEO and a chairman in OCP history. Terrab succeeded in building trust-based relationships while not compromising company competitiveness.

According to a former executive of OCP: "A company is not transformed based on cash flow figures or on its shares. But it can be done based on values. It is by a value that we could transform and change people." In the same context, Terrab stated: "Name what happens and what is done with no back thoughts, name it as it is to operate." He created a new identity for OCP by re-defining its values that were already rooted in OCP history and Moroccan culture. Croset et al.[viii] explained it this way:

> In Moroccan culture, there is a word, 'Niyya', which expresses the sincere and determined intention to do something, even though at the beginning of the process, we do not really have the means and not know the how. Immediate direct results alone are not always the only judges in this area. Niyya is an extremely important value for us, which expresses good faith, without hidden motive.

Terrab expected that employees and the entire organization embrace transparency, integrity, and loyalty in all circumstances in order to grow and evolve. Also, Terrab made Niyya a company value in order to mobilize and motivate employees to work together towards a common goal, to challenge themselves, and to be change agents in order to create a successful OCP transformation.

Human resources

In terms of human resources, the vision that was first unveiled in 2007 did not offer any details about the multiple transformations that would have to be implemented, although it did stress three challenges that the company faced. The first was demographic, with staff numbers predicted to decline by 30% in less than five years due to a wave of retirement. The second was the promotion of meritocracy, notably by dismantling a remuneration structure that neither rewarded nor stimulated personal commitment. The third involved training and building competency in the company that needed to substantively change existing practices to achieve its vision.

Terrab managed to radically restructure all of OCP's operational processes for human resources management during a short period between 2006 to 2010: recruitment, annual appraisal, promotion,

remuneration, and training. A new Charter of Social Dialogue was signed with trade unions on 30 April 2010, to improve work conditions and social benefits, and solve social issues.

The most remarkable achievement, observed by OCP employees, was related to the sharp increase in income. In addition to a general wage increase, premiums and other social benefits were augmented which led to an average increase in incomes of 30% over four years, while the inflation rate varied between 1% and 4% per year over the period. This was a notable and well-appreciated change which helped increase the morale and dedication of the workforce.

Despite the reduction in the number of headquarters staff, all of the HR changes took place in the context of a significant increase in the number of employees. Before 2006 and for more than ten years, OCP had experienced a decrease of its workforce. However, since Terrab's leadership, the number of employees increased from 17,000 to 24, 000 from 2006 to 2016.

Finally, faced with serious resistance from his senior staff, Terrab recruited a new executive team to help him achieve his vision. He considered them as linking agents and change drivers that could boost the execution of his vision and would bring new blood and team spirit to the company because it enhanced collaboration and trust. One young executive said, "Now everyone trusts everyone to do anything possible to improve whatever we can"[ix].

Financial transformation

Regarding its financial situation, OCP needed an organizational structure in order to deal with fiscal transformation. In economic terms, the challenge was to rebuild OCP's funding capabilitites, which involved harmonising its finance and tax procedures and accounting practices with international standards. The real issue was how to transition OCP from a phosphates administration to a modern entrerprise behaving as a market leader.

Terrab inherited OCP with a $3.3 billion deficit in its retirement pension owned by the state-run company CDG (Caisse de Depots et de Gestion). To solve this issue, Terrab believed that the transformation of OCP from a state-owned office into a modern corporation was the right solution: it had the double advantage of unlocking the bureaucratic structure, and also allowed new shareholders to participate in its capital in order to pay back the huge debt owed to the government pension fund.

OCP made a deal with the government to pay its debts to the state-owned retirement company and investment fund in part through the increase in sales of phosphates and its derivatives in the international market in 2008[x].

One major event in early 2008 was the official announcement of OCP's new status as a limited liability company. This was accompanied by official confirmation that the company's in-house pension fund would be outsourced later than year. Terrab was no longer a mangaging director of a public sector company, but a CEO and chairman of OCP.

Moreover, at the beginning of 2009, Terrab concluded a deal with a new partner, the La Banque Centrale Populaire (BCP), which made its entry into OCP's capital with a 5.88% share valued at $5 billion. As a result, three years later, the value of OCP increased from less than $4 billion to nearly $10 billion (see Exhibit 4)[xi].

Building for Lift-off: Investing in Growth and Innovation

Market expansion strategy

The company's strategy for OCP in the past was focused primarily on maintaining market share in its three main business lines (phosphate rock, phosphoric acid, fertilizers) to become the world leader in the volume of products exported, rather than a value-driven strategy. The main tool that was utilized for executing this strategy was a five-year plan that defined target production volumes in the spirit of maintaining market balances and OCP leadership positioning.

"The only graph that was in my predecessor's office was the volume of production," says Terrab. He decided to take an alternate approach from his predecessor. Instead of focusing on volume, Terrab wanted to reposition OCP as the market leader: "We are the world's leading exporting country, we have more than 50% of the world's phosphate reserves, we have a resource that global operators call a geological treasure because the phosphate content is exceptional . . . and yet we do not benefit from this positioning"[xii].

In order to implement Terrab's vision, OCP adopted a pro-active strategy to anticipate the competitiveness of other countries like Jordan, Saudi Arabia, and Tunisia, that would be future producers of phosphates. To deal with this competitiveness, OCP planned to re-engineer its entire value chain by 2020 by developing a $15 billion investment program which would triple its downstream capacity with the construction of new fertilizers plants. By capitalizing on this growing

market with phosphates rocks, OCP would double its mining capacity upstream through new mines and beneficiation, and more importantly through an innovative slurry pipeline of 280 km from its mine to its chemical sites which would allow it to save 90% of transportation costs (Exhibit 5).

In addition, the goal at this level was to develop a phosphates chemical transformation capacity, which ultimately meant building the world's biggest phosphates chemical platform located at the Jorf site (now called Jorf Phosphate Hub). This site covered a 1,700 hectare compound that was already hosting the company's biggest chemical complex. The hub would also benefit from a shipping port with large capacities as well as a central geographic positioning. Lastly, it would be open to the world's main markets in South America, Asia, Europe and Africa.

The slurry pipeline was a major technological breakthrough and the first in the world dedicated to the phosphates slurry, replacing the traditional railway transport of phosphates which would reduce transportation costs from $8 per ton to $1 per ton. This project was considered a part of a sustainable management plan since it would optimize the use of water in beneficiation plants upstream, and also limit the CO_2 emissions of railway transportation, tackling some of the inefficiencies of the past.

Reorganizing for Better Performance and Efficiency

Organizational structure

Terrab led an organizational "shakeup" within OCP with a large decentralization of its headquarters to give more responsibility and oversight to its production sites. The headquarters of 1400 personnel was reduced to 300 in only a few short months, without any dismissals or institutional strikes.

In June 2010, Terrab also regrouped the Mines and Chemical departments under one single department managed by an executive director. This new industrial department was not just a better structure for the coordination of operational activities, but also was the center of control and decision-making for the entire industrial operations. This was an innovative step for OCP because it meant moving from a technical engineering management system to a new modern industrialized organization and mindset, implying both a cultural and conceptual transformation.

Moreover, Terrab transformed the mission and organizational structure of the commercial department, which had a previously limited scope, and focused only on sales operations. The new

commercial department now had more control over new roles and responsibilities such as marketing, sales, supply of raw materials, and management of fleets, which eventually was managed by an executive director with a dual role of commercial director and deputy general manager.

These dual-function positions allowed for better, more timely decision making, and avoided some of the bogged-down bureaucratic processes from the past.

New commercial strategy

In parallel with the industrial strategy, the top management of OCP, led by Terrab, began work on a new commercial strategy to position OCP as a leader in the international market after concluding with the board that the global market for phosphates was on the eve of major change, and OCP was unprepared.

One of the strategic goals was making the industry plants more agile and efficient so they could adapt to changes in market demands, and to bring them in line with OCP's commercial strategy. The purpose was to turn the complexity of the industrial plants in the mine and chemical sites into a strength, and create an opportunity for more growth to maximize margins.

To achieve this, OCP had to redevelop not only its industrial agility, but also flexibility in its contract and pricing policies. Similarly, the commercial strategy would need to secure long-term rock sales by capturing Morocco's expanding fertilizers market.

Terrab decided, along with his team, to revise the overall commercial strategy by replacing long-term contracts with quarterly contracts to capture more margin and benefit from market price volatility. His strategy quickly paid off: commodity prices increased, and the price of phosphates began to take off from the $50 per ton to above $100. The impact on OCP revenue was extraordinary: turnover increased from $2.2 billion in 2005 to $3 billion in 2007, peaking at $6 billion in 2008 and $5 billion in 2015.

Cost cutting measures

The operation known as "Iqlaa" in Arabic, or "Take Off" in English, was launched to transform operational processes, management practices, and the mindset, behavior and skills of OCP employees. The main goals of Iqlaa were to improve OCP's cost position by optimizing the use of

OCP production resources (human, capital, and material), and to advance OCP mining and granulation processes to adapt to market needs in terms of volumes and product ranges.

The main achievement was a 30% increase in OCP mining and chemical production capacity by 2010 with a minimal increase in spending, a higher level of standardization and uniformity in the production system, an improved safety record, and reduced production downtime.

Skills and knowledge transfer

Terrab was aware that the growth of the Moroccan phosphate industry was based on skills transfer. Accordingly, he began to accelerate joint ventures with international companies to increase the capacity of his workforce with a talent management plan and skills transferring scheme. One such example was the creation of Jacobs Engineering S.A, founded in 2010. This was a joint venture between the American company Jacobs Engineering and the OCP Group that would provide OCP with engineering services and project management consultancy in order to execute its investment program and facilitate the needed outcomes.

Going Forward to Africa: Feeding the Planet

After successfully transforming the organizational structure, finances, culture and market strategy of OCP, Terrab turned his attention to an expansion across the African continent. He wanted to position OCP as a first mover to contribute to global food security and develop sustainable agriculture.

In a 2015 interview[xiii], Terrab said that:

> Fertilizer use is low in Africa by global standards, but the reasons are well known. Smallholder farmers – the mainstay of African agriculture – have poor access to credit, to information about fertilizer use and to markets where they could get a fair, reliable price for any increased yields . . . the first challenge is to reverse the dramatic fall in agriculture investments seen over the last 30 years, by international institutions and donors as well as African governments. We are finally starting to get the recognition that sustainable agricultural development, with a strong role for smallholder farmers, is the key not only to Africa's economic development and rural livelihoods but also to feeding the people of Africa and the world. Africa is not the locus of the problem of food security – it is a key part of the solution. It is the only continent in the world left where there is significant potential for environmentally sustainable yield enhancements that do not strain the use of marginal lands or threaten increasingly valuable water supplies.

A major announcement was made on 25 February 2016, at the opening of the 7th edition of the international conference "Argus FMB Fertilizer 2016," held in Marrakech. Terrab announced that a subsidiary of the OCP Group would be entirely dedicated to Africa (Exhibit 6). OCP Africa, based in Casablanca, would have the mission to strengthen the role of OCP in the African continent. According to the General Manager of OCP Africa, "We are confident that Africa can feed the planet even if today it does not feed itself, admittedly the use of fertilizers has been tripled over the 30 years, but the level is still low and far from the norm which is 50 KG per hectare" [xiv].

OCP Africa has a predefined mission: "It is not enough to produce and export fertilizer, you have to go to every country and study needs, you have to find the right soil-friendly fertilizer. We need to analyze soils, do R&D to produce fertilizer that improves productivity without harming the environment, and then we have to train farmers to use the right fertilizer with the right mix" [xv].

Today, OCP Africa assists farmers with soil fertility maps and outreach programs, develops specialized fertilizer products for African soils and crops, and works with partners to promote investment and innovation in the sector through the Global Food Security Initiative.

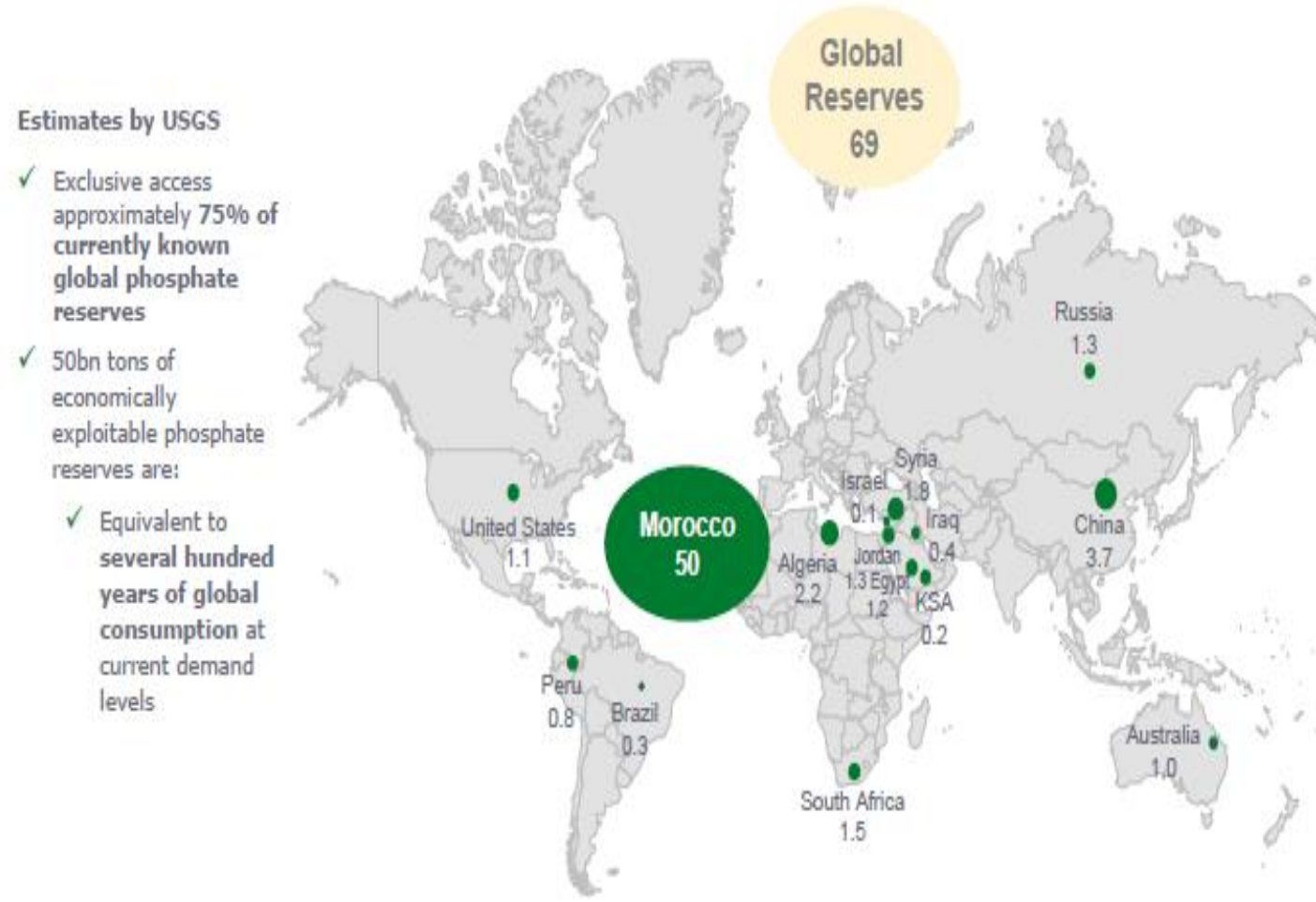
In November 2016, OCP and the Ethiopian Ministry of Public Enterprise announced the signing of a $24 billion partnership for the development of a world-class fertilizer platform that will satisfy 100 percent of Ethiopia's fertilizer demand with high-quality, competitively priced and customized fertilizers.

Today, the new challenge for Terrab and OCP is to further support the development of OCP Africa and its 14 offices, which employ 200 employees of 15 different nationalities. With this new large-scale pan-African strategy, Terrab and his team have undertaken another major transformation in OCP's business strategy. Terrab now has to convince OCP stakeholders, African and Moroccan financial institutions to fund its investment program in Africa.

Exhibits

It is recommended that students access the website to get more knowledge about the company link: www.ocpgroup.ma

Exhibit 1: Global Phosphate Rock Reserves



Source: USGS, January 2016

Exhibit 2: Global Leadership of OCP

- #1 Producer of Phosphate in all its forms
- Large and Quality Reserve Base
- Low Cost Position in Phosphate Rock and Phosphate-based Fertilizers
- Distinctive Integrated Model Enabling Flexible Production Management Across the Phosphate Value Chain
- Diversified Regional Exposure and Balanced International Footprint
- Experience Gained in Over 90+ Years of Phosphate Production
- Strong Industry Fundamentals

Leadership Positions

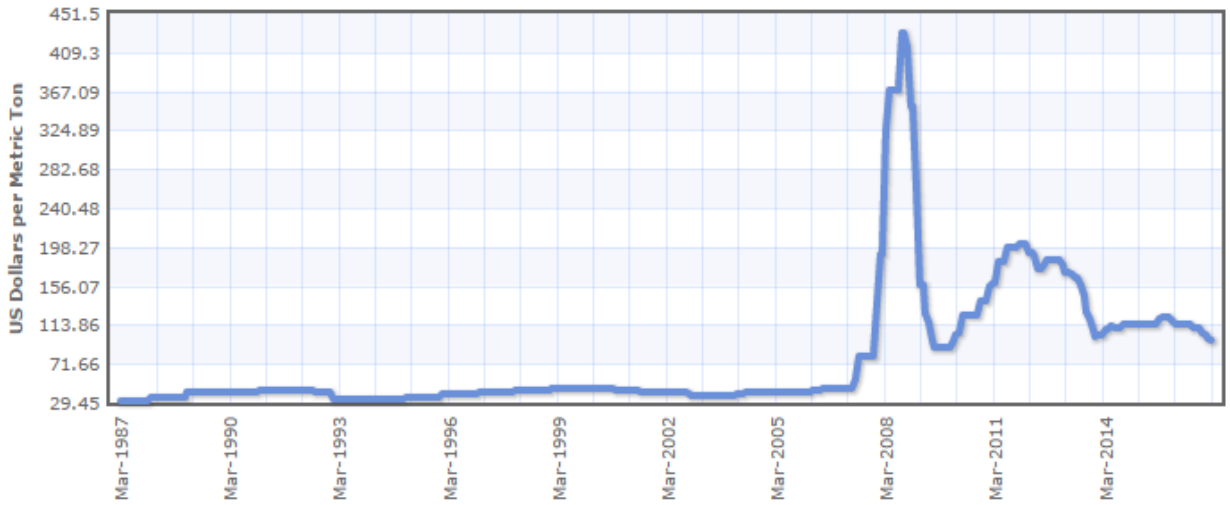
	Global Producer	Global Trade Market Share
Phosphate Rock	#1	29%
Phosphoric Acid	#1	54%
Phosphate-based Fertilizers	#2	16%

OCP by Numbers

In US$bn	2014	2015
Phosphate Rock revenues	1.2	1.3
Phosphoric Acid revenues	1.0	1.2
Phosphate-based Fertilizers revenues	2.2	2.0
Other	0.5	0.4
Group revenues	**4.9**	**4.9**
EBITDA	**1.4**	**1.8**
EBITDA Margin %	**28%**	**37%**

Source: Company information

Exhibit 3: Phosphates Rock Prices 1987 to 2017



Source : http://www.indexmundi.com/commodities/?commodity=rock-phosphate&months=360

Exhibit 4: OCP Major Transformation and Changes 2006-2012

2006	2012
• State owned administration • Bureaucratic and hierachichal management • Internally managed pension fund (on the balance sheet) • Commercial strategy based on maximizing volume (“selling all we can produce”) • Strategy=“sliding” five year plan	• Corporation (Société anonyme) • Visibly reducing headquarter weight • Proactive decentralized and flexible organization • Externalization of the pension fund (restructuring the balance sheet) • Value based commercial strategy (“producing only what we can sell ”) • Corporate value mindset

- ✓ Cross shareholding with La Banque Populaire
- ✓ Adoption of IFRS standards
- ✓ International rating (S&P and Fitch)
- ✓ New Governance
- ✓ Diversification of financial resources

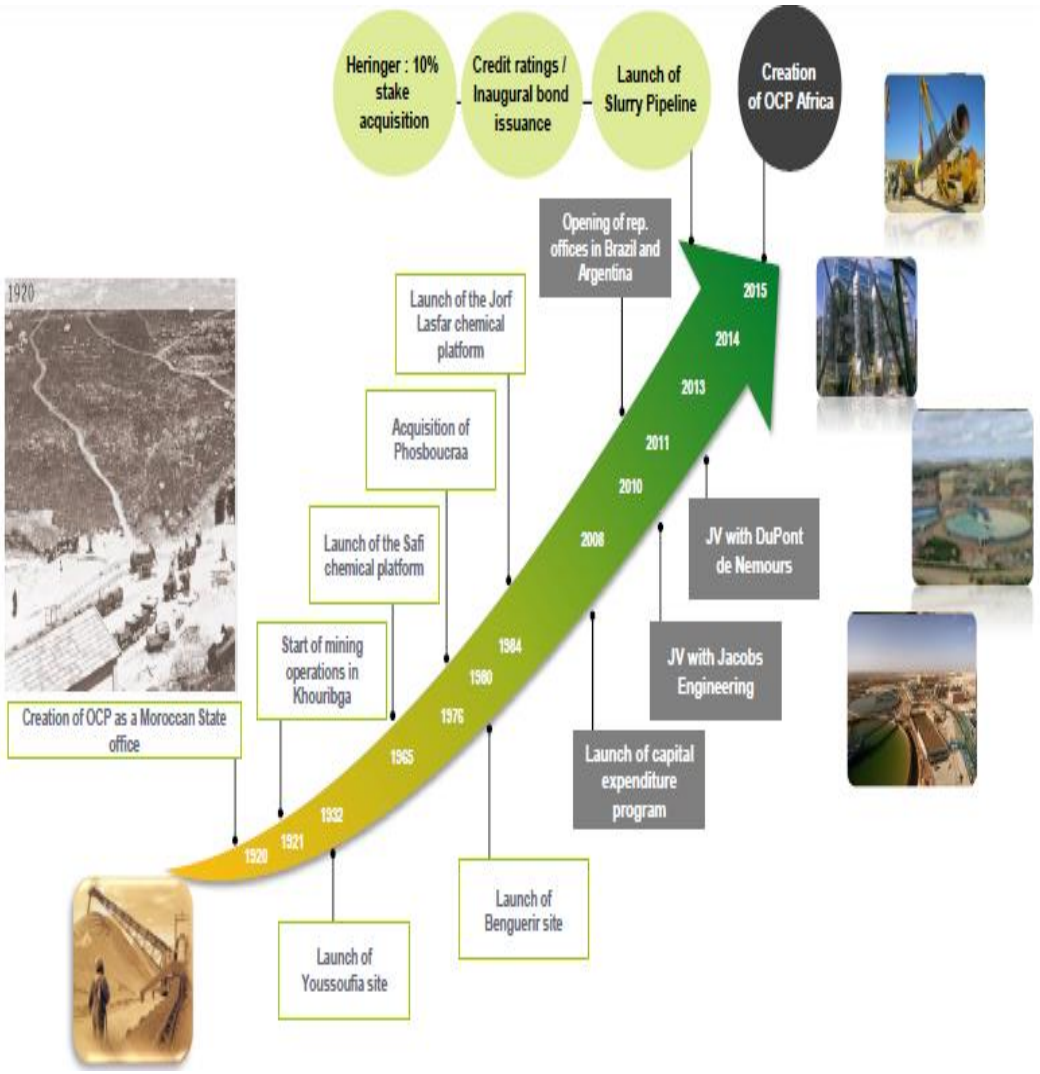
Source: Terrab’s presentation at MIT (2014)

Exhibit 5: OCP Strategic Investment Program in Morocco 2006-2020



Source: Company information

Exhibit 6: History of OCP



Source: Company information

Teaching Notes (TN)

Dr. Terrab and the African Leadership of OCP Group

Synopsis

The case follows the story of a bold Moroccan corporate leader, who transformed OCP, the Moroccan state office of Phosphates, into a successful corporation. Dr. Terrab dramatically changed a previously swollen, debt-ridden bureaucracy, through a fundamental process of workplace democratization at all organizational levels.

Starting in 2006, focusing on small, but high impact company "culture" details such as providing equal access for all employees to corporate clubs and facilities, and breaking down social barriers, Terrab gradually created a modern organization where the employees and their bosses interact and collaborate together for the purpose of the company's success and ability to respond to OCP's strategic challenges in the key areas of change: market strategy, value chain, culture, human resources, financial situation, organization structure, and organization processes. By the early 2010s, under his leadership, OCP experienced very high levels of growth and profits.

The case leaves Terrab in 2016, as he is attempting to apply the OCP transformation experience in new organizations and sectors, notably real estate, by aiming to build green integrated cities, education centers, and also in executing an entrance to the African market as main players in fertilizer production through the whole agriculture value chain.

Target Audience

The case can be used for teaching leadership and organizational change at any level. It can be employed for both MBA students as well as less experienced students who have yet to practice leadership and change management. Despite the Moroccan context, the case is relevant to highlight all African markets and also emerging countries with highly bureaucratic and hierarchical business cultures.

Teaching Objective

The case is not intended as an endorsement of Terrab's leadership style and OCP's organizational change story. Rather, it is designed for discussion and debate, as well as an illustration of the teaching points outlined below.

It is ideal for launching a general and wide-ranging discussion about leadership traits and organizational change, and to focus later on the components of transformational leadership, as Terrab tries to take the traditional bureaucratic Moroccan office in a revolutionary direction in order to reach its final destination (a modern corporation and workplace democracy) in a pan-continental industrial sector.

The task for students studying this case is to discuss leadership competencies and how they helped the change process in OCP. The purpose of the case is to illustrate the primary role that leadership plays in implementing a transformation program and organizational change.

Teaching objectives

The teaching objectives are as follow:

1: To address how complex contexts and situations in Africa push leaders to adopt transformational plans and change strategies.

2: To expose students to an organizational change "success story" from Morocco, and challenge them to evaluate the role of the leader and his leadership characteristics in executing a change strategy more effectively.

3: To expose students to learning how to define leadership in the context of developing countries and in Africa, and how more recent schools, such as transformational leadership, are highly effective in newly emerging economies facing significant cultural changes.

4: To identify different challenges facing leaders and e the most effective leadership characteristics to deal with complexities and change in Africa.

The session concludes with a discussion regarding students' observations on how leaders can adapt their vision and strategy to different people, situations, organizations, industries, and cultures.

Key words

Business strategy, Emerging markets, Internationalization strategies, Leadership, Organizational change, Organizational culture, Transformation plan

Session Format

The class can be entitled “Leadership and Organizational Change.” The professor should ask students to read the case beforehand and use it as the basis for a half-day (3-4 hour) exploration of the issues in class. The professor can regularly use the case as part of a core MBA course in leadership with a focus on organizational change. In most cases, the professor should ask students to discuss it in small groups before embarking on classroom discussion. Video footage can be integrated into the sessions, using a conference where Terrab participated at MIT about the OCP transformation in 2014. (Link: https://www.youtube.com/watch?v=41ORMwrGoqU&t=11s)

Possible Activities and Assignment Questions and Answers

Activity 1

First, after reading the case, the students, in small groups, should describe the main decision that Terrab took to transform OCP from a parochial firm to a pan-African corporation. How did it work at OCP?

Possible Answer

Upon Terrab’s arrival at OCP, it was clear that major change needed to occur in order to address the challenges of the state-run bureaucracy. After conducting a detailed audit of the company, the major issues identified were:

- Financial situation
- Overall OCP strategy
- OCP’s processes and procedures
- Industrial performance
- Data management

The first and main change was Terrab’s decision to shift the company’s status from being a wholly state-owned entity to a corporation that was founded on a strong global vision for the future. From there, he transformed the company with changes to its organizational culture, human resource practices, operational procedures, investment plans and strategic planning which ultimately influenced its financial impact and global strategy as a market leader in Africa and around the world.

Activity 2

In bullet form, students should list all the leadership and organizational (strategic, structural) initiatives implemented by Terrab at OCP during the 2006-2016 time period. This will help them to organize the case, create a timeline and begin to identify key takeaways in the case.

Possible Answer

A list could include the following points:

- Organizational culture change
    - De-segregation of clubs
    - Making management more approachable: "Letting people talk" strategy
    - Instilling Niyya into company values
- Human resource changes
    - Succession planning vis-à-vis recruitment plans and trainings
    - Income increments
    - Skill and knowledge transfer (e.g. creation of international joint ventures)
- Eliminating bureaucracy and increasing efficiency
    - Decentralizing headquarters and moving more employees to sites
    - Creating dual roles and more effective oversight for managers
    - OCP becomes a corporation with shareholders rather than solely state-owned
    - Cost cutting measures
- New strategic vision
    - New market strategy 2020
    - Slurry pipeline project
    - New investment processes
    - OCP Africa
    - Ethiopia project

Assignment Questions

Students could reflect on the following questions and then discuss them within their small groups:

1. How did international market dynamics, globalization, and the African context influence Terrab's transformation of OCP?

2. What are the leadership characteristics and traits of Terrab that helped him execute the transformation of OCP?

These two questions open the issues involved in leading corporate change and give students the opportunity to list specific elements of the international market dynamics of phosphates and fertilizers, and the context of change in Africa and Morocco. It may also result in a discussion on the relationships among personality, corporate culture, change strategy and transformation. It also gives the opportunity to explore the mission, corporate cultural shift (key values), vision and a new strategy of OCP in Morocco and its expansion in Africa.

Contextual Influences

Market dynamics and globalization

- New global competitors in phosphate industry
- Possibility to capitalize on market price volatility of phosphates
- Need for modernization
- Opportunity to focus not only on production volume, but on leadership position in the global market for phosphates

African context

- Agribusiness as the primary industry at the heart of African business
- Underutilization of land in Africa and underdevelopment
- The growing need for food security and Africa's role
- OCP's potential impact in the agribusiness industry

Leadership Characteristics of Terrab

- Charismatic: Letting people talk policy, his MIT presentation shows his personality to be magnetic and likeable.
- Transformational (see Table 1 below)
- Interactive: Desegregating the clubs; letting people ask questions
- Visionary: Creating a vision of OCP as the world leader and a change agent in Africa
- Realistic: Identifying the necessity to change OCP's status to a corporation and modernize its processes; cutting costs and reforming HR policies; conducting the audit
- Influential: Example of Terrab's ability to liberalize the telecom sector; his success in getting the King's approval to start the transformation process.

Table 1 – Terrab's Transformational Leadership Skills

Transformational Leadership Quality	Terrab's Transformational Skills
Individualized consideration: a process where a leader develops each follower in order to maximize value for the organization	• Letting people talk policy • Skills transfer vis a vis international joint ventures and training programs
Intellectual stimulation: a process used to arouse high awareness in individuals by encouraging problem solving and innovation to address company challenges	• Involving all company's collaborators into his vision
Inspirational motivation: a process in which a leader sets a vision and makes followers believe in it	• Implementation of Niyya into company values • Creating 2020 vision • New Africa expansion strategy
Idealized influence (charisma): a process whereby a leader sets the example and develops self-led followers	• Being able to sense the resistance from his senior leadership team and still managing to launch a major organizational change • Desegregation of clubs

3. Do you believe that Terrab demonstrated some of the tenets of transformational leadership to convince his executives and different stakeholders to execute his vision and ambition in Africa? If so, what are some examples?

The question can be an opportunity to list Terrab's leadership attributes and whether they fit with the transformational model. It could be an opportunity to discuss the efficiency and benefits of some transformational leadership characteristics through middle managers and across all organizational levels and how it helps achieve change. This question offers the possibility to take a closer look at the relationship between the leader and his or her followers and its applicability in

organizations like OCP with its specific "bureaucratic" culture which is quite common in emerging markets.

4. What are the perceived challenges faced by African leaders in the context of change in Africa, and what are the most effective leadership attributes in dealing with these challenges?

This question could open a debate on the difficulties facing African leaders such as dealing with resistance and bureaucracy, and also related issues of contextual African challenges.

Challenges faced by African leaders

- Tradition of large, state-run entities which foster widespread bureaucratic inefficiencies
- Lack of transparency in business
- Resistance to change
- HR practices based on seniority and affiliation rather than meritocracy

African Challenges

- Underdevelopment and underutilization of resources (e.g. agriculture industry and use of arable lands)
- Need for skills transfer and talent management

Suggested Session Timeline

The format below is for a three to four hour session:

Duration	Session content
About 20 minutes	Session introduction
About 25 minutes	Show Terrab video (first half)
About 45 minutes	Discussion of case focusing on transformational leadership and organizational change
Break	
About 25 minutes	Show Terrab's video (second half)
About 45 minutes	Interactive session with slides on transformational leadership

About 20 minutes	Wrap up

Total: 3 Hours

Suggested Teaching Approach

Start by asking the students to discuss and analyze Terrab's definition of leadership based on his experience in the preface of the book *Ambition at the Heart of Change*:

Leadership is a responsibility, a challenge and an enigma. It is also an exercise in multi-tasking that, at times is almost schizophrenic in nature. It means always being receptive to dialectic thinking. Enacting your desires yet keeping a sense of humility. Preparing plans yet cultivating a tolerance of chaos. Decentralizing yet implementing effective strategic centrality. Reviving a company's glorious past yet reinventing its future.

Terrab commented on OCP's transformation in the preface of the book "Ambition at the heart of change":

OCP transformation has been an arduous, complex and multifaceted process. Turning a bastion of the Moroccan state into a truly lean and competitive company, combining ethics with economic performance, strategic determination with responsiveness to events with a global outlook. All of this requires much more than a simple deployment of standard managerial techniques. It has also been a human physical and even metaphysical adventure characterized by numerous challenges, a multitude of breakthroughs and complex thinking. An adventure that requires people to create meaning, organize their strengths, mobilize resources like reflectivity, action and life. All within a framework defined by the body and soul of their own sense of commitment.

Students can be asked if anyone would like to work at the OCP Group under Terrab's leadership. Both positive and negative answers give ample material to get a discussion going. It is useful to remember the positions that individual participants take.

Subsequently, open a discussion based on question one: How the international market's dynamics, globalization, and African context led Terrab to transform OCP, and, what are the leadership characteristics and traits of Terrab that helped him execute the transformation of OCP.

An introduction to leadership and organizational change based on the literature in the body of the case study can be conducted to discuss and explore the answers. Then show the first part of the video of Terrab at MIT Sloan in 2014 [xvi]. From here, ask question 3 about whether Terrab practised some of the tenets of transformational leadership to convince his executives and different stakeholders to execute his vision and ambition in Africa.

After the break, the second part of the video conference of MIT should be shown about OCP's ambition to expand its business in Africa to feed the planet, and then discuss if this could be leveraged as a successful experience of leading organizational change in Africa. Wrap up the session with a short lecture on leadership and the change management process in corporations.

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