National Treasury will be hard to break

Why SA needs more steward leaders like Ahmed Kathrada

Leadership in turbulent times
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Because a new world needs new ideas.
The UCT Graduate School of Business (GSB) has claimed its place in the 2017 Financial Times rankings of the world’s top customised executive education offerings, beating competitors from as far afield as France, Canada, Italy, Norway and Belgium.

The GSB is continuing to expand its footprint both locally, on the African continent, and internationally. Providing a high standard of education to executives is a core part of equipping businesses to remain relevant and resilient in challenging times.

Programmes can run at the GSB’s Waterfront campus in Cape Town, or at the school’s new satellite sites in Sandton, Johannesburg and Philips, Cape Town. The school can also travel to a venue of the client’s choice to deliver both on-site and in-house.

The GSB is one of only three business schools in Africa to be triple-accredited, meaning it is accredited by the three most influential business school accreditation associations: AACSB - The Association to Advance Collegiate Schools of Business; AMBA - The Association of MBAs; and EQUIS - European Quality Improvement System. Over 13,000 business school worldwide, less than 80 have achieved triple accreditation.

"We remain focused on the highest standards of business education that both gives input from industry leaders and reflects the diversity of our corporate environment," said director Miks Soko. "This GSB’s ongoing presence in the FT rankings reflects this."
In a testament to its growing global relevance, the UCT Graduate School of Business (GSB) has hosted numerous international study tours in 2017, welcoming groups of students from some of the world’s top business schools to its campus over the past few months.

According to Kumeshnee West, Director of Executive Education at the GSB, the school has seen a phenomenal growth in interest in study tours and has hosted 18 in 2017 alone, up from 10 in 2016 and just five in 2014. West explained that study tours form a part of an elective on many schools’ MBA, EMBA or Master’s programmes and in coming to Cape Town, they mostly want to gain first-hand experience and insight into doing business in Africa. One group also wanted to gain an understanding of the extent of high-quality teaching case material from real-life situations in Africa, were announced in May. This marks the GSB’s third consecutive win in this competition.

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The case study entitled “The Evolution of Lean Thinking at K-Way – Where to Next!” was conducted by Hamdulay’s student Himanshu Vidhani, as part of his MBA thesis. It will be published in a forthcoming release of Emerald’s “Emerging Sources Case Collection.”

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Both Vidhani and Hamdulay believe there is room for a great deal more research in the field of sustained lean Thinking especially in South Africa and particularly where the practical meets the theoretical. “In the South African context, there is a need for more research on bridging the gap between lean tools and lean thinking,” says Vidhani.

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Leadership in turbulent times

Developing and implementing public policy is difficult even at the best of times. And currently, the circumstances prevailing in South Africa are far from the best. That’s when good leadership matters more than ever.

By Nhlanhla Nene

We are living in turbulent times. Our economy is moving at a snail’s pace – for some it may feel like it’s not moving at all. And then there’s the political drama that grabs attention much more than any of the soapies currently on our TV screens.

But as Warren Buffet puts it: “only when the tide goes out do you discover who’s been swimming naked”.

Turbulent times call for a special quality of leaders. Above all, they call for steady nerves. They call for leaders who can lift their gaze above the fog of today, but also make their followers believe that tomorrow, and the many days after, will be better than today.

Even under the best of circumstances achieving sustained economic growth and development is difficult. It takes a lot of discipline and focus by policymakers and a country’s political leadership.

But, as we all know, one never has the best of circumstances, at least not all of the time. So, achieving sustained economic growth and development is even more difficult. To achieve sustained growth and development, or even to manage to keep a country’s head above the economic waters, there must be a few basic things in place. They are, in no particular order of importance:

- Sound economic and social policies.
- Effective and efficient public administration.
- Absent good political leadership, there will be no sound economic and social policies.
- Political leadership.

As we know, bad leaders focus not on the long-term development of their societies, but on themselves, their immediate families and cronies. But even if a country has sound economic and social policies in place, they won’t be implemented without effective and efficient public administration. Weak public administration is also a function of poor leadership.

The Commission on Growth and Development, which studied countries that had sustained high levels of economic growth over long periods of time, concluded that these countries shared “an increasingly capable, credible, and committed government.”

Growth at a fast pace and growth that is sustained over long periods of time happens because of strong political leadership. Such growth requires leaders to choose a growth strategy, communicate their goals to the public, and convince people that the future rewards are worth the effort, thrill, and economic upheaval.

Leaders can only succeed if their promises are credible and inclusive, if they can reassure people that they will enjoy a share of the benefits of economic growth, or at the very least that their children will have a better life.

Such promises can only be believable if policies are being implemented by an effective public administration. As the saying goes: “You can fool all of the people some of the time, but not all of the people all of the time.”

As the Growth Commission reminded us, building an effective government machinery takes time. It’s a task that requires constant attention.

This requires that the public administration be structured and run in a manner that attracts and retains talented people. This can be done by, among other things, paying better salaries based on performance and promoting people based on a performance criteria and not political patronage.

But as we know from our most recent experiences, an effective public servant is, as if not more, dangerous than a public servant who knows not what he or she is doing. So, a culture of honest public service must be fostered and maintained.

The integrity of the state machinery matters a great deal. Corruption deprives the poor of their only access to the means of survival. Without good governance and economic growth, a country is deprived of its means to lift more and more of its people out of poverty.

As laid out in the book To Serve and to Preserve: Improving Public Administration in a Competitive World, Asian Development Bank we can only build good governance on four pillars: Accountability, Transparency, Predictability, and Participation.

But to come back to the crux of the topic, developing and implementing public policy is difficult even at the best of times. And currently, the circumstances prevailing in South Africa aren’t the best of circumstances. This is largely due to our own domestic factors, whilst the global economic environment isn’t helping either:

- Economic management, for example, is an art, not a science. It is an art which is often practised in an environment of great uncertainty.
- Economic forecasting. Whatever a he or she does, he should not claim more for his policies than seems optimal in the circumstances as he understands them.
- The art of economic policy management has to be practiced in an environment of great uncertainty.

The Governor of the Reserve Bank of New Zealand explains the uncertainty in which central banks decide on interest rates, in particular: “Central banks do not have special powers of market foresight or a franchise on wisdom. But they do have significant research and analytical capacity that can deliver valuable insights, and this is being applied to challenges associated with the current global economic and financial developments. It means that central banks are in a position to modify their perspectives and policies as new analysis and data becomes available.”

The integrity of the state machinery matters a great deal. Corruption is not only a tax on economic growth, it is theft of the futures of the most vulnerable in our society.

Corruption deprives the poor of their only access to the means of survival. Without good governance and economic growth, a country is deprived of its means to lift more and more of its people out of poverty.

He concludes that in the end, judgement is inevitably involved in balancing a range of risks and uncertainties. Some of the risks and uncertainties lie beyond the influence of a central bank. Others can be addressed through monetary policy. Irreducible decisions involve reflection and pragmatism in managing different trade-offs.

Finance Minister Mr. Pravin Gordhan says similar challenges. Their task is made much more complex today by the fact that they have to manage in a time of slow-economic and political turbulence.

South Africa has had to, and I am sure will continue to manage its economic affairs in a global environment of uncertainty, both economic and political. This is primarily because South Africa cannot detach itself from the global economy. It is a very small economy by global standards and therefore depends for its sustenance and prosperity on the global market. So, we sell goods and services to the rest of the world.
Public sector institutions have multiple objectives, and often these are in conflict with one another. Policies that benefit one segment of society, create losers in another sector. Often, public sector institutions are immune to being disciplined by the public they are meant to serve.

Our umbilical chord to the globe is a conduit not only of nutrients that sustain our economy, it is also a transporter of shocks and risks emanating from elsewhere. These shocks, such as the 2008 global financial crisis which startled the US sub-prime housing market, make economic management that much more of a challenge.

Former UN secretary-general captured the globalisation dilemma rather well. “Humanity may well look back on the first years of the 21st century as a decisive moment in the human story. The different societies that make up the human family are today interconnected as never before. They face threats that no nation can hope to master by acting alone – and opportunities that can be much more hopefully exploited if all nations work together.”

For decades to come, South African policy makers will have to manage our economy in such a manner that our economy and society reap maximum benefits from our links but at the same time strengthen the country’s ability to withstand shocks emanating from elsewhere in the world.

There is another complicating factor. And it is the fact that the people on whose behalf public policy is made and implemented judge policies not on the basis of science, evidence and principle. As a policymaker you can develop and implement all manner of public policy that your balance of evidence and science tells you will in the long run be in the interest of all citizens.

Citizens, however, will most often base their judgments of your policies upon the meaning of the policy as they see it, not in terms of some kind of propositionally rigorous analysis, such as a demonstrated causal relationship among variables or a deduction from first principles. As Richard D. French writes in a blog for the London School of Economics, often policies are judged when they are announced, not after implementation has generated any evidence, for or against.

In conclusion, public policy development and implementation is challenging. In some ways, it is no different from what private sector economic institutions face daily. But in many other ways, public policy management is that much more complex. What makes life relatively much easier for private sector firms is that they have one objective, which is to turn a profit. Private sector firms that fail to turn a profit disappear, or are taken over by their more successful competitors. Public sector institutions have multiple objectives, and often these are in conflict with one another. Policies that benefit one segment of society, create losers in another sector. Often, public sector institutions are immune to being disciplined by the public they are meant to serve.

A further complicating factor is that the poorest of the poor are most often the ones most dependent on public services. Yet, the voice of the poor is often not heard in the corridors of power and public service. Those in the middle and upper income earners, have the means with which to buy whatever public services they want, from the private sector—security, education and health care.

In short, public policy making and implementation is complex. Policy makers have no special powers to see into the future, yet they must make policies that take years, if not decades, to implement and deliver the desired results. In the end, all they have to balance the risks and uncertainties about the future is good judgment. On top of all this, public officials must explain the basis of their decisions to the legislatures and the electorate.

All of these factors are difficult to manage in normal times. They are even worse in times of turbulence. That’s when leadership matters the most.

Moloi-Nkwe Nene, Non-executive Director, Thebe Investment Corporation
Non-executive Director, Alton Gray Investments This article is an edited version of a speech delivered at the opening of the Johannesburg campus of the UCT Graduate School of Business.

Debbie Ralph, who has worked for the GSB for 20 years, is now playing a pivotal role in making sure the GSB’s Sandton campus runs smoothly and efficiently.

The GSB has a presence in Gauteng for many years, and the new Sandton campus is strengthening and expanding that presence, in Gauteng and into other African countries. “This new venture is very exciting,” says Debbie, “and I’m sure it will grow from strength to strength. Our new campus is really a beautiful space, it’s perfect for us, it’s close to where it all happens.”

Debbie has worked closely with the Cape Town office, for 20 years, in alumni relations and has helped co-ordinate the GSB’s presence in Gauteng. She is now working with the Sandton campus business development, and executive education teams and is providing support for all GSB departments – Alumni, Marketing, Admissions and Executive Education.

The Sandton campus hosts alumni events, executive education programmes, marketing events, workshops, and with guest speakers, and whatever the event, Debbie is behind the scenes making sure it all runs smoothly and that the delegates and speakers have everything they need: “It’s not like hosting an event at a hotel, where if something is wrong with the audio-visual you just call banqueting and they send someone to sort it out,” she laughs.

Debbie also plans and attends road shows in other cities, bases with sponsors, sources speakers, arranges catering and does whatever is required to get any GSB event to go according to plan. She humbly says “it doesn’t matter what you call my role, it changes all the time, and I’m just doing whatever needs doing.”

Over the years at the GSB Debbie has worked with many alumni. “The best part of my job has been the people I’ve met. The alumni are always so energetic, and always want to do something for the school. The people I’ve worked with have been amazing.” She is looking forward to continuing her work with alumni and expanding their networks, and the school’s.

She reflects that expanding the GSB’s presence in Gauteng, and in Africa is a difficult task. “Politically, economically and in terms of our competition, it’s a tough environment right now, but the GSB brand is very strong, and we are doing some amazing work.”

Recently, we ran a programme for a big multinational, and all of the delegates were either from Europe or from countries in Africa. Debbie tells “that is great exposure for the school, and the work that we do.” She adds, “when each of those delegates goes home they will carry a bit of the GSB brand with them.”
THE GREAT DIVIDE

Getting to grips with South Africa’s real challenges

Calls for radical economic transformation deflect attention away from government failings and the very real structural problems in the South African economy that must be addressed if there is to be inclusive growth.

BY SEAN GASSER AND MISHIEK MUTOZE

The call for radical economic transformation in South Africa has grown louder in the past few months. Accompanying these calls is a line of argument that says ‘white monopoly capital’ is to blame for the fact that the majority of black South Africans remain marginalised from the mainstream economy 22 years after apartheid ended.

The term ‘white monopoly capital’ is not new but increasingly it’s used to deflect attention away from the real issues facing the country’s economy. The lack of skills and bad policies.

While the white monopoly capital noise rages on it’s become clear that the governing party (African National Congress) has no political will to address critical areas harming the economy such as rigid labour laws and market inefficiencies caused by state-owned enterprises. There are also indications that the call for radical economic transformation is a political ploy to loot and enrich the black elites who are abusing their proximity to political power.

Policies that limit the wealth generation capabilities of the wealthy via market interference and higher taxes will stimulate capital flight and tax avoidance. And this will negatively affect tax collection and service delivery to the poor.

WHITE MONOPOLY CAPITAL’ ILLUSION

The truth is; capital has no colour or political affiliation. Thus no race or person can ever monopolise it. As such this ‘white monopoly capital’ talk is a fabrication. Ownership figures based on the Johannesburg Stock Exchange’s shareholder-weighted index prove this point. Approximately 50% of total market capitalisation of the stock exchange (R14 trillion) is held by international investors. Next are the Black Economic Empowerment groups who control 23% (10% directly and 13% indirectly through mandated investments).

Then there is 14% belonging mainly to South African pension funds, investment funds which also comes with some black representation and other unmeasured fund managers. Lastly there is the Public Investment Corporation (PIC), the state-owned asset management company which holds approximately 13% of the PIC’s total value. Of which the Government Employee Pension Fund controls the biggest chunk. These numbers show that the white monopoly capital domination factor is both overstated and illusive. Instead of harping on about this mythical deception, the governing party should focus on saving the country’s economy from the tail-spinning mode.

STATE OF THE ECONOMY

South Africa’s economy almost ground to a halt in 2016 – coming in at 0.3% down from 1.3% in 2015. Projections suggest that growth will remain depressed – under 2% – in the next two years. There’s consensus that South Africa’s economy needs to grow by at least 6% to reduce stubbornly high levels of unemployment – most recently quoted at 27%. Mixed with rising political and social unrest and a weakening fiscal position, this has become cause for major concern especially following the credit rating agencies downgrades.

It’s therefore imperative that the government acknowledges the current state of affairs and confronts the real causes of the country’s predicament. The major sectors of mining and manufacturing have been perennially shrinking in recent years as global trade and output patterns change. Yet the government still bankers after a previous era of mass low-skilled employment rather than designing education and labour market policies that will produce a more relevant skills base. In addition, the current economic downturn is eroding both government revenue collection and its spending. This pressure was evident in the recent budget, where the R10 billion revenue shortfall was largely filled by raising taxes on high-income earners.

A continuation of this pattern makes South Africa’s redistributive tax system unsustainable. The latest tax data shows the top 10% of earners pay 72% of the income taxes received. These taxpayers only make use of 6% of social services. In contrast, the bottom 50% of earners pay just 4% of taxes but receive 59% of social services. This is a delicate situation which requires due care. Policies that limit the wealth generation capabilities of the wealthy via market interference and higher taxes will stimulate capital flight and tax avoidance. And this will negatively affect tax collection and service delivery to the poor.

THE SOLUTIONS

To solve the current situation a number of measures need to be taken that will stimulate economic growth. First, the government needs to go back to basics. It must clear up the contradictory regulatory frameworks and infuse certainty around how economic transformation policies will proceed. Government must also entrench good governance and fight corruption. Most importantly South Africa needs to overhaul its education frameworks so as to develop skilled and semi-skilled labour appropriate for a globalised world.

Politicians should also stop misleading South Africans by projecting their failure on to ‘white monopoly capital’ and creating false hopes. They should rather concentrate their efforts on fundamental areas that will strengthen business and investor confidence to help the country move out of its low growth cycle.

Lastly, the government should introduce the much advocated structural reforms in critical economic sectors. These include a sustainable supply of energy, efficiency in state-owned enterprises (including partial and full privatisation), and labour market reforms.

Without political will beyond cheap rhetoric, South Africa will remain mired in a rising tide of poverty, inequality, and unemployment.

This article was first published on The Conversation.
The National Treasury has a solid foundation and a strong institutional culture which will be hard to break, says outgoing National Treasury director general Lungisa Fuzile.

Speaking at an exclusive event hosted by the UCT Graduate School of Business a few days before his departure from office in May, Fuzile alluded to fears that the removal of Finance Minister Pravin Gordhan and his deputy Mcebisi Jonas, as well as his own departure and that of deputy director general Andrew Donaldson, would leave the Treasury open to rogue elements.

"Any institution founded on good values and principles does not get threatened easily," said Fuzile. "I can tell you that when you have an institution such as Treasury, it is very hard to come into it and disrupt the culture and therefore get the entire institution aligned to ill intentions. Such attempts, however, would disrupt the institution."

Observers have pointed out that Fuzile’s and Donaldson’s departure, hot on the heels of the sacking of Gordhan and Jonas, signals the loss of extensive institutional memory at Treasury, which could further destabilise the department following months of turbulence. Fuzile’s contract was due to expire in May next year, but he asked then finance minister Gordhan to allow him to leave a year early on May 15. His resignation was made public almost a week after the firing of Gordhan and Jonas during the now infamous midnight cabinet reshuffle by President Jacob Zuma.

Fuzile said after 19 years in government, he felt he had “served his time” and it was the right time to leave, and make way for new leaders with fresh ideas.

“I have no reason to wish for an extra day after May 15. After 19 years I leave very happy to watch government from outside,” he said. Media reports last year suggested that Fuzile, Donaldson, and another treasury deputy director general, Ismail Momoniat, were on a list of treasury officials that the controversial Gupta family, associates of the President, wanted to get rid of as they attempted to capture and gain more control of the National Treasury. The new Finance Minister, Malusi Gigaba, is alleged to have a close relationship with the Guptas.

However, Fuzile was reluctant to comment on suggestions that the recent developments in Treasury were linked to the state capture allegations. "I have heard the issue of the connection between what has happened at Treasury and state capture. I have my views on it, but as you can imagine its deeply political and contentious."

Fuzile said that his departure and that of other senior officials would not necessarily lead to a change in fiscal policy or the mandate of National Treasury. The work of the institution is reinforced by the Constitution and other key legislation, he said. Furthermore, competent and highly skilled officials such as Momoniat would continue to occupy key positions in the department.

“It will be hard to change such people and make them think the Constitution doesn’t matter. It will be hard to rewire them so that they think that sound fiscal management belongs in the dustbin. I don’t want to say it won’t happen but it’s hard to see it happening,” said Fuzile.

Fuzile also talked about the term “radical” in discussions about economic transformation, saying the term has come to dominate public discourse in recent times. Using the term “radical” in discussions about economic transformation is unhelpful and should be avoided, he said.

"My interpretation of radical is that it’s just politicians. By the way, those who have studied marketing will know that by adding ‘new’ to a product changes how that product is perceived by the people who receive it, and politicians are in the business of marketing themselves and their organisations. So we should not be too surprised when they add adjectives like radical,” said Fuzile.

Fuzile said economic transformation was primarily about inclusive growth. “Let me leave the ‘r’ for now and say to you would you disagree that a country with a history like ours needs economic transformation? ... The economy must grow at accelerated rates and in growing it must not only deliver the revenue the government needs to pay the social wage, but it should give people who have been left out of the mainstream economy opportunities to participate meaningfully whether as business people or as workers.”

"We need an economy that is competitive, certain industries are highly concentrated. We need to focus on regulation to reduce barriers to entry to force completion,” said Fuzile.

The outgoing Treasury director general is an avid cattle rancher and is likely to focus on his farm in the Eastern Cape for the foreseeable future. He talked at length about the land question, which has unsettled many in the agricultural sector.

Fuzile said the current land reform programme was “on a road to nowhere.” There was an emphasis on redistribution and not on training up and coming farmers, which is a threat to food security, he said.

"Some of the land that has already been redistributed may not be used as effectively and productively as it should. We need to engage farmers to tell the people who have the land to assist them in whatever way necessary and possible to put that land to productive use."

"[I am not] suggesting that accelerated redistribution of land is irrelevant and unnecessary. It has to be pursued with a lot of energy and vigour [but] within the framework of the law.”

It was pursued outside the parameters of the law and without certain measures in place to maintain production, then the land redistribution programme would in all likelihood fail, said Fuzile.

"Redistributing land then becomes a failure in terms of food security, agricultural production, and agricultural employment. You can’t do that."

My Fuzile was in conversation with GSB director Professor Miles Seko as part of the school’s Distinguished Speakers' Programme.
A hollow state
is not a professional or capable state

The decision by National Treasury director general, Lungisa Fuzile, to quit his job in May brings to an end the career of one of South Africa’s distinguished civil servants.

It also raises fresh questions about the future of the country’s public service: the resignation comes after a reported exodus of skills and talent at the South African Revenue Service (SARS), in light of the dismissal by President Jacob Zuma of the Treasury’s political heads Pravin Gordhan and Mosiuoa Lekota. There has been speculation that a similar mass emigration of skills is imminent at the Treasury.

Like the Treasury, SARS has prided itself on its deserved reputation as a competent state agency staffed by highly skilled and dedicated employees.

The troubles at the Treasury and SARS are a microcosm of the steady hollowing out of state institutions over the past few years. This has undermined the ability of the South African state to fulfil its mandate: provide reliable, efficient and effective social services.

The post-1994 democratic transition in South Africa brought with it expectations that there would be huge improvements in service provision for all South Africans. The reality, however, has been markedly different. Although there has been major progress in terms of expanding access to basic services – from electricity to water and sanitation – the number of reported incidents of service delivery failures across the country remains unacceptably high.

This coupled with skills deficiencies within the bureaucracy and widespread reports of corruption in government departments, has led to an erosion of confidence in the public service.

POOR GOVERNANCE AND CORRUPTION
Service delivery failures have been most pronounced at local government level. Underperforming municipalities are commonplace, with many of them continually failing to meet basic service delivery standards. This has prompted a wave of service delivery protests in recent years by both poor and wealthy South Africans alike.

The extent of public disenchantment at local government has been reflected in a number of cases in which communities have taken local municipalities to court over perceived service delivery failures. In many of those cases, the courts have ruled in favour of the disgruntled communities. Alarming, however, even in these cases some municipalities have failed to comply with court orders to improve public services.

Moreover, across all three spheres of government, there have been numerous reports of poor governance and corruption. Efficient, inappropriate and wasteful expenditure of taxpayers’ money has been rife. Likewise, public money has been siphoned into the coffers of certain government officials.

Reports of conflicts of interest involving public officials, including President Zuma, have been commonplace. There has also been evidence of double standards in the application of the law to government officials and members of the public. In one infamous example, President Zuma’s former financial advisor, Schabir Shaik, was sentenced to 15 years in prison for bribery and corruption, but later released on a ‘presidential pardon’. Zuma was the co-accused in this case, but all charges against him were dropped.

HUGE COST TO TAXPAYERS AND POOREST OF POOR

All of these incidents have come at a huge cost to South African taxpayers, including the poorest of the poor, as service provision has not been prioritised. This goes against the key tenets of our Constitution.

Service delivery failures, poor governance and corruption have occurred against the backdrop of growing politicisation of the public service. This has been exemplified by the deployment of public service personnel on the basis of party political incentives and not merit principles.

Arguments pointing to the politicisation of the public service are supported by empirical evidence. A study by the Organisation for Economic Cooperation and Development, which assessed the level of political involvement in the appointment of senior officials, found that the involvement of elected officials in the appointment of senior officials in South Africa was high by international standards.

Studies have also shown that political factors are a key determinant of the career prospects of public servants in South Africa.

Studies have also shown that political factors are a key determinant of the career prospects of public servants in South Africa. In this respect, political factors play an influential role in governing promotions, transfers and performance assessments involving government officials.

The politicisation of the public service has been driven by the ANC’s strategy to install party members in administrative offices and control top government appointments. It has also been motivated by a desire to exercise institutional control, especially control over government policy.

This politicisation has had detrimental effects in the form of increased patronage, cronyism and corruption within the South African public service. It has also eroded technical knowledge, skills and accountability among public servants.

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Performance management systems implemented by the ANC government have generally not led to significant improvements in accountability.

Performance management systems fail

Performance management systems implemented by the ANC government have generally not led to significant improvements in accountability. The clearest weakness in this respect has been that the government’s performance management systems are not aligned to integrated service delivery programmes.

This has been compounded by the fact that all performance monitoring mechanisms focus on compliance, rather than on well-articulated and integrated value creation processes.

In addition, research by the Public Service Commission has revealed that many of the national and provincial departments of health and of public works do not provide job descriptions for advertised posts and do not comply fully with requirements related to job evaluations. There has also been a problem of excessive mobility within the public service, with reported cases of officials moving from junior to senior positions without adequate assessment of their readiness.

Overall, this evidence suggests that skills that have been understimulated in the appointment and promotion of public servants in South Africa. It makes a mockery of the claims by the ANC government that it is committed to building a professional and capable state.
South Africa’s fears recently materialised: the country was downgraded first by rating agency Standard & Poor’s and then by Fitch to junk status. Concerns for the implications are wide-ranging, not least of which is the possible effect on innovation.

It is well documented that innovation drives economic growth. This is, in fact, one of the most consistent findings by scholars in macroeconomics, and according to the US Chamber Foundation, some 50% of US economic growth is attributable to increases in innovation.

In order for a culture of innovation to truly take root and become transformative, there must be a certain amount of available R&D budget and an enabling environment, which includes favourable policy, strong leadership, and supportive legislation.

There is a widespread romantic notion that the corollary is also true, when times are tough, human beings rise like phoenixes from the ashes and begin to innovate faster than ever. This is not entirely inaccurate: to truly take root and become transformative, there must be a certain amount of available R&D budget and an enabling environment, which includes favourable policy, strong leadership, and supportive legislation.

For businesses needing to innovate to grow, the environment is set to get tougher. Higher interest rates can create considerable pressure on firms in terms of their ability to access capital, especially in South Africa, where the amount of available R&D budget is lowest in Africa at just 20% and highest in North America at 39%. Hopes for an African Renaissance depend on the entire continent’s ability to innovate, and it is time to believe that the hope of an innovation impetus can require an effort to understand what the implications for investment, and the role that governments will play in this investment, and the role that governments will play in this.

For South Africa, a ratings downgrade, and the resultant negative impact on the economy and growth will, if anything, result in less government spending on these things. Already in July 2016 South Africa owed close to R2 trillion in debt, and a ratings downgrade will only increase the interest on those repayments significantly.

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Can anything be done to salvage the situation? There is little good news that can be teased out of a ratings downgrade. What one hopes, however, is that, regardless, active citizenship will take the opportunity to bridge the gaps between possibility and opportunity. Academic institutions, policy-makers, NGOs, and business leaders will work together to help create a more supportive environment for entrepreneurs and innovators, through maintaining high standards of scholarship, ethical leadership, and not abandoning community outreach. The research is clear that cooperation between firms and external agents is considered by many to be one of the most important drivers of innovation.

This will not make the economic impact of a ratings downgrade disappear. But it may make it possible for some of the country’s bright minds to find a niche where they otherwise would not – and keep the spark of innovation alive.

The GetSmarter deal shows that SA and Africa at large is the next hotbed for technological innovation led by start-ups.

For Sam Paddock, GetSmarter’s CEO, this deal presents a great opportunity for the company to grow and fully establish itself in the online education space. It also suggests that the digital economy in Cape Town is set to take off. This is a clear message to all South Africans that we not only have what it takes to play on the global stage, we can win.

Winning the game

In terms of the acquisition, GetSmarter will continue to operate independently as a wholly owned subsidiary of 2U, based in Cape Town. It will continue to be operated by its current management team. More generally, 2U’s confidence in GetSmarter also signals confidence in Cape Town and South Africa. South Africa’s digital economy is ranked 50th out of 139 countries surveyed in the Networked Readiness Index, up from 75th in 2015. This makes 5A one of the most-improved countries, alongside Italy and Slovakia. In keeping with this, the Department of Telecommunications and Postal Services has called for input on the national e-strategic government and ICT SMME support strategies. This is aimed at unlocking business opportunities and creating an enabling business and administrative environment for SMMEs in the ICT sector. Small and medium-sized ICT players can only benefit from this.

Tech entrepreneur Eric PK Chikwan says, “The ‘Africa Rising’ narrative is underpinned by an ‘AfricaTech Rising’ jumpstarted by pervasive connectivity as a result of Africans lapping up new technologies from the back of a bus to exponential mobile growth at the dawn of the 21st century. Most recently, the Chan Zuckerberg Initiative (CZI), founded by Facebook founder Mark Zuckerberg and his wife, has just a $24m investment round in Andela, a Lagos start-up that trains and deploys local software developers.”

2U’s investment in South Africa is consistent with this trend. With the support that will follow, GetSmarter will mark Cape Town as a centre of expertise in the rapidly evolving field of digitally enabled education.
Does it matter where knowledge comes from?

Current debates around decolonising the curriculum lack nuance and create more questions than answers. In tackling this ‘wicked problem’, universities must not lose sight of their mandate to advance all forms of knowledge, not limited to one country or continent, and educate citizens who can take this continent forward.

BY NCEKO NYATHI

The theme of decolonisation hit headlines during the first wave of the #RhodesMustFall protests at UCT in 2015 during which students demanded the removal of the statue of Cecil John Rhodes. From there, the protests spread to focus on issues like outsourcing and the curriculum with protesters arguing essentially that South Africa’s universities should do away with values, norms and practices that essentially categorise anything non-European and not white as inferior.

But the definition of ‘decolonising the curriculum’ remains a grey area and it’s unclear how it will work on a practical level. Emmanuel Mgqawu, Professor of English Language Teaching and Literacy Development, at Rhodes University, has previously stated that many people in South Africa use the terms transformation and decolonisation interchangeably. Mgqawu noted recently that in curriculum debates after apartheid, transformation has come to mean replacing texts by scholars and writers who are white or European with work done by those who are neither.

Universities should seek to advance all forms of knowledge not limited to one country or continent.

This was the commonly held view among academics during a roundtable discussion on decolonising the management curriculum hosted at the UCT Graduate School of Business by the Allan Gray Centre for Values-Based Leadership in May.

While the debate on decolonising the curriculum is not new and has cropped up as far back as the early ’90s, the fact that it has recently reignited in South Africa shows that the issue has not been adequately addressed. And when it comes to the management curriculum the same issues occur. During the GSB discussion, panellists noted that such conversations were previously left to the humanities, yet they should concern all departments and disciplines including finance, management and accounting as these cannot be divorced from the broader socio-political context.

In curriculum debates after apartheid, transformation has come to mean replacing texts by scholars and writers who are white or European with work done by those who are neither.

Opening the roundtable discussion, Dr Shaun Ruggunan a senior lecturer in Human Resources at the University of KwaZulu-Natal, suggested that the current debates perhaps lacked nuance.

“If we change the racial or gender demographics of knowledge producers, does that in itself decolonise the curriculum or the discipline? My answer is no,” said Ruggunan.

He said a demographic shift in knowledge producers does not necessarily mean a “content shift”, but may mean a shift from colonial to a neo-colonial legitimation project.

“[We] cannot equate work authored by South Africans or Africans (global South as immediately post-colonial) this in itself does not mean the work is critical or reflexive or emancipatory,” said Ruggunan.

While conceding that the debate on decolonising the curriculum had unsettled a lot of academics “because we work in our ways and we have our theorists that we know and we are now being asked to do things completely differently”, Dr Shannon Moreira, an anthropologist based in the Humanities Education Development Unit at UCT, said the debate was necessary, especially for a university such as UCT.

Citing various authors who have referred to UCT as a “European greenhouse under African skies in post-apartheid South Africa”, where “many of the dominant institutional academic and cultural practices are still ‘white’ English, middle class and male (even Oxbridge) in character” Moreira said a lot of students at the institution felt alienated.

She said while a review of the curriculum was necessary “we need to aim to recognise the entangled nature of forms of knowledge in postcolonial Africa such that it is impossible to categorise knowledge as African versus European”.

“Do we really want to be part of a university that is unashamedly biased towards America – and this must be recognised and confronted?”, she stressed.

“Americanisation of management knowledge is a real phenomenon...it was forced down people’s throats in exchange for funding. This is still happening today and it has to change,” said Nikomo, albeit conceding – it is easier to critique the curriculum than to come up with a replacement. “We have a lot of talking to do and we are hoping that the conversation includes all students and stakeholders...it’s a wicked problem this...how do you create something new and different to try to come up with a management curriculum to enable our country to become what it wants to be?”

Dr Tim London, a senior lecturer at the GSB focusing on issues of leadership, said the country should be open to engaging with all forms of knowledge irrespective of where they come from. “If the cure for cancer comes from America, I do not care where you live, I want that. Do you not want to reject something just because it’s from there?”

Professor Stella Nikomo from the University of Pretoria was of the view that the management curriculum should be multidisciplinary and include pre-colonial, colonial and post-colonial history and its implications for organisations and management. She said the curriculum should contain alternative theories and examples of different organisational forms, including post-capitalist forms of organisation, and social justice approaches to dealing with racism, sexism, heterosexism, xenophobia, and ableism. Continental and national imperatives should drive the curriculum, but we should not lose sight of the global viewpoints, said Nikomo.

Management curricula around the world – and not just in South Africa - are unashamedly biased towards America – and this must be recognised and confronted; she stressed.

“Americanisation of management knowledge is a real phenomenon...it was forced down people’s throats in exchange for funding. This is still happening today and it has to change,” said Nikomo, albeit conceding – it is easier to criticise the curriculum than to come up with a replacement. “We have a lot of talking to do and we are hoping that the conversation includes all students and stakeholders...it’s a wicked problem this...how do you create something new and different to try to come up with a management curriculum to enable our country to become what it wants to be?”
Economic transformation in SA is long overdue, but current talk about radical economic transformation is “mere political rhetoric”, agreed panellists at a recent UCT Graduate School of Business roundtable discussion.

The country needs to go back to the drawing board and address fundamental structural limitations in the economy that are hampering economic growth and seek ways to ensure that growth can be spread across classes, races and the disadvantaged.

Deputy President Cyril Ramaphosa said that radical economic transformation was unavoidable. He said the idea behind the concept was fundamentally about building an inclusive and more collective economy in the country. Government hoped to create more sustainable growth, higher investment, increased employment, reduced inequality and to de-racialise the economy.

The ANC has argued that Black people constitute almost 80% of the population, yet the lion’s share of the economy in terms of ownership of land and companies remains in the hands of white people, who make up about 8% of the population.

However, Kwankwa argued during the panel discussion that the radical economic transformation narrative at the moment is being used, perhaps abused, by ANC factions jostling for power ahead of the party’s elective conference in December. He said leadership failures have contributed to policy failures, and while economic transformation is long overdue, the current discussion in government around the issue is mere rhetoric used for political mileage. Land reform was a ticking time bomb and it needs to be addressed urgently, said Kwankwa.

The debate on radical economic transformation has been simmering for some time amid general public unhappiness with government’s performance since 1994, agreed Dr Gosel. The concept, he said, should not be seen as surprising and definitely not a sudden explosion.

“Much of the frustration we see [today] largely has to do with failure to deliver on [gazetted] promises,” said Gosel.

However, Gosel argued that the country was in essence putting the cart before the horse by emphasising radical economic transformation, and not radical economic growth.

“You cannot have radical economic transformation unless you have radical economic growth. The one is an outcome of the other. You cannot redistribute what isn’t there,” he said.

SA continues to record slow economic growth. Growth has averaged about 3% since 1994, which is considerably lower than 5.4% envisioned in the National Development Plan, a long-term plan articulating the country’s vision to eliminate poverty and reduce inequality by 2030. The country’s economy is likely to shrink further following the decision by ratings agencies S&P and Fitch to downgrade the sovereign debt to junk status, or sub-investment grade. The two agencies cited likely changes in economic policy after respected finance minister Pravin Gordhan was sacked during a midnight cabinet reshuffle, a move that sent the rand and markets into a tailspin and sparked widespread protests against President Jacob Zuma.

Gosel said that the country needs to go back to the drawing board and address fundamental structural limitations in the economy that are hampering economic growth and seek ways to ensure that growth can be spread across classes, races and the disadvantaged.

“You cannot have transformation in a shrinking economy that’s just received junk status, as bad as these [economic growth] statistics are I actually expect it will get worse and therefore the political rhetoric will get ramped up… it’s all about electroneering it isn’t about the economy… no one is talking about economic growth.”
The struggle for SA’s energy future heats up

The battle for South Africa’s nuclear and energy future is not over. While many South Africans welcomed the Western Cape High Court’s decision in April setting aside international nuclear energy treaties and declaring the government’s nuclear procurement programme unlawful and unconstitutional, President Zuma and his allies have not given up. Ultimately the structure of South Africa’s power market will need to change to ensure an optimal and least-cost energy mix. Reforming the power sector will be the more important struggle.

But business groups, electricity consumers or civil society groups may mount new court challenges, this time on substantive grounds. Any administrative actions by the Department of Energy (DoE), NERSA or Eskom should meet the standard of being lawful, reasonable, and procedurally fair.

NERSA has become a key institution amidst the contestation of interests, power and ideas that are shaping our energy future. Though the Energy Regulation Act empowers NERSA to act in a justifiable manner and independently of any undue influence or instruction, it will be difficult for NERSA to hold the line against a determined, kleptocratic elite. I know, from first-hand experience, when I was an electricity regulator, of the subtle and not so subtle pressures that were brought to bear around regulatory decisions. In work across Africa, I have seen governments replace regulators to achieve more compliant outcomes.

The substantive grounds for blocking a nuclear procurement are formidable but may not be sufficiently supported, especially with computer models, don’t always win the day. All the models that underpin South Africa’s electricity plans show that nuclear power does not fit in a least-cost scenario. The models are backed by market prices revealed in actual long-term, fixed-price contracts. For example, Russia’s Rosatom nuclear contract in Turkey is 1.25 USc/ kWh, twice Eskom’s average tariff.

South Africa’s official electricity plan is prepared by Eskom modellers on behalf of the Department of Energy. The model shows clearly that the next least-cost investments in power stations should be a mix of solar plus wind plus gas power. This is not surprising globally and in South Africa. Costs of solar photovoltaics have fallen more than 80% since 2008 and wind energy by 80-85%. A recent solar auction in Chile achieved 2.9 USc/ kWh, that’s half Eskom’s average tariff and a fraction of its new generation costs. Solar prices in the UAE are even lower at 2.1 USc/kWh. Who could have imagined this, even a few years ago? It is undeniable that we are in the midst of a technological and market revolution in energy, yet many old professionals in the electricity industry fail to fully appreciate the implications.

Global economies, that are larger than South Africa’s, and even many emerging economies and developing countries, have restructured their electricity markets to accommodate more competition and private investment. But in recent years everything has changed. Global climate change commitments and support mechanisms for renewable energy, especially in Europe, have created a new market for innovation and investment in solar and wind energy. Feed-in tariffs, initially at generous levels, encouraged mass production to meet new demand, resulting in significant cost and price reductions. In this environment, it would be foolishly to embark on large power investments in old technologies that would lock-in uncompetitive prices for future generations.

Variable, but ultra-cheap energy resources, can be complemented with flexible electricity generation and storage, including gas, bio-energy, pumped storage, hydro and demand-side management. More and more countries are demonstrating that this is possible in practice.

I still find it hard to accept how quickly renewable energy has broken through. When I started my professional career in 1989, deregulated induced oil prices sparked a new wave of innovation and investment in renewable energy. I spent a year of my PhD doing field work in villages in the mountains of Laos on solar energy applications that would promote rural development.

So continuing change in the energy sector is not surprising, but the pace at which this change is happening is. Both the pace of change in technology as well as the rate at which new energy technologies are becoming less expensive has accelerated, and governments and policy makers are left with difficult reform decisions.

In principle, these power sector reforms are not difficult to implement. Eskom’s power generation can become a separate subsidiary of Eskom Holdings, and then be spun-off into a separate state-owned generation company, leaving an independent grid.

Through a simple amendment to the Electricity Regulation Act we can recognise direct agreements between generators, traders and large consumers. Already this is happening and private companies are wheeling electricity across the grid to industrial customers. But, through more explicit legal regulatory recognition of these options, we could unleash a new market that stimulates innovation in power prices while sustaining grid stability and reliability, as well as encouraging off-grid options.

However, these reforms have been resisted, even though they appeared in our Energy Policy as long ago as 1998. Constituencies that continue to promote big coal and big nuclear also generally support retaining a dominant, patronage-driven, state-utility. Now the consequences are there for all to see: brazen rent-seeking by a politically-linked elite.

As I reflect back on my career as an energy professional and policy advisor, I marvel not only at the recent, dramatic breakthrough of renewable energy, and how nuclear power is now more often than not on the back-foot, but I am also increasingly aware of how complex the political-economy of the power sector is and how difficult reform has been.

While the nuclear battle is by no means won and it is likely that we will need to maintain the legal threat, the more fundamental and enduring challenge will be to reform the sector so that we can move to a more sustainable power market that delivers least-cost, reliable power. This struggle for institutional change will demand a penetrating understanding of political and economic interests, the way that power is wielded through institutions and in policy and decision making, and the role of ideas and rhetoric in mobilising this power.

The nuclear battle has made clear that the struggle for a new energy future, that will benefit all South Africans for generations to come, is far from over.
Leaders like Ahmed Kathrada who are defined by their service to others, are deeply mourned upon their passing. Fortunately, there are many men and women in this country ready to step forward to serve society in similar ways - if we can find the right means to support them.

By Kurt April

The death of anti-apartheid struggle stalwart Ahmed Kathrada in March sent shock waves throughout the country. It came at a time of political volatility and tension and his loss felt keenly by many who had drawn courage from him over the years and had hoped for his guidance in these times. Despite his advanced age, he was still very much engaged in the public arena.

In his eulogy at the funeral, former president Kgalema Motlanthe paid tribute to comrade Kathy as he was affectionately known. “Today is the day on which we close the eyes of comrade Ahmed Kathrada permanently; because during his lifetime he opened our core and saved us from the blindness of the heart. Along with countless men and women of a higher order of consciousness with whom he cast his lot in pursuit of deep ideals, comrade Kathy helped unleash human possibilities,” said Motlanthe. Respected and revered for his humility and humanity – despite being arrested multiple times and serving 26 years in jail on Robben Island – Ahmed Kathrada personifies the principles of a leadership style that is defined by service to others, contribution to community and a profound insight into the self. It is called steward leadership.

**FROM HERO TO SERVANT**

Steward leadership evolved from the early 20th century concept of a leader as an individual hero into a person with more transformational, visionary, compassionate orientation; attraction and influence; cultural, social and moral messages; moral courage; raising diversity and inclusion; shared vision; risk-taking and resilience – not only in terms of productivity, but also in terms of impact and social consequence. At the time in South Africa, with complex political and social turbulence, as well as a stagnant economy, we need steward leaders like Kathrada more than ever.

Steward leaders are everywhere while Kathrada’s contribution to society in South Africa in particular, is felt most strongly in the political and human rights sphere, steward leaders in the business world can have a tremendous impact when it comes to promoting more sustainable, ethical and economically sound companies to be courageous and resilient, companies can also achieve more – not only in terms of productivity, but also in terms of impact and social consequence. At the time in South Africa, with complex political and social turbulence, as well as a stagnant economy, we need steward leaders like Kathrada more than ever.

The steward leader seeks to be the ‘best for the world’, not only the ‘best in the world’ and, in my experience, many executives exhibiting a certain maturity, develop a concern or orientation for the ‘common good’ and become interested in issues relating to wider society. This country has many such leaders, across the broad spectrum of society and at all levels ready to step up to take this country forward. And if leaders are open to being developed and are willing to make positive and constructive choices, they can move beyond the traditional selfish and narcissistic expectations of leaders, to become leaders who care about others. It is our challenge to find ways to support them on this journey.
Detoxifying leadership

Toxic leadership is not uncommon in the private sector, but it’s emerging more often in the public space too, as is all too evident in the US and in South Africa right now.

The good news is that it can be overcome.

BY LINDA RONNIE

Toxic leadership is characterised by a number of familiar traits: unwillingness to take feedback, lying and/or inconsistency, cliquishness, autocracy, manipulation, intimidation, bullying, and narcissism. The toxic leader can - if s/he is allowed to run rampant for long enough - destroy organisational structures over time and bring down an entire organisation.

There are a number of reasons for this. The first and most obvious is that a toxic leader may influence organisational culture through abusive action that is, by fomenting organisational processes, rewarding loyalty over competence, normalising socially unacceptable behaviours like infighting, and by breaking down trust and eroding clear lines of authority.

But the other, more insidious influence of the toxic leader is to be found in what they do to the relationships of those around them. Babiak and Hare, in their extensive study on the subject of aberrant advancement, describe how two processes, rewarding loyalty over competence, eroding clear lines of authority.

There are a number of reasons for this. The first and most obvious is that a toxic leader may influence organisational culture through abusive action that is, by fomenting organisational processes, rewarding loyalty over competence, normalising socially unacceptable behaviours like infighting, and by breaking down trust and eroding clear lines of authority.

The accountability of leaders can be increased through forums like town-hall meetings to force leaders to think deeply about their behaviour and decisions. Where politics is concerned, such visible performance management can do wonders for the wellbeing of citizens.

FIGHTING FROM THE BOTTOM UP

The good news is that toxic leadership can be overcome. When it is understood, it can be dismantled or reformed. We can expand our understanding of leadership styles, particularly in times of change, and derive relevance for our own organisations.

The responsibility to move against it does not lie with an individual, but concerns the organisation as a whole. In the case of the public sphere, this responsibility extends to society as a whole.

Cruel to avoiding long-term negative impact is setting finite term limits for leadership, as well as using 360 degree review processes (preferably anonymous), where subordinates, peers and external stakeholders rate the performance and behaviour of the leader. In the political sphere, this approach can be invaluable and would support the call for a secret ballot in the upcoming motion of no confidence in President Zuma.

LEARNING FROM EACH OTHER

Much of what we observe in the corporate sphere can be applied to leadership in the public sector and vice versa bringing a valuable level of accountability into the workplace and public sector and vice versa bringing a valuable level of accountability into the workplace.

The accountability of leaders can be increased through forums like town-hall meetings to force leaders to think deeply about their behaviour and decisions. Where politics is concerned, such visible performance management can do wonders for the wellbeing of citizens.

It is also critical to establish mechanisms to protect people speaking up against leaders - the whistle-blowers - as their actions should be free of fear such as being the economic base to cater for their families. With protection mechanisms in place, citizens should be able to freely raise issues and protect both themselves and their families. Whistleblowers’ concerns relate to a private company or a government department, from harm.
In 1994, the idea that the ANC might lose power was unthinkable. Now, with the 2019 elections approaching, the party is on the ropes. It’s a classic tale of a strong brand that has been allowed to be buried draped in the ANC flag, despite his disillusionment with the current party leadership, says much about the power and influence of the brand and its supporters.

For the first time since 1994, the ANC faces the serious risk of losing power in the years ahead. The outcome of last year’s local government elections provided the clearest indication yet that the party is losing support, especially in urban areas. Ongoing calls for its leader, President Jacob Zuma, to step down, suggest that the ANC is on the ropes and a knockout blow appears imminent. Can the party’s leaders do anything to save the brand?

Rebuilding the ANC brand

In 1994, the idea that the ANC might lose power was unthinkable. Now, with the 2019 elections approaching, the party is on the ropes. It’s a classic tale of a strong brand that has been allowed to be buried draped in the ANC flag, despite his disillusionment with the current party leadership, says much about the power

Brand management theory emphasises two fundamental transgressions that can lead to the demise of a brand: violating the brand promise and jettisoning the values that are important to the brand and its supporters.

Strategy consultant Thabang Motsotsi has argued that in business when sales and profits progressively decline over time (read when votes decline in politics), it means among other things, the erosion of the brand has set in and usually the task of rebuilding it can be very challenging and disruptive.

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Like it or not, South Africa is part of a global economy and therefore, subject to global rules. Wishing it were otherwise won’t make it so.

BY MUNDIA KABINGA

It is undeniable that the big three rating agencies — S&P, Moody’s and Fitch — have a strong grip on the world of international finance, and have been criticised in the past for discriminating against emerging economies and serving Western political interests.

This has prompted some to tout alternatives, including a suggestion that BRICS countries could create their own rating agency to rate themselves — and perhaps others too.

The idea is indeed attractive. It is possible that a BRICS agency could provide a much-needed counterbalance to the Western-orientated big three, create competition and offer investors, issuers and other stakeholders a wider choice and more diverse view on creditworthiness.

But, as Dr Sean Gosiel, a colleague at the UCT Graduate School of Business, has pointed out, there are several reasons why this might not work. Firstly, it is a difficult market to crack; there have been several previous attempts to launch new agencies and all have failed to take off. In addition, the BRICS proposal looks set to replicate the problematic “issuer pay” model whereby a bond’s issuer pays the rating agencies for the initial rating of a security, as well as ongoing reviews. The public (and investors) can then access these ratings, free of charge. This creates a potential conflict of interest the rating agencies are struggling to resolve.

China has already expressed concerns about the integrity of the new agency, saying that it will lack credibility unless it can prove itself to be autonomous from its sponsoring authorities, and that BRICS governments would do well to keep away from it.

AN ISSUE OF CREDIBILITY

Even if such an agency does get off the ground, chances are that it would fail to convince investors in Europe and the US that its ratings are credible and politically impartial. The BRICS agency, like many of its predecessor agencies, would not be registered with both the American Securities and Exchange Commission (SEC) and European Securities Market Authority (ESMA), which would make it impossible to attract portfolio investment flows from the US and Europe.

This means that such ratings would only likely attract finance from the East and other emerging economies in the long term. And that will do very little or nothing to retain the American and European institutional investments already in South Africa which, according to National Treasury’s 2016 estimates, currently make up about 40% of the total investment in South African bonds and securities.

It is worth noting that these institutions invest only in investment grade instruments (BBB- and above) as determined by Standard and Poor’s, Moody’s and Fitch. Thus, their imminent departure will undoubtedly translate into economic hardship for South Africans, no matter how much we protest that we don’t need them!

The same argument applies to the loss of Gordhan at the helm of the National Treasury. While we are asked to judge new Finance Minister Gigaba on his “actions” and not “circumstances and speculation”, the rest of the world might not feel the same. Perception in the world of finance is everything, and Gordhan was perceived as a safe pair of hands. The former chief of the South African Revenue Service and former finance minister is well known in international financial circles, and was making notable progress in allaying fears around South Africa’s investment status. His departure, therefore, has fuelled widespread uncertainty.

What is needed is a seasoned and well-known personality at the helm of the National Treasury to calm international financial markets and shepherd South Africa’s return to investment grade status. Like it or not, South Africa is part of a global economy. We are, therefore, subject to global rules. As the lyrics to the Everly Brothers famous song go: wishing it were otherwise won’t make it so.
Strong institutions are more important than great leaders

Zuma’s Cabinet reshuffle has been billed as a watershed moment in SA’s history, but unless the underlying systems of government are shifted, nothing much is likely to change and the country will be doomed to continue to lurch from one crisis to the next.

When the axe finally fell on embattled Finance Minister Pravin Gordhan and his deputy Mcebisi Jonas a few minutes after midnight on Thursday night, the reactions played out as many people had predicted: an immediate drop in the value of the rand and a rating downgrade from S&P. Given the current state of the economy, it is inevitable that we are likely to face on the financial impacts of the move – even though it was part of a larger Cabinet shakeup. While obviously important, however, focusing too heavily on these outcomes is incredibly dangerous.

This is not because these outcomes are unimportant, but because in this case, South Africa’s medium- and long-term future will depend on whether one of the outcomes of this event is to change processes. While people within and outside the ANC have spoken out about the change and what it means for the country, if we think about the response beyond the 24-hour news cycle, it means little. The underlying systems of government and party politics that generate these leaders, and the environments (social, political, economic, etc.) that allowed them to flourish, need to change or we are doomed to repeat the calamities we spend so much time decrying in the present.

If the country wants real “radical economic transformation”, it can only come from institutions that are strong throughout and buoyed by the work of many people dedicated to the task of improving the country.

People can shout and Tweet slogans like “Zuma Must Fall”, but that makes the enormous assumption that change in this one leadership position means all of the underlying systems will also change. Likewise, the positioning of Gordhan (and to a lesser extent Jonas) in the scenarios in this story – the two lone men keeping downgrades at bay stabilising the economy and safeguarding against the looting of the Treasury – speaks to this same problem. Both perspectives are based on an extremely limited conception of how institutions and societies work, harkening back to the out-dated, and ironically colonial, “Great Man Theory”.

This theory posits that leaders are born with a special gift that allows them access to positions of great authority. Crucially in this scenario, their unique skills make them indispensable, with successors few and far between. Great things can only happen with those chosen people at the helm of institutions or systems, without them, those same institutions will likely fail. This notion is scary, mostly because it shows a shockingly unrealistic understanding of the scope of issues facing the country and because it shifts people’s focus to leaders in certain positions as opposed to systems and institutions.

Good leaders can obviously make a difference, but environments can also exert a profound impact on leaders. The running joke in America is that Trump said he was going to “drain the swamp” (change the political system), but his recent failings in many initiatives show that “the swamp is draining him”. So while it is certainly possible that a change in leadership at the top may lead to better outcomes in some measures, keeping all of the underlying systems and processes will likely guarantee we end up in the same place in the not too distant future. To get a better sense of the true impacts of the reshuffle, we need to assess how it impacted on crucial systems, rather than just immediately quantifiable outcomes. For those who were fearing or hoping this move was a watershed event, the proof of their case will not come in shorter-term outputs, but in real changes to these underlying systems, which speak to the strength – or weakness – of institutions. For instance:

There were reports that other Cabinet members would resign in protest if Gordhan was removed, if that fails to happen in a meaningful way, it will be a strong indication that the underlying system will not be shaken.

If Gordhan was removed; if that fails to happen in a meaningful way, it will be a strong indication that the underlying system will not be shaken.

Short of resignation, who will speak out from inside the ANC against and in support of the Cabinet reshuffle? There have already been rumours and accusations of internal factions in the ANC, exacerbated by the coming elections; if these factional territories are kept hidden rather than staked out in public, it will be a strong indication that the underlying system will not be shaken.

Much of the ANC’s leadership selection and succession processes are highly opaque, making it hard for the public to see just how leaders arrive at their positions. This does not mean there is anything wrong with that person or those processes, but the lack of transparency allows for every shortcoming to be magnified with suspicion of shady dealings in the background. If the process for the elevation of leaders in the ANC is not made more transparent, it will be a strong indication that the underlying system will not be shaken.

The loss of Gordhan and Jonas is no doubt a blow to the Finance Ministry; good leadership is always a benefit to institutions and South Africa, like any country, should try to make the most of any good leadership it can find. But this should not blind South Africans to the fact that the Finance Ministry, and the economy as a whole, can never be wholly dependent on one or two people. If the country wants real “radical economic transformation”, it can only come from institutions that are strong throughout and buoyed by the work of many people dedicated to the task of improving the country.

Gordhan himself appears to understand this – commenting after his dismissal that the Treasury is in safe hands and that the “1 000 plus professionals are committed today as they will be committed tomorrow to make sure they do their utmost best to continue a very proud tradition of managing and maintaining macroeconomic stability in South Africa.”

The bottom line is that if South African politics is its own “swamp”, we would be foolish to think that skimming the top (whether that’s in the form of Zuma or Cabinet ministers) will be sufficient on its own to improve the situation and keep us safe from future harm. Anyone who has been in a swamp knows that the most dangerous things lie below the surface, ready to emerge at the right moment for an attack.

The work of many people dedicated to the task of improving the country.

Strong institutions are more important than great leaders

By Tim London

GSB BUSINESS REVIEW

#8 WINTER 2017
Managing race relations as critical as managing stakeholder relations

The current racial and political tensions in South Africa are playing out in the SA workplace where leaders and managers have to view the handling of racial conflict as a real issue, similar to managing stakeholder relations.

The fires are being continually stoked amid a talk of ‘Radical Economic Transformation’ a concept which some view to be tool to ‘radically enrich a small elite’, including President Jacob Zuma and his associates, the Guptas.

Social media platforms have also been awash with debate on racial issues in recent times. Former Democratic Alliance leader and Western Cape Premier Helen Zille, who faced disciplinary action in the party following her tweets in which she appeared to extol the benefits of colonialism, stated in a recent opinion piece that “critical race theory” that regards “whiteness and whites” as the key obstacle to the progress of black people in South Africa has started to emerge in the country – and beyond its borders.

Zille wrote: “The buzzword transformation has been replaced by ‘decolonisation’. Stripped of its academic veneer, this means all whites are colonisers and have no place in the new South Africa unless they retreat into guilty self-flagellation…”

The current racial and political tensions and a deficit of authentic leadership in society are adding to difficulties facing businesses operating in South Africa.

BY KOSHEEK SEWCHURRAN

Rising racial and political tensions and a deficit of authentic leadership in society are adding to difficulties facing businesses operating in South Africa.

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Authentic leadership, means having your ‘best self’ show up when making decisions. Despite it emerging as the gold standard to strive for in leadership development, authenticity remains an elusive target for many leaders in our society. Being true to yourself and being genuine have emerged to define authenticity as a behavioural state. When one is being authentic, by implication one is being deliberate about the action one is taking, the specific choices that one makes resonate with deeply held values, as well as an overall narrative about how one wants to live one’s life. When one is being authentic, there is thus a strict coherence between what one feels and what one does or says. It is much less likely that people will lapse into blaming and shaming if there is such coherence.

The benefits of living authentically can be said to amount to greater well-being, better life-performances, more emotional commitment, and less apathy; and those who pursue authenticity buy into these long-term benefits.

The condemnation of a whole category of people because of their (white) race is the new face of racism in South Africa, and it has taken us a long time to wake up to it. Like all populist, blame-shifting philosophies, it is catching on fast, and it has potentially perilous consequences for South Africa’s future.

Meanwhile, the President himself says the people protesting to get rid of him are ‘racist’. This is a dangerous diagnosis of what is going on. It is also shaming. And that whole shaming discourse is causing a further alienation and lack of participation.

Authentic leadership, means having your ‘best self’ show up when making decisions. Despite it emerging as the gold standard to strive for in leadership development, authenticity remains an elusive target for many leaders in our society.

South Africa has to manage these racial tensions actively and do away with the blaming and shaming discourse that has come to dominate the current political climate. Zille’s original tweets for example are hurtful since they ignore the understanding and appreciation of the repercussions of Africa’s colonial past and the complexity that results when a culture is dis-membered – as Ngugi Wa Thiong’o would say.

When you blame and shame you are responding from your lowest self and you are not dealing with the real problems we need to fix such as inequality, poverty, unemployment, and a lack of economic participation. Those are the things we need to keep our eyes on.

All of this is pointing to the fact that South Africa has a serious deficit in authentic leadership in society. Why can we not have a hundred Mandelas, or a hundred Kathradus, or a hundred Mbekis? Perhaps if we did we would not have this crisis we are in.

Authentic leadership, means having your ‘best self’ show up when making decisions. Despite it emerging as the gold standard to strive for in leadership development, authenticity remains an elusive target for many leaders in our society. Being true to yourself and being genuine have emerged to define authenticity as a behavioural state. When one is being authentic, by implication one is being deliberate about the action one is taking, the specific choices that one makes resonate with deeply held values, as well as an overall narrative about how one wants to live one’s life. When one is being authentic, there is thus a strict coherence between what one feels and what one does or says. It is much less likely that people will lapse into blaming and shaming if there is such coherence.

The benefits of living authentically can be said to amount to greater well-being, better life-performances, more emotional commitment, and less apathy; and those who pursue authenticity buy into these long-term benefits.

It is for this reason that the work of business schools must be not only to impart the relevant business skills to our students but also to encourage them to access their best and most authentic selves as they step out into the leadership space in this country – and beyond its borders.

Inevitably, racial and other societal tensions have permeated the classroom too and the complexity that results when a culture is dis-membered – as Ngugi Wa Thiong’o would say.

The condemnation of a whole category of people because of their (white) race is the new face of racism in South Africa, and it has taken us a long time to wake up to it. Like all populist, blame-shifting philosophies, it is catching on fast, and it has potentially perilous consequences for South Africa’s future.”
True entrepreneurs rise above the challenges

Award-winning innovator

Rudzani Mulaudzi says tougher economic conditions and more political tension will not hold back entrepreneurs – especially those like him, who are driven to effect real social change in society.

Mulaudzi is now turning his attention to new challenges. As part of his MPhil studies, he did a dissertation on the nature of stokvels in South Africa – a network of over 800,000 different groups handling over R49 billion per annum – according to the National Stokvel Association of South Africa. He interviewed members of 36 stokvels and found that most were run and used by members who were consumers rather than investors, using the money to survive and mostly to buy groceries.

I grew up with stokvels. My mother was part of a stokvel and I saw all this money was there but the people did not benefit, they didn’t grow any richer. When I went to university, it was a struggle to find money for the fees.

I grew up with stokvels,” says Mulaudzi, who comes from the village of Nhakele in Limpopo. “My mother was part of a stokvel and I saw all this money was there but the people did not benefit, they didn’t grow any richer. When I went to university, it was a struggle to find money for the fees.

It occurred to him that the stokvel economy was worth so much and that its members should reap greater rewards. “Stokvel members should be educated about their bargaining power and how to leverage their collective strength to secure the advantages of being the biggest buyer in the economy,” says Rudzani.

Mulaudzi wants to do more research on this idea while continuing to build on the success of Gradesmatch. He wants to work with other big thinkers in the innovation space and is looking forward to the MTN Solution Space opening up a hub in Johannesburg. He says innovations need all the help they can get.

He remains undeterred by the weaker economy and tougher investment landscape. “Entrepreneurs are comfortable working in uncomfortable places. This is what we do, keeping going when times are tough, finding solutions and moving on. This is the mark of the true entrepreneur – they will always rise above the challenges.”

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With over 30 years of business experience, the CEO of African Equity Empowerment Investments Limited (AEEI), a diversified Group listed on the Johannesburg Stock Exchange, Khalid Abdulla believes now, more than ever, that investing in people is the best strategy for success in business as it is in life.

A passionate family man, Abdulla has just been recognised as SA’s Most Empowered Business Leader of 2017 by the Oliver Empowerment Awards and in 2015 was listed in the top ten best CEOs in South Africa by the Financial Mail. Under his leadership, the Group has also received several prestigious awards in the past trading year. Implicit in all these honours, he says, is a recognition that a people-centric approach pays off.

“Strengthening the overall governance within the organisation; strengthening the business leadership from entrepreneurial to professional business processes; communicating with all internal and external stakeholders – which includes customers, employees and shareholders - are all principles that make it possible to run almost any company well,” says Abdulla.

A leader who understands the power of people

Constantly challenging himself to achieve more in business and in life, GSB alumnus, Khalid Abdulla is driven to bring out the best in himself and others. This multi-award winning CEO talks about making the best of opportunities and what it takes to be successful.

The opportunity to speak to an experienced mentor before making a big decision, helps to develop your confidence to make the right moves and implement the right strategies.

Abdulla’s formative years had much to do with his current success. Growing up in a rough neighbourhood, he developed a keen interest and excelled in sport and was even scouted for an international soccer team in his late teens. The sporting world, he says, taught him much about the importance of being part of a capable team, and nurturing talent as a leader.

Besides his street-smart upbringing, his studies (a B. Compt (Honours) and a CPA from the University of South Africa) taught him further valuable lessons about the relationship between academic life and real-world business. Abdulla says, “I was forced to complete my degree part time and work while I was studying. From day one I was picking up a lot of business experience during my studies, which definitely gave me an advantage over many of the full-time students.”

After completing his accounting articles and working his way up through the industry, Abdulla found himself in the position of CFO at AEEI. Shortly afterwards, to challenge himself, he enrolled in an MBA at the UCT Graduate School of Business.

"The MBA programme was easily the toughest couple of years of my life but I definitely learnt what I needed to take my career further. It was much more than just the academic component. The opportunities to network and learn how to understand people and stakeholder relationships were immensely valuable," says Abdulla.

The year after graduating, Abdulla put this new-found expertise to work in a new role as CEO of the AEEI. He also elected to continue to pass the benefit of his experience on to others in the industry personally mentoring one or two MBA students each year as a way of giving back.

"The best piece of advice that I can give to any MBA student, is to receive solid guidance as soon as possible. The opportunity to speak to an experienced mentor before making a big decision, helps to develop your confidence to make the right moves and implement the right strategies," he says.

One might argue that, as a leader at the top of his game, there is not much further that Abdulla could go from here – but he is not resting on his laurels yet. As a forward-thinking person he has positive, realistic growth plans, not only for AEEI but for the various communities he is engaged in and the country as a whole. He adds that as the country is entering difficult times, it is going to need good and responsible leadership and organisations now more than ever.

"Strengthening the overall governance within the organisations strengthening the business leadership from entrepreneurial to professional business processes; communicating with all internal and external stakeholders - which includes customers, employees and shareholders - are all principles that make it possible to run almost any company well," Abdulla says.
Now what? More frictions and daunting challenges from rising nationalism and populism, but still a global economy with huge opportunities. The Global Network for Advanced Management leverages the expertise from 29 business schools in 26 countries to navigate the new global economy. Connect with us at globalnetwork.io.