

CHANGE is too slow a' coming

That the pace of transformation in South Africa – in business, in particular – is too slow is widely accepted. What is not clear is exactly why this is so. Recent research, however, sheds new light on the matter, writes **Penny Haw**.

The results of an extensive study led by USB senior lecturer in Leadership and Organisation Development, Christo Nel, confirm that the rate of transformation in South African business is slow – way too slow. More importantly, though, the research provides conclusive evidence about why this is the case.

Conducted over four years among 2000 people in business, the study set out to find out why, despite alleged good intentions since 1994, business has not 'come to the table' in terms of expediting transformation.

"The fact that the political transformation of the mid-1990s has not been matched by an equally essential and pervasive socioeconomic transformation in South Africa is very worrying," says Nel. "Many believe that South Africa now faces a crisis that is as severe as the political crisis of the late-1980s. Only this time, it is arguably a great deal more complex."

That progress has occurred in the country is irrefutable. South Africa has, since 1994, witnessed one of the world's largest rollouts of housing, and electricity and sanitation for domestic use.

The study, however, set out to examine whether changes implemented in infrastructure by government have been matched by those undertaken by other organisations. In fact, successful case studies in transformation – both in the public and private sec-

tors – are few and far between. Poverty remains pervasive and little progress has been made to reduce inequality. What's more, subtle prejudice, mistrust, polarisation and new forms of racism appear to be growing in some areas.

Indeed, there are several areas of grave concern that provided rationale for the research. They are not, however, limited to domestic problems: Nel and his colleagues also wanted to examine the impact of a global shift in the role of business.

"Businesses are no longer only in the business of serving shareholders," he says. "With the emergence of concepts like caring capitalism, patriotic capitalism and national patriotism, there's a trend towards increased civil- and social-mindedness among organisations internationally. We wanted to examine the impact of this on South African companies."

The study, explains Nel, resulted in extended periods of dialogue within a range of organisations across various business sectors. Throughout the process, the researchers, he says, were determined to remain largely optimistic in approach and set out to facilitate conversation that would not only uncover causes, but also help find sustainable ways of speeding up transformation.

The results of the research and proposed solutions will be discussed in detail in a report currently in production. Some of the key findings are summarised here. >

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Nel and his colleagues found that change is slow in business because too many South Africans fail to fully comprehend democracy. Moreover, stakeholders in organisations have not adequately moved beyond the organisational culture that prevailed before 1994.

“Many South African business leaders are, in effect, socioeconomically illiterate,” he says. “Their understanding of the country’s history and their willingness to operate within this context are sadly lacking. At best, there’s a superficial understanding of our history and its pervasive legacy. There’s little evidence of the deeper socioeconomic literacy and intelligence required to redress inequality, make the country more attractive to foreign investment, grow its economy and fight poverty.”

While overt racism has become a rarity, the research concludes that a continued leaning towards an authoritarian, isolating, secretive and Afro-pessimistic ethos prevails. This is exacerbated by big business’s failure, despite many assurances given in the mid-1990s, to engage in proactive and sincere transformation.

What’s more, too few organisations have ‘grown their own wood’ by developing employees internally in recent decades. As a result, they now rely on poaching from other organisations when pressed to fill equity quotas (which most only do under duress). At the basic level of race equality, the latest report from the Commission for Employment Equity (CEE) shows that during 2011 the numbers of black and coloured people in top management roles have decreased marginally, with the figures for Indians and whites increasing slightly.

Pervasive Afro-pessimism and inertia among the country’s leaders were also shown by the research to be major inhibitors of progress. Whereas a significant body of international research demonstrates the importance and impact of positive leadership and its role in driving the sustainable evolution, growth and success of organisations and societies, this kind of leadership is scarce in South Africa, where cynicism dominates, albeit sometimes lurking just below the surface.

Afro-pessimism is evidenced by the continued over-investment by business in lower risk property developments, such as shopping malls, office blocks and townhouse complexes. It is also demonstrated by continued poor investment in skills development and training.

Then there is the deficiency in communication between state and business to contend with. “Transformation thrives in an environment of trust, robust discourse and resilient relationships. This did not exist when the new government took the reins in 1994 – and neither has it developed since,” continues Nel.

“Government and business essentially lost their ‘mutual telephone books’ post-1994. As a consequence, the myriad of relationships that should criss-cross between business and government at all levels has not emerged. This was understandable in the five years post-1994 when lack of trust and friendships were still the norm. But, since then, the building of cross-sector relationships has remained too low to drive essential cross-pollination and private-public partnerships.”

Aside from finding policies too fragmented to pursue socioeconomic transformation aggressively, the study also found them too conservative. More-over, some policies are leading to the deindustrialisation of South Africa by not leveraging the country’s wealth.

Another key finding of the research is that transformation in business in South Africa is hindered because of flaws in the way Broad-based Black Economic Empowerment (BBBEE) and Employment Equity (EE) are practised.

With mere shifts in ownership, says the study, the share of the economic pie has remained in the hands of only a few people. Essentially, the deck chairs have been rearranged, but the nature of the economy has not altered significantly.

Moreover, increased ownership and shareholding of medium and large companies by blacks have not resulted in meaningful change in how the companies are managed. Many of the new BBBEE shareholders are passive and have little say in how the organisations are run.

The study also found that another critical flaw of many equity employment strategies is the inaccurate and inappropriate apportioning of the EAP (economically active population) to determine targets for BBBEE and EE. Targets are set before establishing what proportions of the EAP are qualified and available for specific roles.

A more realistic view endorsed by the relevant legislation is that a person must be suitably qualified or experienced for a job, says Nel. If, for example, the percentage of black men and women who are qualified as architects or town planners is only 10% of the



KEY FINDINGS OF THE RESEARCH

- Socioeconomic change in South Africa has lagged far behind political change since 1994.
- Business has not yet demonstrated full commitment to driving the transformation of organisations.
- Achieving equality of race and gender diversity without a profound shift in culture merely replaces a white-led autocracy with a black-led one.
- Transformation must be closely linked to achievement and maintenance of sustainable performance and service delivery.
- There has been insufficient dialogue on how to transform organisations successfully within the private and public sectors.
- Robust conversation, regardless of how uncomfortable it makes us, is necessary for meaningful change to come about.

population, it is meaningless to assess progress against +70% of the population that is black. It is therefore better to talk about the EVP (economically viable population) and to place much greater emphasis on the role of business in investing in the development of a range of critical skills and qualifications for various sectors.

“A further key finding of the research is that the future-facing leadership disciplines and practices do

not automatically evolve during the process of change. Instead, there are various stages of learning and leadership during the cycle of change that create uncertainty and incompetency in leaders who may previously have been highly capable and confident,” he explains.

“Because of its accessibility, we adopted a variation of the U-curve of change, which we adapted from the work of Otto Scharmer, as well as that of Hearsey and Blanchard, to examine the process.

“This showed us that people who embark on change inevitably go through a period of relative incompetence when it comes to coping with the new challenges. If this is not addressed, change is inhibited.”

Another important finding of the research was that commitment to change needs to come from the top. The research, however, shows that executive involvement in and understanding of transformation in South African businesses is low. Even where they are involved in initial initiatives to drive change, chief executive officers and other members of executive committees all too often soon lose touch with the process. They delegate too much to others too soon and do not remain intimately engaged with the process.

According to the most recent CEE report, whites, who make up 12% of the South African population, occupy 65% of top jobs. The figures speak for themselves and yet many businesses continue to deny the urgent need for transformation.

Some denialists insist that “we have put the past behind us and have moved on”. But, for a huge percentage of our population, the past remains a harsh reality.

Denial manifests in other ways too, according to the research. By routinely overstating their profits, many organisations appear very profitable but only because of the low levels of investing in longer-term necessities like skills development, managerial development, innovation, and research and development.

“Denial impedes transformation,” concludes Nel. “The research confirms that rigorous dialogue is crucial. Open engagement and proposals that apply justice in ways not perceived to be giving in to any particular group are essential if meaningful change is ever to come about.”^a



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