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First National Bank

Inspirational Leadership in a South African Context

Teaching note

Reference no 407-048-8

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Inspirational Leadership in a South African Context

TEACHING NOTE

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1 Instructor's Guide

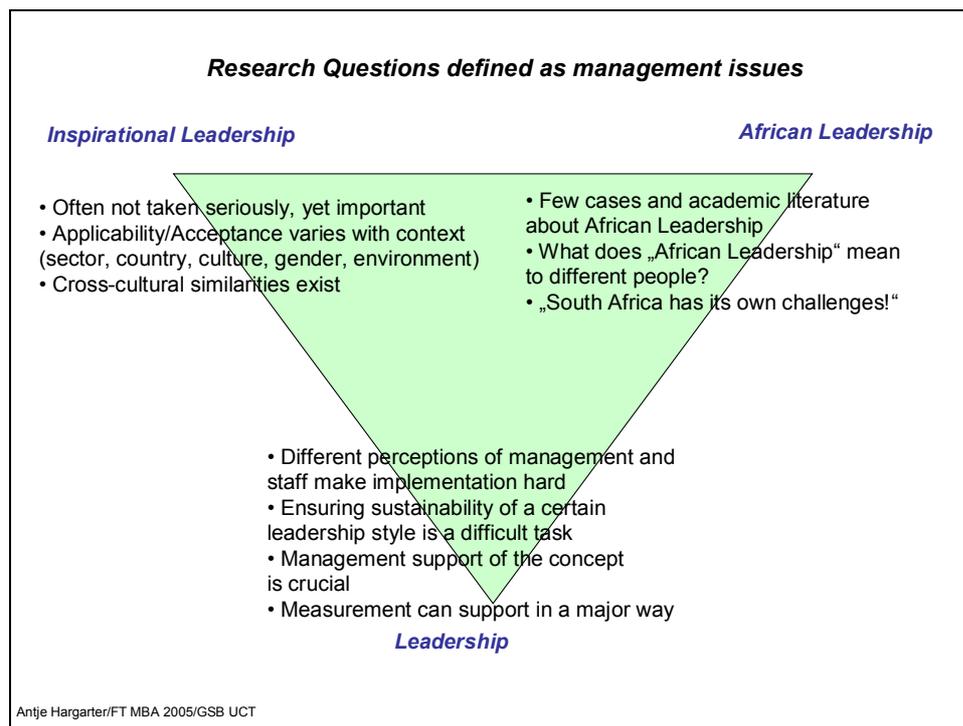
The teaching note addresses lecturers of Business Schools in the field of Leadership. Moreover, the case would lend itself in Change Management, Business, Government and Society as well as Human Resources contexts.

1.1 Introduction to the case

Inspirational Leadership has gained importance worldwide as people are looking not only for a meaning in personal life, but also in a work context. In Africa, especially South Africa, spiritual principles have a long tradition and have been identified as being useful to overcome problems related to diversity, generally, and in business specifically. Real examples of South African companies that are purposefully attempting to implement African Leadership Principles or to integrate African and Anglo-Saxon approaches are difficult to find. Some South African business executives appear to have made changes on a personal level. Even so, they seem to find it hard to clearly capture the change in behaviour in a framework by linking it to existing academic literature.

This research report uses the case study method to tell the story of a South African bank, which is implementing a cultural transformation program and an Inspirational Leadership style connected to it. While First National Bank (FNB) has made an attempt to change and has been successful on a broader level, sustainability issues, especially related to the South African context, are still prevalent. The company is addressing these issues at present.

The researcher had constructed the following graph (Figure 10) at the outset of the research in order to identify some of the management issues. It can help in understanding the main ideas behind the case study. Within the case study the term 'management' is used for people with a team leading position within a company, and the term 'employees' is used for members of a team.

Figure 1 – Research Questions defined as management issues: an overview

In summer 2001, First National Bank (FNB) started the VUKA program, involving several external consultants (Mike Boon, Maryse Barak, Ray Sher, Lance Bloch and Christine Tipton). The goal of the programme was to create a workplace community of real, new South Africans from different backgrounds as opposed to individuals fighting against each other (Sunday Times, 2002a). Today, the programme is still in place and new parts of the Financial Services Group are coming on board. FNB is one of the few (financial services) companies holding on to a leadership program over several years and making it known to the public.

The story is told from the CEO of Branch Banking’s view. After a road show through the country, he is reflecting on the banks’ progress and is asking himself, how to move forward. The case provides background information on FNB and the program, which is called VUKA. It goes on to speak about informal meetings (called umhlanganos) that are part of the program and have the objective of sustaining the efforts. Subsequently, the researcher presents two sections that are based on interviews and observations in the Western Cape Province within FNB as well as interviews with experts in the field of Leadership. The first section covers leadership aspects and the second section encompasses day-to-day reality issues in different branches throughout the Western Cape. Direct quotes and use of literature are referenced in footnotes. The complete methodology followed can be found in section 1.

1.2 *Learning Objectives*

The case deliberately incorporates many details. It is intended to challenge the reader to unpack the complex issues going on in the company and separate key issues from issues on the sideline. The quotes have been included to make the case more interesting and lively. The underlying case is of value for learning purposes, because it allows interpretations with regards to one of the biggest industrial sectors in South Africa: the Financial Services Industry (Market Capitalisation as per end of September 2005: R639 billion or about 40% of the total JSE/FTSE Index Series; JSE, 2005). The Financial Services Sector is a special case in that it is highly performance-driven and South Africa is an important part of Africa and faces its own challenges, which can be brought into the case study as well. It also allows students to obtain more clarity around a certain leadership style and how it is used in a business context in a certain country. The case study of FNB allows a focus on the aspects of humanism and collectivism within African Spirit and how it is used to lead people in practice. Furthermore, the case offers the students the opportunity to look into the topic of implementation and support of leadership programmes on the one hand, and their measurability and sustainability on the other hand.

More specifically, the case study is supposed to enable students to:

- Study literature about Inspirational and African Leadership,
- Analyse one of the very few case examples of a South African Financial Services Company and evaluate how the organization implemented, supported, sustained, and measured its leadership style,
- Linking back the case study content to the theoretical knowledge by answering the research questions that have been defined as management issues

1.3 *Suggested preparation*

The researcher recommends reading section 2 of this research report or the following articles/books as background literature.

Books

Hawley, J. 1993. Rewakening the spirit of work. San Francisco: Berrett-Koehler Publishers.

Chapter 16 All Leadership is spiritual and 17 The Roles and Practices of spiritual leadership

Boon, M. 1996. The African Way. Wynberg: Zebra.

Part 3, Nr. 9 Interactive Forums and Nr. 11 Routine umhlangano management

Maier, C. 2002. Leading Diversity – A Conceptual Framework. Bamberg: Difo-Druck.

Chapter 2.2 Literature on African Management

Articles

Nussbaum, B. 2003. “African Culture and Ubuntu.” *Perspectives*, Vol. 17, No. 1, 1-12.

Swartz, E. and Davies, R. 1997. “Ubuntu – the spirit of African transformation management – a review.” *Leadership & Organization Development Journal*, Vol. 18, No. 6, 290-294.

Thomas, A. and Bendixen, M. 2000. “Management implications of ethnicity in South Africa.” *Journal of International Business Studies*, Vol. 31, No. 1, 507-519.

After working through the background literature, the student should study the case (1-2 hours). The researcher recommends the following **assignments** in written form:

(a) Identify key issues and discuss these in groups (1 hour). In what regards is FNB doing a ‘good job’? Is there room for improvement and if so, what are areas of concern? A helpful tool for this task is the systems thinking method. The researcher encourages individual approaches; there is no right or wrong approach in terms of the ‘how’.

(b) On an individual level, think about a solution for Zweli Manyathi (1 hour). What is a possible way forward for the company? The student should come up with several recommendations as to how the concept and the leadership style could be made more sustainable.

1.4 Suggested presentation and discussion of the case

Using the case study in class should take 2 hours, and involve asking the following questions:

- Who are the key people in the case? How do they influence the process?
- How is FNB doing operationally?
- Why did the company implement the VUKA program?
- Can you comment on the leadership style of FNB? How would you define Inspirational Leadership and African Leadership? What are similarities and differences of the leadership styles?
- How would you describe the day-to-day reality in the Western Cape?
- Do the perceptions of employees and management seem to be different? If yes, how so? If not, why not?

- What are the main management issues in this case? How are they related to each other?
- How could they be solved?
- Are there any issues that FNB cannot influence or hardly influence?

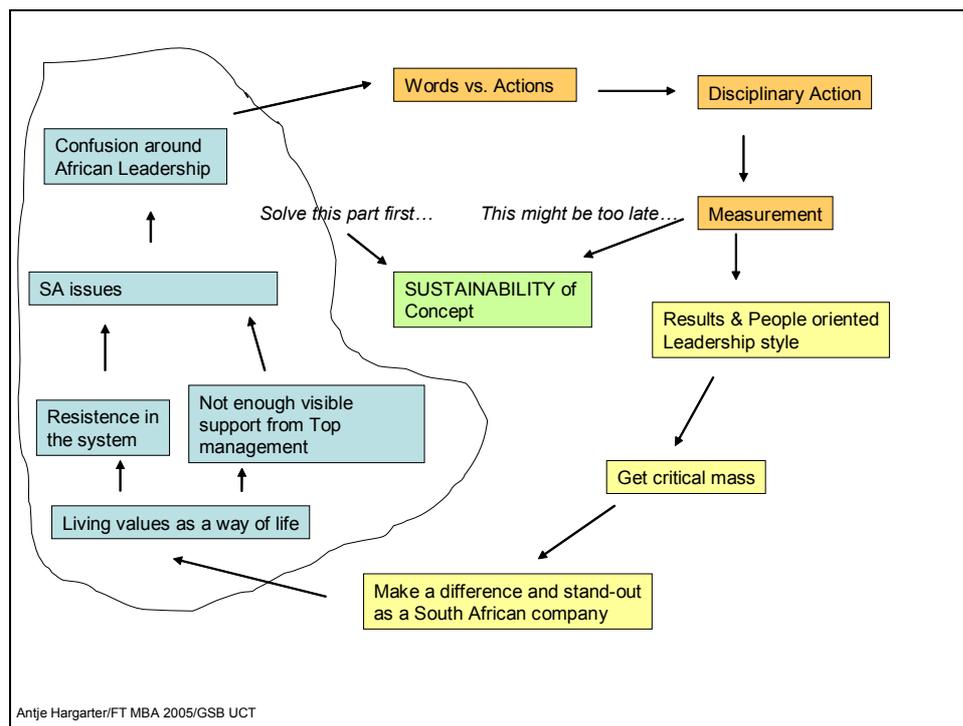
Generally speaking, the lecturer should make sure that the main research questions mentioned in Figure 1 – Research Questions defined as management issues: an overview) are touched upon. When it comes to the recommendation, the lecturer should be open for ideas from the students. Towards the end of the session, the lecturer should briefly mention what the company eventually did. For answers to the discussion questions as well as the written assignments the researcher refers the lecturer to the following section.

1.5 What to take out?

1.5.1 Key findings

1.5.1.1 Summarizing the main issues

Figure 11 is an attempt to summarize the main issues of this research report using the example of the case study. It uses the systems thinking method, and more specifically a causal-loop-diagram to try and identify issues that cause other issues to arise. For example, the existence and form of measurement tools can influence the balance between people- and results-oriented leadership styles, which in turn make people, buy into or not buy into the concept. The more people buy into the concept, the easier it will be to stand out as a company. Making a difference will only be possible if the values of the leadership style are pursued as a way of life. If not, there will most likely be resistance in the system and not enough visible support from top-management. The degree of support will influence the success in dealing with South African specific issues, which in turn have the ability to cause confusion around African Leadership. This confusion can result in a situation, whereby people's words and their actions are not in tune. If this is the case, disciplinary action or performance measurement tools have to be put in place.

Figure 2 – Causal-Loop Diagram related to issues within FNB

In the case of FNB, the sustainability of the concept as one of the central areas of concern can be achieved through disciplinary actions and the measurement of success as an answer to the words vs. action phenomenon. However, this can only be done towards the later stages of the process, and would focus more on addressing the outcomes than on attacking the drivers. To address sustainability in the longer-term, the issues in blue (Confusion around African Leadership, not enough visible support from Top Management, etc.) would have to be addressed first. Ensuring sustainability will help to keep the results and people-oriented leadership style, get critical mass and make a difference in the South African business world.

1.5.1.2 Painting a general picture

Painting a general picture of the company and the findings of the case study is difficult. This is why; finding general answers to the research questions posed at the beginning of the research process is a tricky exercise. First, the data collection has been done in the Western Cape Province (see Figure 12), differentiates itself from other provinces in the country by being less integrative when it comes to different cultures (Management, 2005). Second, the different areas within the Western Cape Province are very distinct from each other. Third, individuals who have been observed and interviewed influence the findings. Fourth, there is no clear statement to be made as to whether women in leadership positions support the

Inspirational/African Leadership style more or less so. A few interviewees mentioned a greater ability for caring and developing a family spirit with regards to female leaders.

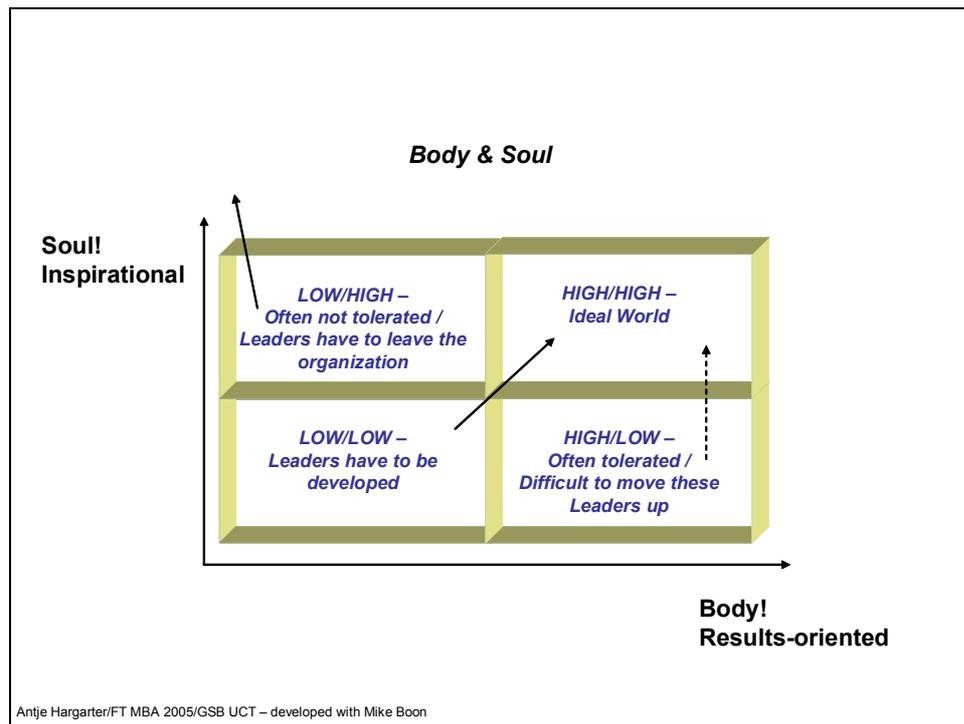
Figure 3 – Selected South African Population Statistics

	Western Cape	Gauteng	Kwa-Zulu Natal	Eastern Cape	Limpopo
as % of population					
Black Africans	26,7%	73,8%	84,9%	87,5%	97,2%
Coloured	53,9%	3,8%	1,5%	7,4%	0,2%
Indian/Asian	1,0%	2,5%	8,5%	0,3%	0,2%
White	18,4%	19,9%	5,1%	4,7%	2,4%
Non-South Africans as % of population	2,4%	5,4%	1,0%	0,5%	1,5%
Most spoken language	Afrikaans	IsiZulu	IsiZulu	IsiXhosa	Sepedi
People with no schooling as % of population	5,7%	8,4%	21,9%	22,8%	33,4%
Unemployed as % of working age population	17,1%	25,8%	17,7%	14,8%	15,5%
Not economically active as % of working age population	34,4%	29,2%	45,7%	55,0%	55,7%

Source: Statistics SA, 2003

1.5.1.3 Results- vs. People-oriented leadership style

One of the crucial management issues was the question of balance between leadership and management (or used as equivalents: people and content, values and performance, or body and soul; see Figure 13). Leaders who produce good results often seem to be tolerated within a system, without being asked how they derived the results. Highly inspirational leaders who are not solely results driven, often appear to be asked to leave the organization. Some experts believe that inspirational leaders are automatically optimally effective, because they would only aspire to a vision that is performance-related (Experts, 2005). The case study indicates that FNB clearly tries to do a better job emphasising both sides of the equation and having disciplinary actions in place. The case study also shows that during transformation, a different leadership style is needed. When it comes to the life cycle of an organisation, FNB is integrative and results-oriented and therefore puts emphasis on building team spirit as well as setting financial and non-financial incentives.

Figure 4 – Inspirational- vs. Results-oriented Leadership

1.5.1.4 Inspirational / African Leadership

Inspirational Leadership is taken seriously within FNB! Leadership in FNB seems to be inspirational and it definitely has African elements (the principles of humanism and collectivism play an important role). At the same time, there seems to be a lot of confusion around African Leadership. Moreover, people almost seem to fight about who ‘owns’ the concept and who ‘knows better’. The words vs. actions phenomenon could be a result of unresolved issues around Apartheid. In this context, the question has to be raised if it is realistic to get everybody on board, or if a better goal would be to achieve critical mass when it comes to the concept. Having disciplinary actions to show the seriousness of management bears the risk of people pretending to buy-in to the concept because of fear. Enforcement actions encompass the same problem. The issue of different areas and regions of the country being at different levels when it comes to the acceptance and use of the concept cannot easily be solved, because there are South Africa-specific, historic reasons to it.

The following definitions have been drawn from the data gathered by the researcher, and show the common grounds of Inspirational and African Leadership. Both concepts involve showing respect and being respected in return.

African Leadership

African Leadership is not dictatorial; there is consultation, sharing of feelings, and taking the time to explain about a common purpose. However, this does not mean that there is collective decision making. A leader can only be elevated, valued, and acknowledged by the community, because he or she cares deeply for people, builds them up and shows respect and dignity towards them. In African Leadership, somebody has to earn the right to be a leader and therefore needs to lead by example.

Inspirational Leadership

Inspirational Leadership can be described as a contagious cycle of trust. The leaders show employees possibilities, release passion for something they want to aspire to, enhance it by creating the environment for people to grow, and coach them towards the vision. In return, the person acknowledges the leader for what he or she has given. The trust can only be built if leaders are authentic and honest, lead by example and care deeply about the employees by treating them with dignity and respect.

1.5.1.5 Sustainability

FNB is making an effort towards sustainability by using a concept of ‘discovery by own experience’ (taking people through the program), which seems to be more successful in the long run. However, it seems that management and employees have difficulties in clearly seeing the support for the concept throughout the hierarchy, which makes sustainability more difficult to achieve. The question should be raised: Is the umhlangano the best instrument to ensure sustainability? Moreover, the facilitator concept is remarkable, but some people seem to find it confusing and difficult to implement operationally.

1.5.1.6 South African issues

The company has made a difference when it comes to transformation and inspirational leadership; yet, it seems to be one of the few South African organisations to have done so. Perceptions of management and employees are not differing in major ways in this respect, which is clearly positive and builds spirit. The company took the concept extremely far, which can be seen by the fact that difficulties arose in families, because it is almost a way of life and cannot be reduced to the work environment. The way the concept was introduced however did not seem to suit all employees. Not everybody was on the same level when it came to vulnerability around past experiences. Did FNB spend enough time to identify fears? And was the unearthed psychology professionally handled?

1.5.1.7 Practical Implications

The practical implications of the key findings evolve around the fact that the company has started, and continues, to make a real difference in the South African business world. There are also implications for Financial Services companies, which claim to be more performance-driven, but yet have the same problems when it comes to people management as other companies.

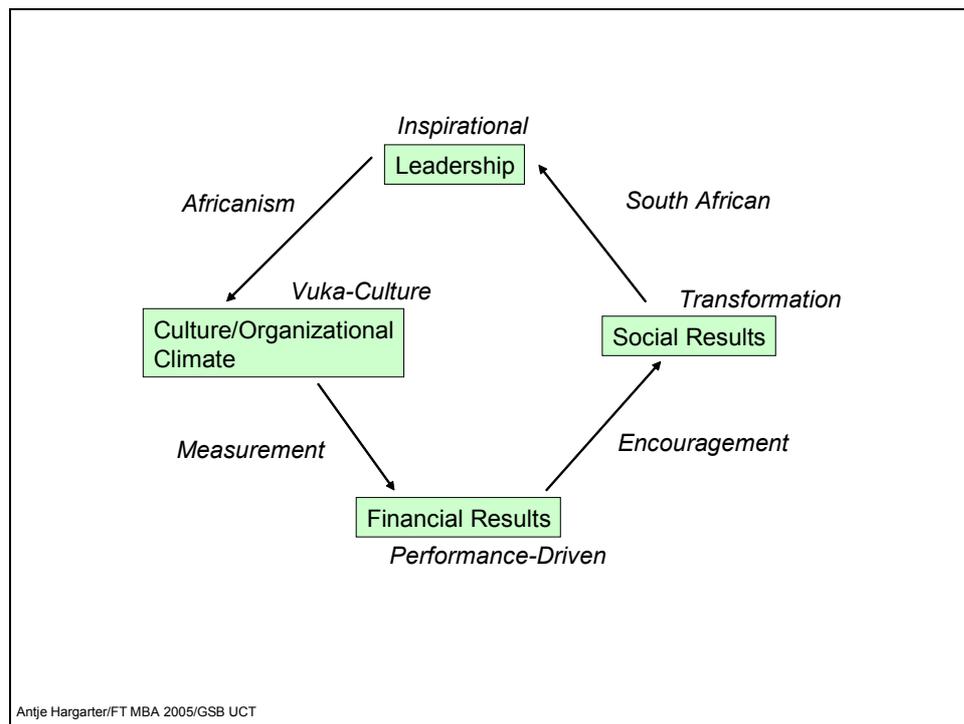
1.5.2 Possible recommendations for the business

1.5.2.1 Sustainability

The company has decided to re-energize the process by rolling-out the program again with a focus on the rural areas. This decision will definitely help FNB to stress the importance of the concept, once again, in a vigorous manner. However, the case study shows that employees need more clarity around the concept. FNB should try and find a suitable balance between clarity on the one side, and room for manoeuvre or individuality on the other side. Using umhlanganos as an African instrument to sustain the concept is certainly a possibility. Nonetheless, FNB could think about other sustainability actions (i.e., addressing confusion around African Leadership, give visible backing from top-management). The facilitator concept is reflecting African Leadership principles and should be kept. A possible improvement could result in again clarifying the idea with employees and management, as well as helping the facilitators to develop their facilitation skills further. The company could also try to bring in external facilitators, from time to time, to enable employees to work from a neutral basis.

1.5.2.2 Measurement

Figure 14 is partly based on research that the Hay Group conducted. Different leadership styles can influence a company's culture and organizational climate, which in turn is one of the drivers of financial results as well as social results. These results influence the leadership style in an organization and a virtuous cycle starts. In the case of FNB, Inspirational Leadership and Africanism made up the VUKA-culture, which had to show measurable results, because the bank was highly performance-driven. However, social results in the form of transformation were equally encouraged. The South-African situation clearly influenced the type of leadership style the bank adopted.

Figure 5 – Influencing powers within an organizational system

The case study indicated that the backing throughout the hierarchy is not clearly visible. While it is not realistic to get every single individual to buy-in to the concept, key line positions have to be filled with individuals that adopt the concept as a way of life. The issue cannot be delegated to human resources colleagues. Selling a compelling vision to people about a culture and a leadership style is difficult, since such issues are deeply rooted in a person's personality. FNB should think about a measurement system to show people that the concept is actually influencing business results in a positive way. Disciplinary actions are important and helpful in the short-term, but measurement tools and facts will probably enable the company to convince individuals in the longer-term. It could also motivate people to change their behaviour and the words vs. actions phenomenon would hopefully dissolve itself.

1.5.2.3 South African Leadership

The South African issues are not unique to FNB and reflect the need for a South African Leadership style, which requires understanding from all ethnic groups. People need to be ready for a balanced leadership style and not feel as though it increases the confusion even more so. FNB's leadership style is already taking diversity and integration into consideration. The company should further stress the principle of interconnectedness and emphasise

similarities between cultures and different leadership styles. Inspirational Leadership can be used in an African context, and African Leadership is inspirational. In the end it is much more than a leadership style, it is about a way of life, it is about personality, it is about belief systems. Employees have to be able to listen to statements like the following without grief, hurt and sorrow *“Seated in this room are White Africans and Black Africans and White Westerners and Black Westerners. Now you can choose what you want to be and if you choose to be an African, then there are certain things that come with that choice. One of them is a deep care for humanity”* (Experts, 2005). And even if nobody knows, how much time this process will really take, FNB should continue to encourage their employees to make a difference. The motto of the day of the ‘facilitators day’ attended by the researcher describes it to the point: *“If not you, who else?”* (Observation, 2005)