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The Evaluation of Leadership Development at a State Owned Enterprise in South Africa

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Abstract - *The study was sparked by concerns in the Human Resources Department at Denel, a State Owned Company/Enterprise in South Africa, regarding the state of leadership in the organization. The concerns were primarily that the leadership style in general, was 'command and control' - autocratic, bureaucratic and lacking the necessary commercial mindset and emotional intelligence needed to deal with employees from a motivational and employee-engagement perspective. The purpose of the research was to conduct an investigation into leadership at Denel and to analyse the perceptions, opinions and concerns of all stakeholders in the company. A qualitative research methodology was used and the findings confirmed that leadership styles at Denel were indeed traditional command and control, autocratic, lacked a commercial mindset and lacked emotional intelligence. Furthermore, the existing repertoire of leadership development programmes lacked work-based application relevance and the leadership development approaches were haphazard, with no proper focus and direction. Furthermore, there was no measurement of the impact of the leadership development interventions in the company to determine the return on investment. The recommendation is that leaders at Denel should create a culture of talent optimization, be transformed into business leaders and ensure employee motivation and engagement levels are enhanced within the company.*

Keywords – *leaders; leadership; state-owned enterprises; business-orientation*

1. INTRODUCTION

Denel is a South African state-owned company/enterprise (SOC/E) reporting to the Minister of Public Enterprises, who appoints an independent board of directors to, amongst others, provide strategic direction and oversight to the group. Denel was established to provide security of military supply to the country through development of high-end technology, conducting research and development, as well as being involved in advanced manufacturing of niche defense products and solutions, whilst also supplying global markets (Defense Review Report, 2009:60)[1]. The Defense Review Quarterly (May 2011) made the following remarks about Denel, which remarks provide a good indication of the state of leadership at the organization:

- "Companies like Denel work within the defense industry, and as such they often have a military style of leading and managing. This doctrine permeates the formulation of policies, establishment of management processes like strategy, finances, marketing and the relationship with employees.
- The military doctrine favours traditional command and control leadership styles. Authority is based on a person's position (rank); it is, autocratic, bureaucratic, linear and protocol-based.
- Leaders are appointed based on how much they know about defense networks and processes. Astute leaders from outside the company seldom gain entry even if they do have business savvy, because institutional memory is a core value in the industry.
- The defense industry has been a closed industry for years, allowing no competition and creating a monopoly status. As such, the company leaders fundamentally lack a commercial mindset and emotional intelligence to deal with employees from an employee motivation and engagement perspective.
- Most of the leaders, right up to CEO level, came through the ranks, and are fully schooled in the military doctrine.
- The technical nature of the defense business tends to attract knowledge workers, highly skilled technologists and engineers, most of them generation Y and millennial generation. These type of knowledge workers, by their nature, do not respond very well to the traditional, command and control, autocratic, bureaucratic, leadership philosophies and styles.
- Negative leadership has come to have such an effect that some divisions of Denel are suffering financial losses. Small and upcoming defense companies are attracting the business. This is partly due to young, critical, highly skilled employees resigning to join companies with a different leadership style.
- It is crucial that leaders in the defense industry be trained, developed and re-orientated, focusing more attention on big players like Denel.
- The traditional command and control leadership styles have to be rooted out, and traditional

managers should be transformed into business leaders that have a different approach to the business, especially towards the management of people, ensuring employee motivation and engagement.

- Leaders in Denel should shift how they see success, so that they move away from military medals to success through management practices.
- Leaders at Denel should develop the competencies needed to create a culture of talent optimisation through the way they support and serve their people," (Defense Quarterly Review, 2011)[2].

The human resources team at Denel had for some time, been concerned about the abovementioned leadership challenges in the company and in 2012, the human resources team took a strategic decision to improve the prevailing leadership and address the leadership development challenges in the company. It is against the above background that this study was undertaken to explore leadership challenges at Denel, which could eventually benefit the entire South African defense industry. The objectives of the study were to analyse the perceptions, concerns, attitudes and aspirations of all stakeholders regarding the leadership styles at Denel and design a new leadership development framework for Denel.

2. REVIEW OF LITERATURE

Although the concept leadership is commonly used, it has seldom been clearly defined, which leaves room for different meanings and connotations in different contexts. Leadership is often equated to other equally vague terms such as power and authority, or tasks like management, administration, control or supervision (Yukl, 2010). The stream of new definitions has continued unabated, and leadership has been defined in terms of traits, behaviours, influence, interaction patterns, role relationships and occupation of an administrative position. Yukl (2010)[15] also points out that researchers formulate definitions of leadership to suit their own perspectives or to address aspects of the concept that is of most importance given their situation. Groenewald (2008)[5] states that leadership is the art of moving people and situations profitably, which implies that to move people, a leader must first learn how to move their attitudes, transforming a negative perception or outlook about a situation to a positive perception or outlook. In the process of moving people leadership has to provide direction, alignment and commitment (DAC) in groups. If viewed in this manner, leadership changes for a singular action by an individual who has to guide subordinates, to a collective action of producing DAC as a group. The major shift lies in viewing leadership as something individual to viewing it as something created by a collective (Van Velsor, McCauley & Ruderman, 2010)[11]. The researchers adopted the above view of leadership in this study. Organizations equip themselves to deal with challenges and changes in their operating environments by fostering strategic leader development. Research (Dugan & O'Shea, 2014)[3] found that 86% of companies with strategic leadership development programmes reacted well and quickly to changes in the environment, compared with 52% of companies with less mature programmes. This new perspective holds leaders responsible for building organisations in which people continuously expand their capacity to learn, to understand complexity and to set the vision for the organisation. In other words, the organization itself should come to create leaders from the human capital of the organisation. In leadership development the question asked is: "what qualities do we need to develop in our leaders?", whilst in leadership development the question asked is: "what qualities do we need to develop in our organisation?" (Judge & Piccolo, 2004)[6]. Leadership development refers to the establishment of a framework in which leadership is developed in practice, and the emphasis is on relationships and interactions that add value to the organization. Employees should become committed to shared responsibilities, further supported by mutual trust and respect (Dalakoura, 2009). Leadership development does not diminish the importance of leader development. They are both necessary and should both be included in an organisation's strategy, as this will best serve the organization (Judge & Piccolo, 2004)[6]. According to Nastase (2010)[9], many current efforts to develop or build better leaders have led to generic models of leadership, which models fall short because they are not linked to results, are not tied to the future, and are not inculcated in the organisation as part of its DNA. As a first step to reshape the leadership DNA, a company needs to develop a leadership development strategy, and for a leadership development system to be successful, there must be a clear strategy to guide its implementation and maximise its impact on the leaders and the organisation. The three key elements to this strategy are to ensure that it is grounded in a consistent set of competencies, that it aligns with the organisation, and that development resources are given to the right people at the right time (Giber, Lam, Goldsmith & Bourke, 2009)[4]. Although volumes have been written on leadership, leadership styles and types, and leadership development (Verwey, Van der Merwe & Du Plessis (2012)[12], the researchers do not intend to engage in discussing these here, but rather to focus on analyzing the current leadership development initiatives at Denel.

3. RESEARCH METHODOLOGY

Due to the nature of the research, as well as the aim and objectives, the researcher adopted a qualitative approach which according to Welman, Kruger and Mitchell (2007)[14], captures meaning through research questions. Questionnaires with structured open-ended questions

were administered to CEOs, executives, senior, middle managers and managers. Some questionnaires were distributed electronically, and face-to-face interviews were also conducted.

A case study research design was chosen since it consists of a detailed investigation, often with data collected over a period of time, in one or more organisations, or group within the organisations, with a view to provide an analysis of the context and processes involved in the phenomenon under study (Van der Colff, 2004). Deductive as opposed to inductive reasoning was chosen, since according to Goel, Gold, Kapur and Houle (2007), deductive reasoning is viewed as a method of reasoning in which the general rule or principle is used to draw a particular conclusion, whilst on the other hand, inductive reasoning is regarded as a method of reasoning in which a general rule or conclusion is drawn from a particular fact or example.

3.1 Research Population And Sample

The total workforce of Denel is approximately 5000 employees, the Denel Board consists of 13 members inclusive of a Chairperson, and the management cadre comprises 438 members as follows: 10 Chief Executive Officers, 62 Executives, 104 Senior Managers, 122 Middle Managers, and 140 Junior Managers. Probability and stratified random sampling were used to select a representative sample of participants (Welman et al. 2007)[14]. The various leadership levels within Denel were stratified as per the above, and a sample size of 100 participants was deemed suitable. The sample was distributed as follows: 6 Board members, 7 Chief Executive Officers, 20 Executives, 20 Senior Managers, 20 Middle Managers and 27 Junior Managers.

3.2 Data Collection

A certain group of respondents were earmarked for face to face interviews, namely, CEOs, Executives and Senior Managers, since it would be possible to probe and seek clarification during the interview process, rather than if they had to complete a questionnaire with open-ended questions. The researchers also scrutinized the results of the Climate Survey that was conducted in Denel, in 2010 (Absolute Ndaba Consultants, 2010), since the survey also focused on obtaining the views of Denel employees on Leadership and Management.

4. RESEARCH FINDINGS

Although the targeted sample was 100, only 82 questionnaires were finally completed but all management levels at Denel were represented. Most (41%) of the respondents were between the ages 46 and 55 and males constituted 72% of all respondents. A total of 60% respondents had either a Diploma or a first degree; 22% of respondents were functioning at an Honours degree level, and 18% a Masters degree. In terms of years of experience in business analysis, it was ascertained that the majority (55%) of respondents were highly experienced in business with 6-20 year experience. The vast majority (90%) of respondents responded very negatively about the leadership styles and were very concerned about the 'military school' style of management prevalent in the company. Some of the common comments were: authoritative, mostly top down approach, do not mobilize the teams towards a common vision, which is evidence of a very transactional leadership style existing in the organization. The response to the following question: Are you aware of any Leadership development interventions /programmes taking place in the Denel Group currently or in the recent past?, were varied, ranging from absolutely not aware, to some respondents acknowledging pockets of excellence evident in various parts of Denel, related to leadership development interventions. The common responses were:

- "To my knowledge there are few initiatives, not well consolidated and all seems to be short term; there is mentorship and coaching for selected personnel;
- I heard about some leadership training through colleagues; and
- No visible interventions to improve leadership styles in the company; I am not part of any programme.

With respect to the question: Are you aware of any Leadership Development policy or Strategy for the Denel Group, the vast majority (75%) of respondents stated that they were not aware, and only 25 % responded positively, but they mostly referred to the leadership training strategy, as opposed to a policy. Almost all the respondents were able to identify some weaknesses in the current interventions, mostly commenting as follows:

- There is no singular visible vision or statement defining the Denel Leadership;
- No leadership model or leader mentorship programme is in place; and
- No coaching for leaders or potential leaders.

With respect to the statement "Denel has successfully designed appropriate Leadership Competencies for all levels of Leadership in Denel," the majority (55%) of the respondents disagreed with the above statement, 13% partially disagreed and only 5% agreed. From both the responses above, it became clear that a large majority of the respondents did not agree that Denel had successfully designed and developed suitable leadership competencies for all levels of leadership. With regard to the question related to leadership competencies, most respondents did not agree that Denel Leaders (functioning at various levels in the organization), have been made fully aware of the leadership competency plan for Denel SOC. From the responses, it became evident that most respondents struggled to identify the strengths of the leadership development approaches, at Denel. Some isolated programmes were offered at divisional level, and some at Senior and Executive management level and the leadership development approaches focused on short term goals. Respondents indicated that information about leadership development is ''Not transparent and not communicated to all levels of management,' and ''Only

few people are selected, but others know nothing about such leadership competencies.''

The leadership competencies are not being developed at senior and middle management levels and assessments to confirm improvements in leadership competencies has not taken place. There seems to be new initiatives from time to time, instead of a single well thought through and sustainable approach to leadership development. Furthermore, new leaders appointed without the relevant education and training are placed in positions of power and influence, without development. Although screening of some sort does take place, ultimately there is demand for different competencies, due to changes. The impracticality of repeat interventions makes this process difficult to maintain for newcomers. The Leadership is assessed only on their KPI's which is more performance-oriented, than for their leadership competencies. It also became evident that there has not been any serious benchmarking conducted by Denel recently, to assess its leadership development successes. In response to the question "Is the HR Department in Denel, adequately playing a leading role in the benchmarking, designing and implementing of leadership development approaches, methods and programmes?" the following comments were made:

- "No, I think it has been a passive approach;
- The HR role is not yet a leading role is benchmarking;
- HR department should require more development and more resources are definitely required;
- HR must scan the market and come up with best leadership development intervention;
- No they are mostly too busy with meetings; and
- I don't see this as a sole HR role and this should be the responsibility of the entire company."

The respondents emphasized the need for Denel's top management to show more interest in the development of new leaders and managers in the company. The following are very valuable suggestions made by the respondents when asked to comment openly on leadership development at Denel:

- "Only competent managers should be evaluated for mentorship;
- No expectation should be created with regards to succession planning;
- Should have structured programmes for young employees who show potential to become successors of experienced leaders';
- Experienced leaders are still acceptable but innovation should be at the forefront of our leadership style;
- It should be open to everyone, not just a select few;
- Identify a group of leadership champions and task them with development;
- No nonsense approach to performance should be followed;
- Some of the programs are not communicated to everybody and this creates an atmosphere of distrust;
- Develop a plan/ process to retain the leaders that have been identified through a development programme;
- People are chosen top/down selectively and some good passionate people are left out of the development plan and programmes;
- Train all leaders on emotional intelligence and to motivate employees;
- Subject the whole EXCO team of a division (as a team) through the same organizational leadership training;
- Introduce shorter programmes for all leadership levels;
- Develop a plan/process to retain the leaders in whom the organization has invested through leadership training; and
- Ensure that the leadership is suitably empowered to achieve their objectives.

5. CONCLUSIONS & RECOMMENDATIONS

The existing autocratic, command and control leadership philosophies embedded in Denel SOC clearly has to be immediately transformed. There needs to be a move that will ensure a new all-encompassing leadership philosophy that has elements of Participative, Transformational, Charismatic, Ethical, Servant, Spiritual, Authentic leadership dispensation. For Denel, a leadership cadre has to display the African leadership philosophy, with Ubuntu as the basic tenet to craft their leadership styles and behavior (Mbigi, 2005[8]; Khoza, 2013)[7]. The psyche of the leadership cadre of Denel needs to be de-militarized and modernized in line with the abovementioned best practice in leadership. This, if done successfully and approached strategically, will go a long way in taking Denel SOC to another level, as a successful, respectable and sustainable State Owned Company.

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