BANK SETA

AFRICA EXPANSION PROGRAMME 2018 - 2019

TRANSFORMATIONAL LEADERSHIP

By Noxolo Hlongwane & Kwamina Asomaning

Duke CORPORATE EDUCATION

INVESTORS IN PEOPLE

Enabling Skills Development in the Banking and Alternative Banking Sector

NOXOLO HLONGWANE

Wealth Management Division: Head of Philanthropy, Nedbank Limited, South Africa

Area of Expertise: (Research Paper Theme): Transformational Leadership

Noxolo heads up the Philanthropy Office at Nedbank Private Wealth and is responsible for developing the philanthropy offering and strategy.

The philanthropy office provides a range of specialised investment, cash management and fiduciary services to individuals, families, private and corporate foundations, as well as non-profit organisations (NPO's).

Noxolo is passionate about sustainable economic development and the strategic role private philanthropy can play in the redistribution of wealth and addressing socioeconomic challenges. She has extensive experience in the financial services sector spanning fifteen years, spent across Global Markets Operations and Wealth Management. She is an MBA graduate from Henley Business School in the UK and she also holds a post-graduate degree in Economic Policy and Development.

KWAMINA K. ASOMANING

Executive Director, Corporate & Investment Banking, Stanbic Bank Ghana

Area of Expertise: (Research Paper Theme): Transformational Leadership

Kwamina has over two decades of corporate finance and investment banking experience. He is currently Executive Director and Head of Corporate & Investment Banking at Stanbic Bank Ghana (a member of the Standard Bank Group of South Africa), a position which he has held since 2009. Prior to joining Stanbic, he was Vice President in the Leveraged Finance Division at Goldman, Sachs & Co in New York. He also served as Associate, High Yield Research at JP Morgan Securities in New York, summer intern at the International Finance Corporation (IFC) in Washington, DC and Senior Associate at Cal Merchant Bank, Ghana. A Ghanaian national, Mr. Asomaning holds a BSc. in Business Administration with concentration in Accounting from the University of Ghana and an MBA in Finance from the Wharton School, University of Pennsylvania. He is also a Chartered Certified Accountant.

Duke^{CE}

TRANSFORMATIONAL LEADERSHIP

AFRICA EXPANSION PROGRAMME 2018 - 2019

TOPIC:

Ability of leader to work with teams to identify needed change, creating a vision to guide the change through inspiration and influence, and executing the change with committed members of group

By Hlongwane Noxolo & Asomaning Kwamina

CONTENTS

Duke CE

ABSTRACT

This research study investigates the skills and competencies required of leaders of established banks in Africa today to bring about transformational change, or a complete change over that will shift these traditional organisations and align with the current digital era. More and more non-banks such as fintech companies are penetrating the financial services space, providing services including payments that were previously provided by traditional banks. These providers have the benefit of modern technology, a huge focus on data and analytics and do not have to comply with the burdensome compliance and regulatory requirements that banks must adhere to, making their services more convenient and cheaper.

The theory on transformational leadership pioneered by Bass *(1985)* identifies four dimensions or leadership behaviours that characterised transformational leaders namely: 1. individualised consideration, 2. intellectual stimulation, 3. inspirational motivation and, 4. idealized influence. The work on transformational leadership was further enhanced by Warrick *(2011)* who fused transformational leadership theory and organisational development theory. Warrick's work identified the skills needed to be an effective transformational leader, highlighting that these skills were teachable. Through his work he also placed a lot of emphasis on the change management process which is often neglected.

The research relied on primary data collected through an online questionnaire. A random sample of senior managers and executives within the four major banks in South Africa that have operations on the rest of the continent were engaged. The different cultural emersions in South Africa, Egypt and Morocco also played an important part in validating the theory and informing recommendations.

The findings of the study confirmed current thinking on transformational change and the leadership characteristics required to initiate, champion and execute in the current digital era. The results of the study highlighted weaknesses in the change management process across the banks, validating the literature that this is often neglected. Not encouraging enough risk taking and limited structured channels to encourage and reward creativity and innovation within banks also came out strongly, these findings were addressed in the recommendations.

Duke^CE

1. INTRODUCTION AND BACKGROUND

1.1 Introduction

For the established banking sector in Africa to transform, grow and thrive into the future, effective transformational leadership is required. These are leaders that can reimagine the role of banks into the future and identify the needed change in this fourth industrial revolution. They initiate, lead and drive this change, inspiring teams and taking appropriate risk to change traditional business models.

1.2 Background and Context

Banks have traditionally defined their business models narrowly, as providers of financial services driven and led by products using traditional channels, whereas the current day requires businesses to be solution-driven in their approach demonstrating the value add they bring to customers. These same traditional banks across the African continent are often large bloated structures that are very inflexible and slow to respond to the changing environment, this is evidenced by the long lead times in the delivery of new products to market and time it takes to land internal projects and slow adoption of modern technology.

Their hierarchical and siloed nature means that the different business units in banks see themselves as separate from each other resulting in little cooperation and collaboration but rather competition, i.e. the home loans, vehicle asset finance and insurance businesses within the same bank will rarely share customer information and insights to exploit opportunities to cross sell to each other's customers or share resources.

The inherent aversion to risk which is largely driven by the constraining regulatory and compliance context in which banks operate has further limited their ability to proactively respond to the changing environment and changing needs of customers timeously.

The emergence of digital technologies has created an avenue for Fintech's to rapidly develop innovative solutions for clients; these non-banks provide banking services such as payment capabilities and micro loans more efficiently, conveniently and cheaper for the customers. Notably, Banks have struggled to transform their operations and keep up with the pace of innovation leading to a broad-scale disruption in the banking sector, and a disintermediation of Banks across Africa.

More recently we witnessed in March 2019 the launch of the Apple credit card which is activated with just an update of software on one's device; there are no application forms or issuing of physical credit cards involved. This new product comes at a zero-fee cost and low interest is payable on any credit facility further illustrating the competitive nature of financial services enabled by digital.

In South Africa, Q2 of 2018 Tyme bank launched partnering with Pick 'n Pay and Boxer Cash and Carry stores across the country. In Q2 of 2019 Discovery bank launched, both are completely digital platforms relying on modern day technology to deliver their services. In Egypt Tamweely Microfinance is a new market entrant who is a non-bank that is providing facilities to small and micro enterprises and partly funded by government and large banks in Egypt, demonstrating that models of delivering financial services are indeed shifting and the providers are also changing illustrating the disintermediation of traditional banks. These shifting service delivery models and providers is further illustrated by the Fawry example, a technology driven organisation that is deposit taking and grants short term credit through their wide network of local general dealers or café stores in Cairo and has experienced exponential growth since its inception.

If traditional banks do not adapt, they will eventually lose customers and market share to these Fintech firms. This will also lead to large scale job losses as well as a loss of talent from the banking sector, as the combination of declining demand for services from banks, declining profitability and the absence of a culture of innovation results in an inability to remain relevant to clients' needs and attract and retain top talent. South Africa has started to feel the effects of the technological disruption with Standard Bank announcing the closure of 91 retail branches in March 2019 *(fin24, 2019)*, threatening the jobs of 1200 employees.

1.3 Objectives

The primary objective of this research study is to explore the leadership traits or skills that are required in leaders of traditional banks in Africa today to initiate and drive change that will shift these organisations considering the increasing competition from non-banks in the current digital era. The research will further unpack this digital era, and identify what banks need to do to respond appropriately to this fourth industrial revolution.

1.4 Relevance of Research

This research project is important as it will identify and highlight the skills, competencies and behaviours required of leaders today to guide the banking sector through the much-needed transformational change. It will also increase understanding and awareness of these softer qualities that can be taught. Senior leadership of traditional banks at large also stand to benefit from the results of this research as it will identify the gaps that currently exists is these skills, competencies and behaviours of leaders that are driving change as well provide tangible, achievable and measurable recommendations.

2. LITERATURE REVIEW

2.1 Transformational Leadership

The concept of transformational leadership was first introduced by James MacGregor Burns in 1978 and was based on his work studying political leaders. He initially described transformational leadership as the process in which "leaders and followers help each other to advance to a higher level of morale and motivation". Today the concept of transformational leadership has progressed beyond the political sphere and is now widely applied in the discipline of human behavioural science across sectors.

In his work Burns *(1978)* flagged the difficulty in distinguishing between leadership and management, highlighting that the differences were rather in the characteristics and actual behaviours of the individual. To support his claims Burns introduced two concepts, transforming leadership and transactional leadership. Transforming leadership is the kind of leadership that creates significant change in the life of the organisation and its people, setting them on a new course of action and path. It reshapes perceptions, organisational values, shifts expectations and stretches the aspirations of employees within an organisation. Transforming leadership has a heavily reliant on the leaders' ability to drive and lead change by leading through example, articulation of an inspiring and energizing vision and setting challenging goals and stretch targets.

Burns noted that transactional leadership on the other hand does not strive for a change in the culture of an organisation but rather individuals work within the existing ethos. It is a typical management relationship of getting the job done; where the leader determines what needs to be done and employees are rewarded for their efforts. Tichy and Devanna *(1986)* in their book pointed out that this traditional style of management where leaders are not instituting revolutionary changes is not sustainable as organisations are under immense pressure to remain competitive and relevant.

Other researchers have since elaborated on the foundation of transforming leadership established by Burns including Bernard M. Bass (1985) who in his work interrogated the underlying phycological factors that underpin transforming and transactional leadership and revised the terminology "transforming" leadership introduced earlier by Burns to transformational leadership. Bass's work also introduced indicators that could be applied to evaluate or measure transformational leadership qualities in leaders. He looked at the ability of the leader to influence followers within an organisation and based this on the extent that followers feel trust, admiration, loyalty and respect for the leader. He further emphasized that the leader offers followers with more than working for just self-gain but rather provides followers with an inspiring mission and vision and gives them an identity.

2.1.1 Characteristics of Transformational Leadership

Through his research Bass (1985) pioneered the four dimensions or leadership behaviours that characterised transformational leaders:

Duke^{CE}

1) **Individualised consideration** Bass described as the degree to which a leader attends too each followers' unique individual needs based on their talents and knowledge. The leader also acts as mentor or coach to followers to ensure they are included in the transformational process of the organisation. The leader demonstrates and gives empathy and support to the followers and keeps communication open and challenges the followers.

2) **Intellectual stimulation** is the degree to which the leader challenges existing assumptions and norms, takes risks and seeks followers' ideas thereby stimulating and encouraging creativity and innovation in followers. For this leader, there is value placed on learning as followers are encouraged to think independently so that followers become autonomous.

3) **Inspirational Motivation** is the degree to which a leader articulates a vision that is appealing and inspiring to followers to perform and exceed expectations. The leader challenges followers and has high a very high standard of expectations from the followers. The leader communicates positively and confidently about future goals, purpose and meaning and provides the required energy to drive a group forward. As a result, followers are willing to go the extra mile and devote more effort in their work, they are encouraged and optimistic about the future and believe in their own abilities.

4) **Idealized influence** here the leader acts as a role model for high ethical behaviour, they instil pride and gains respect and trust of the followers. The followers look up to and identify with the leader and want to emulate them.

These four main elements of transformational leadership identified by Bass are interlinked and are reliant of each other. From these four main elements, a summary of the characteristics that go with the four foundational attributes of a transformational leader are summarised in Table 1 below.

Table 1: Characteristics of Transformational Leadership *(Source: Hay, I. 2006)*

CHARACTERISTICS OF TRANSFORMATIONAL LEADERS			
Clear sense of purpose, expressed simply	Effective communicator	enthusiastic	Self-knowing
Value driven	Emotionally mature	Able to attract and inspire others	Visionary
Strong role model	Courageous	Strategic	Perpetual desire for learning
High expectations	Risk-taking	Mentoring	Love work
Persistent	Risk-sharing	Sense of public need	Life-long learners
Identify themselves as change agents	Unwilling to believe in failure	Considerate of the personal needs of employees	Able to deal with complexity, uncertainty and ambiguity
Listens to all viewpoints to develop spirit cooperation			

2.1.2 Criticisms of Transformational Leadership Theory

The successes of transformational leadership have been demonstrated in various sectors and studies have demonstrated a positive correlation between transformational leadership, increased job satisfaction and performance and employee commitment to the organization *(Bass, 1999)*.

However, the morality of transformational leadership has also been questioned. As reasoned from the literature on the characteristics of transformational leadership *(Hay, I. 2006)*, these leaders have a very powerful influence on followers by appealing to strong emotions. Some leaders may thrive on this power and influence and may lend itself to manipulation which may be driven by egotistic tendencies of the leader and may see followers disadvantaged. In his criticism, Hay asserted that some followers may form strong and unfortunate bonds with their leaders, and because transformational leadership theory is a combination of several leadership theories, it is very difficult to be trained or taught.

2.2 Skills Required of Transformational leaders

Although there is an appreciation of the importance and need for transformational leadership, not many organisations are investing enough in developing and nurturing transformational leaders and even fewer leaders understand what it takes to become a transformational leader. To address this gap, Warrick, D *(2011)* in his work fuses ideas from transformational leadership theory which is very rich on the characteristics and behaviours required of transformational leaders but are ambiguous on the actual skills that are required to bring about change in an organisation; with concepts from organization development whose core focus is organizational change and transformation. Reviewing the two fields together was only logical for Warrick as the two are interrelated, as a result his work provides even more clarity on transformational leadership making it more practical and applicable and highlights the urgent need for transformational leadership in leading change.

The origins of organization development *(OD)* date back to the 1940s, with Richard Beckard's and others contributing in the 1950's and 1960's to the earlier work; and his early definition of OD is still among the most widely used today:

"OD is an effort (1) planned, (2) organization-wide, and (3) managed from the top, to (4) increase organizational effectiveness and health through (5) planned interventions in the organization's processes using behavioural science knowledge" (Beckhard, 1969).

Warrick *(2005, p 172)*, after much work with leaders in the field of OD, enhanced on this early definition and resolved that:

"OD is a planned and collaborative process for understanding, developing, and changing organizations to improve their health, effectiveness, and self-renewing capabilities."

For purposes of this research paper, we will apply Warricks definition of organisational development.

2.2.1 An Operational Definition of Transformational Leadership

Warricks work that integrates transformational leadership and organization development concepts has resulted in an operational definition of transformational leadership, which made it is possible to identify and define the skills needed to be an effective transformational leader and to train leaders on the specific skills identified.

The first skill Warrick identifies from his integrated work is leading and relies largely on the transformational leadership theory. The next two skills, championing change and transforming organizations depend mainly on the organization development theory. The three skills he identified to train transformational leaders are defined as follows:

Leading
Leading is defined as the process of providing vision, direction, and inspiration *(Warrick, 1995)*. And these skills can be learned.

Championing Change
Most organizational change fails due leaders at various levels inability to sponsor change and poor execution. Championing change is described as skills in initiating, facilitating, and implementing change (Warrick, 2009).

Duke^CE

Transforming Organizations

Transformation implies a change from one state to the other, and for organisation this means a complete change over. Organization transformation *(OT)* is a new development of organization development and is described as an on-going process of knowing present realities, identifying future ideals, and developing and implementing a process for transforming organizations *(Warrick, 2009)*.

Warrick concludes that, to accomplish transformational change in any organization, it is vital to develop and institute a comprehensive transformation process, whereby leaders are trained on the process, and a dedicated transformation team is in place to help steer the process. He also encourages soliciting professional guidance in developing, executing, evaluating, and improving the transformation process.

2.3 The Digital Era

Many theories have been proposed to explain the digital age. While the literature covers a wide range of such theories, our review focuses on four key themes that emerge consistently in each of the literature, namely: the introduction of the computers and the internet; the value of information in a digitised form; the rapid pace of technological change, the flourishing of new business models that disrupt the status quo and re-engineer models of how organisations deliver products and services *(Godwin 2018)*.

The terms digital age and fourth industrial revolution have been used interchangeably. Schwab *(2017)* is credited for characterising the era, marked by constant technological breakthroughs that repeatedly disrupt the business world as the fourth industrial revolution. In his article "Why Your Company Must Become a Tech Company - Apple, Amazon, Facebook, Instagram Lessons", Adam Hartung *(2012)* posits that wealth creation comes from control. Hartung *(2012)* points out that while wealth creation in the agrarian and industrial periods stemmed from the control of land and the productivity of machines and the application of industrial processes to what formerly was hand labour, wealth and control in the Information Age in which we live presently comes from the control of information.

Citing the contrasting fortunes of retailers such as Sears and Walmart that emphasised locations and inventory with that of Amazon, an internet leader, Hartung *(2012)* points out how much more value Amazon has created for its shareholders. Applying an information strategy has proven to be far more valuable to Amazon than applying an industrial strategy.

Van Dam *(2018)* in his study of the same subject also highlights two broad trends that are shaping the digital age: an acceleration in the rate at which new technologies are adopted, and the ongoing disruption that these new technologies are causing to the economy. Given the rapid pace of technology-inspired change, Van Dam's *(2018)* study goes further to underscore the importance for tomorrow's workers to not only have a broad range of skills, but also to understand how to gain new ones; they must become adept at lifelong learning. To buttress his point, Van Dam compares several European economies based on an indicator for measuring lifelong learning developed by the European Union. The indicator defines the propensity for lifelong learning as the percentage of the population aged 25 to 64 that is participating in education and training. In support of his analysis, he lists the best-performing European countries in 2014 as Denmark *(with 32% of the population engaged in learning)*, Sweden *(28%)* and Finland *(25%)*. It will be these lifelong learners who continue to be employable in an economy marked by disruptive technologies and evolving job requirements.

Sandile Tshabalala, an entrepreneur and CEO of Tyme Bank, an exclusively digital retail bank based in South Africa provided a perspective relating specifically to Banks during the South Africa leg of the immersion journey. In his view, digital disruption must be integrated into how the business works and must challenge the business model of the organisation. Accordingly, he suggests that a cultural transformation is required as one of the key elements of any transformative actions in banking. Some of the cultural adjustments and learnings that he proposes Banks undertake include taking out complexity from banking and allowing for higher levels of customisation to improve the customer experience.

Drawing heavily from Starbucks, Tshabalala highlights the extent to which Starbucks allows its customers to customise their coffee drinks, with a reported 80,000 different variations on their favourite drink at Starbucks stores. The lesson then for Bank's, as proposed by Tshabalala is for Banks to create an open platform that allows others to collaborate – a partnership-based model he calls it.

Michael Jordaan, a venture capitalist and former CEO of First National Bank *(FNB)*, a South African Bank, also provided some unique insights on the new learnings that must occur within financial institutions during the Johannesburg leg of the immersion. Jordaan attributes his success at FNB to two major adjustments that he pursued while at the helm of the Bank – embracing a culture of innovation, and adoption of technology at all levels of the organisation. Both adjustments require the development of empowered, and accountable leaders, and the establishment of a culture of innovation by regularly giving out innovation awards.

The views espoused by both Tshabalala and Jordaan were affirmed in an article titled "Becoming a Digital Bank Requires More Than Technology" authored by Jim Marous, a co-publisher of "The Financial Brand" and publisher of the "Digital Banking Report", a subscription-based publication that provides deep insights into the digitization of banking. In his article, Marous *(2019)* underscores the point that "…While many banks and credit unions focus on technological aspects of digital transformation, culture is the most important key to success...". Marous *(2019)* highlights the components of a digital culture to include the following elements, "Innovative", "Data-driven", "Customer-focused", "Collaborative", "Responsive", and "Transparent". He goes further to suggest that a digital organisation must be built in anticipation of change, and that employees "must be prepared to accept change, be aware of the ways change can impact their work and be willing to disrupt themselves as needed to cope with the new digital culture".

Notably, many of these attributes were found in the organisations that we encountered during the Egypt leg of the immersion. At the Ministry of Investment and International Co-operation in Cairo, Egypt, a Government agency with the mandate to promote investments, a

focus on technical education, including a change in curriculum, and the pursuit of improvements in the level of transparency at the Ministry were cited as integral pillars of their successful transformational journey. Transparency was also cited at the Central Bank of Egypt as key to its success.

3. RESEARCH INVESTIGATION

The Chapter outlines the methodology of the research paper. It describes the approach we adopted in conducting our analysis, the sources and methods used to collect the data, the selection of our sample, the type of data analysis, and the limitations of our research.

3.1 Objectives of the Research

The context of the changing landscape in which banks in Africa operate has already been outlined in chapter 1 of this report. The review of current thinking in chapter 2 reflects on the skills and characteristics of effective transformational leaders and unpacks what the digital age or fourth industrial revolution demands.

The four main objectives of this research study:

- The first objective is to understand what skills are required for effective transformational leadership.

- Secondly to understand what transformational leadership skills gaps exist in the current leadership within banks in Africa.

- The study also aims to look at how banks in Africa are embracing the digital era to remain competitive.

- Finally, this report aims to demonstrate the close linkages between transformational leadership and digitisation.

3.2 Research Design and Data Collection

This research project adopted a cross-sectional study as the investigation was carried out once representing a single moment in time *(Hair et al., 2007)*. The unit of analysis selected for this research are senior managers

Duke^CE

within the four large banks in South Africa that have operations across the rest of the continent.

A structured qualitative research design was appropriate and adopted for this study as the sample size was reasonably small and the primary qualitative data for was collected via an online questionnaire and this was facilitated through survey monkey.

The research project aimed to target a response rate of 30 respondents, however 28 individuals responded.

3.3 Research Limitations

There may be some possible limitations in this study, and the findings herein should be appreciated in that light. The first is due to the modest sample size of 28 respondents. A larger sample size would have allowed us to draw definite conclusions.

4. FINDINGS AND DISCUSSION

In this section the findings from the research questionnaire are presented. The comprehensive list of questions that were posed to the respondents is shown in the questionnaire copy in Appendix 1. These findings of the primary research are presented in two sections below following the two-part structure of the questionnaire, the skills that are required of transformational leaders followed by findings on the digital era.

4.1 Skills Required of Transformational Leaders

The opening questions in the questionnaire were aimed at testing how large transformational projects, that are aimed at aligning organisations with the digital era were currently led, managed and executed in the banking sector in Africa to test the skills gap that exist within the leadership.

4.1.1 Leading and Championing Change
Two thirds of respondents indicated that they were very clear on the transformational change journey their organisations were embarking on; they were clear on

the vision and direction. Over fifty percent understood what this change process entailed and who was responsible for executing on these said changes. One third were completely unsure of what the vision was of the organisation and were unsure of the specific things within their organisations that were said to change.

The communication of this vision was however not sufficient with fewer than half of the respondents indicating that there was consistent and ongoing communication of the vision and change process across various levels within the organisation. Twenty percent of the respondents indicated that there was no communication at all around the vision of the organisation and change process, with over a third indicating irregular, inconsistent, ad hoc communication.

Leaders within the organisations that were leading, sponsoring and championing the change were not well known, less than fifty percent of respondents were aware of the sponsors and champions within their organisation and these individuals were easy accessible to all staff within the organisation.

Twenty six percent were aware of the leaders driving and championing the change, however these individuals were not easily accessible. The remaining twenty six percent were not aware of leaders within their organisations championing the transformational change process.

4.1.2 Change Management
Only a third of the respondents indicated that there was a dedicated change management specialist within their respective organisations, and that they had been engaged by the specialist at some point. A further third confirmed the presence of the dedicated change management specialist within their organisations, however they had never been engaged by the change specialist. The remaining eighteen percent said there was no specialist resource dedicated to change management and eleven percent were unsure, indicating overall that change management processes are extremely poor across the major banks represented in the survey sample.

Training concerning the specific changes the organisations were undergoing was further neglected across all the banks. Only twenty six percent of the respondents

Duke^CE

confirmed that training was widely available to all business heads, managers and leaders. Thirty percent indicated that training was made available and forty five percent were not sure if any training specific to the current changes within their organisations were offered.

4.1.3 Encouraging Creativity

From the survey results, creativity and risk taking was not something that was encouraged across all banks. Only fifteen percent of respondents responded positively that creativity and risk taking was encouraged, a further fifteen percent responded negatively and the majority at sixty three percent indicated inconsistencies, with creativity and risk taking only encouraged sometimes but not always. There was a very small pocket of excellence that indicated that there were processes in place within their organisations to encourage new ideas and innovation, with clarity and transparency on how incentives were rewarded.

Half of the respondents were inspired and confidant when thinking about the future of their organisations, they were excited about the future and keen to play a role in the change process. However, there was a feeling that the slow pace of change was worrisome. The remaining half of respondents had a very strong sense that their organisations were not future fit, and were not excited about the future at all, but rather anticipating a gloomy future.

4.2 Transformational Leadership and The Digital Age

4.2.1 Collaboration and Partnerships

Seventy percent of respondents surveyed responded negatively to the question "What is the structure within your organisation as it relates to internal collaboration and sharing of resources?", reflecting that most organisations are still very hierarchical in nature and teams and business units within the same organisations operate in siloes. Only fifteen percent responded positively, reflecting a flat structure that is collaborative in nature.

4.2.2 Agility

Our findings indicate that only eleven percent of respondents consider the speed of decision-making in their organisation as it relates to change, such as the introduction of new technologies, as fast-paced. Fifty percent felt it was poor, and slow and the balance of

respondents felt the pace of decision making required much improvement.

4.2.3 Focus on Information

Customer insights were viewed as an asset that was valued across the different banks with sixty seven percent responding positively, affirming that their organisations placed a lot of value on the insights it has on its customers. Fewer respondents responded negatively at twenty two percent, where customer insights were not valued at all.

Contradicting this, there was little emphasis placed on the skills required to manage and make sense of customer insights. Only forty three percent of respondents felt there was a strong emphasis on data scientists, artificial intelligence and machine learning specialists, software and application developers and programmers within their organisations. The balance of eighteen percent felt there was no emphasis on these skills at all and the remaining fourteen percent were not sure.

Overall, respondents demonstrated a learning culture within their respective organisations with sixty one percent confirming that there were ample opportunities for learning new materials, technologies and skills. Thirty six percent felt there were no opportunities to learn and four percent were unsure.

4.3 Discussion

4.3.1 Skills Required of Transformational Leaders

The findings of this study indicate that only some of the competencies and characteristics that are required of leaders today in the banking sector to successfully lead and execute change that will transform banks in Africa today exists. These are the transformational leadership traits introduced by Burns *(1978)* and elaborated on by Bass *(1985)* with his four dimensions of leadership behaviours that characterised transformational leaders and encountered in the literature review in chapter 2. These are leaders who can bring about and lead substantial change within the organisation and its people that reshapes the path of the organisation, its values and perceptions.

There are some of these competencies and characteristics that have been neglected and are lacking and need serious attention if traditional banks are to be successful

Duke^CE

in reinventing themselves and remain competitive in the current digital era where more and more fin-tech companies are offering financial services.

The survey results reflected only two thirds of respondents were clear on the vision and direction that their organisations were embarking on. However only fifty percent of respondents were clear on what the actual change entailed. A significant third of respondents were completely in the dark, unaware of the vision or what was to change. It was clear from the survey results that internal communication and articulation of the direction the banks were taking was inadequate and needed greater focus. This is the characteristic that Bass *(1985)* referred to as inspirational motivation in his four dimensions of leadership behaviours, whereby the leader ensures the vision is well articulated and is appealing to all employees, inspiring them. Here the leader is also responsible for effective communication and translation of this vision into future goals and meaning, encouraging employees to go the extra mile. This same characteristic Warrick *(1995)* in his work referred to as Leading and believed it's a skill that can be learned.

The champions of the change or individuals leading and sponsoring the change were largely unknow and the perception was that they are not very accessible. Only forty six percent of respondents were aware of the change sponsors and champions within their organisations and affirmed that these individuals were easy accessible to all. Twenty five percent were aware of the change leaders and champions, but felt they were not easily accessible. The remaining twenty nine percent were not aware or unsure who the sponsors in the organisation that were championing the change process were. This further shows that if individuals responsible for driving transformational change within banks are largely unknown and the perception is that they are not accessible, we therefore can conclude that they are unlikely to be focused on making themselves visible and available, spending time to consistently communicate the vision, translating this to achievable goals and inspiring employees to play a greater part in the process. This process of Championing Change according to Warrick *(2009)* was responsible for the failure of most organisational change in organisations due to this inability to effectively sponsor change and execute successfully.

Bass *(1985)* also highlights in his four pillars of transformational leadership intellectual stimulation, whereby the leader solicits ideas inspiring innovation and creativity, encouraging a learning culture. This characteristic within leaders in banks also fell short in the survey. It was clear that there was not a culture that encourages innovation and taking of risk, with fifteen percent of respondents responding positively that creativity, innovation and risk taking was encouraged within their organisations. The lack of formalised channels and processes to facilitate and reward innovation further showed that this is an area that has been neglected and requires greater focus.

Survey results indicate that the change management process is very poor across the banks, as only one third of respondents responded positively that there was a dedicated change management specialist within their organisations, and that they had been engaged by them. Responses on training were equally poor with only twenty six percent responding positively. Warrick's work on transforming organisations that we reflected on in the literature in chapter 2, stressed the importance of establishing a comprehensive transformation process, which includes training and is led by a dedicated, specialised team to successfully achieve transformational change which he described as a complete change over from one state to another of any organisation.

4.3.2 Digital Era
The survey results indicated that traditional banks in Africa still apply a top down approach and are still very much hierarchical in nature. There is mainly little cooperation and collaboration between different units, as reflected by the fifteen percent of respondents that responded positively confirming a flat structure that is conducive to collaboration, which is direct contrast to one of the lessons gleaned from Sandile Tshabalala, CEO of Thyme Bank in Johannesburg. Tshabalala flagged the importance of collaboration that is based on partnerships.

Aligning to the theory in chapter 2, responses to the survey affirmed that across the board major banks in Africa placed a lot of value on the information they have on their clients as reflected in the sixty eight percent that responded positively. This aligns with Hartung's *(2012)* appraisal of information control as being most critical for

Duke^{CE}

value creation today in any sector, illustrating that the successes of Amazon were largely attributable to their information strategy.

Although the survey reflects that customer information and insights are valued, the perception was that the skills required to enable this effectively in organisations were not equally valued, with forty three percent confirming their organisations placed emphasis on specialised skills such as data scientists, artificial intelligence and machine learning specialists.

It was most encouraging that a learning culture existed in the different organisations; sixty one percent responding positively, emulating Van Dam's sentiment in his 2018 study which emphasized that employees need to not only have a broad range of skills, but also attain new ones, and know how to.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This research study investigated the skills required of leaders in the banking sector to be able to initiate and lead transformational change successfully in the present day digital era.

As such the study set out to address the four main objectives, namely to understand:

- What is transformational leadership and understand what skills are required for effective transformational leadership.
- Secondly to understand what transformational leadership skills gaps exist in the current leadership within banks in Africa.
- The study also aims to look at how banks in Africa are embracing the digital era to remain competitive.
- To demonstrate the close linkages between transformational leadership and digitisation.

The literature identified the softer behaviours and characteristics required of leaders to become effective transformational leaders, and these centred around connecting with people through inspiring the vision and communication, challenging the status que and stimulating innovation and creativity and acting as a role model and instilling pride in employees.

The study also tested the leadership skills gaps that currently exist in banks in Africa, and the findings identified the opportunities for improvement, mainly around leading and championing change and change management processes. Considering the present day fourth industrial revolution or digital era, fundamentals to success were unearthed in the literature, including a focus on information control and use as the new value add. Some limitations around the digital were surfaced identifying further opportunities for improvement including the speed and rate at which decisions are made and adoption of technology.

5.2 Recommendations

Insights into transformational leadership, skills required of transformational leaders and the digital era gleaned from the literature review encountered in chapter 2 alongside data from the survey has informed the following recommendations for traditional banks in Africa to enable them the effectively move their organisations successfully from one state to another through effective transformational leadership.

1)   Leading change from the front
Leaders within banks in need to be more deliberate about owning, championing and taking the lead on large scale transformational projects that will change the course of their organisations. This big vision needs to be clear and concise but also needs to be translated and broken into smaller relatable and achievable goals that employed can identify with at every level and know what their role is and how it fits into the bigger picture.

Time needs to be invested in sharing and communicating this vision and the leaders who are the champions or sponsors need to be visible and available, ultimately becoming the "face" of the change journey; engaging with employees consistently through various channels including regular face to face engagements.

Duke^CE

2) Change management

There needs to be a stronger focus on the change management process. This needs to be institutionalised and led by a dedicated, specialised team of experts. Engagement and continuous training need to be core to this process.

3) Institute a culture of innovation

Innovation and creativity need to be formally encouraged through structured programmes and incentive schemes to reward fresh thinking and new ideas.

4) Embrace new ways of working

Banks need to become accustomed to new modern ways of working, adapting a start-up approach where both decisions and implementation are fast paced and informed by customer insights and data. Cross functional teams and collaboration need to be the normal, moving away from hierarchy's and silos through deliberate efforts to dismantle these and enforce new structures conducive to working together and learning, where individuals are continuously transforming themselves.

6. REFERENCES

Burns, J.M. (1978) *Leadership*. New York. Harper & Row

Bass, B.M, (1985), *Leadership and Performance*, N.Y, Free Press

Bass, B.M. (1997). *The ethics of transformational leadership*. KLSP: Transformational Leadership, Working Papers.

Beckhard, R. (1969). *Organization Development: Strategies and Models*. Reading, MA: Addison-Wesley.

Goodwin, T. (2018) *Rethinking Banking for the Post-Digital Age* <https://bankingjournal.aba.com/2018/06/rethinking-banking-for-the-post-digital-age/>

Hakan Erkutlu, (2008) *"The impact of transformational leadership on organizational and leadership effectiveness: The Turkish case"*, Journal of Management Development, Vol. 27 Issue: 7, pp.708-726

Hartung, A (2012). *Why YOUR Company Must Become a Tech Company - Apple, Amazon, Facebook, Instagram Lessons* <https://www.forbes.com/sites/adamhartung/2012/04/14/why-your-company-must-become-a-tech-company-apple-amazon-facebook-instagram-lessons/#6bdc61cd5730>

Jordaan, Michael (2018). *Panel on Digital Banking│and Innovation presented to 2019 Duke CE/BankSeta AEP Cohort*

Marous, Jim (2019) *Becoming a 'Digital Bank' Requires More Than Technology* <https://thefinancialbrand.com/82504/digital-banking-transformation-requires-cultural-reboot/>

Tshabalala, Sandile (2018). P*anel on Digital Banking and Innovation presented to 2019 Duke CE/BankSeta AEP Cohort*

Yukl, G. (1999). *An evaluation of conceptual weaknesses in transformational and charismatic leadership theories.* Leadership Quarterly, 10, 285-305

Van Dam, N. (2018) *Learning in the digital age* <https://bized.aacsb.edu/articles/2018/03/learning-in-the-digital-age>

Warrick, D.D. (1995). *Best Practices Occur When Leaders Lead, Champion Change, and Adopt a Sound Change Process*. Organization Development Journal,13, (4), 91-100.

Warrick, D.D. (2009). *Developing Organization Change Champions: A High Payoff Investment!* OD Practitioner, 41, (1), 14-19.

Warrick, D.D. (2011). *The Urgent Need for Skilled Transformational Leaders: Integrating Transformational Leadership and Organization Development. Journal of Leadership, Accountability and Ethics; Lighthouse Point* Vol. 8, Iss. 5, (Dec 2011): 11-26.

APPENDIX 1

TRANSFORMATIONAL LEADERSHIP QUESTIONNAIRE

Q1
Is the vision of how your organisation is shifting to adapt to the changing landscape to remain competitive and relevant, crystal clear to you?

Q2
Is there strong, consistent communication around this vision and change process at all levels within your organisation?

Q3
Are you confident on what exactly your organisation is set to change, and how this is to be done, by whom and the timelines?

Q4
Are you aware who the main sponsor or champion for this change process is, and are they easily accessible to all?

Q5
Is there a dedicated change specialist within your organisation that is devoted to guiding this change process, and have they engaged with you?

Q6
Is training on this change process made available to all business heads, managers and team leaders?

Q7
What is the speed of decision-making in your organisation as it relates to change including introduction of new technologies?

Q8
What is the structure within your organisation as it relates to internal collaboration and sharing of resources?

Q9
Does your organisation place a lot of value or emphasis on the following skills? (a) Data scientists (b) Artificial Intelligence and Machine Learning Specialists (c) Software and Application Developers/programmers?

Q10
Do you consider the opportunities for learning new material, topics, technologies and skills within your organisation as adequate?

Q11
To what extent does your company consider the information it has on its customers as its most valuable resource, as compared to other assets such as real estate, capital, patents etc?

Q12
Does your organisation encourage creativity and risk taking by employees?

Q13
How are new ideas encouraged and embraced and how is creativity rewarded within your organisation?

Q14
Do you feel inspired and motivated when thinking of the future of your organisation and are you confident of your role in this change process and future?

Duke^{CE}