



INNOVATIONS FOR SUCCESSFUL SOCIETIES

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Innovations for Successful Societies, Bobst Center for Peace and Justice
Princeton University, 83 Prospect Avenue, Princeton, New Jersey, 08544, USA
www.princeton.edu/successfulsocieties

HAUSMAN: This is David Hausman and I'm here in Pretoria with Minister of Finance, Pravin Gordhan on February 26, 2010. Mr. Gordhan, have you agreed to be recorded for this interview?

GORDHAN: Yes, very willingly.

HAUSMAN: Thanks so much. I wanted to start by asking you what you perceived as the largest and most pressing organizational problems when you first arrived in SARS, first as Deputy Commissioner and then as Commissioner?

GORDHAN: *Well, look at a bit of context, but maybe I'll come to that. The largest was to make SARS (South Africa Revenue Service) into an effective and efficient organization and to help it move out of its then frame of operation into a more enterprising and activist-orientated organization. But in the first instance I had to learn—I wasn't a tax man, so I had to learn the business. Secondly I had to take account of the political and sociological climate in South Africa. Thirdly within the institution I had to recognize that knowledge was vested in a team of people who were coming from the white community and who, in 1998, constituted, if I'm not mistaken, 65% of the organization.*

So part of the organizational challenge was also to transform the demographics of the organization and give black South Africans an opportunity to both enter the organization and grow within in.

HAUSMAN: Great. I've heard a lot about the *siyakha* ("we are building" in Zulu) program of reforms. I wonder if you could describe how that program was born or planned for.

GORDHAN: *It took me about three or four months to understand the basics about the business. Tax of course is a very complex matter. It is also during that time that I met with younger black staff who were at lower levels in the organization. If I'm not mistaken I created a management team below the existing executive team which would allow for more participation by black managers, although not with formal power, but at least with some informal influence. Within about four months, no three months of me getting there, we convened senior managers representing each of the SARS offices, both the customs and revenue business, but instructed each of them that they had to come with a black individual which was unheard of to ensure that there would be a more diverse set of people representing the offices.*

That's when we first talked about transformation in the broad sense and began to get people to buy in.

HAUSMAN: How did people react to that?

GORDHAN: *Well, they came, over 400 of them. They participated and they heard the message which said, we're going to make this into a different organization. We're going to start change process. To their credit there were several senior white managers who had bought into my approach by then and openly supported the need to transform the organization, even at that meeting, in the early days. I can't say we got total buy-in, but we got awareness that we were going to begin to move differently. It took another, probably six to nine months if not more, to experiment with setting up a transformation unit, generating ideas about what transformation could mean.*

At the same time a new colleague had also come in on the HR (human resources) side of the business and began to set up for the first time formal HR processes and systems and so on which played an important foundational role, but who also supported me post that meeting. That was about June 1998.

HAUSMAN: Who was that?

GORDHAN: *Judy Parfitt. In fact, if you're around long enough you can meet with her as well.*

HAUSMAN: Yes, I'm planning to.

GORDHAN: *Oh, you're planning to. She became a key ally in bringing black managers into the organization in the same way some of the other white managers had begun to do. If you like they had a more entrepreneurial side. I can't remember, when was Sanlam and Old Mutual, '98? '99?*

If you take that as an example, these are two insurance, mutual insurance companies that we're demutualizing, and one of the managers called me one day and says, "I've got a youngster here, he does debt collection. He thinks that because of this demutualization, people who owe money to SARS are in fact going to be receiving shares from the demutualization process. The guy has worked out that you can take the database of SARS debtors and match it against the database of those who will be receiving shares and any share which is supposed to go to a debtor is then seized, identified and then seized." That was a culture shock in the organization and for the two insurance companies.

I remember it was a Friday, a Thursday or Friday. Our guys had done these magnetic tapes. A particular section of the law allowed us to actually do it. The senior managers at one of the companies phoned the then Minister of Finance, Mr. Trevor Manuel, who was already briefed by myself and said this is what we're doing. He backed me. I backed my manager. He backed his staff, and we had one of the most important early events in terms of getting SARS on the map so to speak in the public domain. I think even today we still own 4-5 million shares that haven't been reclaimed.

So people had to then come in and say, "I owe you, in your case \$100." I pay my \$100 and I take my ten shares. That process then unfolded. So those sorts of business initiatives, the HR system, the early notion that we need to change the organization, all of this came together some time in 1999. We called in some consultants who then introduced the back office, front office concept to us. The whole idea of concentrating the back offices—initially we had to teach them about the front office by the way. But that then formalized the process, it was late 1999 if I'm not mistaken, early 2000, then we began to kick off the siyakha process. Siyakha in Zulu means we are building. That formalized the journey.

Accompanying that and prior to that, what we also had was virtually every manager in SARS was white, whether in head office or in a branch office. Nothing wrong with that except that they didn't represent South Africa. So in many offices, in preparation for that period and subsequent to that period, together with Judy Parfitt, we worked out an approach which said, we don't want to fire anybody in SARS in this process. We want to keep them on board. We want their skills to be available to us, but at the same time there will be change. There wouldn't be paralysis as a result of taking this approach.

So any managers who were in fact technically competent, but not managerially competent necessarily became specialists. That opened up spaces for people,

black people with even Master's degrees and so on to come in from the outside and begin to occupy those spaces and learn the business and so on. So I started siyakha.

We then chose Durban in KwaZulu-Natal as the pilot, if you like, of this process. I spent a lot of time talking directly to staff. There was obviously a lot of apprehension. People didn't know where the hell we were going. All of that as you know is part of the change management process. A year later we pulled it off. That then started the journey, which probably lasted the next six to seven years. It is continuing in a new form now. In the early phases we also understood that what we were doing with transformation meant that we want to change the organizational shape of SARS, meaning front office, back office and process efficiencies. It meant a new HR regime and the type of people we were recruiting, bringing in, training and promoting.

It meant changing the business culture of SARS, so this insurance companies example is just one example of how the business culture was changing. An important part of that was also, oddly, there is a white senior manager who is now overseas, but who played a very important part in introducing an activist approach to enforcement. This is the guy who of his own accord, around the time I got to SARS, but I take no credit for it, started prosecuting individuals, taking them to court for not submitting their tax returns.

HAUSMAN: Who was that?

GORDHAN: *Stan Shrosbree. He set the germ in place if you like—not germs, the seed in place for what later became a lot more assertive enforcement program in SARS. People found their names and their photographs on the front pages of newspapers saying, you haven't submitted your tax return. But that early activism is what started that process.*

Now, at the same time as all of this, people like Stan Shrosbree and others, Thinus Marx, and there were a few others, who were a very important set of allies for a deputy commissioner who had no formal power to back, in backing the change process and in supporting people like myself. Later of course, in November 1999 I took over as commissioner.

But we also then had to get the backing of the minister to ensure that this high risk road that we were taking, because none of us had formally done this before, although we were very much part of changing society, would get the kind of political backing and the resources that we required. That happened as well. So the political backing was a crucial part of ensuring that when you get pushback, as we did in some instances from, say, the private sector and so on, we would have both the legitimacy and the political backing and our own institutional strength to be able to cope with that.

HAUSMAN: At that stage, how did you go about finding key people to help move this agenda forward?

GORDHAN: *You find people within the organization. We brought in, as I said, a number of young guys around that 2000-2001 point. That's when guys like Nathaniel Mabetwa [the SARS Group Executive for Taxpayer Service] came in. One of the things that we did as far as our people were concerned, as many would now attest to, is that we took huge bets on them, meaning we couldn't wait for ten years for somebody to get ten years experience and then say now you can take on this one simple position. So taking bets meant judging a person's character,*

level of commitment, and capability and placing them in a completely new position which they might not have been adequately trained for. Most of them did marvelously, some didn't. But we learned by actually doing.

Later on, I think about 2002, we had sufficient confidence now to take the entire customs operations, there must have been twenty-odd offices, and we opened up two layers of managerial positions and said everybody who occupied those positions will now have to reapply. That gave opportunities to bring in new people as well. That also changed the demographics of our management team as well.

HAUSMAN: So I wonder if I could go back to the pilot of Siyakha in Durban in KZN.

GORDHAN: Yes.

HAUSMAN: Could you describe how that first went forward and how you went about making process changes and separating from the back office.

GORDHAN: *One of the things we did, and that's where a number of these youngsters came in, was that we, together with these consultants, we developed our own process team. They were a mixture of "new people", but we also took the young man named Paul Carreira, for example. He was an operations manager in the Gauteng area, but we pulled him out of that. He had his own activist inclinations, and we made him part of this transformation team.*

HAUSMAN: How many people were on that team?

GORDHAN: *Maybe twenty, thirty at the time.*

HAUSMAN: How did you find most of them?

GORDHAN: *By spotting people out there and seeing who is—when you walk around, that's the other key, you have to walk the floor and talk to people and observe processes. That's how I learned. Then you'll also begin to identify enthusiastic people and you'll spot them in different parts of the country, in different roles. Then you take your chances and pull them in and constitute the team, give them a clear mission. Then, of course, we had the consultants who could then help us to train these people. Today we have a very mature process engineering unit. It has, I don't know, something like a hundred people in there now. So that grew over a ten-year period. It has grown formidably into a very professional outfit now. We brought in people from the private sector as well.*

So that's the other thing about SARS' history. Over time people from the private sector were willing to come and work with us as well, partly because we're outside of government, partly because there were huge advantages in being part of the change processes, but also to contribute to the country. So this team then mapped existing processes, engineered new ones.

Part of our broader strategy was that this was going to be a non-technology change. So although there would be adaptations to some of our existing legacy systems, we would not focus on technological investment at this point in time. It was more about processes and people and changing the service approach and ultimately also changing the enforcement approach of SARS. That is what we worked with for five or six years.

Later we envisaged a second phase which would be more technology focused. So if you go back three years, four years now, we've moved into a more pure technology transformation process more recently. I'm sure you've heard about some of those.

HAUSMAN: So you mentioned processes, people and services, the focuses at that time. Can I ask you about each one in turn.

GORDHAN: *Oh, you want to go into a lot of detail, okay.*

HAUSMAN: For processes. How did you start going about changing processes, and in what way did you change them?

GORDHAN: *It was self evident that, once the early diagnostic came out from the consultants, the observations were that you have too many handoffs, it takes extraordinarily long to process things that could be done more simply and that we had a complete set of functions in every office. So-called front office, back office combined together with enforcement. That, there were opportunities available if we rationalized into front office, back office enforcement and customs. So those were observations that came through. We then evaluated them. We said, okay, let's go, we're going to implement it.*

HAUSMAN: Did people resist as you started to separate them into these groups and change their functions?

GORDHAN: *In a sense, yes, it created anxiety. So you learn about communicating. You learn about getting messages right. You learn about working with the trade unions so people like Judy Parfitt worked quite hard with the trade unions. We then crafted what we call a Siyakha protocol, which is a change protocol, negotiated with the unions and co-signed with them. So that helped to ameliorate any contestation in a serious sense from the unions. They were sold on it, so they did not contest our efforts. I can give you long answers to all of these things, but I'll give you shorter answers.*

HAUSMAN: You mentioned also then changing people policies.

GORDHAN: *I mentioned earlier what we had come out of—SARS belonged to the treasury initially. The Internal Revenue Service and the Customs Department. So coming out of here there were very few systems in place, very few, no financial system to talk of, no HR system to talk of, no procurement system to talk of and so on. All of those things needed to be built. So the people side had to be created, a grading system, a salary system and all of those things.*

Then over many years we now have career pathing in place. Training is one area we never made provision for. Now I think, on-the-job training is a lot better. But there were some old things that we were working that we didn't quite carry over effectively. So that's one area where I think a question mark remains about how much better we could have actually done.

Then on the recruitment side we brought in lots of people. Today the complexion of the organization from 65% white would probably be closer to 60% black in the broader sense, if not 65. It's an interesting figure that we've been able to switch without firing anybody. Some people left of their own accord but very few. Most we were able to get their buy-in.

So there is obviously some resistance that you will get in any same situation. But if you lead, if you listen, if you reassure, but keep moving and deliver the change and if people can see quick wins and they can see it work in one place, then it begins to sort of utilize some of the anxiety although not all of it. It is very human to be anxious if changes are coming.

HAUSMAN: One of the things that SARS is of course very well known for is the service that it offers. I've heard a lot about how SARS staff has a kind of service mentality instilled in them. How do you go about doing that from the top?

GORDHAN: *Oh, you demand the best and you walk the floor, that's how. So when we—we can give you some of those details. When we started the 'filing season'—how many years ago now?*

That far off? It was the first time [2001], I remember, I was in Durban on the first day. The staff didn't have a clue of what to do. There was I think one or two senior managers with me. We were on a floor above but we could see what was happening on the service floor. So we said, "Ah, let's go." So we went down. We showed them exactly how to arrange tables, chairs, how to arrange queues, how to service people, how to make sure that they don't wait too long in the queue. No sooner had we done that and set that as an example, than that example spread throughout the country. People began to innovate in their own way.

One of the most wonderful things, at the Bellville office in Cape Town, the manager decided—it is a cold morning and people are still in the queue outside so what we're going to do is give biscuits, tea and coffee. Of their own accord, no head office instruction. So part of it you drive from the top in terms of intent and example. Most organizations will have activists if you give them the space, to pick up that and add their own variations. So there are any number of variations in the country about how you make life easier, how you make yourself more accessible, and how you become a good ambassador I suppose for your institution and that's taken off.

The other thing we did, which is part of the activist culture that I and some others came from, was not only just sitting in your office and waiting for taxpayers to come to you. So we went, as part of that filing season, to go out. Today that has become a very institutionalized thing where you will go to big companies, set up computers and help the staff of say 4000 in a particular building to fill out their tax returns.

You'll go to libraries and attract the public there. You would set up tents in a city center and people would come there. What's that area in Johannesburg?

Library Gardens. Shopping malls would be another example. So yes, we had a small business amnesty about what, I don't know, five years ago, four years ago. We went into the oddest corners of the country. People drove and took busses and public transport, there were hundreds of kilometers just to fill out that amnesty form. So we've generated a lot of enthusiasm and awareness among the South African public as a result of reaching out to them, not just sitting in our offices and waiting for them. There are lots of stories that Adrian could share with you, he's an old timer now.

HAUSMAN: What were some of the things that you learned from the pilot that you then changed when you expanded it to the rest of the country?

GORDHAN: *Issues around communication and how to do that, issues around having smaller sort of quick wins which you can use to sell better.*

HAUSMAN: What were some of those? Were those the things you mentioned already?

GORDHAN: *You can just change one section, make it work, and then others can come and see it. So when we started, from KwaZulu-Natal we went to the Western Cape. If I'm not mistaken at the early stages we probably brought fifty people over from the Western Cape to come and have a look and say this is what you're future is going to look like, participate in it and make it happen on your side. It worked.*

A third is you've got to keep your leadership teams at different levels on the ground and keep them in constant communication. The fourth is to—I mean these sorts of changes require consistency in design. If you don't keep a careful eye, no sooner have you put the consistent design in place, the wonderfully creative human beings will create a variation. So for a couple of years variations began to emerge on the ground. So you begin to then lose the advantage of process consistency and standardization. So you have to come back and do some of that work.

Another important element is keeping taxpayers on board, because one of the things that South Africans, pre-1998 were used to is coming into an office and say, "I know Adrian, can I speak to Adrian please?" This change – to change the way branch office staff interact with taxpayers - was deliberate in the sense that it didn't want that kind of contact to continue and that's the whole front office, back office area because you wanted to cut down the opportunities for any mischief or fraud on the one hand. Then it has a flip side to it because people are used to the personal contact with an individual they know. So it took a little while for the public to get used to the fact that we're working differently. So outside communications, keeping taxpayers on board, keeping them informed of what the changes are is crucial.

Perhaps the last element is that in an area like tax and customs you have intermediaries, so-called tax advisors or brokers, I'm not sure what you call them. It is important to keep that constituency on board as well. They tend to be laggards in this process and don't like change which would narrow their space to maneuver around either tax or customs administration. So that's again consistent contact, opening up channels of communication. And importantly demonstrating a responsiveness. So once you receive a complaint, do something about it, don't sit back.

So there would be times people would phone my office, I would take a call. On one occasion I can remember clearly a guy said, "In your Durban office X, Y, Z isn't working and the managers aren't fixing that." That afternoon I put a team of five or six people together and I said, "Go to Durban. Go and meet this gentleman first and listen to what he is saying. Then go to the office and go to check, are the things he is saying true." Sixty percent of it was true.

They came back. I go a week later, meet the Durban management and say, A, B, C is not right, we're going to change them. Of course some people listen and some don't, but it works. So like that. If you ask the question from the top what do you do, you become quite demanding. If you've made a mistake you're going to apologize to a taxpayer. There are times when our managers have taken flowers to taxpayers. There are times when you make a mistake and you haven't issued a cheque properly. You take the cheque and you go and deliver it, personally.

I suppose that message begins to spread over time that that is the kind of responsiveness that we require, but that's also the responsibility that you take if you're going to get the service levels right. Then I suppose we went into second-generation changes around processes and then the technology. So we've been very lucky that the steps always moved upwards in terms of our service proposition.

I was coming back from Cape Town on Wednesday and standing in the queue. A guy who just happened to be next to me says, "I just want to compliment you, your e-filing is fantastic now." E-filing, three years ago gave us lots of teething problems, but you would have people stopping me in public, in a shopping mall, in the street, at an airport and saying "Excellent, keep it up." Very rarely would there be a problem. If there was, I'll take their name and we'll attend to it.

HAUSMAN: You said a little bit about this already, but what are some of the ways in which your past in activism helped?

GORDHAN: *It helped phenomenally. He [referring to Fuad Cassim, economic advisor to the Minister of Finance, who is present in the interview] also used to be an activist you see, hopefully he still is. So we grew up together politically. Firstly it enables you to analyze and understand environments and bring history to bear. Because in the South African case, like many others, if we don't have an understanding of history then you don't have an understanding of how you deal with the citizenship. So an important part of our history was that the majority of blacks were marginalized economically. That was a crucial factor in understanding how we had to deal with them. But secondly we also came from a history in the late '80s where the big business people then had to defer sanctions, economic and otherwise, that were imposed upon South Africa, which meant that their mindsets by the time we come to the late '90s and early 2000 period, were still informed partly by that kind of approach where you've got to break the law, you've got to circumvent. You've got to avoid the law if you can.*

The third was to also keep an open mind and learn. So I learned from the Australians and the Swedes about the compliance model and how it works. We added our own flavor to it and said that for the vast majority in South Africa we've got to go through a period, and I think it still continues, of educating people, making them aware. Why do you pay tax, what is tax, where does the money go? How does it actually benefit you and so on. So we've invested, through many of these campaigns in actually keeping that alive and continuously showing people what the benefits are. That played quite a role.

I supposed as somebody who has had some experience in the struggle you learn strategic and tactical skills. How do you shape particular things, how do you engage with people, how do you get broad support for what you are doing and how do you build social consensus around the society? The third is we all come from a strong organizational background. We've built organizations from nothing in the 1970s. So yes, this was like rebuilding an organization.

The fourth is the politics of the African National Congress (ANC) is one informed by non-racialism. So it doesn't mean white is enemy. That's a mistake that we've made in other parts of government. I think one of the success factors in our side is that we brought in and promoted black people, but didn't lose the white skills.

HAUSMAN: How did you keep that balance?

GORDHAN: *The politics of the ANC means that you are able to keep people together and win their support. Of course they would have been skeptical for a long time. Who is this fellow coming from parliament and so on and so on. But you earn their confidence over time. Today many of them are very loyal to the organization and to what we're trying to actually achieve. I can go on but those would be the essential things.*

HAUSMAN: Let me ask you in a little more detail about a couple of the policy changes. First of all about the centralization of administration from the branch offices to administrative centers. Can you say a little more about how that happened.

GORDHAN: *Yes, that's part of the siyakha process. The siyakha design was sort of front office, back office. But as far as the back office was concerned to actually centralize—they could have centralized into two or three, we said six or seven. We said that because we didn't want to lose jobs and we wanted different parts of the country to have these, what we ultimately called processing or assessment centers. The third element was on the enforcement side where we wanted to again concentrate that into five or six areas. I think there are a few more now. Because we don't have the skills to distribute over forty or fifty offices, and we'd be better served if we concentrate them.*

Then on the customs side was a similar effort but it didn't go as far as the tax side went. The customs side is going to move through its most fundamentally different phase now in some ways. So front office – back office and concentration of skills and setting up reasonable management teams and so on, were all part of that restructure process.

HAUSMAN: Did you have to physically move people so they worked in different places?

GORDHAN: *In some—in KwaZulu-Natal we did, in Cape Town we did to an extent, and then we began to learn. So, for example, large numbers of people would have had to leave East London and move to Port Elizabeth. That was the original design, about 140-150 of them. Then we realized that is going to create too much disruption. So we sort of adapted our model, so more of them could remain in East London, not move to PE. We did similar compromises in Cape Town and then most of the compromises around here so that people didn't have to travel long distances and move their families and disrupt their family's lives. So those were balances.*

As we navigated we learned about them, we modified our approach and sort of accommodated, as much as we could these sorts of things.

HAUSMAN: Great. I want to ask you now about pay policy. I know that you were given more flexibility in pay policy with the autonomy that SARS got. How did you decide how to change pay policy to attract the skills you needed?

GORDHAN: *That's where Ms. Parfitt comes in because she developed a regime and then slowly we formalized it into a remuneration policy. It involved negotiations with the unions. Initially it wasn't too dramatic but later as we began to bring in people from the private sector, then what we had at that time wasn't going to quite match. I mean there were guys who were earning more than me for quite a while. Then when we built the large business center, and we really now had to attract top class transfer pricing experts and so on, there were further modifications.*

Then we learned that over time there are simple admin skills, there are simple processing skills, but there are also lower level technical skills, but then there's

high level stuff, customs law and tax law, transfer pricing skills and so on and that you'll have to have a different approach to each of those. So adaptations took place.

HAUSMAN: Great, now about performance management which is a really vexing problem for lots of organizations all over the place. How did you actually give people incentives to perform better? Do you think it happened mostly through formal performance management measures or were there other ways that you motivated people?

GORDHAN: *Prior to my getting to SARS there was a banker brought in from the private sector in 1996, Piet Liebenberg. He was, I never met him, but from what I hear his way of generating high productivity and responsiveness amongst the staff was to create an incentive scheme which lasted just a short while after I got there where everybody would get a bonus provided you met initially 18 and then 25 indicators, but in particular the revenue target. So that incentivized people to generate more revenue although, on looking back, I don't think it was too substantial at that point in time. But people could get up to 50% of their core salary as a bonus. Whether you worked or not, if the organization met a particular fiscal target, it meant everybody got it.*

So when we got there our challenge was not about how you continue that, but how you wean people off it because getting a bonus became a universal right. So it took about two or three years to wean people off it and then move—. Initially for the first, for the next couple of years, we moved to group performance and team performance and now we've combined team performance and individual performance.

Secondly we had poor—because remember we haven't made the technological changes so information management was quite weak. So metrics and measurements were quite weak. But what we have learned is that it takes time to develop those, they don't develop over night. But nonetheless, the measurements, as far as the siyakha process there were better disciplines put in, what you measure, how you measure, how you report and so on, formal appraisals, performance appraisals were required to take place, feedback. Later we actually introduced, probably five years ago, an operations management system where we tried to create a kind of operational rhythm within the organization.

So every morning each team must meet for eight minutes. They must work out what their agenda is for the day, how work will be distributed in their particular environment. Is there anything new to report on? I think it still occurs. But you would, some people would report on a daily basis, some every two days, some on a weekly basis. There would be senior managers that head office must talk to the people in the regions every Monday or Friday or whatever the case is, check what is going on, do some exception management, and so on.

So slowly this culture of performance management is building. There are reward systems, there are recognition systems now for what, three years? So we now have Star Awards for, you are an excellent call center person, somebody is an excellent something else. Nominations come from the bottom. They are vetted by teams that are set up. We now have award evenings where people come; they get recognized for their performance. But performance management is a moving target. It also has unintended consequences. So you measure X and everybody focuses on X, and they forget A, B, C. So those are some of the challenges that I'm sure any performance management system has.

HAUSMAN: I know we're running out of time so just one last question. If you could go back and do this all again, what are some things you'd do differently?

GORDHAN: *Out of the sort of passion, drive, walking the floor, motivating people, creating leadership at different levels, looking for activists—all of that I would do the same. The only thing I would do better is I wish I had learned about the business quicker and I wish we had more internal capacity earlier. That I had to learn from the first couple of years and build up in-house expertise which would enable us to balance out the role of consultants and the kind of contribution that they would make to an environment.*

I would have started some of the technology a little bit earlier, but that was also capability-related. The most "backward area" in SARS, throughout this whole process was the technology side because we were captive to, at that time 340, 350-odd IT contractors who weren't on our staff complement. So when I had to manage that, that relationship and them very carefully. Lots of things changed around them, but that one we left alone until 2005, 2006 when we brought in a private sector IT manager. He then led the process of revamping that team, bringing more people onto our permanent establishment. But that was a huge risk area for us.

What else would we do differently? Chose some of the recruits and promotions more carefully and learn more about how you can assess people's potential and capability quicker.

HAUSMAN: Do you have advice about that for other people who are trying to recruit and assess people?

GORDHAN: *This I'm sure you'll find in textbooks as well that attitude and energy is sometimes more important than core skill. Secondly that, if you're an expert in something, that doesn't make an expert manager and leader. Thirdly that there are potential leaders sitting all over the organization; you must liberate them and give them opportunities both formally and informally to play that role. And it is always good to have a bunch of activists, both at the leadership level but recognize them on the ground, because they are everywhere, in any organization. If you give them space, they can play a very positive role to help to manage and lead change from the ground and bring people with them as well.*

Ultimately, it is about going with your instinct, having the humility to realize that it won't always serve you well. You'll make mistakes, and you'll misjudge people. There are some people who might let you down. Integrity for us was a key issue. So as we did all of these other changes—in SARS, 1998 you could walk in with a bottle of whiskey and just give it to him and it was accepted over the counter. You could say, "Come, let me take you to lunch." That was accepted. So within, I think six months, we banned all gifts in SARS. We banned accepting dinners and lunches.

Initially it was like a blanket ban, you accept nothing. Then slowly we sort of loosened things up. But in that way we established integrity as a key value. If we caught you, you knew you would be dealt with. Of course today, people find creative ways to fight back. I suppose that happens. But by and large, I think we've established that as a key value in our system as well. What is good is that slowly the business community and others began to see that certain things you can do with us and certain things you can't.

HAUSMAN: Great. Is there anything else you'd like to add?

GORDHAN: *There's a million things, but don't worry, it's a good start.*