Towards Responsible Leadership in the Financial Planning Industry in South Africa

by Johannes Petrus Saayman

Thesis presented in partial fulfilment of the requirements for the degree of
Master of Philosophy (Applied Ethics) at the Stellenbosch University

Supervisor: Dr. Minka Woermann

December 2016

DECLARATION

By submitting this thesis electronically, I declare that the entirety of the work contained herein is my own original work, that I am the authorship owner thereof (unless to the extent explicitly otherwise stated), and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Signature:

Date: December 2016

ABSTRACT

The financial services industry in South Africa has, for some time now, seen sweeping changes take place. Many of these changes have been driven by the Legislatures. Similarly, financial products have undergone many changes, driven by both client-needs and technological advances.

These changes have also influenced how businesses in financial services are managed and led. While leaders practice numerous leadership styles, this study will pay particular attention to contrasting leadership styles and comment on the ethical content of such styles, followed by a discussion on good leadership and responsible leadership.

Two dimensions to responsible leadership are explored: the relational and the ethical. Within the relational dimension, this thesis will focus on the stakeholder-approach and the virtuous approach will enjoy focus within the ethical dimension. Weaving a web of inclusion among stakeholders is considered an essential ability for a responsible leader to have. Responsible leaders face many challenges. It is the responsible leader's ability to build relationships that will allow the responsible leader to bring various stakeholders together and build enduring relationships with such stakeholders.

The virtuous approach will be discussed from a virtue-ethics perspective and, as such, it is important to differentiate between values and virtues. The virtuous approach provides the responsible leader with a fixed point from which to make decisions. The cardinal virtues are discussed and used as the foundation to synergise the two approaches, i.e. the relational and virtuous approach. The two approaches are complementary and form the basis for moving the financial planning industry towards becoming a responsible industry.

Heading towards responsible leadership in the financial planning industry in South Africa will not come without its own unique challenges. Understanding why leaders fail is important to ensure that safeguards can be put into place to prevent leadership failures. The challenges responsible leaders will face in the future will come from external as well as internal sources.

However, the economic advantages and the impact responsible leaders can have on their organisations and society will far exceed any negative aspects brought about by the various challenges that responsible leaders face. It is envisaged that responsible leaders in the financial planning industry can have a marked impact on other leaders, be they business or societal.

OPSOMMING

Die Suid Afrikaanse finansiële dienste industrie, het oor die afgelope paar jare groot veranderinge beleef. Die veranderinge is onder andere deur wetlike aspekte beïnvloed. So ook, is finansiële produkte aangepas, om te voldoen aan kliënte behoeftes en tegnologiese ontwikkeling.

Hierdie veranderinge het 'n direkte impak op die bestuur en leiding van besighede in die finansiële dienste industrie. Alhoewel leiers gebruik maak van verskeie leierskap style, fokus hierdie studie op kontrasterende leierskap style as ook op die etiese inhoud van genoemde style. Gevolg deur 'n bespreking oor goeie leierskap en verantwoordelike leierskap.

Twee dimensies van verantwoordelike leierskap word ondersoek: die etiese en relasionele. Die relasionele dimensie omvat die belanghebbende-benadering en die etiese dimensie sal deur die deugsaamheid benadering uitgelig word. Die samestelling van 'n inklusiewe platvorm wat alle belanghebbendes is 'n noodsaaklike eienskap van 'n verantwoordelike leier. Die verantwoordelike leier beleef verskeie uitdagings. Die verantwoordelike leier se vermoë om suksesvolle verhoudings te kweek, sal bepaal of die verantwoordelike leier die verskeie belanghebbendes bymekaar kan bring as ook die suksesvolle ontwikkeling van blywende verhoudings met die betrokke belanghebbendes.

Die deugsame benadering sal vanaf 'n deugde-etiek perspektief bespreek word, dus is dit belangrik om te onderskei tussen waardes en deugde. Die deugsame benadering bied die verantwoordelike leier met 'n vaste punt vanwaar besluite geneem kan word. Die kardinale deugde word bespreek en word gebruik as die grondslag om die twee benaderings te harmoniseer, met ander woorde die relasionele en deugsame benadering. Die twee benaderings is aanvullend en vorm dus die basis vir die manier waarop die finansiële beplanning bedryf kan beweeg in die rigting om as 'n verantwoordelike bedryf beskou te word.

Die skyf na verantwoordelike leierskap in die finansiële beplanning bedryf in Suid-Afrika sal nie teweeg gebring kan word sonder unieke uitdagings nie. Om te verstaan hoekom leiers faal is dit belangrik om te verseker dat veiligheidsmaatreëls in plek gestel kan word om leierskap mislukkings te voorkom. Die uitdagings wat verantwoordelike leiers in die gesig staar sal vanaf beide eksterne en interne bronne ontstaan.

Die ekonomiese voordele en die impak wat verantwoordelike leiers kan hê op hul organisasies en die gemeenskap as ‘n geheel, sal enige negatiewe aspekte wat deur die verskillende uitdagings

gebied word oorskry. Daar word beoog dat verantwoordelike leiers in die finansiële beplanning bedryf 'n merkbare invloed op ander leiers kan hê, of dit nou in besigheid of die samelewing is.

ACKNOWLEDGEMENTS

First and foremost, to our heavenly Father for providing me with the opportunity to write this thesis and for the forgiveness of my sins, which is only possible because of the work done by His son, Jesus, on the cross.

Thank you, Dr Minka Woermann for your support, patience and guidance.

Thank you to my parents and family for their support and for often asking that dreaded question – "so … when do you finish?"

Thank you to Janet and my Nedbank colleagues for their support and encouragement.

Thank you to Nedbank Ltd for providing me with a bursary and the opportunity to further my studies.

DEDICATION

This thesis is dedicated to all the responsible leaders in the financial services industry, now and in the future.

TABLE OF CONTENTS

Declaration ..... **i**

Abstract ..... **ii**

Opsomming ..... **iii**

Acknowledgements ..... **v**

Dedication ..... **vi**

Table of Contents ..... **vii**

1 Introduction **2**

1.1 Setting the stage **2**

1.2 Retail Distribution Review and the Treating Customers Fairly outcomes **6**

1.3 Contextualising Financial Services and Financial Planning **7**

1.4 Objective and Outline of this Study **9**

1.4.1 Objective 9

1.4.2 Outline 11

2 Clarifying Key Concepts **13**

2.1 Introduction **13**

2.2 Leadership or Management? **14**

2.3 Leadership Styles and Approaches **16**

2.3.1 Autocratic versus Democratic Leadership 17

2.3.2 Directive versus Participative Leadership 18

2.3.3 Task versus Relations Orientation 19

2.3.4 Initiation versus Consideration 19

2.4 Good Leadership **20**

2.5 Responsible Leadership **22**

2.6 Bringing It Together **24**

3 Two Normative Approaches to Responsible Leadership **26**

3.1 Introduction **26**

3.2 The Interaction Between The Relational and Ethical Dimensions **26**

3.2.1 The Relational Aspect of Leadership 26

3.2.2 Stakeholder Theory within the Ambient of Responsible Leadership 27

3.2.3 The Importance of an Ethical Dimension 28

3.3 The Relational Dimension: A Stakeholder-Approach **30**

3.3.1 Introduction 30

3.3.2 Weaving a Web of Inclusion 32

3.3.3 Challenges Faced by Responsible Leaders 33

3.3.4 The Roles and Responsibilities of a Responsible Leader 35

3.3.5 The Leader as a Moral Person 37

3.3.6 Conclusion 39

3.4 The Ethical Dimension: A Virtue-Ethics Approach ... 40
3.4.1 Introduction ... 40
3.4.2 Values ... 40
3.4.3 Virtue-Ethics ... 41
3.4.4 The Cardinal Virtues ... 45
3.4.5 Conclusion ... 51
3.5 Bringing It Together ... 52

4 Towards Responsible Leadership in the Financial Planning Industry ... 54
4.1 Introduction ... 54
4.2 Causes for Leadership Failures ... 55
4.3 Moving Towards Responsible Leadership ... 63
4.3.1 American Insurance Group (AIG) ... 64
4.3.2 Fidentia Holdings ... 65
4.3.3 Outsurance ... 68
4.3.4 Salomon Brothers ... 70
4.4 Challenges Facing the Responsible Leader ... 72
4.4.1 External Challenges: The Changing Regulatory Landscape ... 72
4.4.2 Internal Challenges: Resistance to Change ... 73
4.5 Practical Applications of Responsible Leadership within the Financial Planning Industry ... 74
4.5.1 The Relational Approach ... 74
4.5.2 The Virtuous Approach ... 75
4.6 Bringing It Together ... 77

5 Conclusion ... 78
5.1 Benefits of Responsible Leadership within the Financial Planning Industry ... 79
5.1.1 Economic ... 80
5.1.2 Reputational ... 81
5.2 Opportunities to Develop Responsible Leadership in the Financial Planning Industry ... 82
5.2.1 Leadership Training ... 83
5.2.2 Recruitment ... 84
5.3 Bringing It Together ... 85

Bibliography ... 88

"Probably nothing is more important to an ethical corporate atmosphere than the moral tone and example set by an organization's top leadership."

(Sims and Brinkmann, 2002)

1 INTRODUCTION

1.1 SETTING THE STAGE

South Africa boasts a well-developed financial services industry, one that is regarded as being among the world's best. In a 2013 report by the Johannesburg Stock Exchange (JSE), the JSE reported that South Africa ranked number one in the world for auditing and reporting standards (JSE, 2013). This is a position South Africa still holds, as of December 2015, and has done so for the previous six years, since 2010 (Hannington, 2015). The economic downturn in 2008, and the subsequent recession, highlighted the resilience of the South African banks to escape some of the devastation experienced by foreign banks.

The resilience shown by the South African banks during the 2008 economic downturn can be attributed, amongst other things, to the soundness of the financial services industry in South Africa. This was not always the case; the financial services industry in South Africa has undergone some major reforms, which still continue today and will no doubt continue in the future.

Some of these reforms were ushered in by fraud cases, such as those of the Masterbond Group in the late 1980s and early 1990s. In this case, 22 000 investors collectively invested approximately R600 million into the Masterbond Group. Some of Masterbond's best-known projects included the Fancourt Golf Estate and Club Mykonos, in Langebaan on the Cape West Coast (iolnews, 2001). After applying for liquidation in October 1991, the Masterbond Group was placed under curatorship and "the curators succeeded in recouping or restructuring about R502 million or 83% of the money invested in Masterbond" (fin24 archives, 2002).

The masterminds of Masterbond duped investors by fraudulently claiming that Masterbond was a registered bank and that deposits were protected by the South African Reserve Bank. This opened the door for them to take deposits from clients. Additionally, they would claim that the deposits were being used to develop residential estates and shopping centres. Furthermore, Masterbond enlisted the services of attorney Robin Hazell (subsequently removed from the roll of attorneys) who "admitted to forging documents relating to the sale of properties and land so as to make it appear that Masterbond was in fact using their deposits to develop land, when in fact the bosses of Masterbond were using the cash to fund champagne lifestyles" (Kirk, 2009).

Another scandal, between 1998 and 2002, the Pretorius family operated the Krion Investment Scheme, which resulted in 218,683 charges against the family members and an estimated loss of R900 million for investors.

Marietjie Prinsloo, who was the mastermind of the Krion scheme, was successfully prosecuted and sentenced in June 2010 to 25 years' imprisonment (Bateman, 2010) on 122,000 charges that, among others, included fraud and money laundering (fin24 archives, 2010).

Essentially, Krion would accept deposits from investors on the promise of high returns. These returns did not materialise. In order to hide Krion's fraudulent activities, Krion kingpins would allegedly "embark on a systematic money laundering scheme to disguise the proceeds" (news24, 2009). This was achieved by buying "a large number of valuable houses, farms and buildings through a series of family trusts in which the members of the family had an interest" (news24, 2009). In essence, money laundering is the act or activities to disguise the proceeds of crime as legitimate funds. This can be illustrated using the preceding Krion case: funds from investors were received by Krion using fraudulent means, thus these funds are now regarded as proceeds of crime. Krion would purchase an asset by legal means using the tainted funds. Upon the subsequent sale of the asset, the tainted funds can be realised as legal funds, thus cleaning the tainted funds. Hence these types of activities are referred to as laundering, the act of cleaning something up.

Also, the early 2000s revealed the Tigon fraud case resulting in the arrest of Gary Porritt and Sue Bennett in 2003. As of December 2014, Porritt and Bennett have yet to face the music in a formal court (Mabuza, 2014). Their fraudulent activities are alleged to be in excess of R160 million. Tigon's *modus operandi* was similar to the Masterbond and Krion cases, in that Tigon also took deposits from investors using fraudulent means, once again also claiming extravagant returns on investments.

Masterbond, Krion and Tigon targeted pensioners, especially those of limited means, enticing them to invest in their companies by making exaggerated investment return promises. These promises were never deliverable and, effectively, the three 'investment businesses' were running a Ponzi[1] scheme. Needless to say, the collapse of these structures resulted in huge losses for investors and some lost their entire life savings and were left destitute.

Yet, these examples pale in comparison to the fraud committed by Barry Tannenbaum, dubbed South Africa's Bernie Madoff[2]. Tannenbaum is believed to have orchestrated a Ponzi scheme worth

---

[1] A form of fraud in which belief in the success of a non-existent enterprise is fostered by the payment of quick returns to the first investors from money invested by later investors. Named after Charles Ponzi (died 1949), who carried out such a fraud (1919–20). Oxford Dictionary of English © Oxford University Press 2010, 2012.

[2] A prominent stockbroker, investment advisor and financier, he was exposed in December 2008 as a swindler and fraudster, who was subsequently convicted of fraud in excess of $36 billion (Wikipedia, 2015)

R12,5 billion, according to the Sunday Times (Rose, 2015). While Tannenbaum did not target pensioners but rather wealthy investors, they still suffered a loss due to the fraudulent scheme.

How does a con-man manage to get wealthy, astute investors to part with their money? Tannenbaum used many means to achieve this, the fact that he was a Tannenbaum most certainly helped. "The Tannenbaum family had been instrumental in the building of the renowned pharmaceutical company Adcock Ingram" (Mann, 2013). Tannenbaum had a unique insight into how the pharmaceutical industry worked. Pharmaceutical businesses require chemicals to manufacture their goods. Tannenbaum proceeded to implement his scheme by cooking up fictitious order forms from large pharmaceutical manufactures for chemicals he was 'purchasing' abroad, from countries like India. With these fake documents, he used both his family name and his influence to lure wealthy investors into his Ponzi scheme.

In his article in fin24, Mann (2013) summarises five factors that need to be in place for a Ponzi scheme to work. These are:

- deceitful accounting – thus every investor has reason to believe that the investment's affairs are in order and are being monitored;
- feeble regulators or regulations – the signs only become known when it is too late;
- get-rich-quick culture – "where the correlation between hard work and generous rewards has been broken";
- ignorance or laziness in investors – not doing the necessary checks to see if the investment is legitimate; and
- capacity for self-delusion – not asking the right questions but rather buying into the falsehood of the scheme.

It is due to such cases that there has been, and continues to be, vast reforms and changes in regulation within the financial services industry. In April 2001, Judge Nel in his Report on the Masterbond Group case said that "the systems designed to protect investors in South Africa failed and many more small investors lost their entire life-savings" (Nel, 2001). It has now been more than a decade since the introduction of the Financial Advisory and Intermediary Services Act, Act 37 of 2002 (FAIS Act), along with various Codes of Conduct, in order to further protect South African investors.

While the above cases were perpetrated using illegal schemes (Ponzi schemes), fraud has also been perpetrated using legal and registered structures. The Fidentia Holdings saga is one such an

example. Fidentia Holdings, by all accounts, was a good company, being "listed as one of the top 300 companies sometime between 2003 and 2006, alongside Sanlam and Old Mutual" (SAPA, 2013). Yet J. Arthur Brown's firm Fidentia Holdings "embezzled R1,1 billion from the Living Hands Umbrella Trust" (Davis, 2013), a trust that was intended to provide income to widows and orphans of the Mineworkers' Provident Fund.

When describing what Brown did, Hogg uses words such as "plunder", "looting" and "spendthrift" (2014) to drive home the damage done by Brown's unethical behaviour. Fidentia was entrusted to manage the final estates of blue collar mine workers through the Living Hands Trust, to provide some funds to the beneficiaries. Yet Brown decided to rather pay himself and his cronies huge salaries. Brown's monthly salary was in excess of R400 000. In addition, Fidentia also paid for Brown's numerous luxury properties and funded a lifestyle worthy of Hollywood. The exorbitant salaries were all paid legally and the additional benefits that the Fidentia employees enjoyed were all legal. Furthermore, the various sponsorships to sporting bodies were also legal; it was the excessive spending and extremely poor management of the Living Hands Trust by Fidentia under Brown's command that was unethical.

There are many cases involving organisations where their employees have committed fraud. Clynton Cotton was arrested in August 2007 for alleged fraud and money laundering, to the value of R12 million, while employed by First National Bank (FNB) in the Durban area. Cotton was sentenced to 15 years' imprisonment in May 2008 (iolnews, 2008). Similarly, Andrew van Reenen of Nedbank was also charged in June 2014 for fraud and money laundering (SAPA, 2014).

In Cotton's case, Cotton conducted business as a financial advisor employed by FNB. He would obtain funds from clients and fraudulently invest these in businesses and trusts in which he had an interest (Broughton, 2007) (Kuppan, 2007) (Broughton, 2012). Cotton would dupe clients into investing in these 'other companies' after he had won the client's trust. Investing in these other companies was not in accordance with the terms of the contract he held with FNB nor were these companies legitimate investment companies.

In a similar manner, Van Reenen would initially invest clients' funds through legitimate investments companies, as per his employment contract with Nedbank. Thereafter, Van Reenen would do a disinvestment of funds and transfer same to his own personal accounts, held with either Nedbank or FNB (Jones, 2014) (news24, 2014). This too was not in accordance with his employment contract with Nedbank.

Cases such as these have prompted regulators to be "on a mission to ensure that intermediaries render a professional service in the interest of the consumer and uphold the integrity of the financial services sector" (Moolman et al., 2010: 11). It is due to such cases that trust and confidence in the financial services industry, particularly those providing financial advice, has for some time now been a concern, hence the regulators' focus on 'cleaning up' the industry.

In an attempt to restore the trust in the financial services industry, new regulations have been incrementally introduced. Most notably in this regard is the FAIS Act. Currently there is also the Treating Customers Fairly guidelines (TCF) and the Retail Distribution Review (RDR) that is seeking "to ensure insurance distribution models are aligned to achieving Treating Customers Fairly outcomes" (KPMG, 2014). These were introduced to regulate the activities of the financial services industry in South Africa, particularly those providing financial advice and intermediary services.

1.2 RETAIL DISTRIBUTION REVIEW AND THE TREATING CUSTOMERS FAIRLY OUTCOMES

The introduction of the FAIS Act into the financial services arena brought about a legislative framework for those in the financial services industry to follow. Over time, the regulators recognised that there were numerous instances where compliance to the law was merely a tick box exercise and that there has been no marked change in attitude when rendering a financial service. This led the regulators to introduce the Retail Distribution Review, which

> "was undertaken in response to the fact that, despite the significant progress achieved through the Financial Advisory and Intermediary Services (FAIS) Act in raising intermediary professionalism, improving disclosure to clients and mitigating certain conflicts of interest, significant concerns about poor customer outcomes and mis-selling of financial products remain"… " the primary aim of the RDR is to ensure that financial products are distributed in ways that support the delivery of TCF objectives." (Financial Services Board, 2011: 1)

Section 2 of the FAIS General Code of Conduct already obliges FSP's to at "all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry".

> "In practice, a material failure to deliver one or more of the TCF Outcomes will already constitute a breach of this obligation, and would therefore be subject to sanctions from the regulator. A number of the more specific obligations in the General Code, for example those relating to disclosure, suitability of advice, etc. are equally consistent with the TCF principles." (Financial Services Board, 2013: 2)

The TCF road map broadly encompasses six outcomes that aim to ensure clients are treated fairly when dealing with the financial services industry (Financial Services Board, 2011: 7). These outcomes are:

> Outcome 1: Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture.
>
> Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
>
> Outcome 3: Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
>
> Outcome 4: Where customers receive advice, the advice is suitable and takes account of their circumstances.
>
> Outcome 5: Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
>
> Outcome 6: Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.

The Financial Services Board (FSB) expect firms to incorporate the TCF objectives into their organisational culture (Financial Services Board, 2011: 20-21) in that the leadership of the business needs to "provide direction and monitor" the implementation of TCF, as well as ensuring that the TCF outcomes are achieved. Refer to both the Objective and Outline of this Study (below) as well as Towards Responsible Leadership in the Financial Planning Industry, Chapter 4 of this study.

1.3 CONTEXTUALISING FINANCIAL SERVICES AND FINANCIAL PLANNING

In 2010, the local financial services industry contributed 15% to the South African tax-base while employing 3,9% of the workforce. The total assets of the financial services industry amounts to R6 040 billion, of which banks comprise R3 040 billion, long-term insurers; R1 400 billion, short-term insurance; R90 billion and pension funds R1 480 billion. In the same year, the financial

services share of the South African Gross Domestic Product (GDP[3]) was 10.5% (National Treasury Policy Document, 2011: 3).

The financial services industry in South Africa encapsulates a wide range of services. These services can broadly be divided into two categories, namely the banking and non-banking categories. The Financial Services Board "is an independent institution, established by statute to oversee the South African non-banking financial services industry" (Financial Services Board, 2015), while the banking category is overseen by the South African Reserve Bank.

Within the non-banking category of the financial services industry are services such as insurance, both long- and short-term. Long-term insurance is referred to as non-indemnity insurance, while short-term insurance is also known as indemnity insurance. Short-term insures against actual loss while long-term insurance ensures for an insured amount. The insurance that is taken out to ensure against the theft of a motor vehicle is short-term insurance and the actual loss amount can be determined. When you insure your own life, this insurance is for a specified value, subsequently in the event of the insured life passing away the insured amount would be paid.

In addition to insurance, South Africans also make investments in retirement funds and/or other types of investments. These investment and retirement products entail a myriad of inherent taxes and laws that govern and determine citizens' tax liabilities. These products, furthermore, hold a plethora of composition and investment options, explicating the need to engage in financial planning to avoid any adverse tax and bad investment choices.

The Financial Planning Institute of Southern Africa (FPI) defines financial planning as "the process of structuring and arranging your financial resources to meet your life goals" (The Financial Planning Institute, 2015). In order for consumers to adhere to the FPI's definition of financial planning, the prospective consumer must answer key questions in attaining personal goals. Here are the questions:

- How do you navigate all the various complexities of financial planning to avoid making wrong decisions and to ensure that you meet your financial objectives?

[3] Gross Domestic Product (GDP) is a standard economical measurement of what a nation's economy produces. It is "the market value of all final goods and services produces within a country in a given period of time" (Grudem and Asmus, 2013: 47).

- How much do you have to save monthly to ensure you can afford to retire at your current living standard?
- How much life insurance is needed to settle all your debt and still provide for your children's financial maintenance or to pay for their education?

What is needed is a financial plan, "a robust framework through which prudent financial decisions in all spheres of your financial life can be made" (The Financial Planning Institute, 2015). A financial planner is able to compile such a financial plan, as well as provide and implement recommendations on how to give effect to clients' personalised financial plans.

1.4 OBJECTIVE AND OUTLINE OF THIS STUDY

1.4.1 Objective

While the scandals mentioned earlier paint a bleak picture of the financial services industry, it cannot be denied that these are the exceptions rather than the norm. Because TCF and RDR are being embedded into the financial services industry, TCF and RDR will have a significant effect on the financial planning industry. This will result in numerous changes to the way financial services and financial planning businesses conduct business and how they engage with their clients.

As it currently stands, financial planning businesses conduct business in a sales environment. This implies that the majority of financial planning businesses derive their income from the sale of financial products that generate commissions for the business. This causes the potential for conflicts of interests between product suppliers and product distributors, namely the financial planner. As was quoted above, the FSB is eager to "mitigating certain conflicts of interest" that can result in "poor customer outcomes and mis-selling of financial products" (Financial Services Board, 2011) to the public. Where a product provider offers a higher commission incentive that another product provider, a planner may be tempted to rather sell the product that offers the higher commission and this may not necessarily be in the client's best interest.

The regulators would like to see an end to such practises as mentioned above and rather see a shift towards clients being treated fairly. It is expected that the new regulation that will incrementally replace FAIS, expecting to start mid-2016, will see the abolishment of upfront commissions. This will initially only be applicable to investment-type products. The intention of the regulators is that financial planners be remunerated for the services and work done for clients rather than for the sale of a product. Essentially, there is a drive to shift the current sales-driven environment to a services-driven environment.

As was mentioned earlier, the regulators expect firms to incorporate the TCF objectives into their organisational culture (Financial Services Board, 2011: 20-21), in that the leadership of the business needs to "provide direction and monitor" the implementation of TCF, as well as ensuring that the TCF outcomes are achieved. As such, this study will not just focus on leadership – or good leadership – but will rather show that the expectations of the regulators could only be achieved where responsible leaders are embedded within a financial planning business. As this study will show, the leaders within a business determine the direction and, ultimately, the failure or success of a business.

Good leadership, as argued by Ciulla, is a conjunction of two aspects of leadership: leadership that is "morally good and effective" (2007: 18). Responsible leadership builds on good leadership in that "responsible leadership is a specific frame of mind promoting a shift from purely economistic, positivist and self-centred mind-set to a frame of thinking that has all constituents and thus the common good in mind too" (Maak and Pless, 2006: 1). RDR, and especially TCF, require that focus be placed on clients. Responsible leadership promotes a shift away from being narrowly focused on the self and towards being focused on stakeholders and the common good. Therefore, responsible leadership must be considered as a preferred leadership approach in the changing environment of the financial planning industry, as a move away from self-interest to that of being client-focused.

Furthermore, as will be shown in the study that responsible leadership provides many benefits to organisations that are led by responsible leaders. These benefits include an increase in revenue due to reduced expenses associated with unethical behaviour and increased business due to an increase in ethical behaviour. Moving away from a sales-driven income model to a service-driven income model will no doubt bring with it a number of unique challenges: how to invoice and recover amounts due from clients come to mind. Responsible leaders do not have a narrow focus but rather consider the entire picture to decide on and implement solutions that will provide the business with the necessary leadership to survive the challenges ahead.

Furthermore, responsible leadership will enhance the business's reputation among their clients, and society in general, as this will instil confidence with stakeholders and assure them that the sustainability of the business is being considered and that there is not merely a focus on short-terms gains and survival. At the same time, responsible leaders will emulate the correct behaviour for others to follow, thus making a positive contribution to society.

The objective of this study is to position the two dimensions of responsible leadership, as preferred leadership approaches, in the financial planning industry, namely:

- the relational approach, and
- the ethical approach.

The study will consider how these two approaches to responsible leadership can be applied to achieve the TCF objectives, while at the same time lead financial planning businesses through the various changes (particularly the sales-to-service changes) that will follow in the wake of RDR. Furthermore, it will be argued that following these two approaches to responsible leadership will promote and embed similar behaviours in followers and, as such, the ethical culture in the financial planning business will be enhanced. This can be particularly beneficial to the large financial planning businesses owned by banks and insurance companies.

Considering the numerous ethical failures cited earlier and those to be cited later on, it is necessary for business leaders to cultivate ethical organisations and to become ethical role models themselves. It becomes the duty of the organisations leaders, particularly the board, to ensure the affairs of an organisation is conducted in an ethical manner (King III, 2009). The same principle must filter down to all levels of an organisation. This can be a time-consuming process but it needs to start somewhere. As the King Report on Governance for South Africa (2009) states: "it begins with the organisation's leadership".

1.4.2 Outline

In Chapter 2, a brief overview of various important concepts will be presented, starting with management and leadership, including leadership styles and approaches. From there, the notion of good leadership, as proposed by Joanne Ciulla, will be explored to understand it. This is followed by an introduction to responsible leadership.

In Chapter 3, the two dimensions of responsible leadership will be discussed: the relational and ethical approaches. The relational dimension will be discussed from a stakeholder-approach, while the ethical dimension will be discussed from a virtue-ethics perspective. While these are two separate approaches to responsible leadership, Chapter 3 will show how the two approaches can be harmonised.

Chapter 4 represents the crux of this study. The two approaches to responsible leadership will be applied to the financial planning industry. These two approaches to can be used to facilitate the

changes facing the industry. People in the financial planning industry will turn to their leaders and expect their leaders to safely navigate the rough waters of change that lie ahead. These changes will produce many challenges, as well as many opportunities. The responsible leader will be able to capitalise on these challenges and opportunities to lead their organisations towards sustainability, while at the same time building an ethical culture that will contribute to the sustainability of the organisation. For this reason, responsible leadership can become a decisive factor for financial planning organisations.

Finally, Chapter 5 will not only present a summary of this study but will also make recommendations as to how responsible leadership can be achieved in general and specifically in the financial services industry. By taking a responsible leadership approach in the financial planning industry, strategic policies can be implemented to restore trust and confidence in the industry in South Africa and, ultimately, contribute to the economic growth and economic well-being of the citizens of our beautiful country.

2 *CLARIFYING KEY CONCEPTS*

2.1 INTRODUCTION

In this chapter, three key concepts will be explored, namely leadership, good leadership and responsible leadership. These three concepts are central to this study therefore it is prudent to understand what is meant by these key concepts. In this way, ambiguity can be avoided.

The first concept that will be considered is that of leadership and the relationship between leadership and management. Leadership and management are often used synonymously thus it is important to understand the relationship between these two concepts. A comprehensive exploration of the relationship is beyond the scope of this study, as such only a brief discussion on these two concepts will be undertaken to understand the respective concepts and if a distinction between the two concepts is warranted within this study.

Before discussing good leadership and responsible leadership, various leadership styles will be considered. The discussions will revolve around a description of the respective styles, as well as how they relate to good leadership, i.e. effective and ethical leadership.

Good leadership, as defined by Ciulla, is a logical conjunction of "two senses, morally good and technically good or effective" (Ciulla, 2004: 13). Thus, good leadership occurs at the intersection of ethical and effective leadership. No matter how effective the leader, if the leader does not conduct his or her leadership in an ethical manner and does not achieve ethical outcomes, his or her leadership cannot be viewed as good leadership. Bearing this in mind, two realms of leadership is then possible: the realms of good and bad leadership. Within the realm of bad leadership, the notion of 'morally good' or ethical will be non-existent.

The term responsible leadership, according to Cameron, is usually used to represent four associations to leadership: "accountability and dependability", "freedom of action and empowerment", "grounded in stakeholder theory" and the "ability or inclination to act in an *appropriate* fashion" (2011: 25-26). Any of the four associations mentioned could have been used to explore responsible leadership. It is due to the current focus in the financial services industry – that of client centrality – that the stakeholder-approach was selected. Maak and Pless (2006: 42), in their stakeholder-approach, support virtue as a preferred moral theory approach to responsible leadership and, due to Cameron's fourth connotation of responsible leadership, the virtuous approach to responsible leadership needs to be considered. The next chapter will discuss these two separate yet interrelated approaches to responsible leadership.

2.2 LEADERSHIP OR MANAGEMENT?

While leadership and management occur across various types of organisational, these concepts will only be considered broadly within a business context. Both leadership and management are present in business and it is important to establish what the respective functions are that encapsulate leadership and management. Once the different functions of leadership and management is determined, such knowledge will facilitate the identification of the respective role a person is engaged in at a particular point in time, be it leadership or management.

Tsoukas (1994: 290) posits that "management is a highly complex phenomenon and to hope that a unifying grand theory will explain all its aspects is futile". The same applies to leadership. This has been confirmed by Palmer (2009: 526), who argues that "arriving at a precise definition of leadership for the purposes of scholarly inquiry has not proven to be an easy task". What is required then is an overarching, bird's eye view of leadership and management.

According to Nienaber, both leadership and management "are concerned with the overall success of the business" (s.a.: 2). Each will be focused on a different aspect of the business, to achieve the desired overall objectives for the business. It is these different aspects that determine whether the term leadership or management is used to describe the overall activities of leadership or management.

Essop (2001: 3) succinctly delineates the leadership and management functions, in that management – and hence the manager – "directs resources to complete predetermined goals or projects" (2001: 3), while leadership – and hence leaders – are people who "exert their influence upon organizations and society" (2001: 6).

From Essop's interpretation of management and leadership, it becomes evident that management is authority-based and leadership is influence-based. Tsoukas confirms this in that managers have "delegated authority" (1994: 293) while Rost views leadership as "an influence relationship" (1995: 133).

Kotter (1990: 131-132) states that management essentially comprises of three functions, namely planning and budgeting, organisation and staffing, and controlling and problem solving. These functions "keep a complex organisation on time and on budget" (1990: 132). Leadership, on the other hand, can be described as establishing direction, motivating, inspiring, and aligning people (Kotter, 1990: 144).

In addition to the functions of management, as described by Kotter, Tsoukas (1994: 292) adds leading as a management function as well. By framing leading as a function of management, Tsoukas has drawn leadership into management, which supports Nienaber's findings "that management and leadership are inextricably interwoven" (s.a.: 16). Rost (1995: 129) supports this view, as is evident in his statement that "I finally figured out that what almost all of the authors writing about leadership in the past 75 years were saying was that leadership is good management".

According to Kotter (1990: 185), a leader's function is to "produce useful change", while a manager's function is to "create orderly results" but that both elements are "needed if organizations are to prosper" (1990: 199). Leadership initiates change while management converts these changes into results for the organisation. From this emerges a hierarchical structure, leadership initiates and management executes, not the other way around, thus leadership precedes management. Nienaber (s.a.: 8) agrees with such a structure when she refers to Sheldon (1923), "who points out that management proper (the execution of policy) is subordinate to administration (the formulation of policy)".

The leadership within an organisation establishes the direction (Kotter, 1990: 144) of the organisation, i.e. where the organisation is heading. "Vision and direction are essential for greatness" (Blanchard and Stoner, 2004: 1); without these the overall success of the organisation is doubtful. Gini (1997: 328) agreed by stating that the "first and central job of a leader" is to "create and communicate a clear vision of what they stand for".

According to Blanchard and Stoner (2004: 3), the "purpose of a vision statement is to create an aligned organization". Kotter (1990: 144) considers the alignment of people as the second function of leadership. The alignment of people goes hand-in-hand with communication, as the vision and direction of the organisation needs to be communicated to all within that organisation. Understanding the vision and direction of an organisation will guide those making daily decisions and align these decisions to the direction that the organisation is heading in.

Once the vision and direction of the organisation has been established and communicated throughout, it becomes important that the leaders keep on "motivating and inspiring" (Kotter, 1990: 144) people to move towards the vision. Without motivation and inspiration, the vision can become lost during testing times within the organisation. Keeping everyone on track is as important to initially determining the vision and direction for the organisation.

Kotter (1990: 120) considers "planning and budgeting" as a function of management. This function requires that planning be done in order to achieve the objectives of the organisation. This usually

involves the setting of targets and goals, then allocating resources to achieve these targets and goals. In order to execute these plans, people need to be allocated to the necessary tasks and organised in such a manner that the targets and goals are realised. Kotter (1990: 120) aptly refers to this as "organizing and staffing". As our own experiences attest, plans never work exactly as planned, things go wrong and adjustments need to be made and problems solved. Kotter (1990: 132) refers to this function of management as "controlling and problem solving".

The discussion on leadership and management highlights the complexities present in both leadership and management. A manager is not just a manager and neither is a leader just a leader. Within a business environment, an individual performs both roles at different times and as the situation necessitates. The individual's position in the organisational hierarchy and their unique traits will determine whether leadership or management will be the dominant function being exercised by the individual. Within a business environment, reference is usually made to the business leadership when people refer to those ranking higher in the organisational hierarchy, especially those who formulate strategy, be it at the macro or micro level.

Within this study, the key question is then whether a conceptual separation needs to be established between leadership and management. The answer is no. The complexities and interwoven aspects of leadership and management are of such a nature that, for the purposes of this study, the two concepts can be used interchangeable however greater emphasis will be placed on the leadership function, as leaders set the direction and goals of an organisation.

Such a position is not unprecedented, as confirmed by Rost and Nienaber, who have respectively stated that "leadership is good management" (Rost, 1993) and "the terms 'leadership' and 'management' (still) appear to be one and the same" (Nienaber, s.a.: 14). "Leadership by itself never keeps an operation on time and on budget year after year. And management by itself never creates significant useful change" (Kotter, 1990: 199). Both done effectively is needed for the overall success of the organisation or "to prosper", according to Kotter (1990: 199). Both leadership and management are required to effectively bring about change in any organisation.

2.3 LEADERSHIP STYLES AND APPROACHES

Leadership has a distinct ethical dimension, as will be confirmed by the numerous authors cited in this study. Leaders can be either ethical or unethical and, in some instances, even toxic, as Lipman-Blumen (2005: 29) refers to unethical leaders that have a destructive impact on their followers.

According to Bass (2008) leadership styles can broadly be classified into four categories and, in each category, there are two opposing leadership styles. There are:

- autocratic versus democratic,
- directive versus participative,
- task versus relations orientation, and
- initiation versus consideration.

The following will briefly explain these leadership styles.

2.3.1 Autocratic versus Democratic Leadership

Autocratic leadership is characterised as "arbitrary, controlling, power-oriented, coercive, punitive and closed-minded", which contrasts absolutely with democratic leadership, which is characterised as "considerate, consultative and participative, consensual, employee-centred, [and] concerned with people" (Bass, 2008: 441). These two leadership styles are opposites and both have their place within leadership discourse. When organisations find themselves in trouble and a turnaround is required, the autocratic leaders are the right leaders (Bass, 2008: 445) (Muczyk and Steel, 1998: 39-40) to bring about a turnaround. Their "sometimes unpopular decisions" (Bass, 2008: 445) need to be enforced when an organisation is in a crisis situation and "subordinates tend to rally around a decisive leader" (Muczyk and Steel, 1998: 39).

The reason for this is that during times of crisis, decisions need to be made and executed that do not lend themselves to "participative and permissive leadership approaches" (Muczyk and Steel, 1998: 42), particularly because "there is too much conflict with fundamental self-interest" (Muczyk and Steel, 1998: 42).

When an organisation is not in crises, a democratic leadership style will be more effective (Bass, 2008: 447). According to Bass (2008: 447), numerous studies have found that democratic leadership styles produce higher rates of productivity, reduced absenteeism, and reduced personnel turnover. Furthermore, it has been shown that "democratic approaches in organisations have a favourable effect on the physical and mental health of the members" (Bass, 2008: 448).

From an ethical perspective, the question then becomes 'which style tends more towards the ethical than the other?', which is not a simple question to answer. Rost (1995: 133) argues that any leadership style that is coercive is unethical, on the grounds that such coercion would transform the relationships between the leaders and followers into "an authority, power or dictatorial

relationship". Thus, should the leadership style tend towards the autocratic side of the autocratic and democratic spectrum, then such leadership will be viewed as tending towards being unethical; similarly, the inverse holds to be true. There is not a definitive separation but rather a gradual tendency towards a particular side.

2.3.2 Directive versus Participative Leadership

From the above, it is noted that autocratic leadership tends towards being directive, while democratic leadership tended towards being more participative. A leader can exhibit both styles however they will tend towards their preferred style. The same applies to the decision-making process: some leaders are directive while others are participative and "most leaders, managers and supervisors are both directive and participative, depending on the circumstances, but in different amounts" (Bass, 2008: 459).

Considering Tannenbaum and Schmidt's (1973: 164) continuum of leadership behaviour, these two leadership styles "are two parts of a continuum, with many gradations possible in between" (Bass, 2008: 460). At the one end, the leader makes all the decisions and then informs their followers of these decisions, with no participation from the followers in such a decision-making process. On the other end, leaders allow full decision-making functions to followers, "within prescribed limits" (Tannenbaum and Schmidt, 1973: 168). Between these two limits exist, in varying degrees, directive and participative behaviours.

When we consider these two leadership styles from Rost's (1993; 1995) point of view, he will no doubt consider the directive styles as unethical and consider the participative style as ethical. Rost (1995: 135, own italics added) states, "if people in the relationship (not just the leaders) use non-coercive, multidirectional strategies to influence people and if the changes that the leaders and collaborators agree upon reflect their mutual purposes, the process of leadership is ethical". Rost no doubt considers the directive leadership style as unethical. A participative leadership style is considered ethical thus any leadership style that tend towards a participative leadership style would be considered as ethical. In his own words, he [Rost] has stated that "if people want to do the process of leadership ethically, they must limit themselves to influence strategies (behaviours) and make sure that the proposed changes are mutually agreeable to the leaders and collaborators" (Rost, 1995: 135).

2.3.3 Task versus Relations Orientation

The above discussion highlights two opposite approaches to leadership; the following section supplements the foregoing discussions by considering the relationship- versus task-orientated leadership styles. The task-oriented leaders are less concerned with "their group's goals and the means to achieve these goals" (Bass, 2008: 498), their concern is directed to production. Task-oriented leaders score a 9:1 on *The Managerial Grid* (Blake and Mouton, 1982: 23) (Bass, 2008: 512). Blake and Mouton's *Managerial Grid* is a matrix that, on the horizontal axis (*x*-axis) (represented by the first digit in the ratio), plots the leader/manager's concern for production, while their concern for people is plotted on the vertical axis (*y*-axis), represented by the second digit in the ratio. Thus, a 9:9 co-ordinate points to a leader who is highly concerned for both production and people, while a 1:1 leader has minimum concern for either. Task-orientation is characteristic of autocratic leaders and hard drivers and persuader type leadership styles (Bass, 2008: 498). From *The Managerial Grid*, one can conclude that the 9:1 personality is concerned with production and has minimal concern for their followers, who "are likely to keep their distance psychologically from their followers" (Bass, 2008: 498). This is in stark contrast to the 1:9 leaders, who have little concern for production but is more concerned about people.

Relationship-oriented leaders have a concern for others, "attempting to reduce emotional conflicts, harmonizing relations among others" (Bass, 2008: 499). The relational leaders tend to be expressive and establish emotional and social ties with their followers, while, at the same time, developing followers "to more mature relationships" (Bass, 2008: 499). Relationship-oriented leaders are concerned for their followers' wellbeing and welfare. This concern also extends to the group and is not limited to just the individuals; in that the relational leader also fosters good relations among the group members.

The two contrasting styles in this section, when viewed from an ethical perspective, both have a relational or production focus. Having a production focus is in itself is not unethical and can even be ethical in some instances (when it is effective). However, when we consider the focus of the two styles, a style that is geared towards relationships will be considered more ethical than one that is not. Relationships, as will be seen later, play a fundamental role in responsible leadership, and will enjoy some further attention in the following chapter.

2.3.4 Initiation versus Consideration

According to Bass (2008: 539), a shift in leadership studies took place in the 1940s, a shift towards determining what it is that leaders do. From there emerged the initiation and consideration styles.

Some leaders are "hesitant about taking initiatives", be it for themselves or the group; such leaders generally fail to "take the necessary actions" and only "makes suggestions when members ask for it" (Bass, 2008: 540). Furthermore this leader "lets members do the work the way they think best". The initiative and non-initiative leaders are at opposite ends of the spectrum on initiating leadership.

The initiation and considering styles are closely related to the other leadership styles, autocratic versus democratic, task versus relational, and directive versus participative (Bass, 2008: 551). As the name implies, the initiating leader defines and initiate the activities of a group. The leader then also determines the required actions that need to be done (Bass, 2008: 540). The leader establishes the necessary structures, defines what needs to be done and by whom. The orientation is towards tasks and the style is reminiscent to that of autocratic, directive, and task-orientated leadership styles.

The activities of the considerate leader are squarely in the realm of being considerate to their followers, a humanist approach to leadership. Humanism is a philosophical and ethical stance that emphasises the value and agency of human beings, individually and collectively (Wikipedia, 2015). Showing appreciation towards followers for work done well and focusing on work satisfaction is but a part of strengthening and building self-esteem among followers. Bass argues that "considerate leaders provide support that is oriented toward relationships, friendship, mutual trust, and interpersonal warmth" (2008: 539).

The inconsiderate leader, by contrast, "criticises subordinates in public, treats them without considering their feelings, threatens their security, and refuses to accept their suggestions or to explain" their own actions (Bass, 2008: 539).

From an ethical perspective, any form of leadership that treats subordinates in a disrespectful and threatening manner will be considered unethical, as such leadership actions do not promote the common good. Any style that is not practised in an ethical manner needs to be regarded as bad or as unethical leadership.

2.4 GOOD LEADERSHIP

Looking back, "history defines successful leaders largely in terms of their ability to bring about change for better or worse" (Ciulla, 2004b: 310). This interpretation of a successful leader judges the leadership purely from a pragmatic perspective. Based on such an interpretation, it can be concluded that both Hitler and Mandela where successful leaders, since both brought about huge

changes in their respective countries. Surely such a conclusion cannot be correct, Hitler is responsible for the murder of millions of Jews and innocent civilians in Europe whereas Mandela brought about a peaceful transition to democracy in South Africa and promoted a culture of forgiveness and inclusivity. Hence an interpretation of leadership that does not address the moral aspects of leadership – but rather only the effective aspects of leadership – is lacking.

When we consider the above example within a business context, we can see that many of the recent business failures (Enron, World Com, etc.) were related to ethical lapses on the part of the senior executives of the businesses. In the case of Salomon Brothers, a prominent financial services business in New York, the leadership style of John Gutfreund "helped to mould a corporate culture that eventually resulted in unethical and illegal behaviour" (Sims and Brinkmann, 2002: 330). In the 1980s, prior to the collapse of Salomon Brothers, John Gutfreund was hailed as "The King of Wall Street" (Sterngold, 1988). Thus, at some stage Gutfreund was considered a good leader however once an ethical dimension was added, he was no longer regarded as such. The question then arises: what is good leadership?

When Ciulla (2004: 13) uses the word "good", she frames the meaning of the word within two senses: effective and ethical. Good leadership occurs at the intersection of effective and ethical leadership, a "logical conjunction" (2004: 13) as such. No matter how effective or pragmatic a leader is, if his or her leadership is not both effective and ethical, then such leadership, or a leader, cannot be defined as *good*. Ethical leadership within this context should be thought of in terms of a democratic, participative, relational and considerate, and have a balanced approach. Good leadership can be graphically represented as demonstrated below.

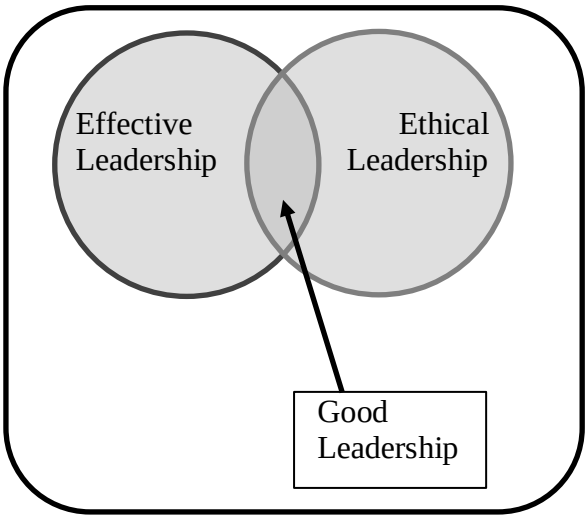

Figure 1: Graphical Representation of Good Leadership

Thus, considering the above example of John Gutfreund, while he was once considered as "the King of Wall Street", due to his effectiveness as a leader to produce profits, he cannot be regarded as a good leader due to his ethical failures.

From Ciulla's interpretation of good leadership, we can determine that when leadership is ineffective or when leadership is conducted unethically, such leadership cannot be viewed as good. Taking the concept of good leadership to the next level brings us to responsible leadership. The following section will take a brief overview of what responsible leadership is before the next chapter discusses this concept in more detail.

2.5 RESPONSIBLE LEADERSHIP

Responsible leadership is a key concept in King III's King Report on Governance for South African companies (2009), yet King III does not define what responsible leadership is. The reason for this could be that "responsible leadership is not the same concept in the minds of all" (Pless and Maak, 2011: 5). This then begs the question of what responsible leadership is. Pless and Maak defines responsible leadership as "a relational and ethical phenomenon, which occurs in social processes of interaction with those who effect or are affected by leadership and have a stake in the purpose and vision of the leadership relationship" (2006: 103, own italics added).

Even though the term stakeholder/s has not been defined in King III's Report either, a reading of the Report points to a very wide interpretation of stakeholders. According the Evan and Freeman, stakeholders are "any group or individual who can affect or is affected by the corporation" (c.1983: 79). For the purposes of this study, this interpretation of stakeholders will be applied as it provides for an encompassing overview of stakeholders.

A critical aspect of responsible leadership that differentiates it from mere leadership, and even good leadership, is the distinct relational dimension. Ciulla defined good leadership as the point where effective and ethical leadership overlaps. While the discussion in section 2.3 considered the democratic, participative, relational and considerate dimensions of leadership as ethical, these same dimensions form part of how responsible leaders are to engage with stakeholders. This will be expanded upon in Section 3.3.

Taking this notion to the responsible leadership level, responsible leadership is the point where the relational and ethical dimensions of leadership intersect. Once again, imagine two overlapping circles, one representing the relational dimension and the other, the ethical dimension. The realm

of responsible leadership is where these two circles intersect. This is graphically represented as per the figure below.

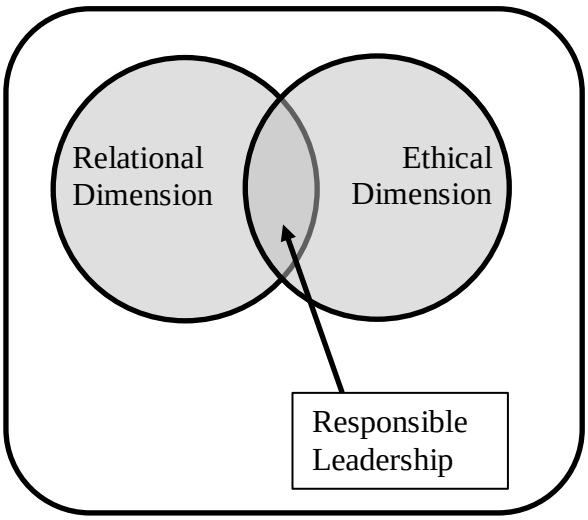

Figure 2: Graphical Representation of Responsible Leadership

Thus, responsible leadership, while similar to good leadership, is distinguishable from good leadership by the relational dimension. In the absence of the relational dimension, responsible leadership can be equated to good leadership and, in the absence of the ethical dimension, mere leadership.

Due to the relational and ethical dimensions of responsible leadership, both of these dimensions will be further investigated in the following chapter. The relational approach will pay particular attention to the stakeholder environment, as defined in the next chapter. Stakeholders can have a meaningful impact on organisations, positive or negative. Similarly, organisations can have a positive or negative impact on their stakeholders. Thus, it is important that a stakeholder-approach be considered for the relational dimension.

While the ethical dimensions of leadership were touched on in section 2.3, focusing on the virtuous approach will shed additional light on the ethical dimension of responsible leadership. Virtue-ethics is well suited, as will be shown in the next chapter, to responsible leadership. It requires the leader to take the situation and other people (even organisations) into account. Virtue-ethics is not narrowly focused on outcomes or means of achieving outcomes but rather turns the focus inwards and provides guidance as to how a person should conduct themselves. In the following chapter, the discussion on virtue-ethics will centre around a discussion of the four cardinal virtues.

These two dimensions of responsible leadership can be clarified by means of an example. Consider the well-known Fidentia case involving J Arthur Brown, who led Fidentia to financial collapse due to his unethical activities. Not only did Fidentia's employees find themselves out on the street with the collapse of Fidentia but so did many widows and orphans find themselves without an income as a result of Brown's mismanagement of funds and criminal activities. These widows and orphans were dependent on the financial payments they received from the guardians' fund administered by Fidentia. Most, if not all, of the widows and orphans had never even heard of Brown until it surfaced that Fidentia had squandered the funds intended for their financial support. This highlights the impact that a business can have on its employees and society (stakeholders), as well as the importance of a stakeholder focus by businesses. At the same time, the importance of ethical leaders emerges.

As a result of similar instances to the above, there have been calls for change in the business world, a call towards responsible leadership (Pless and Maak, 2011: 3), as well as a call for virtuous leaders (Malloch and Mamorsky, 2013). In addition to Malloch and Mamorsky, numerous other authors similarly are calling for a return to a virtuous based approach to leadership, among them are Sison (2003), Maak and Pless (2006) and Whetstone (2001).

2.6 BRINGING IT TOGETHER

From the preceding discussion, it was established that leadership is not entirely separate from management and both strive towards the overall success of the business. Management's focus is on execution while leadership's focus is on determining the direction the organisation is heading in. A person can be both manager and leader but not at the same time and the fact that a person is one does not mean they cannot be the other. It will depend on a person's aptitude as to which role they will occupy best.

Ciulla introduced us to the concept of good leadership, leadership that is both effective and ethical. While it is difficult to define both effective and ethical, it is sufficient to state that, should the organisational objectives be achieved, then we can consider the leadership to be effective. When leadership is democratic, participative and considerate, as well as finds a suitable balance between task-orientation and relationship-orientation, then such leadership can be viewed as ethical, as was mentioned in the section on Leadership Styles and Approaches.

Responsible leadership brings leadership into the broader societal realm, in that it needs to consider the organisation's stakeholders. The actions (as well as inaction) of the organisation's leadership

has a much wider impact than just on the organisation, as was determined from the various cases mentioned thus far.

In addition to Maak and Pless introducing us to the relational aspects of responsible leadership, numerous authors have called for a return to virtuous leadership within organisations. Therefore, these two approaches will be discussed in greater detail in the next chapter and will be put forward as normative approaches to the relational and ethical dimensions of responsible leadership.

The financial planning industry can benefit immensely from leaders that consider how their organisation's actions will affect their clients and, within this context, be able to treat their clients fairly. Furthermore, organisations continually have to navigate through turbulent times and it is at challenging times that organisations need to be led by ethical leaders. Leaders that find long-term solutions and do not just consider the immediate situation and devise a short-term solution are required. The future sustainability of an organisation depends on the leader's ability to make proper decisions for the future.

The next chapter will expand on this introduction to responsible leadership and discuss the two normative approaches that can be applied to it.

3 TWO NORMATIVE APPROACHES TO RESPONSIBLE LEADERSHIP

3.1 INTRODUCTION

Responsible leadership occurs at the intersection of two dimensions: the relational and the ethical. The relational dimension will be discussed from a stakeholder perspective. A mere intention by organisational leaders to keep stakeholders' interests in mind will not suffice; stakeholders need to be engaged and understood.

The discussion on the relational approach is based on work done by Maak and Pless. Stakeholder awareness and involvement has been enjoying focus for some time now and, as such, it is important that a leader understands the stakeholder environment and how to successfully navigate the stakeholder environment.

Ethical failures abound; one only has to follow the news to confirm this. But does this mean all is lost, that business cannot be ethical? An organisation is composed of people and is led by people. It follows that when responsible leaders direct organisations, the organisation can become ethical.

But what type of ethical leaders are required to lead organisations towards an organisation that can be regarded as ethical? In short, the virtuous type. As was seen earlier in this study, there have been numerous calls for the return of virtuous leaders within organisations. Within this study, the ethical dimension of responsible leadership will be based on the virtuous approach. Furthermore, it will be shown that the virtuous approach is complementary to the stakeholder-approach. While the two dimensions are mentioned separately, both need to work together in order to achieve responsible leadership.

3.2 THE INTERACTION BETWEEN THE RELATIONAL AND ETHICAL DIMENSIONS

3.2.1 The Relational Aspect of Leadership

According to Maak and Pless (2006), stakeholders play the dominant role in the relational dimension therefore the following section will place some focus on stakeholder theory to add context to the stakeholder-approach within responsible leadership.

In section 2.3, various leadership styles were discussed and what was apparent from the discussion was that relationships play an important role in determining whether the leadership style can be regarded as ethical or not. Styles that tended towards closer relationships between leaders and followers tend towards being ethical. This is no coincidence, as leadership is relationally based.

Management can escape the relational dimension, as systems can be managed, but systems cannot be led; only people can be led.

The cultural, ethnic, gender and language diversity of the modern workplace requires a leader that is able to respond to complexities and who is capable of seeing "the connections between seemingly independent events, understanding how decisions in one area have longer-term impact on business accountability and social responsibility" (Geller, 2009: 177). The leader of the twenty-first century is a leader who is able to see the big picture and furthermore can make sense thereof. The big picture only becomes visible through the interactions with numerous people and organisations. These interactions are only possible when there is some form of relationship in place.

Geller mentions five requirements that a leader in the twenty-first century needs in order to lead effectively: to act ethically, be personally courageous, transform organisations into places of innovation, give voice to others and lead a more diverse workforce. Giving others a voice is only possible within a relational dimension of responsible leadership. Engaging with various stakeholders and giving them a voice takes courage and it takes a courageous responsible leader to give effect to their concerns and desires. This is especially so when stakeholders are hostile to leaders or the goals of the stakeholders are not in line with those of the leader. A courageous leader will be able to represent the stakeholder's position in subsequent meetings and give them a voice.

3.2.2 Stakeholder Theory within the Ambient of Responsible Leadership

Stakeholder theory has been developing over the past number of years. The work done by Friedman laid the foundation for the development of stakeholder theory, including the developments in the concept of corporate social responsibility. Friedman initially considered stakeholders to be the organisation's shareholders (1970: 435). Since then, the notion of stakeholder/s has broadened significantly.

In *A Stakeholder Theory of the Modern Corporation*, Evan and Freeman (c.1983) highlight the journey that corporate social responsibility has taken and the development of modern day stakeholder theory. At the advent of the modern corporation, the responsibilities of the organisation's management and leadership were to the shareholders. As time went by, organisational leaders became more and more constrained by the law due to a shift from *caveat*

emptor to *caveat venditor*[4]. This shift started giving more power to the consumer and, in some instances, to the general public.

The habitual disregard for the commons by organisations, for example air pollution, led governments to introduce legislation that furthermore constrained organisations' leadership. In some instances, organisations embarked on a systematic monopolising of the industry that they are involved in, all in an attempt to reduce or even get rid of competition.

Due to the activities of those organisations that contribute to the "spoiling of the commons" (Evan and Freeman, c.1983: 77), governments were led to introduce legislation that would make the organisations responsible for their actions, which, in turn, gave certain rights to local communities and the public at large.

It was within the above context that Evan and Freeman developed a different interpretation of stakeholders as they pertain to an organisation, along with a different interpretation of corporate social responsibility. Within Evan and Freemans' conception of CSR, a stakeholder is considered in a much broader sense and is not merely limited to shareholders. Rather, stakeholders within Freemans' model are those people and/or organisations that are affected by the organisation or can be affected by them. Hence, the adoption of Evan and Freeman's (section 2.5) definition of stakeholders as "any group or individual who can affect or is affected by the corporation" (c.1983: 79).

Responsible leaders are not just in a relationship with the shareholders but also with all stakeholders, some of whom are not even known yet, but, by using a relational approach, even these stakeholders can be included and be heard.

3.2.3 The Importance of an Ethical Dimension

The importance of ethical conduct of business and business leaders has been emphasised before. In the same manner as good leadership, any conception of leadership that does not address an ethical component or dimension will be severely lacking in the current age. The modern-day organisation can be viewed as a small community within the greater community. Murphy (1999) argues that within an organisational community, virtue-ethics can be applied. He motivates this in

[4] *Caveat emptor* means buyer beware and *caveat venditor* means seller beware.

three ways: first, communities play a central role in virtue-ethics; second, companies are made up of individuals; and lastly, individual virtues can be translated into corporate virtues.

Thus, if individual virtues are translated into corporate virtues, i.e. the organisation is a reflection of the leaders, then it becomes apparent that the two cannot be separated. It is the leaders who "set the tone for the entire organization and their ethical leadership can have a major impact" (Murphy, 1999: 118). Therefore, it is also important to hire and promote people with strong ethical characters, as these senior people are regarded as potential mentors, formally or not, by juniors (118). The example that these mentors exhibit will be imitated by junior staff.

The CSR focus in many organisations also necessitates the needs for leaders to include ethical dimensions into their leadership roles. Stakeholders need to be considered when making business decisions, be that for the short- or long-term. Technology facilitates the instantaneous exchange of information and organisations must consider their public persona and reputation within the digital world.

The easy access to information and the plethora of information available in the digital sphere makes it virtually impossible to hide or cover up unethical behaviours, be it by big corporations or individuals. Once it has entered the digital world, it cannot be withdrawn hence the overwhelming importance for organisations to ensure they act in an ethical manner. The reputational risk and subsequent risk of revenue-loss looms large over every organisation.

Yet, when there have been failures in organisations, the manner in which these failures are dealt with will determine the future of the organisation. Consider the cases of Enron, and Johnson and Johnson. One company is still operational and doing well, while the other no longer is.

Enron was embroiled in one of the biggest ethical failures of its time and, in the process, destroyed Arthur Andersen, a long-standing accounting firm. Right up to the end, Kenneth Lay, the then CEO of Enron, denied any wrongdoing. The case finally went to trial and both Lay and former CEO, Jeffrey Skilling, were found guilty of fraud, insider-trading and conspiracy. Lay was facing 45 years in jail and passed away in 2006, three months prior to his sentencing hearing. Lay did not admit guilt but rather tried to deny it and claim that he was oblivious to what was going on. When faced with the ethical challenges of telling the truth or covering up the truth, Lay chose to cover it up; he chose to rather act unethically. While his case involved fraud, and admitting it would have serious legal ramifications for him, so other CEO's have faced similar ramifications. It was due to the Enron scandal that the American Congress passed the Sarbanes-Oxley Act, in an attempt to improve corporate accountability.

On the other hand, Johnson and Johnson faced an ethical situation when it emerged that the very successful Tylenol drug has been the cause of seven deaths during 1982 in the Chicago area, after the capsules were laced with cyanide. John Burke, the then CEO, acted swiftly by being completely open about what had happened and immediately recalled the drug from the shelves. Thereafter, Johnson and Johnson implemented measures to prevent a reoccurrence. Johnson and Johnson was prepared to bear the costs in order to ensure the safety of their consumers (Unknown, 2008). The first sentence of the Johnson and Johnson credo states "We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services"[5]. This sentence laid the foundation for the CEO to make the decisions that he did. When asked how he could possibly have done such a thing, he simply referred to Johnson and Johnson's credo. Such a call was only possible from a virtuous ethical perspective. Due to this, we (the public at large) have the comfort of knowing that our drugs have not been tampered with because of the implementation of tamper-proof packaging.

Understanding the interaction between the relational and ethical dimensions of responsible leadership, as explained above, lays the foundation to explore the two dimensions in greater detail.

3.3 THE RELATIONAL DIMENSION: A STAKEHOLDER-APPROACH

3.3.1 Introduction

Hollander mentions that leaders "who failed to reach their expected potential were more often found to lack skills in relating to others, but not a deficit in their technical skills" (1990: 62). Consequently, a leader's ability to engage and relate to other people is a determining factor for his or her success or failure and, ultimately, the success or failure of the organisation he or she represents. In the same way, more than 20 years later, Maak and Pless (2006: 50) consider a relational approach to responsible leadership as being important in that "leadership is all about relationships … responsible leadership is about building and sustaining trustful relationships to all relevant stakeholders".

Thus, the leader's ability to build and maintain relationships with stakeholders plays a central role in his or her leadership. This is supported by Gini, who states that "leadership is always plural, it always occurs within the context of others" (Gini, 1997: 325). Having an understanding of the

[5] http://www.jnj.com/sites/default/files/pdf/jnj_ourcredo_english_us_8.5x11_cmyk.pdf accessed 28 February 2016

respective relationship dimensions that are at play within a stakeholder relational environment will undoubtedly add to the responsible leader's ability to lead.

While Maak and Pless, who are the leading theorists with regards to the relational understanding of responsible leadership, do not explicitly define what they mean by stakeholders however they do list stakeholders as "employees, clients, suppliers, shareholders, communities, NGO's, etc.". From this definition, we can see that the scope of stakeholders is rather broad. Businesses do not operate in isolation from these stakeholders; the size, location and type of business will determine the degree of stakeholder participation and interest.

Clients are those stakeholders that make use of or purchase the goods or services of the organisation. Interest groups are those who have a socio-political interest in the organisation. Such groups include organisations such as Green Peace or consumer rights groups. These organisations represent the public at large. Suppliers of goods and/or services to organisation form another stakeholder group. These organisations can both influence or be influenced by the organisation. Consider, for a moment, what the implications will be for Woolworths if one of its fresh produce suppliers made use of child labour on their farms. Such a revelation will have a negative impact on the organisation. As such, Woolworths can exert pressure on their suppliers to adhere to certain minimum standards.

Employees and contractors form a separate stakeholder group. These people or organisations supply human or intellectual capital to the organisation. Then there is the investor group of stakeholders. This group provides the necessary financial capital for the organisation to operate and may include lending-institutions, such as banks or venture capitalists.

Relationships are important within a stakeholder environment, as such leaders cannot afford to neglect the relational dimensions of their leadership. Neglecting the relational dimension can have undesirable consequences for the organisation and for the leader. Due to the importance of relationships, it is paramount that a leader understands the dynamics at play within the relational approach in order to lead responsibly.

The relational approach to responsible leadership, according to Maak and Pless (2006), can be discussed under four headings: the weaving of a web of inclusion, challenges leaders face within a stakeholder society, the leader as a moral person, and the leader's roles and responsibilities.

3.3.2 Weaving a Web of Inclusion

Maak and Pless emphasise the importance of relationships in stating that "the development of sustainable relationships with clients, employees, shareholders and other stakeholders, is one of the most important determinants of current and future organizational viability and business excellence" (2006: 39). The very existence of the organisation is at stake if the leader is not able to foster sustainable relationships with stakeholders. The priority of the leader should be to develop relationships with stakeholders where they do not exist already. Existing relationships, be they strong or weak, need to be nurtured and grown. Weak relationships may require additional attention in order to be restored. With a relationship in place, the leader can start the challenging task of weaving a web of inclusion (2006: 41), bringing people together from different backgrounds.

Given the diversity of stakeholders that leaders are required to engage with, especially stakeholders holding different values and interest, it is important for the leader to be able to connect with the all stakeholders. As a weaver of a web of inclusion, the leader has to find connection points with the respective stakeholders. In the absence of connection points, the leader must build these. A connection point can loosely be described as a point of mutual interest. In order for the leader to build and maintain these connection points, the leader has to be "both interpersonally and ethically competent" (Maak and Pless, 2006: 39). This means that the leader has to have the ability to engage with people, and specifically stakeholders, in a manner that builds relationships and creates a desire within the them to follow the leader.

Trust and "building trustful relationships" (Maak and Pless, 2006: 41) needs to be at the centre of the leader-follower relationship. Without trust, leaders would not be able to raise their followers to "higher levels of … morality" (Burns, 2012: 20). Furthermore, a leader may not control the relationship in "irresponsible ways by use of power" (2006: 40). The abuse of power by a leader to achieve his or her objectives will result in irresponsible leadership and would lead to a breakdown of trust. A leader who is interpersonally competent is a leader who has the requisite skills and abilities to engage with people in a meaningful manner.

The web of inclusion that Maak and Pless refer to requires that the leader engage with stakeholders on an equal footing and not as some "great man" (2006: 41). The leader should be someone "who can relate in different ways, who [is] able to align different values into a common vision, to listen to others, care for others and ultimately serve others" (2006: 41). From this, we can distinctly see that a responsible leader is not someone who is in it for him- or herself but rather someone who places others first and is concerned for the other person's wellbeing. Unfortunately, there are many

who say they care but their actions convey something different. It is important that a leader has integrity and that the stakeholders can trust the leader.

Without trust, there cannot be a sustainable relationship between the leader and stakeholders. Trust is a slippery concept however, in the context of responsible leadership, it can be interpreted as being related to integrity, that the leader "walks the talk" (Maak and Pless, 2006: 42) or that the "leader's values and principles are in line with [his or] her actions" (2006: 42). There are many challenges that exist in a stakeholder environment and these challenges cannot be addressed in the absence of trust.

Stakeholders have different interests and some stakeholders find themselves in a vulnerable position, such as a community residing near a factory that legally expels noxious gases. This vulnerability refers to an organisation's "actions in the absence of legally or contractually enforceable obligations" (Greenwood and Van Buren III, 2010: 425). In the absence of such enforceable obligations, the respective stakeholders engage on a mutual trust basis. It is the obligation of those that are in a position of power not to abuse this, since an abuse of power will erode the levels of trust that is required for a web of inclusion.

3.3.3 Challenges Faced by Responsible Leaders

Any organisation faces many challenges on a regular basis, sometimes even the best laid plans can go astray and a thoughtful marketing campaign can result in unintended consequences. For example, consider the recent Feed-A-Child television advertisement (2014) of the white lady feeding a black child the scraps from her table. This advertisement "caused outrage on social media over the way the black child was portrayed as a dog" (SAPA, 2014). The intention of the television advertisement was to focus the viewer's attention on starving children, not racial differences. The advertisement was eventually removed from television after the Advertising Standards Board received numerous complaints where viewers cited that the advertisement is racial in its depictions.

All businesses face challenges unique to their particular sectors. Similarly, leaders face numerous challenges however the stakeholder environment brings with it unique challenges, such as depicted in the above example. In the above example, activists played a deciding role in having the advertisement banned. These challenges are due to the "interdependence and interconnection of people and process" (Maak and Pless, 2006: 34) within stakeholder environments. One example of such interconnectivity is that of the availability and access to information and social media. In the above example, social media was used instrumentally (by activists and others) to exert pressure to have the advertisement removed from the air.

While stakeholders form a group purely due to being stakeholders of a particular organisation, it does not mean they are seeking the same objectives. This is but one of the key challenges within a stakeholder environment, in that stakeholders may have divergent and even conflicting interests. The shareholders are expecting a return on their capital and the employees are expecting bonuses and salary-increases, while the community is seeking community-development from the business. To satisfy one stakeholder may require that another stakeholder group's expectations are not met.

It becomes the leader's responsibility to balance these different expectations and this can only be achieved if the leaders have "a mature interpersonal approach to building stakeholder relations, using emotional skills and showing integrity" (Maak and Pless, 2006: 37). The leader has to be tuned into the different stakeholders' interests and "ensure fair and respectful treatment of people, dealing competently with conflicts of interests" (2006: 37).

Stakeholder challenges also include diversity challenges. As South Africans, we are fortunate to be very familiar with diversity however this does not mean that we do not have challenges when it comes to such matters. Leaders need to resolve the diversity challenge by "creating a multicultural and inclusive environment in which people regardless of background and orientation feel valued and respected, and can contribute too according to their highest potential" (Maak and Pless, 2006: 36). A leader can, for example, take cognisance of stakeholders' respective dietary requirements and cater accordingly at stakeholder meetings. Doing so will avoid an uncomfortable situation where a particular stakeholder feels that their unique situation did not warrant attention. However, if a leader makes provision for different stakeholders' dietary requirements, the leader can highlight to stakeholders that the leader is aware of the stakeholders' needs and respects differences among stakeholders.

Along with people from diverse backgrounds comes "the ethics challenge of creating common ethical standards while respecting moral differences" (Maak and Pless, 2006: 36). The challenge that Maak and Pless identify is that of finding some form of moral harmony between stakeholders. This challenge essentially revolves around balancing the various stakeholders' interests from a moral perspective. Maak and Pless suggest that in order to overcome the ethics challenges, leaders need to be mindful of "their own values and moral standards as well as those of their constituents", calling for leaders to lead "with integrity while respecting diverse, sometimes conflicting interests" (2006: 36). A responsible leader has to be familiar with value types and origins, in order to better understand various stakeholders. Maak and Pless identify three aspects that guide our values: societal values, individual values and relational values (2006: 37-38).

Our societal values (Maak and Pless, 2006: 37) are the result of us living together in social structures. Such structures include our family, our working environment and community interactions. These values have emerged over time and continue to emerge, creating different groups within the society which are at different stages of emergence. A value, such as respect for others, would be an example of a societal value. Without respect for other people, society will descend into intolerance.

While societal values apply to a particular society in general, we, as individuals, have our own "individual values" that form part of each person's identity (Maak and Pless, 2006: 37). These values are indicative of a person's behaviour and reflects the various virtues or vices that a person possesses, such as courage (a virtue) or cowardice (a vice). A person that has courage will not remain mute in the face of unequal treatment of stakeholders, whereas a person that possesses the cowardly vice will not speak up.

The third value that Maak and Pless identified is that of relational values (2006: 38). These include, but are not limited to, tolerance, fairness and trustworthiness. These relate to how the leader interacts with stakeholders and determines the "quality of the relationship" (2006: 38). Mutual respect is one such relational value that can determine the success or failure of any relationship.

The challenges faced by a responsible leader in the stakeholder environment, as highlighted above, are numerous. Not only must the leader build lasting and enduring relationships but he or she must also be relationally competent in dealing with various stakeholders in a stakeholder relationship. Maak and Pless (2006: 43) posit that a "responsible leader should have character … be led by desirable virtues … and should practice introspection" when dealing with stakeholders. As such, closer attention will be given to the leader as person, as well as some of the roles a responsible leader is required to fulfil within the relational approach to responsible leadership.

3.3.4 The Roles and Responsibilities of a Responsible Leader

A leader's function is not singular but rather multidimensional, as we have seen from the challenges a leader faces. The leader must not only be sensitive to stakeholders' different cultural orientation but must also consider their respective ethical perspectives. The same applies to leadership roles. A leader cannot fulfil only one role but rather has to alternate and even play multiple roles at the same time to be a responsible leader. A responsible leader can, for instance, be a steward and change agent. As a change agent, the leader can lead stakeholders from different dispositions to a single objective.

The role of steward within leadership is probably the most important role for a leader to fulfil. As a steward, the leader is a "guardian of values, a stronghold to protect personal and sectorial integrity" (Maak and Pless, 2006: 46). This is a very noble position to occupy but it is by no means an easy one. The leader will have to face many obstacles and will have to navigate numerous and often conflicting values thus ultimately protecting and preserving that which the leader has been entrusted with.

As stewards, leaders cannot act in their own self-interest but have to also act in the interest of those who are being led. If leaders only acted in their or their organisation's interest, then the leader would be neglecting his or her stakeholders. This will no doubt lead to a deterioration of trust and/or the leader's integrity.

A leader interacts with people from different backgrounds and it becomes a leadership function within an organisation to build an "inclusive integrity culture" (Maak and Pless, 2006: 47), one where people are not discriminated against or being ill-treated due to certain attributes that they possess, like race, gender or religious orientation. This requires the leader to build an organisation where people can reach "their highest potential, both in a business and moral sense" (2006: 47).

In pursuing an inclusive integrity culture, the leader will be required to fulfil the role of "architect" (Maak and Pless, 2006: 47) by leading the way for a values-based organisational structure. This values-based approach should permeate all aspects of the organisation, not just the organisational structure but also the way in which the organisation operates or interacts with various stakeholders. Such an integrated approach supports the common good.

To lead an organisation and stakeholders towards a shared-values system, a leader may have to take on the role of "storyteller" (Maak and Pless, 2006: 47) in order to convey his or her vision. Many of the challenges that a leader will be faced with are abstract in nature and the use of stories becomes "a very useful tool to support the creation of meaning and sense making" (2006: 47) of how the various value systems can interact with each other and on how a values-aligned organisation can emerge.

When we consider the various roles a leader is required to fulfil, it becomes clear that a leader needs to be a "change agent" (Maak and Pless, 2006: 48). The leader is required to take the organisation, including the various stakeholders, from point A to point B and the transition from a values-neutral position to a values-laden position. This becomes a function of leadership to "raise their followers up through various stages of morality and need" (Ciulla, 2004: 15).

3.3.5 The Leader as a Moral Person

To be a responsible leader requires more than just an understanding and application of the above dimensions. Leaders who are not able to relate to other people will not be able to ascent to the position of responsible leader. Rather a responsible leader is someone who is a "good leader in the broader context of a stakeholder society" and not just someone who is a "good leader in a limited business context" (Maak and Pless, 2006: 42). Bearing in mind that good leadership is defined in both ethical and effective dimensions and that good leadership precedes responsible leadership, the question can then be raised as to whether we require our leaders to be more moral and to have higher moral standards.

To this question, Maak and Pless, along with Ciulla, will respond in the negative, arguing rather that "leaders must be more successful in living up to moral standards" (Ciulla, 2004) (Ciulla, 2007: 24). Ciulla's position needs some clarity: leaders are not expected to have higher moral standards, similar to the *great man theory*, where the leader is regarded as an exceptional person; rather leaders should be held to "the same standards as the rest of society" (Maak and Pless, 2006: 42) and succeed more often at living up to those standards. If marital faithfulness were a standard valued in society, then leaders would be scorned, should they become guilty of infidelity. We do not impose a different standard on our leaders but "what we do expect from our leaders is that they fail less and succeed more often than most people at meeting those standards" (Ciulla, 2001: 314), imposed by society and ourselves.

Maak and Pless require leaders to lead with integrity. This "is only possible if principles and practice match" (2006: 42). According to Maak and Pless, a leader will be regarded as having integrity when "a leader's values and principles are in line with her actions" (2006: 42). This requires consistency in the leader's actions. The leader has to act according to his or her values. Maak and Pless remind their readers that Aristotle[6] considers doing the right thing as not being enough but "that our character and virtues have to match and that we live what is good and desirable" (2006: 43). Leaders that have integrity will instil trust with the respective stakeholders. Furthermore, "the virtues help us in leading a good and meaningful life" (2006: 42). Maak and Pless note that a "responsible leader should have character …; be led by desirable virtues and principles …; and should practise introspection" (2006: 43).

---

[6] Aristotle was a Greek philosopher and scientist, born 384 BC and died 322BC.

Maak and Pless (2006: 43) capture the meaning of 'character' as "having the right values and showing a firm – but not unchangeable – moral personality". This links together with integrity, a leader who has integrity also has character. The desirable virtues and principles, according to Maak and Pless (2006: 43), are "respect, care, service, honesty, accountability, humility, trust, citizenship [and] respectful communication". Within the third element, that of practising introspection, Maak and Pless introduces the concept of ethical intelligence, which they consider to be essential in character building and living morally (2006: 43). Ethical intelligence consists of "moral awareness, reflection skills and critical thinking, and moral imagination" (Maak and Pless, 2006: 43). By moral awareness, they imply that a leader has obtained an advanced level of moral maturity that enables the leader to apply advanced moral reasoning to situations by being aware of their own moral position, as well as recognising the moral position of other people.

Practising introspection allows the leader to further develop their leadership skills. By reflecting on events, a leader is better able to equip him- or herself with the necessary skills and knowledge to better deal with future challenges in the stakeholder environment. Reflection skills and critical thinking is essential to ethical intelligence; it gives the leader the opportunity to consider all the stakeholders and to make an "informed, balanced and morally sound decision" (Maak and Pless, 2006: 43). Moral imagination gives the leader the ability to consider different options in solving moral dilemmas and breaking away from a "linear moral" (2006: 44) way of thinking.

As an example, consider the child labour case of Levi Strauss in Bangladesh (Maak and Pless, 2006: 44). A linear moral way of thinking has the following anatomy: child labour is bad and, because child labour is bad, child labour cannot be allowed. However, Levy Strauss applied moral imagination and the following emerged: child labour is bad, the matter of child labour in this particular situation needs consideration, hence a way needs to be found that will suite all parties concerned, especially the children. Levi Strauss's leadership understood that terminating the children's employment could force the children into worse situations in order to generate income. Due to this, Levi Strauss reached an agreement – after applying moral imagination – whereby the suppliers would pay the children's salaries, until the children were 14-years-old, and Levi Strauss would fund the children's education up to the same age thus ensuring a beneficial outcome to all concerned, as opposed to merely being dogmatic on child labour issues.

Lastly, also concerning practising introspection, Maak and Pless (2006: 44) require that a leader have "self-discipline" and "self-knowledge". Self-discipline and self-knowledge allows the leader to be in a good relationship with him- or herself. This will, in turn, lead the leader to being a virtuous person. Self-discipline, according to Maak and Pless (2006: 44), is an "overarching virtue" that

directs the leader's actions to be conducted in accordance with the leader's values, even when faced with the temptation not to act in accordance with these values. Leaders face many temptations when in the leadership role and can easily fall victim to temptations, if the leader does not exercise self-discipline and steer away from such temptations.

A leader must be able to lead themselves in order to lead others. This requires self-leadership (Maak and Pless, 2006: 44) and such self-leadership requires self-knowledge. A leader has to know him- or herself in order "to be authentic and reliable as a leader" (2006: 44).

3.3.6 Conclusion

The central issue that emerged from this discussion is that "leadership is always about self and others. Like ethics, labour and business leadership is a symbiotic, communal relationship. It's about leaders, followers-constituencies, and all about stakeholder involvement" (Gini, 2004: 31-32). This quotation by Gini succinctly encapsulates the discussion above: leadership is all about self and others, as understood in terms of stakeholders.

According to Maak and Pless, the relational approach has not yet been applied "to the full range of relationships a leader has to engage in" (2006: 40) but has rather been applied to narrower relationships, i.e. the leader-follower relationship. Applying the relational approach to the entire range of relations that a leader engages in will, no doubt, bring with it a whole host of challenges.

As stated, among these challenges is that of stakeholder expectations and the diverse nature of people the leader has to engage with. Stakeholders also have different ethical standards and values they subscribe to, which requires a level of trust among the stakeholders. This also requires the leader to act with integrity.

The future success of an organisation is dependent on the leader's ability to build and grow relationships with the various stakeholders, by weaving a web of inclusion. In building and nurturing such relationships, the leader, who has integrity and shows concern for stakeholders, will engender trust with his or her stakeholders.

Responsible leadership takes place in relation to others and, as such, the leader is required to be a moral person. The responsible leader must be authentic, act with integrity and be interpersonally competent. The responsible leader has to have self-discipline and self-knowledge; if these two are absent, the leader will not be able to function properly as a responsible leader. He or she will not be able to stand firm in the midst of a crisis but will rather yield to temptation. In order to resolve

moral dilemmas, it is important for the responsible leader to have moral imagination and not fall victim to linear moral thinking but rather find a way to synergise and exploit moral conflict for the greater good of the different stakeholders.

3.4 THE ETHICAL DIMENSION: A VIRTUE-ETHICS APPROACH

3.4.1 Introduction

In section 3.3, the relational perspective of responsible leadership was discussed. In section 3.3.5 – The Leader as a Moral Person – the notion of virtue was introduced. Maak and Pless (2006: 43) note that "doing the right thing is not sufficient, that our character and virtues have to match and that we live what is good and desirable".

As leaders ascend the organisational-leadership ladder, they are faced with more and more challenges. At the lower rungs of organisational-leadership, most decisions are guided by organisational policy and, in the absence thereof, leaders higher up are consulted. People that need to make decisions in the absence of any policies are in effect creating a precedent of how similar situations may be dealt with in the future. Consequently, it is important that the leader be guided by the right moral inclinations.

This is where virtue-ethics comes to the fore. Virtue-ethics is grounded in sound deliberation, taking cognisance of the various implications of decisions. To merely follow rules or make a decision because 'it benefits the most people' lacks moral imagination, an essential requirement in the fast-paced world of modern organisations. The sections that follow will give clarity to this statement.

When exploring the virtuous approach to responsible leadership, it is important to differentiate between values and virtues. These two concepts are easily conflated within a business environment. For a leader to be regarded as a responsible leader, it is important to know if the leader's actions are motivated by values or by habituated virtues. Being motivated by habitual virtues will attribute responsible leadership to the leader.

3.4.2 Values

Within business discourse, reference is often made to organisational values. Organisational values are "those things that are important to the organization's survival and flourishing" (Scott, 2002: 35). Flourishing within virtue-theory has a distinct ethical connotation and, as Rossouw and van

Vuuren (2010: 8) state, "since it is possible to have values that have either nothing to do with ethics or that run counter to ethics, values cannot be equated with ethics".

Rossouw and van Vuuren (2010: 8) identify three kind of values that are distinguishable within an organisation. Strategic values that "indicate the direction in which the organisation wishes to move to … the shared conviction of the organisation about its desired objectives". Work values are those values that people in the organisation "should adhere to in their jobs". Ethical values are a "subset of values within the broader set of values of an organisation".

The above can best be explained by an example. Nedbank Ltd.'s strategic values are integrity, respect, accountability, pushing beyond boundaries and people-centred (Nedbank Dagwood, 2014). Considering respect as a strategic value, the accompanying work value would include punctuality, as this would show respect towards the other members of a meeting. Furthermore, when people attending meetings practice ethical values, they will show respect to other people and treat them fairly.

People also have values by which they live their lives. People can value honesty and attempt to be honest in all instances; similarly, people can value ambition. A person may value winning and this may lead them to attempt to win 'at any cost' and, in the process, deploy unethical means to achieve their desired value of winning. Similar to organisational values, not all human values are ethical or moral.

Values can be defined as "(1) a belief (2) pertaining to desirable end states or modes of conduct, that (3) transcends specific situations, (4) guides selection or evaluation of behaviour, people, and events, and (5) is ordered by importance relative to other values to form a system of value priorities" (Schwartz, 1994: 20). A virtue differs from values in that not all values serve ethical ends.

3.4.3 Virtue-Ethics

When mentioning the word virtue, thoughts of "social conservatism and religious dogmatism" (Cameron, 2011: 26) and words analogous to "old-fashioned or passé" (Mallock and Mamorsky, 2013: 226) come to mind furthermore talk of "virtuousness is often relegated to theology, philosophy or mere naiveté" (Cameron, 2011: 26). These statements highlight the importance to understand where virtues fit into the organisational discourse.

In the business environment, "change is generally acknowledged as ubiquitous and constant" (Cameron, 2011: 29). With change being so pervasive, it is difficult to determine the organisation's direction if there is no fixed point to steer towards.

Cameron uses the analogy of piloting an aircraft, where maintaining a fixed point of reference can avert disaster. Internationally, it is mandatory for pilots to maintain visual contact with the horizon at all times when flying by visual flight rules (VFR)[7] thus relying on their visual interpretation of their surroundings to guide their flight path. When flying by instrument flight rules (IFR)[8] pilots needs to use the aircraft's instruments to guide their flight. When flying by instruments, a pilot has to ignore the sensory feedback he is receiving and trust the instruments. The pilot may experience a sensation that leads him to think that he is flying with one wing lower that the other however this sensation needs to be confirmed by the aircraft instruments and, if there is a discrepancy, the aircraft instruments need to be given priority.

In both instances, the pilot does not rely on sensory information but rather relies on external signs and signals to guide his flight. The fixed point of reference becomes either the horizon in visual flight rules or the artificial horizon (a calibrated instrument to mimic the horizon) in instrument flight rules. In both instances, the "feeling" the pilot has as to their position, relative to the horizon, is disregarded in favour of their actual position relative to the horizon, as visually determined or indicated by the aircraft instruments.

Considering the analogy above, an organisation's mission and value statement can serve as such a reference for organisations' employees to follow and to guide their decisions. The organisational mission and value statement becomes the organisational 'fixed point of reference'.

On the other hand, people inherit and create their own standards by which they make decisions, their own moral code, so to speak. Hence, not everyone has the same moral code by which they live; "there are many rival theories, each expounding a different conception of what it means to live morally" (Rachels and Rachels, 2010: 1). Rachels and Rachels (2010: 13) define a minimum conception of morality as "the effort to guide one's conduct by reason – that is, to do what there are the best reasons for doing – while giving equal weight to the interests of each individual affected

---

[7] Refer to The Pilot's Radio Handbook 14th edition, Dietlind Lempp page 33 for more clarity on VFR's.
[8] Instrument flight rules apply when an aircraft is going to be operated above 20 000 feet above ground or when visual contact with the ground cannot be maintained. Refer to The Pilot's Radio Handbook 14th edition, Dietlind Lempp page 35 for more clarity on IFR's.

by one's decision". To enter the quagmire of different moral theories is beyond the scope of this study, referring to the aforementioned definition, virtue-ethics will be put forward as a preferred moral theory for a responsible leader to adopt and serve as their guide when making decisions, both as a leader and as a person.

The case for virtue-ethics can be further motivated due to the various calls for a return to virtuous leadership. Virtues are "traits of character that make someone a good person" (Rachels and Rachels, 2010: 158), i.e. an ethical person. The following will highlight why virtue-ethics is important within a stakeholder environment.

Earlier, a distinction was made between values and virtues and it was stated that values do not have a moral foundation, whereas virtues do. Any given organisation has many policies and rules that all employees are required to adhere too, including the leaders. Within such rules and regulations matters of ethics are often addressed however these are contained in obligations that an employee needs to fulfil. Looking back at the TCF outcomes, outcome number one requires that "customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm's culture". Therefore, a financial institution can state in their policies that all clients must be treated fairly yet this does not necessary translate into fair treatment of all clients.

An obligation alone is not sufficient for employees to treat customers fairly; what is needed is "a reliable character, a good moral sense" (Beauchamp and Childress, 2009: 30). This is where the character of leaders come into play. To merely act from an obligational perspective will require the leader to engage with stakeholders and treat them in a manner that appears to be fair. A leader who acts from a good moral character will not necessarily always achieve the desired outcomes from any given stakeholder engagement. But stakeholders will see that the leader is not merely engaging with them because the organisational policies require so but rather that the leader wants to engage with them because of who the leader is and what his or her moral character direct them to do. Such a leader goes beyond the obligatory towards the supererogation.

Obligation or duty alone cannot dictate what is required of a leader; it is their character that will allow them to explore ethically correct behaviours for a particular situation. This is especially important in complex situations, where coming to appropriate ethical solutions is contingent on the leaders' ethical intelligence. This is where virtues are essential to make a reasoned decision from a good character disposition. Virtue-ethics is about sound deliberation, about considering what the wider implications can possibly be, and then acting accordingly. To merely follow a rule lacks

moral imagination however acting from a good character can solve complex and challenging moral issues, such as was the case for Levi-Strauss in Bangladesh (see page 38).

Leaders who are virtuously inclined are better able to interpret organisational policy and apply these to their day to day business activities. As Beauchamp and Childress point out, "we care morally about people's motives, and we care especially about their characteristic motives and dispositions" (2009: 31). Looking back at TCF's first outcome, customers will not feel that they were treated fairly when the leaders are motivated only by organisational policies to do so. Rather, customers will feel as though they were treated fairly when they observe that the leader is acting from a keen interest for the customer's wellbeing.

Thus, weaving a web of inclusion between the various stakeholders (in this case customers) cannot merely be a leadership obligation but is rather a desire of the responsible leader who is acting from a good motive, as well and wanting to weave a web of inclusion. This is particularly important within a complex stakeholder environment. The virtuous leader is able to weave a web of inclusion, as well as strike a balance between complex and conflicting moral issues.

A responsible leader is the one who acts not from an obligation but rather from virtue and from good character. "Virtuous persons also do not act from mere inclination or for personal advantage", they act as they do because of whom they are and due to a "conception of what is morally right and worthy" (Beauchamp and Childress, 2009: 377). Virtue-ethics is both "intuitive and sensible" (2009: 377), in that virtuous people are admired for their virtues while those that exhibit vices are not admired. Honest and caring people who act with integrity are higher esteemed than those that are dishonest and uncaring. In short, virtues are admirable traits while vices are not.

If leaders are to become virtuous then a good understanding of what virtues are and how to become virtuous is of paramount importance. According to Rachels and Rachels (2010: 158), Aristotle would say that the good of man is "an activity of the soul in conformity with virtue". Virtues, as defined by Aristotle, "are midpoints between extremes: a virtue is the mean by reference to two vices: the one of excess and the other of deficiency" (Rachels and Rachels, 2010: 161). Comte-Sponville's interpretation creates a visualisation of what a virtue is when he says that it is a "summit between two chasms" (1996: 39). If we consider the virtue of courage (the mean), then foolhardiness (the excess) will be the one vice and cowardice (deficiency) will be the other.

In order to live a virtuous life and be a virtuous person, people have to practise the virtues and possess the four core virtues. These virtues are referred to as the cardinal virtues, as they form the foundation for all other virtues.

3.4.4 The Cardinal Virtues

There are a number of virtues however the virtues of prudence, temperance, justice and courage are considered to be the cardinal virtues (McInerny and O'Callaghan, 2015: 30). These virtues form the foundation for all other virtues and without them a person cannot be regarded as virtuous. The significance of these virtues will become apparent in the next chapter, when a closer look will be taken at these virtues within a business environment, particularly as they apply to responsible leadership within the financial planning industry.

Aristotle differentiated between two types of virtues: intellectual and moral virtues. Intellectual virtues, such as prudence and justice, can be taught while moral virtues, such as temperance and courage, are learned through practice; "virtues develop as the result of repeated actions" (Devettere, 2002: 108). What this means is that you become a financial planner by doing financial planning, similarly you become honest by practising honesty. You cannot become a pilot without flying, a drummer without playing drums.

Before, the analogy of becoming a pilot was used but, as you can well imagine, you do not climb into an aeroplane and start flying. If you were to do that, disaster will follow swiftly. Rather, an instructor will train you up until you have the ability to fly safely, thereafter you start flying on your own and, as you log more flights, your ability to pilot the aeroplane and deal with emergencies improve. Similarly, virtues have to be learned and the teaching has to start somewhere.

According to Comte-Sponville, "politeness is the origin of the virtues", "politeness comes before the other virtues in the sense that it serves as a foundation for the moral development of the individual" (1996: 30 and 8). As children, we are taught to be polite, to say please and thank you, not to interrupt, not to lie. We are taught what is right and wrong, what is allowed and what is not, what is good and what is bad. While politeness, in itself, is not a virtue, it does lay the foundation for virtue, it is a simulacrum of virtue. As children grow up and start developing moral reasoning, they will develop the "distinction between the ethical and the aesthetic" (Comte-Sponville, 1996: 9).

Once the foundation has been set for a person's moral development, it is important that the four cardinal virtues be cultivated through habitualisation. The cardinal virtues are essential for living a virtuous life, a life that strives towards excellence. Comte-Sponville considers prudence as the precondition for virtues (1996: 30), as such the discussion of the cardinal virtues will begin with what prudence is.

3.4.4.1 Prudence

Prudence, also known as practical wisdom (Aristotelian *phronesis*), "is concerned with things human and things about which it is possible to deliberate" (Aristotle, : 1141b8-9). "Without prudence, the other virtues are merely good intentions that pave the way to hell" (Comte-Sponville, 1996: 31). This is a rather strong statement by Comte-Sponville but, as was illustrated earlier, good intentions are not a sufficient grounding for moral decision-making; the consequences need to be considered as well. Any good intention can go horribly awry if the implications of the intentions are not considered. Because of this, practical wisdom is an essential virtue for a responsible leader.

According to Schollmeier (1989: 128), Aristotelian deliberation concerns both ends and means. Deliberation concerns both what needs to be achieved, that which is good, as well as the way in which this is to be achieved. Prudence is the virtue "that makes us effective decision-makers" (Havard, 2007: 57).

A responsible leader is required to answer for both their "intentions or principles but also for the consequences of [their] acts, to the extent that they can be foreseen" (Comte-Sponville, 1996: 31). Prudence is an intellectual virtue in that it is based on reason which is influenced by truth and knowledge that enables the leader to reason correctly (1996: 31).

Prudence is essential because it assumes uncertainty, assumes the unknown. Along with the unknown goes risk and, because of risk, an element of chance as well. Where there is certainty and an absence of risk, there would be no need for prudence. In the face of risk and uncertainty, what can the responsible leader do in order to have successful stakeholder engagements and ensure that their decisions and actions are sound? Two issues emerge and these two issues are not sequential but rather parallel. Both need to be executed at the same time, while no harm is to be done as people also need to be protected. Or, in Comte-Sponville's words, "first of all, do no harm; first of all protect" (1996: 35).

Immoral leaders will not think twice to inflict harm on others while serving their own interests, such as the leaders of Fidentia and Masterbond. A good leader will be effective and ethical in the execution of their duty, whereas the responsible leader will apply practical wisdom in all their decisions to, as far as possible, reduce the possibility of harm and endeavour to protect in the face of uncertainty and risk. Once again, consider the Levi-Strauss example: it is due to responsible leadership that they considered the potential harm that could befall the children if their labour was terminated; Levi-Strauss decided not to harm and to protect at the same time, by introducing

conditions for the children's continued labour. This is what applied-morality is about; prudence is applied-morality.

Prudence is the virtue that informs the responsible leader how to be just, tempered and courageous. The following quotation of Aquinas, by Comte-Sponville, so concisely encapsulates the essence of what prudence is:

> Without prudence, he says [Aquinas], temperance, courage, and justice could tell us neither what should be done nor how to do it; they would be blind or indeterminate virtues (the just person would love justice without knowing how to achieve it in practice, the courageous person would not know what to do with his courage, and so forth), just as prudence alone, without the other virtues, would be either utterly empty or else merely shrewd. Prudence has something modest or instrumental to it: it is enlisted to serve ends that are not its own and is concerned, for its own part, with the choice of means" (Comte-Sponville, 1996: 31).

Prudence governs the other virtues. "Merely loving justice does not make us just, nor does loving peace make us peaceable by itself: deliberation, decision, and action are also required. Prudence determines which of them are apt, as courage provides for their being carried out" (Comte-Sponville, 1996: 32).

A responsible leader will, based on his or her experience, make decisions about both what and how objectives need to be achieved, after deliberating on the matters at hand, then acting in a prudent manner. Essentially, "the prudent man is one who does the good, as opposed to the one who merely knows the good" (McManaman, 2013: 7). Prudence is the practical application of doing what is right versus merely knowing what is right.

Section 4.3.1 will show how the absence of prudence almost led to the downfall of American Insurance Group. The directors knew what was the right thing to do however they did not do so.

3.4.4.2 Temperance

A virtuous person exercises temperance and restraint; they do not give sway to their desired impulses. Temperate people exercise self-control, which is essentially the mastery of heart and mind or, to put differently, subordinating the pleasures to the will. The temperate person "subordinates passions to the spirit and directs them towards the fulfilment of the mission at hand" (Havard, 2007: 82). Temperance is acquired by exercising self-control (Aristotle, : 1103a14-b25). According to Havard, surveys have indicated that leaders "tend to do what they like rather than what they ought" (2007: 85). "Temperance is prudence applied to pleasure" (Comte-Sponville,

1996: 40). Temperance is a virtue of self-control, to enjoy as much as possible without indulging in excess.

On television, we often see advertisements and marketing campaigns that depict an image for a "better life". Our current lives are incomplete without the latest gadget or the latest accessory; marketers are targeting and challenging our current situation in an attempt to create discomfort. This discomfort can only be alleviated by a change in the status quo. Expensive cars are marketed as status symbols, something that the current or even emerging young executive cannot be without. The image that you portray speaks to the level of success that has been achieved and driving the latest expensive car is a visual confirmation to others of success. Marketing agencies know how to tap into people's desires. Marketing agencies know how to create a little voice that tell people that they can or will be happier only if they owned that particular car or gadget. Furthermore, you will be taken more seriously if you wear a specific suit. We have all seen people whom adorn themselves with various medals and awards to assert their importance; the Pope is a good example.

Unfortunately, no matter how smart the suit, no matter how flashy the car, no matter what the new gadget can do, these items do not make the leader, as these things are fleeting in nature and soon need replacement to satisfy the next desire. People always want more as they do not know how to be content, neither to they know how to be content with excess (Comte-Sponville, 1996: 41). The temperate person, by contrast, does not fall victim to this ever discontentedness, the ever-seeking for the suit that will better describe their success. Temperance "is moderation in sensual desires, also promises purer or more fulfilling pleasures" (1996: 39). The tempered person does not give sway to hedonistic desires to habitually pursue the pleasurable but rather exercises self-control.

Temperance and humility go "hand in hand" and "creates in the leader's heart room for other people" (Havard, 2007: 82). It is only in humility that responsible leaders are able to engage with stakeholders on an equal footing. The responsible leader shifts attention away from themselves and towards their stakeholders.

The virtue of humility allows responsible leaders to consider their weaknesses and lack of power and prevents them from yielding to pride. Pride, on the other hand, is a vice that judges oneself higher or more powerful than one actually is. A proud leader will view their ideas and recommendations as superior to others and as such convey a message of self-righteousness. A humble leader will create opportunities for stakeholders because the leader is not proud and is fully aware of his or her own weaknesses; and, rather than deny the weaknesses in a cloak of pride, they use their weakness to stimulate stakeholder engagement.

The temperate leader doesn't yield to temptation and does not get carried away by their own prideful desires but rather they subordinate their desires and, along with humility, create stakeholder engagements that are for the benefit of the stakeholders and not a platform to express their success or achievements.

When applying temperance, the responsible leader will not abstain from pleasure but rather they will enjoy pleasures in moderation, which allows them to be masters of such pleasures instead of becoming slaves to pleasures. They can enjoy leading stakeholder engagements and not become slaves to the influence that they wield over others. Neither do they succumb to using material devices to prove themselves or affirm their success. Their temperance and humility will attribute success to the responsible leader rather than a smart suit or flashy car.

3.4.4.3 Justice

When talking of justice, thoughts of legality spring to mind or as the law in action. Thus, what is legal is just. In this sense justice, is a matter of fact. An action can be judged as just or not as it compares to the law. The law becomes a measurement of just or unjust actions. Hence, when a person acts within the confines of the law, they can be attributed as someone who is just. But what is to be done in those instances where the law itself is unjust?

In other instances, justice is equated to fairness or equality. Fairness or equality dictates that everyone be treated in the same manner or be given the same reward for equivalent work. In some instances, a measure of equity can be applied, in that those who deliver the most be rewarded proportionately. In its most basic form "justice requires that we treat people fairly, according to the merits of their particular situation" (Rachels and Rachels, 2010: 112).

Justice, in the virtue sense, is not the same as procedural (legal), retributive (punishment) or distributive (social) justice, or fairness, but rather a "state of character which makes people disposed to do what is just and makes them act justly, and wish for what is just" (Aristotle, 2009: 1129a 5). A just leader may consider a particular company policy as unjust when such a policy does not consider the personal situations of employees but rather requires a specific sanction for specific transgressions.

This can be illustrated by means of an example. If a company requires an employee to be given a written warning when an employee arrives late at work, irrespective of circumstances, such a policy can be considered as unjust. Reasonably unforeseen circumstances caused the person to be delayed and it would be unfair to hand the employee a written warning. In doing so, the leader has not

adhered to company policy, which is viewed as an unjust act, but in acting so actually acted justly. However, if two employees arrived late to work due to the same cause, and one is given a written warning and not the other, the leader's action would be unjust. "Justice is the habit of giving others their due, not merely now and then, but always" (Havard, 2007: 93). Justice would dictate that even if one of the employees have already been warned for their late arrivals, a situation beyond their reasonable control, would require the leader to show mercy to such person and not treat that person differently by giving them another written warning when the other person did not receive a written warning.

Such an instance is a good example, or where "justice does not make just people; [but rather] just people make justice" (Comte-Sponville, 1996: 66). However, the leader is placing themselves at risk of harm when making such judgement calls. When to follow company policy and when not to do not require justice alone but also the courage to act accordingly. This brings us to the last of the four cardinal virtues – courage. Courage is an important virtue for a responsible leader to have as they will often have to make difficult decisions. Only someone that has courage can make these difficult decisions.

3.4.4.4 Courage

As mentioned above, it takes courage to defy company policy and act in a just manner. It takes courage to stand up for ones' beliefs. However, not all forms of courage can be considered as virtuous. What one person sees as a courage act, another may see as an act of terrorism. Courageous acts in pursuit of unjust acts cannot be viewed as courageous acts. Consider the example of the sectarian suicide bomber who enters a restaurant and detonates the explosives they are carrying. While it takes a huge amount of courage to execute such an act, the bomber (who may be admired my his or her co-conspirators) cannot be credited as courageous in the virtuous sense. But then what is courage in a virtuous sense?

Courageous acts that are undertaken for just ends are different from courage that is self-serving or self-motivated and that do not serve just ends. Self-serving or -motivated courageous acts are "devoid of any moral value" (Comte-Sponville, 1996: 46) and cannot be viewed as moral acts but are rather acts of cowardice or rashness. Or, as Comte-Sponville puts it, "courage is always respected from a psychological or sociological standpoint, it is only really morally estimable when at least partially in the service of others and more or less free of immediate self-interest" (1996: 47).

As the discussion has revealed thus far, responsible leadership occurs within a stakeholder environment. Leadership acts that are self-serving and self-motivating cannot be regarded as courageous nor can such a leader be attributed as being a responsible leader.

An apt illustration of a responsible leader being courageous is the case of Max De Pree (CEO of Herman Miller) who, after consultation with Peter Drucker, limited the CEO salary to 20 times the amount of the average factory worker (Murphy and Enderle, 1995: 122). Such a bold decision took a huge amount or courage to implement however De Pree was seeking just goals and was not deterred by what other people may have thought or said. De Pree exposed himself to scorn from others yet at cost to himself, financially and professionally, he persevered and implemented his decision.

Similarly, today's leaders have to be courageous in the pursuit of just goals. The courageous example set by Dr Reuel Khoza (former Chairman of Nedbank Group), where he reports that "our political leadership's moral quotient is degenerating" (SAPA, 2012) caused huge opposition from the African National Congress (ANC) yet Khoza stood firm and did not rescind his comments, even after receiving threats that the ANC and many government departments would cease to do business with Nedbank. This comment was made my Khoza in Nedbank's 2012 annual report, wherein Khoza issued a warning about the poor state of South Africa's leadership.

The comments were made in the wake of the government's attempt to reassess the role of the Constitutional Court and government involvement in the undermining of section nine institutions, institutions that check on government (Pressly, 2012). Khoza was concerned that government leaders are determined to undermine the Constitution of South Africa.

A responsible leader will risk the praise and admiration of his peers in favour of doing what is right, as the example of Max De Pree and Reuel Khoza showed. On the other hand, a leader such as John Gutfreund (former CEO of Salomon Brothers Inc.) did not have the courage to do what is right but rather continued impetuously towards profit, as will be discussed in section 4.3.4.

3.4.5 Conclusion

Organisations are driven by three different types of values; these values serve as fixed points that employees can use as beacons to navigate the business world. In a similar manner, people can live by different values. When the leader is driven by values that are not underpinned by virtues, he or she cannot be said to be a responsible leader. Values can be very desirable in any organisation but,

if the values are not underpinned by virtues, these values will not have the same outcome as values that are underpinned by virtues hence the importance of the virtues.

The cardinal virtues serve as the foundation for all other virtues. A responsible leader is a leader who is a virtuous person, who exercises the four cardinal virtues. Considering the virtue of courage, it is important to note that courage can serve both virtuous and non-virtuous ends. A bank robber requires courage to rob a bank and so does an executive to limit the salary of executives however, with the former, the courage does not serve an ethical end, while the latter does. Only when courage serves good and desirable ends does it fall within the realm of virtue.

A courageous leader is able to act justly and to do so even at their own cost. Justice requires the responsible leader to do what is right in all instances and not to merely rely on what is *considered* to be legally just.

Likewise, temperance is related to the curbing of desires. Exercising temperance takes practice and can only occur when the responsible leader acts in a prudent manner. Prudence is applied ethics in action; prudence is practical wisdom, the virtue that enables the responsible leader to deliberate soundly prior to making the right decisions.

These four virtues form the foundation of all other virtues and, without the four cardinal virtues present, a leader will have a difficult time to progress to a good leader, let alone reach the position of responsible leader.

3.5 BRINGING IT TOGETHER

The two approaches to responsible leadership that were discussed did not show two independent approaches but rather it was shown that the two approaches are complementary approaches to responsible leadership.

When a leader engages with stakeholders they will face many challenges, both before and while weaving a web of inclusion among stakeholders. The leader's character will play a definitive role in the successful outcome of any stakeholder engagements. Therefore, it is important that the responsible leader be someone who exercises virtues, which will facilitate stakeholder engagements and build an enduring and trusting relationship between stakeholder and leader.

In the next chapter, the two normative approaches discussed in this section will be applied to the financial planning environment. Chapter 4 will demonstrate how the theoretical discussion above

can be applied in practice. It will be shown why there is a need for responsible leaders and how to apply the two approaches in practical ways, within the day-to-day conduct of business.

4 TOWARDS RESPONSIBLE LEADERSHIP IN THE FINANCIAL PLANNING INDUSTRY

4.1 INTRODUCTION

In the introduction to this study, the comment was made that there is room for improvement in the financial services industry and that leaders can play a prominent role in transforming the industry, in particular financial planning. The two dimensions of responsible leadership mentioned in Chapter 3 will form the basis to how existing leaders, even good leaders, in the financial planning industry can move towards becoming responsible leaders.

Financial service providers are highly regulated in South Africa. Within the regulatory framework, the leaders of financial planning organisations are referred to as key individuals[9], in terms of the FAIS Act. Those employees providing financial advice (and/or intermediary services) and conducting financial planning are referred to as representatives[10], and do not for part of the leadership.

Section 1 of the FAIS Act defines a key individual as "any natural person responsible for managing or overseeing … the activities … relating to the rendering of any financial service". Key individuals constitute the management and leadership of a financial planning business.

Section 8(1)(c)(i) of the FAIS Act defines the requirements that a key individual is obliged to meet in order to be appointed as such of a financial service provider. Among these requirements are the requirements that the key individual possess the "… personal character qualities of honesty and integrity…".

While the regulators require that only people of sound character manage and oversee the activities of financial service providers, the measuring criteria that is used is based on a negative check. The regulator will consider factors such as acts of dishonesty to be unprofessional behaviour. Breach of fiduciary duty – or similar acts within a five-year period of application, as constituting *prima facie* evidence – would indicate that the person concerned does not meet the 'fit and proper' requirements for an appointment as a key individual. The regulator does not state which attributes

[9] Section 1 of the FAIS Act no 37 of 2002
[10] Section 1 of the FAIS Act no 37 of 2002

will constitute a person to be fit and proper however the above guidelines point to behaviours that the regulators consider as not being acceptable.

The changes in the regulatory and consumer environment will place economic pressure on financial planning businesses to continue being profitable for their shareholders and stakeholders alike. To deliver on such expectations will, in turn, fall on the shoulders of the leaders who have to navigate the turbulent times ahead and provide direction. Among these is the migration of the financial planning industry from a sales-driven environment – where upfront commissions are charged – to a service-orientated environment that will be based on charging fees for services rendered. The leaders of financial planning businesses will be placed in a precarious position, where results have to be delivered in a completely different way.

This chapter will explore various aspects within which the two dimensions of responsible leadership, as discussed in this study, can be employed to move financial planning business leaders towards becoming responsible leaders.

The section that follows will consider various pertinent issues that confront responsible leaders, among these is that of leadership failure and the various challenges that leaders face on a regular basis. Leadership failure is nothing new and no doubt will still be present in the years to come. Understanding why leaders fail will not necessarily eliminate instances of leadership failure but it can, to some degree, reduce the instances of leadership failure and provide some form of early detection thereof.

Responsible leaders who practice the two normative approaches as described in this study will be able to equip themselves with an essential conceptual framework of what is expected of a responsible leader and how such a leader should be practising their trade on a day-to-day basis. Learning from the mistakes of past, leaders can aid in the development of this conceptual framework for responsible leaders.

4.2 CAUSES FOR LEADERSHIP FAILURES

Understanding why leaders fail will enable early detection of a looming leadership failure. Hindsight usually illuminates the signs and remedial measures are then taken to prevent similar cases from occurring in the future. Being able to see the warning signs that point to a possible leadership failure will no doubt contribute to reducing the occurrences of leadership failures, especially ethical failures.

The associated problems caused by leadership failures have a dramatic and wide-ranging impact on those directly affected by the failure, as well as on the public in general, to some degree. We need just remind ourselves of the Masterbond, Krion, Sharemax and Fidentia cases to confirm the negative impact that leadership failure can have.

In this section, explanations for leadership failures will be explored. By applying the theory of these two perspectives to the responsible leadership environment, it will be shown that when responsible leaders do not employ the two normative approaches described in this study, they can become prone to leadership failure themselves.

The first leadership failure perspective that will be explored is that of the volitional perspective, followed by the cognitive perspective. It should be noted that leadership failures do not have to take place on a large scale, as even those that take place within our immediate environment can have dire consequences. When leaders fail morally, the disappointment is that much greater, since we expect our leaders to be more "successful at living up to moral standards" (Ciulla, 2007: 24), to be our moral role models and moral compass.

4.2.1.1 The Volitional Perspective.

The volitional perspective has to do with the leader making a conscious unethical decision and using their power and position to enact their decision. Such a decision is deliberate and is not a case of ignorance (Price, 2003: 178).

Ludwig and Longenecker (1993) frame their discussion on ethical failures of leaders against the backdrop of the Biblical story of King David and Bathsheba and aptly naming their findings the "Bathsheba Syndrome". Ludwig and Longenecker are of the view that the reason for ethical failures of leaders is not due to a 'cause and effect' situation, such as "competitive pressure" (Bass, 2008: 206) or "a focus on short-term profit maximisation" (Driscoll and McKee, 2007: 210). However, competitive pressures and a focus on short-term profit maximisation can lead to "a culture conducive to unethical behaviour" (2007: 210).

Ludwig and Longenecker are of the view that business schools have incorrectly "assumed that lack of standards or abandonment of standards in the face of competitive pressure are the key issues that need to be addressed in changing the ethical climate of business" (1993: 266). What Ludwig and Longenecker are arguing is that it has been incorrect to judge the presence of economic pressure as the cause for leaders to abandon their ethical standards and act immoral. The reason for this is a cause/effect situation, something Ludwig and Longenecker do not agree with.

To illustrate this point, consider the sales manager who is required to report on sales figures to the regional head of sales and marketing. Knowing that sales have been down recently, he twists the figures to paint a slightly better picture. The manager may know that misrepresenting the sales figures is wrong but does not see any alternative, specifically in light of the expectation of always performing well. Maybe, the manager just did not know it is wrong to inflate sales figures for this meeting – after all, next week's figures will look much better and most of the other sales managers inflate their figures too.

Ludwig and Longenecker are of the view that the above lack of ethical standards or the abandonment of ethical standards are not due to pressure or competitive situations but rather due to some other reason. They are of the view that ethical failures are "the result of success and a lack of preparedness in dealing with personal and organizational success" (1993: 266-267). They consider success itself to be a catalyst for unethical behaviour. It is not the economic or competitive pressures that cause moral failures but rather that the leader is not properly prepared or equipped to ethically deal with the challenges that come "in the wake of success" (1993). Where a sales manager has enjoyed success for a number of months, or even years, they may not be equipped to ethically deal with a situation that starts to threaten their success status.

One reason why leaders fail is due to the Bathsheba Syndrome, where success creates the right climate for ethical failures to proliferate. The story of David and Bathsheba can be found in the Bible at 2 Samuel 11 verse 1 through to 2 Samuel 12 verse 31. In summary, after a few great victories, David decided to take some time out of fighting on the frontline with his troops. While he was relaxing at his palace, he took a walk on the roof. It was during this time that he noticed the beautiful Bathsheba taking a bath. After making some enquiries after her, he discovered that she was the wife of Uriah, who was one of David's officers fighting on the frontline. David summons her to his palace, beds her and, as a result, she conceives. In an attempt to cover up his indiscretions, David summons Uriah back to Jerusalem, in the hope that Uriah would sleep with his wife. Uriah's loyalty to his troops is so great that he does not sleep with his wife, even after David had made him drunk. As a result of this, David hatches a plan to have Uriah killed in battle, after which David takes Bathsheba as his wife. The whistle blower, Prophet Nathan, later brings David's ethical failure to his [David's] attention.

Ludwig and Longenecker mention four by-products of success, which can lead to ethical failures: loss of strategic focus, privileged access, the access to and control of resources, and a belief that the leader can control outcomes.

When we consider the above against the backdrop of David's story, the following emerges. Firstly, David was not where he was supposed to be. As a king in those days, David was expected to fight alongside his troops on the front line however David had been very successful until then in his battles so he decided to take some leisure time and relax at his palace. He lost focus.

As king of the nation, he stayed in a palace, which was considerably larger than the dwellings of his subjects. As such, he had a view over his kingdom and this view gave him access to see into his subjects' houses, something that his subjects did not have. David was able to see Bathsheba from the roof of his palace, where one of his subjects would have had to make a definitive effort to either climb over a wall or use any other means to take a view of Bathsheba having a bath. David was in a privileged vantage point in his palace, in that he only needed to look down to see the lady.

David then used his position to gather information about the lady whom he had just been observing, as well as to have her come to his palace and bed her. She could not refuse the king, who was once again taking advantage of his position to achieve his own desires. David used his power as the king to have Uriah killed in battle in an attempt to conceal the adultery.

As this story indicates, David made a deliberate choice to engage in unethical behaviour. He was not under pressure to prepare for the next battle or to decide on a complex judicial matter. He had just risen from his bed and was taking a walk. He did not abandon his ethical position in the face of pressure nor did he lack ethical standards however he knew what he was doing was wrong, hence the elaborate scheme to cover up his deeds. Even this effort could not conceal the truth and Nathan made this known to David.

In their conclusion, Ludwig and Longenecker suggest a few measures that can be introduced by a leader in order to reduce the possibility of the leader succumbing to the Bathsheba Syndrome. Firstly, they remind the leader that "it could happen to you". Secondly, they suggest "living a balanced life reduces the likelihood of the negatives of success causing you to lose touch with reality". Thirdly, "understand that your primary function is to provide strategic direction and leadership at all levels". Fourthly, "build an ethical team of managers around you who will inspire you to lead by example and who will challenge or comfort you when you need either". Lastly, "ethical leadership is simply part of good leadership and requires focus" (1993: 272).

Ludwig and Longenecker also suggest four measures that organisations can put into place to protect the leaders in an organisation. Firstly, "board involvement should include concern for the leader's personal/psychological balance". Secondly, "boards should erect guard-rails". Thirdly, "boards must clearly establish and implement ethical codes of conduct for organisational leaders and take

steps to regularly heighten both the awareness and compliance with such standards" (1993: 272). The aforementioned measures can apply to all levels of the organisation, not just senior levels. Lastly, for "those engaged in business ethics training", it is important that the trainers have a broader "understanding of why leaders/managers sometimes abandon their own principles" (1993: 272). When trainers have a better understanding of why leaders fail, they will be better equipped to design training material and adapt their training methods accordingly. The solutions Ludwig and Longenecker suggest address both the leader and the organisation. Thus, if implemented, they can have a positive impact on the entire organisation and not just on the leaders.

4.2.1.2 The Cognitive Perspective

Price, on the other hand, does not accept the volitional perspective. In his view, the volitional account is based on self-interest and not on ignorance (Price, 2004: 130). Price is of the opinion that there is more to leadership failure than just self-interest. Rather, failure can also be a case of ignorance.

Price views moral failure from a cognitive perspective, in that leaders lack the cognitive ability to decide between two actions. Decisions are based on ignorance, as opposed to decisions rightly or wrongly informed. For Price, "the cognitive explanation of ethical failures of leadership" (2000: 180) is a plausible explanation for leadership failures.

Price introduces two categories into which one can classify cognitive ignorance or mistakes, as he calls them, as they pertain to morality. These are mistakes regarding content and mistakes regarding scope (2004). Mistakes of content are tied to the status of moral actions or the type of actions that are morally acceptable and those that are not. An apt example that Price mentions is that of lying, where lying is mistakenly believed to be acceptable in order to establish compliance from followers (2000: 180).

Mistakes of scope have to do with people. Essentially, "questions of scope endeavour to fix the domain of individuals to whom moral obligations are owed" (Price, 2000: 180). When Price refers to the scope of moral cognition, the leader will then determine that a person or persons either fall within the domain of morality or outside of it. The same applies to the leader themselves: are they part of the moral group or not? Price uses the example of taking care of the poor. Those of modest means may well consider it the obligation of the rich to care for the poor, simply due to the fact that they have the resources to do so, while the person of modest means does not have the same resources available to them.

The difficulty a leader faces here is to objectively determine the scope of the issue. The leader will mostly be able to justify their decision in some way or another, where their decision may be compromised by this justification. If we consider the mistake of scope in the financial planning environment, we can see that a financial planner may reason that the client who has R100 000 to invest does not need to know all the ins-and-outs of a product. However, the client who invests R1 million needs to make an informed decision, purely based on the quantum on the investment value. The planner has mistakenly applied a monetary measure to determine who receives what level of information and, no doubt, service as well.

Price argues that David's failure is not of volition but rather of scope. "David was mistaken about the scope of morality, and this cognitive challenge comes to bear on an explanation of his behaviour" (2000: 181). Price's defence for this position can be found in 2 Samuel 12. This portion of scripture details the conversation Prophet Nathan has with David. Nathan, who can be viewed as a modern-day whistle blower, confronts David. This is not done directly but rather by means of a parable[11]. Price argues that it was necessary for Nathan to use a parable (2000) (2004) for two reasons.

The first is to show David that his actions were wrong. By using the parable, it gives David the opportunity to think about the moral status of the behaviour described by Nathan. As David shows outrage at the injustice committed by the person in the parable, Nathan informs David that it is he, David, who has committed the same injustice.

This approach, according to Price, was used to enlighten David to the correct moral actions. As mentioned above, "David was mistaken about the scope of morality, and this cognitive challenge comes to bear on an explanation of his behaviour" (Price, 2000: 181). According to Price, David did not view himself as bound by the general moral obligations that applied to his subjects thus David was mistaken about the scope of morality as it applied to him.

The second reason why Nathan used a parable to make David aware of his moral failure was to highlight to David that he is not above any moral law; the moral law that applies to his subjects also apply equally to him as the leader. If the moral law applied to a wealthy land owner in the

[11] In the parable, Prophet Nathan tells David about two men, one rich with many livestock and the other with only a small ewe that he hand-reared. While preparing for a feast, the rich man chose not to slaughter one of his own livestock but rather the ewe of the poor man. The rich man showed no compassion to the poor man. When David heard this parable, he was enraged and, at this point, Nathan informed David that it is David who is the rich man in the parable.

parable, why should it not apply to a king? By making the moral failure known in this way, Price claims that David became aware of the moral content of his actions. According to Price, "the purpose of the parable was to teach him that he too is bound by morality, that success did not remove him from its scope" (2000: 181).

David knew that other people would object to his actions yet he persisted *ex post facto* to cover up his deeds. Price argues that this cover up was not as result of David seeing his actions as being immoral but rather that "David had lost sight of what morality [was] required" (2000: 181).

The attempted cover-up also poses an interesting situation. David considered and believed that God was the "ultimate moral force" (Price, 2000: 181) and that no actions can be hidden from God. On this account, Price argues that "although David believed that what he did was generally wrong, he did not believe that this prohibition applied to him" (Price, 2000: 182). There is a misunderstanding of the scope of morality. David did not view this particular act as being wrong for him; he was the king after all and above all other people in his kingdom.

Later on, in the story when Nathan speaks to David, David came to realise his immoral act and acknowledged it. Thus, the argument that Price puts forth for this act is plausible, as David at the stage of committing adultery did, in fact, have a problem with the scope of his moral actions. Yet afterwards, as many after him, he found out that morality applies to all people equally and that there is not one set of moral rules for leaders and another for followers.

Price recognises that being in a leadership position does subject the leader to many situations that followers, in general, are not subjected to. Huge demands are placed on a leader's time, as well as an expectation to perform according to a specific measurement criterion, be that economic or otherwise. As such, "leaders are particularly susceptible to ethical failure" (Price, 2000: 182). Yet it is a leader's elevated position that "induces and maintains a leader's belief that he is somehow exempted from moral requirements that apply to the rest of us" (2000: 182).

Price implies by this that a leader may be brought to believe that he or she is not bound by the same rules as those who are being lead, by the mere fact that he or she is the leader. This induces the mistaken belief that the content of morality does not apply to the leader. However, moral requirements apply to everyone, leaders and followers alike.

Yet the demands placed on leaders do require them to make decisions that their followers may not be required to make. In such situations, Price introduces two ways to look at behaviour: either as justified or as excused. Can a leader justify this particular action or is the action excusable, given

the situation? It is important to note that the way in which Price portrays these two notions demonstrates that he is not establishing a way to turn immoral behaviour into acceptable behaviour. Rather, he is saying that the leader's actions need to be considered within the bigger picture.

On the matter of justification, Price says "to say an individual's action was justified is to say that he did the right, or at least, a permissible thing". He uses the example of a staff member who is required to complete urgent work and thus is not able to attend a meeting. In this case, Price says that the staff member's absence at the meeting is justified, due to the fact that the new work that is required is more important. People will agree with this justification. Their "absence was justified because what she did was appropriate to the circumstances" (Price, 2000: 182).

With regards to action being excused, Price notes that "to say an individual's action was excused means that even though the behaviour in question is morally impermissible, we do not hold the individual accountable because of the presence of responsibility-undermining factors" (Price, 2000: 182). An excused behaviour acknowledges that an act is wrong but, due to certain factors, the behaviour can be excused. With justification, a balance is struck between two acts, a dilemma as such, and the right decision will depend on the situation, where the situation will dictate the best course of action at that particular time.

Price claims that "the way we think about leadership is bound up with the notion of justification" (2000: 182). This will no doubt contribute to "a leader's belief that he is somehow exempt from moral requirements that apply to the rest of us … leadership brings with it justification for doing a myriad of things that others are not permitted to do" (2000: 182).

This perceived view that leaders fall outside the scope of morality is exacerbated "when there are great disparities between what is required of leaders and what is required of followers" (Price, 2000: 183). To reduce the incidences of moral failure of our leaders, Price suggests that "the normative challenge for leaders and organizations, then, is to clarify and give precision to justificatory force of leadership" (2000: 183). Furthermore, "leaders are exempted from the scope of normally applicable moral requirements only on the condition that there is some other moral requirement that legitimates the exception" (2000: 183).

Price introduced us to the notion of content and scope as an alternative to the volitional explanation of ethical failures by leaders. To summarise, Price maintains that the content of moral failures has to do with the leader not knowing that a particular action is unethical, while the scope of morality has to do with whom the leader views as a stakeholder and whom is bound by a particular moral obligation.

Price argues that the premise on which the volitional account is based on is an "apparent weakness of the cognitive explanation of ethical failures of leadership" (2000: 180) in that "if an ethically fallen leader can be said to know the moral status of a piece of behaviour, specifically, that it is morally wrong, then it is hard to see to what one might appeal aside from motivation to explain the instance of ethical failure" (2000: 180). Essentially, Price is saying that when comparing ignorance and self-interest and ignorance is not deemed to be present, then there is no alternative but to judge the act as an act from an egoistic perspective and to come to the conclusion that the leader acted according to their desires, *i.e.* self-interest.

4.3 MOVING TOWARDS RESPONSIBLE LEADERSHIP

Can the reasons for moral failures of leaders, as described above, be further explained in terms of the relational and ethical dimensions of responsible leadership, as explained in Chapter 3? The following section will show how the absence of the two dimensions, as explained previously, can also be explained within the context of the volitional and cognitive accounts of leadership failures. When we consider the example of David, his ethical failure is rooted in numerous vices: pride, lust, deception, to mention but a few. When viewed from a virtue-ethics perspective, it is the loss of virtue that caused David to commit those acts. When we view David's actions from a relational perspective, it becomes clear that there was little regard for stakeholders thus a lack of understanding of the scope of morality. Not only did David not consider his soldiers when he abandoned his duties on the front line, he also placed the future of the Israelites at peril by having one of its top generals assassinated to disguise David's own lustful desires.

When we consider some of the ethical failures that have been committed in the past few years by the leaders of financial institutions, it becomes clear that there are numerous factors that contributed to their failures. To discuss them all in detail is beyond the scope of this thesis. The following four sections will rather consider which of the failures can be attributed to leadership failure within the context of the relational and ethical dimensions of responsible leadership. When discussing the failures from a virtue-ethics perspective, it will be shown how the absence of one of the cardinal virtues led to the failure. Hence, the absence of virtue will be the discussion method rather than the presence of a particular vice or particular vices.

Each example below will, firstly, be described from a specific virtue perspective, followed by a discussion on where the relational perspective broke down and contributed to the failure.

4.3.1 American Insurance Group (AIG)

The executives at AIG were of the naïve opinion that AIG "was simply too big to fail" (Sorkin, 2009: 160). On 16 September, 2008, the United States federal government saved AIG from certain failure by bailing them out to an amount of $85 billion and acquiring almost 80% of AIG's stock (Gethard, 2008).

When evaluating the AIG case in the aftermath of the bailout, it becomes clear that one of the reasons for the ethical failure at AIG can be ascribed to a cognitive failure within the scope category. The leaders became blinded to the fact that they were engaging in both a technical and moral matter, both leading to a disastrous outcome for all stakeholders.

The executives did not consider themselves to be bound by the same moral obligations as other executives. They identified an opportunity to engage in a business practise that would yield good financial returns at a perceived low risk, not considering that they did not set a good example for their followers to emulate.

4.3.1.1 Prudence Abandoned

Insurance companies design complex simulations to ensure against eventualities. A thorough understanding of the various risks associated with an insurable event is at the heart of how an insurance business determines the premium that customers pay for the insured event. While there are many uncertainties and unknowns in the insurance environment, the basic building block should be that the insurer knows what it is that they are insuring. In this regard, prudence or sound judgement is central to the insurance industry.

One of AIG's divisions, AIG Financial Products (AIGFP), offered a financial product known as a credit default swap that would insure against defaults on collateralised debt obligations (CDOs). AIG considered "the chances of having to pay out on this insurance were highly unlikely", allowing this division to grow revenues to over $3 billion. Furthermore, "AIG believed that what it insured would never have to be covered" (Gethard, 2008). However, when CDOs started going bad in 2008 and many investment banks faced financial losses, the time came that AIG "had to pay out what it promised to cover" (Gethard, 2008) and pay what they never expected to pay on.

Sound judgement could have averted the mess the executives got AIG into. The fact that AIG was under the false belief that what they were busy insuring would never have to be covered is an indication that AIG was not exactly sure of what it was that they were receiving insurance

premiums for. Their lack of understanding of the risks is a clear indication that they had lost the ability to conduct their insurance business in a prudent manner. Risking the sustainability of their business on claims they never expected to settle exposes a blatant inability to foresee the likely damages that could be caused, which ultimately did occur.

4.3.1.2 Stakeholder Engagement

For any insurance business, having a thorough understanding of the risks associated with an insurable event can only be gained and understood by engaging with those that are requesting and/or requiring the insurance. Stakeholders include clients, as they also face certain risks in placing their insurance needs with a particular insurer.

In situations such as with AIG, where the risk associated with the CDOs was not sufficiently understood, many businesses were placed at risk. Should a disaster strike and the Federal Government did not bail out AIG, many other businesses would face certain financial loss (if not closure of their businesses, depending on the extent of their losses).

A better understanding of the CDOs could have been gained through the proper engagement of stakeholders. Such an engagement and desire for understanding the CDOs, would no doubt have led to a better risk assessment of the CDOs, as well as a better risk exposure model. Had the risk been adequately assessed, AIG would have determined that the risk was just too high and uncertain to accept. This is a practice that many insurers engage in, referred to as an uninsurable risk. CDOs were nebulous in their substance and, as Gethard said, "AIG believed that what it insured would never have to be covered" (2008). As it turned out, this belief was false and almost caused the collapse of AIG, not mentioning the possible financial ruin of those who were insured.

It is submitted that through proper stakeholder engagement and getting a comprehensive understanding of what is being insured and what the risks were, the AIG crisis could have been averted. Furthermore, if the risk was highlighted as high risk, those who wished to be ensured would have had an opportunity to reconsider their position and engage in more cautious business practises.

4.3.2 Fidentia Holdings

Through a series of questionable transactions, the now convicted director of Fidentia Holdings, J. Arthur Brown, managed to defraud the Living Hands Trust of millions of rands. Brown's desire for a lavish lifestyle included the game farm Thaba Manzi, which was purchased for R32 million.

A portion of this game farm was 'mistakenly' registered in the name of Brown's trust. Julius Cobbett goes on to mention a whole string of other activities that Brown engaged in for his own benefit (2013).

J. Arthur Brown is an apt example of where the volitional perspective of leadership failure came to the fore. Brown abused both his position and power to further his own interests. Brown had privileged access to information, he had a holistic view of the workings of Fidentia Holdings and directed resources to where he would be able to derive the most advantage for himself. Furthermore, he was under the mistaken belief that he could control the outcomes of his actions. He had lost focus on what he was entrusted with.

4.3.2.1 The absence of temperance

A temperate person does not allow their personal passions and interests to come before that of the organisation. When business is going well, the temperate person will refrain from awarding his- or herself large increases or bonuses. However, there are individuals who give in to the temptation and reward themselves and others with lavish incentives.

Brown did not subordinate his desire and passion for a luxurious lifestyle to the needs of the many investors who trusted Fidentia Holdings with their savings. Brown was entrusted to manage the funds of Fidentia Holdings for and on behalf of numerous investors yet Brown could not exercise control over his passions and desires. This resulted in Brown squandering millions of rands on his own desires and not fulfilling the mandate that the investors had given him.

> "Brown's spendthrift manner made him a legend in his native Cape Town". He purchased a Ferrari and an expensive house in Sunset Beach in the Cape and then "razed it to the ground so that he could rebuild something of palatial proportions" (Hogg, 2007).

Such deplorable behaviours by organisational leaders can be prevented if they possess the virtue of temperance, setting aside their own desires in favour of fulfilling the objectives of their organisations.

While the Brown case highlights some excessive spending habits, the same can happen on a smaller scale. Such behaviours, large or small, all point to the absence of temperance and can result in the loss of revenue or worst still, the total failure of the organisation.

4.3.2.2 Understanding your responsibilities

Fidentia holdings had a huge responsibility towards their clients. Fidentia was the trustees for the Living Hands Trust, a trust for the benefit of orphans and widows. Rather, J. Arthur Brown decided to indulge in his own pleasures and indulge his employees at the cost of Fidentia's clients.

Within a stakeholder environment, businesses have an obligation not only towards their investors but also towards their clients and, in the case of Fidentia, they also had a fiduciary duty towards the beneficiaries to invest responsibly and conduct their affairs in such a manner that it does not jeopardise the sustainability of the trust. However, Brown's spendthrift showed that he did not understand his fiduciary duty nor his social responsibility towards the beneficiaries of the Living Hands Trust.

A responsible leader within a stakeholder environment needs to understand the enormous responsibility that they carry. This is particularly true for financial planning businesses as these businesses can, to some degree, be considered the custodians of their clients' financial wellbeing. By merely selling a product and focusing on sales, the financial planning business has done very little to alleviate the financial illiteracy that is so pervasive in South Africa.

Consider the impact that a financial planning business can have on the people they serve when they educate their clients on how to manage their financial affairs better. This will, to a large degree, reduce the high indebted rates that exist in South Africa, as high as 79% of disposable income (fin24, 2015). High levels of indebtedness has caused many South Africans, especially government employees, to resign and take their pension fund pay-out to settle their debts (Donnelly, 2014). Once this has been done, they reapply for a position to start working again, which, in turn, will result in a much lower benefit at their retirement. The short-term need to settle debt is so great that they are willing to take the gamble.

In many instances, people would also resign or withdraw from their pension and provident funds to get the lump sum paid out to them due to fears that government would limit the amount that people could take out as lump sums when they retire. Such situations were rife during 2014 and 2015 in South Africa, purely due to people being ignorant of what government's pension reforms entailed (fin24, 2015).

If leaders of financial planning business do not understand and embrace the impending changes that are foreseen and accept their responsibilities within the new landscape of financial planning, that being service instead of sales, then such leaders are setting their businesses up for failure.

4.3.3 Outsurance

The central objective of TCF is the fair treatment of customers. It is due to the past unfair treatment of customers that the financial services industry is facing a flood of changes. The complexity of financial products makes it difficult for the average consumer to understand all the products. As was determined by the AIG example, in some instances not even the product-provider had an understanding of their own products.

Outsurance has an obligation towards the public and, in particular, towards their policy holders. Outsurance failed to correctly understand their responsibilities towards their stakeholders, which places their leadership failure within the realm of the cognitive perspective and the content category.

4.3.3.1 Justice and the Fair Treatment of Clients

The purpose of insurance is to protect the insured against an insurable risk. However, it appears as if insurance companies attempt to rely on the fine print of their contracts not to honour claims. Recently (2015), the High Court in Pietermaritzburg heard just such a case in Jerrier versus Outsurance Insurance Company Limited (AR4160/2010[2015]) (Chetty, 2015).

In the above case, the claimant had suffered a loss of R600 000 when he had a motor vehicle accident in 2010. When submitting his claim to Outsurance, they repudiated the claim and a legal battle ensued. The first round was won by Outsurance in 2013, when the judge ruled in favour of Outsurance. The matter was taken on appeal and Outsurance lost the second round and have been ordered to settle the claim, as well as the defendant's legal costs.

Outsurance attempted to rely on a clause in their contract that requires the insured to make full disclosures of accidents or incidents. However, on appeal the judge said that Outsurance could not, in this instance, rely on this clause. Part of Outsurance's marketing strategy and product structure promises that, if the insured does not claim for a number of years, they would receive a percentage of their premiums back in what is called an 'outbonus'. This benefit actively discourages people from submitting claims. In Jerrier's case, he had two prior incidents where he repaired the damages himself. The excess that he would have had to pay on the incidents were higher than the actual damage therefore it did not make sense to submit a claim. The wording in the policy document also does not make it mandatory for the insured to report incidences to the insurance house on an ongoing basis.

In essence, there were two matters that swung the ruling in favour of the plaintiff: firstly, that Outsurance promotes a culture of not claiming; and secondly, their policy wording did not stipulate an ongoing obligation to inform the insurer of trivial incidents.

From a fairness perspective, it is hard to understand why an insurance house, who is in the business of receiving premiums and in settling insurable events, would actively discourage their clients from claiming and then, when they do claim, the insurer attempts to rely on the contract's fine print to evade settlement. Such business practises reflect a lack of treating customers fairly.

The asymmetry of knowledge and power in the insurance industry should encourage organisational leaders to structure their business in such a manner that their organisations engage justly with their clients and not rely on policy wording to escape their reciprocal obligation to their clients.

4.3.3.2 Responsibilities towards Stakeholders

When we consider the failures mentioned above, particular the AIG and Outsurance examples, then the cognitive perspective for leadership failures become apparent, particularly when viewed from the content category of the cognitive perspective. The leaders at AIG and Outsurance both showed ignorance (cognitive), in that they did not know or realise that their actions (content) were unethical.

Insurance companies have a responsibility towards their clients and this responsibility is twofold. The insurance company, firstly, must conduct their business in good faith and not structure their products in such a manner that it becomes difficult for clients to understand. Secondly, that contracts are not structured in such a manner that there exists escape-clauses for the insurer. The insurer must understand the scope of their responsibilities towards their clients. The same rules apply to everyone equally and to all parties.

When building trust within a business context, the reputation that a business develops over time can be very quickly destroyed by negative press, or court rulings such as this Outsurance case. When perspective clients of Outsurance become aware of the case, they may start to think twice about placing business with an insurer who looks for reasons not to settle claims. This will soon lead to less people using this business for insurance. This will result in the premiums of the existing clients escalating as the risk pool remains stagnant or, even worse, starts to shrink; soon the sustainability of the insurer can come under threat.

4.3.4 Salomon Brothers

When an organisation loses its strategic focus (volitional perspective), there are a number of undesirable outcomes. In the case of John Gutfreund (king of the Treasuries (Widder, 1991)), who was known as a very arrogant man, his arrogance contributed to the fall of Salomon Brothers in 1991 (Mayer, 2005) (Sims, 1992: 657). Sims is of the opinion that *groupthink* contributed to Salomon Brothers' demise, which is explained as "a precursor to unethical behaviour" (Sims, 1992). Within this context, the leaders at Salomon Brothers had lost sight of the organisation's overall goals or, rather, their strategic focus was lost and replaced by a short-term focus on profits.

4.3.4.1 The lack of courage

Groupthink as defined by Janis is "a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' striving for unanimity override their motivation to realistically appraise alternative courses of action" (Sims, 1992: 653). We think of peer pressure as something that happens at schools, unfortunately, it is also present in business environments. Sims attributes peer pressure as one of the factors that contribute to a "groups' defective decision-making", in that "the approval or disapproval of … group members and their leader" motivates the members to act in a particular manner (1992: 654).

In the Salomon Brothers case (as well as Beech-Nut and E.F. Hutton), it was the "bottom-line mentality" and the misconception that everything "boils down to a monetary game" (Sims, 1992) that led to their demise. The behaviour of the leaders in these organisations, by their conduct, got the proverbial snowball rolling. In the case of Salomon Brothers, the leader's behaviour "exhibited excessive or blind loyalty, a bottom line mentality, arrogance and overconfidence, and a promotion of unethical solutions" (Sims, 1992: 658).

When considering the impact that groupthink can have on the ethical culture of an organisation, it begs the question as to what can be done to turn the organisational culture around. Responsible leaders are needed, leaders that have the courage to stand up and take a stance that will start the process of positive change.

The former CEO of Herman Miller, an office furniture manufacturer, Max De Pree, is a good example of a courageous leader. De Pree considered leadership and ethics as inseparable, that there is a "sacred relationship … between leaders and followers" (Murphy and Enderle, 1995: 123). De Pree has been recognised for his "outstanding leadership qualities" (1995: 123), even after his retirement in 1988, as CEO of Herman Miller, but the enduring legacy of his tenure as CEO was

his bold decision to limit the CEO's salary. This decision invited the scorn of other CEOs yet De Pree persisted in his decision, as he was convinced that doing so is prudent and just, which supports his view that "ethical leadership withers without justice" (1995: 123).

Consider the Salomon Brothers case, a company that was founded in 1910 and was almost destroyed 80 years later due to groupthink. None of the leaders (in the 1990s) had the courage to stand up and denounce the practises that not only Salomon Brothers was engaged in but also an influential portion of bond traders. According to Jegadeesh, the Wall Street Journal of 19 August, 1991, reports that "collusion and price fixing in the $2,3 trillion Treasury securities market has been routine for more than a decade" (1993: 1403).

It would have taken a leader of tremendous courage to stand up against these practices. Had there been such a leader at Salomon Brothers, or even a leader from another bond trading firm, the outcome and subsequent fallout of the Salomon Brothers case could have been very different. Courageous leaders stand-up against unethical practises and steer an organisation towards behaving ethically. From this, an entire industry can change direction.

4.3.4.2 A Web of Inclusion

Responsible leaders weave a web of inclusion, specifically to include people who, under different circumstances, would have been ignored and side-lined. The responsible leader shows courage by being inclusive and inviting of opinions that are different to their own and stimulate conversations that oppose groupthink. Weaving a web of inclusion brings vastly different people together for a shared goal rather than bringing a selected group together for personal gain.

The intention or purpose is very different within a stakeholder environment. Interaction and disagreement is welcomed, in order to find a mutually beneficial solution to all and not just a small exclusive group that collude to achieve their own goals, especially at the expense of other stakeholders. Inclusivity needs to be encouraged above exclusivity in a stakeholder environment.

While caution needs to be applied within the competitive environment of financial planning, weaving a web of inclusion with different client groups can assist a financial planning business to better identify the needs that the particular group would benefit from. Their solutions can be developed to meet their needs as opposed to designing a product that then needs to be sold in order to be profitable.

The approach within a stakeholder environment is vastly different to that within a closed environment, where economic advantage takes priority above the needs or interests of others. While such an approach did benefit Salomon Brothers and others in the short-term, so did it almost result in Salomon Brothers shutting down, along with various other businesses. The short-term focus and drive for profits comes at a cost and, in most cases, as has been seen in the examples cited in this study, are the result of unethical behaviours by the leaders of these businesses.

4.4 CHALLENGES FACING THE RESPONSIBLE LEADER

The responsible leader in the financial planning industry will face numerous challenges. The most pressing challenges they will face in the near future can be divided into two categories. The first will be those external to the business, such as regulation and client expectations. The second will be those challenges emanating from within the business, which include a resistance to change.

4.4.1 External Challenges: The Changing Regulatory Landscape

The regulators have, over the past few years, invited discussions, recommendations and suggestions from the financial planning industry and other stakeholders in the financial services industry. A responsible leader needs to, and will, engage with the regulators to position not only how changes will impact on their businesses but will also highlight how the proposed reforms will impact on their stakeholders, particularly their clients.

Among the approaches that the regulators are taking is towards Treating Customers Fairly (TCF), (refer to section 1.2 for a list of the TCF outcomes). The introduction of these outcomes will require significant changes for the financial planning industry. As previously mentioned, among these changes will be to go from a sales-driven remuneration model to a service-based one. Due to the past focus on sales – and the drive towards achieving sales targets – those who were able to deliver on these were sought after in the industry. Often, their moral character was of little consideration. In the new environment, where TCF is going to play a crucial role, a different type of leader will be required to lead and transform a financial planning business into a service model.

The Financial Services Board (FSB) expects firms to incorporate the TCF outcomes into their organisational culture (Financial Services Board, 2011: 20-21), in that the leadership of the business needs to "provide direction and monitor" the implementation of TCF, as well as ensure that the TCF outcomes are achieved. In addition to this, the FSB also expects that firms must adjust their recruitment processes, as well as their remuneration policies, to promote the TCF outcomes. In view of these requirements by the regulators, responsible leaders will have to engage with their

respective stakeholders, particularly the staff of the business and product providers, to embed the outcomes of TCF within their business models.

Bearing this in mind, the responsible leader will have to apply all their stakeholder engagement skills to embed the outcomes of TCF, while at the same time exercising sound judgement, prudence, temperance and, above all, having the courage to make the changes necessary to move towards achieving the TCF objectives.

4.4.2 Internal Challenges: Resistance to Change

The major challenge that leaders of financial planning businesses will face will come from within the organisation. The way financial planning businesses have been led and managed in the past will have to change. The old way of being driven by sales alone is going to be replaced by a service driven model. This change will have a significant impact on the income and profitability of financial planning businesses.

The remuneration model prevalent in the financial planning business is based on an upfront commission model. This model favours the sale of a product rather than a service. The commission receivable is calculated as a percentage of the amount being invested in a lump sum or based on the premium multiplied by the duration (in months) of the agreed contract and then applying a percentage, usually 3% but up to as much as 5%. To put this in perspective, a customer investing R500 000 will be charged 3% of the investment amount, which translates to a R15 000 commission. If the investment was for R1 million, then the commission would be R30 000. However, the time taken to service the client could have been identical. What differentiates these two scenarios? From a planning intensity perspective, there is very little difference, the solutions do not differ, yet the cost to one customer is double that of the other. When considering this situation from a TCF perspective, it becomes clear that this practice is not fair. While the argument of the percentage being the same can be put forward, it becomes a problematic measure of fairness as the rand amount also needs to be considered.

Furthermore, such a model can result in questionable behaviours. If the scenario is changed slightly and the plan implemented requires that the customer hold some of the funds in a vehicle, that does not produce commission for the planner, the planner will rather justify that as much as possible be invested in the commission-producing vehicle. On the other hand, if the remuneration model is based on the delivering of a suitable financial plan, then a fee can be charged for the delivery of such a plan, irrespective of whether the client implements the plan or not, or if commissions are payable or not.

Considering the case where a client visits a planner to seek investment advice, as the model currently stands, the planner will only be remunerated when a product is implemented. Nothing prohibits the client from obtaining advise from a financial planner and then implementing the plan on their own. In this instance, the planner has no recourse to recover costs involved in the compilation of the plan yet, according to current legislation, the planner is placed at risk for delivering advice.

The new model is intended to reduce the above instances from occurring. Clients will be invoiced for the delivery of a financial plan and not the implementation of a product. This approach will remove the inherent conflict of interest that exists when a product sale occurs, as well as reduce the instances where financial planners are not remunerated for the advice they provide. This approach will be fair to all parties concerned and will shift the focus to delivering a service rather than implementing a product. Essentially, it entails a move from sales to service, while at the same time meeting the first TCF outcome: that customers can be confident that they are dealing with firms where the fair treatment of customers is central to the firm culture. Where customers receive advice, the advice is suitable and takes account of their circumstances, which result in the fourth TCF outcome being met.

There is no doubt that transitioning to a service-oriented financial planning business will cause discomfort within the organisation. The immediate and most prominent implication of the change in regulation will be a reduction in revenue for both planners and businesses alike. It will require responsible leaders to lead the transition.

4.5 PRACTICAL APPLICATIONS OF RESPONSIBLE LEADERSHIP WITHIN THE FINANCIAL PLANNING INDUSTRY

4.5.1 The Relational Approach

According to the relational approach, a responsible leader is someone who has *character*, someone who has moral awareness and moral imagination. A responsible leader is also a storyteller and an architect for a values-based organisation (Maak and Pless, 2006). The responsible leader is the organisation's change agent; this is done through weaving a web of inclusion that embraces all the different stakeholders. The transition that lies ahead for the financial planning industry will require a new approach to the delivery of financial services by financial planners.

There exists a large "asymmetry of information between retail financial services consumers and financial institutions" (Financial Services Board, 2011: 31). This situation places the consumer in

a vulnerable position. The responsible leader will consider this imbalance and attempt to structure their business in such a way that all clients are treated fairly and are not taken advantage of by the representatives of the financial service provider.

The current legalese prevalent in the financial services industry contributes to the asymmetrical position. In this instance, a responsible leader can structure his or her business' client-facing documentation in such a manner that the complexity of the language and terminology used is appropriate to the clients the business wishes to provide their services or products too. This will, in turn, meet outcome three of the TCF objectives, which – to recall – reads "Customers are given clear information and are kept appropriately informed before, during and after the time of contracting".

Without internal changes to the financial planning industry, the TCF objectives cannot be achieved. This is where the skills of the responsible leader will prove most valuable in bringing about the necessary changes. Within the stakeholder environment, the responsible leader will have to weave the web of inclusion. This will require that they understand the challenges that lie ahead and that they know their roles and responsibilities. Being a person of moral integrity will serve the leader well. The responsible leader will have to walk the talk in order to instil trust in their followers. This is also the hallmark of a person of integrity: there is no conflict between what they say and what they do.

Furthermore, the responsible leader will have to communicate the direction the business will be heading in, *i.e.* give clarity to strategy. This can be done through storytelling, by sharing the strategy in such a manner that it is easy for the followers to understand and buy into the new strategy.

4.5.2 The Virtuous Approach

Leaders determine the direction and culture of an organisation and "organisational culture appears to permeate every facet of the organisation" (Azanza, Moriano and Molero, 2013: 46). Therefore, it is important that there be responsible leaders in place that can embed an ethical organisational culture. In section 4.3, it was argued that a lack of virtue contributes to the leadership failures that were mentioned and, as such, it is necessary to explore the virtuous approach to leadership.

Whetstone (2001: 109) states that "[c]ompanies who rely the most on ethical codes are not always the most ethical". For this reason, it is important that the organisational leadership create the right ethical culture within the organisation. As Aristotle remarked, "Virtue makes us aim at the right

target, and practical wisdom makes us use the right means" (Audi, 2012: 278). Responsible leaders do the right things for the right reasons.

To illustrate this example, consider the following. An elderly client enters into a transaction with a financial planner, who invests their funds in risky instruments. All supporting documentation points to the fact that the client was in a position to make an informed decision. However, the elderly client does not have sufficient knowledge on financial products nor how investment markets work. In this example, the client does not have a valid claim for any losses they had suffered. However, the leadership of the business decide to settle the claim out of fear of reputational risk.

The responsible leader on the other hand, while still being concerned about reputational risk, will settle the claim in any case because it is the right thing to do. In a society where the elderly are vulnerable to exploitation, the responsible leader will act in a virtuous manner and from a sense of justice. The leader will make good on any losses the client had suffered purely because they are vulnerable and there is a possibility that they did not necessarily understand the full implications of their actions. And even if they did make an informed decision, a responsible leader, who is prudent, will also protect people against themselves.

It is the tone that is set by leaders that determines the organisational culture. This happens "whether or not they actively seek the responsibility, boards serve as role models for ethical tone" (Schwartz, Dunfee and Kline, 2005: 87). A leader's behaviour and action are constantly under scrutiny and these are emulated by their followers hence it is important that responsible leaders are people of integrity, *i.e.* that their words and deeds harmonise. If not, they cannot weave a web of inclusion nor will their narrative of the future be taken seriously, specifically because what they say cannot be accepted as being the truth, especially when gauged against past conduct.

Being able to stand up against injustice and do what is right can only be achieved if the leader is of good moral character and possesses the four cardinal virtues, particularly that of courage. It is the cardinal virtues that form the basis for all other virtues and enable responsible leadership. In Aristotelian terms, the responsible leader becomes a responsible leader by being a responsible leader.

Given that the financial planning industry will be required to shift from a sales-model to a service-model, it will no doubt require a leader that has courage. Shifting the financial planning industry model will require leaders to make difficult decisions. In some instances, short-term gains will have to be sacrificed for long-term sustainability. Such decisions, similar to Max De Pree's decision,

will not go down easy but, in the interest of the sustainability of the organisation, the responsible leader will have to have the courage to stand firm by his or her decision.

As the changes become realities and are integrated into the financial planning industry, the responsible leader will also have to practise the virtue of prudence, which amounts to applying practical wisdom to their decisions and thinking through all the various scenarios that can take place.

The service-driven industry is going to be considerably different to the sales-driven industry, as such, many people are likely to leave the industry. This will, in turn, create opportunities for new entrants into the industry. Given the difficult decisions ahead, responsible leaders will have to be just and consistent in the application of standards and not exhibit any favouritism, especially to those who have a significant economic impact on the financial planning organisation.

The demands that the responsible leader in the financial planning industry will face in the near future are enormous and it has been argued in this thesis that such persons will have to be virtuous people, as virtuous leaders will have the necessary skills to navigate the turbulent waters ahead.

4.6 BRINGING IT TOGETHER

The financial planning industry in South Africa will be undergoing significant transformations in the near future. The introduction of RDR, TCF and the inevitable introduction of the Conduct of Financial Institutions Act will accelerate this transformation. The move from a sales-driven model to a service-driven model will no doubt bring along interesting challenges that leaders will have to negotiate. This can only be done if such leaders are responsible leaders.

Because leaders are not immune to failure. It is important that leaders who have the cardinal virtues be at the helm of financial planning businesses to successfully traverse this changing terrain in a manner that is sustainable for all stakeholders. The lack of virtue can lead to a number of leadership failures. However, the presence of virtue can lead the financial planning business to numerous opportunities, while, at the same time, contribute to the sustainability of the business.

Practically, the responsible leader will have to take cognisance of the factors that contribute to leadership failure and constantly engage in self-examination and exercise introspection to gauge for themselves how they measure up to their own standards and the leader they wish to be. Continually developing the virtues and exercising the relational dimensions will equip the responsible leader to face the necessary challenges that lie ahead, be they internal or external.

5 CONCLUSION

The Final Report of the Commission of Inquiry into the affairs of The Masterbond Group and Investor Protection in South Africa by Judge Nel (2001) got the wheels in motion, heading towards change in the financial services industry. The few examples cited in this study highlight the devastation that unethical behaviour within the financial services industry can have on unsuspecting consumers, most of whom are easily taken advantage of by unscrupulous providers in the industry.

As this study was being written, the Retail Distribution Review (RDR) was underway and, in conjunction with the Treating Customers Fairly (TCF) outcomes, it placed the financial services industry on the verge of significant change. Most notably is the transitioning from a sales-orientated environment to a service-orientated one and a move to professionalise the financial planning industry.

These changes will require leadership that can traverse the challenging and changing environment ahead. Management will primarily be involved in three functions: planning and budgeting, organising and staffing, and controlling and problem solving. It is these functions that will "keep a complex organisation on time and on budget". Leadership, however, will establish the direction, while at the same time motivating, inspiring and aligning people (Kotter, 1990: 131-132 & 144) to reach the desired outcomes. This study showed that this cannot be attained by mere leadership nor will good leadership suffice. Rather, responsible readers with responsible leadership will be required to navigate the turbulent waters of change.

Responsible leadership is an expansion of good leadership, which is a conjunction of effective and ethical leadership (Ciulla, 2004: 13). Responsible leadership, according to Cameron, consists of four parts: "accountability and dependability", "freedom of action and empowerment", "a relational framework amongst stakeholders" and lastly acting in an "appropriate fashion … being good or doing good" (2011: 26).

This study discussed responsible leadership from the relational and virtuous dimensions. It emerged that these two dimensions are the complementary dimensions to responsible leadership.

The relational approach to responsible leadership has a distinct stakeholder focus. The relational approach requires the leader to have good interpersonal skills, along with "the right values and show a firm – but not unchangeable – moral personality" (Maak and Pless, 2006). The leader will

be required to weave a web of inclusion with the various stakeholders, bringing together people from various moral views and opinions. Thus, the leader's main focus is stakeholder interaction.

The virtuous approach to responsible leadership considers the leader as person and what makes a person virtuous. The discussion revealed that virtue offers a fixed point from which a leader can make decisions. It is essential that a responsible leader possesses the four cardinal virtues: justice, prudence, temperance and courage. An absence of these virtues can lead to many leadership failures, as cited in the study.

While the introduction of legislation and ethics codes attempt to curb unethical behaviour, these in themselves will not produce any significant changes. What is needed is responsible leaders at the helm of financial planning organisations.

The two dimensions of responsible leadership discussed in this study showed the interconnection between the relational and virtuous approaches to responsible leadership. While leaders that practise any approach independently can be effective and ethical, it is by synergising these two dimensions that responsible leadership emerges. Such responsible leaders can change the direction organisations are heading in, which may result in numerous benefits to the organisation, including economic and reputational.

5.1 BENEFITS OF RESPONSIBLE LEADERSHIP WITHIN THE FINANCIAL PLANNING INDUSTRY

In order for responsible leadership to enjoy attention within a business environment, it is important that moving towards and ultimately achieving responsible leadership becomes part of the businesses vision, as well as business's sustainability. The sustainability of any business is not purely for the benefit of the shareholders but for all stakeholders, especially those that are dependent on the organisation for employment and for those who conduct business with the organisation. Having a purely self-serving approach is contradictory to responsible leadership and, as has been seen in this study, can lead to the downfall of the leader and, in some instances, the organisation as well. Such failures have significant financial consequences and cause reputational damage to the organisation. Not giving consideration to either the relational or ethical dimensions of responsible leadership will result in negative consequences. Hence, there are two major benefits of embracing responsible leadership: economic and reputational.

5.1.1 Economic

Any discussions or suggestions around ethics within the business environment will not gain much support if such discussions or recommendations do not contribute to the business's bottom line. Liquidated businesses are of no use to any stakeholders hence the importance of making a profit.

Profit is essentially achieved in three ways: increased income, decrease expenses, or a combination of the two. Considering this within a financial planning business, responsible leaders can make meaningful contributions to increasing income and reducing expenses. Responsible leaders will set the right example for their followers and the ethical behaviour portrayed by the organisation's responsible leaders will cascade down to followers as well.

5.1.1.1 Decrease Expenses

The cost of unethical behaviour is not all that difficult to calculate. Consider cases where employees steal from their employers or where a leader, due to their unethical behaviour, causes the business to settle claims against the business. Such cases can be directly measured in financial terms.

In order to reduce incidences of unethical behaviour in any business it is important for the business to promote an ethical culture within the business and instil an organisational culture that roots out unethical behaviour. This in turn will result in reduced expenses to the business which are the result of unethical behaviour. However, it must be noted that, while leadership can be wholly ethical, there is still no guarantee that followers will always behave ethically. You just get bad apples; the key is to ensure that the bad apples do not contaminate the barrel or, worse still, the whole warehouse.

The financial implications when leaders behave unethically can result in numerous civil claims against a business and, purely due to the scope of the unethical behaviour, the cost of such suites can become enormous. Leaders that place their own interests before those of the business will result in additional costs to the business. J. Arthur Brown of Fidentia Holdings is a good example of where a leader's spendthrift not only landed the leader in trouble but also the business.

When responsible leaders exhibit ethical behaviour, they set the right example for followers to emulate. Setting the right example, as Max De Pree (of Herman Miller) did, by capping the salary of the CEO, can have significant instrumental benefits for any business, immediately, as well as in the future. The right example not only reduces cost but can also increase income.

5.1.1.2 Increased Income

People purchase goods and services from those that they trust most (Bass, 2008: 210). Financial planning is a very personal service and requires that the financial planner be a trustworthy person in order for clients to be comfortable to divulge the personal information that will be required in the financial planning process (Mullen Jr., 2010: 15, 36, 72-73). "Trust is always relational … it is an on-going process that must be initiated, maintained, sometimes restored and continuously authenticated" (Flores and Solomon, 1998: 206). Financial planners are required to establish trust with their clients; once trust has been established, business can flow from such a relationship and such flows are then converted to income. Once this trust has been established, clients will feel comfortable to engage in regular transactions, as well as refer other clients to the financial planner. This will increase income and build towards the sustainability of the financial planning business. This is a view expressed in both The Trusted Advisor (Maister, Green and Galford, 2002) and The Million Dollar Financial Advisor (Mullen Jr., 2010).

5.1.2 Reputational

Apart from the immediate financial incentives, a sustainable financial planning business is a business that takes a long-term view of their actions to ensure that the business is still functioning in the future. One such aspect that can contribute to their sustainability is their good reputation.

A financial planning business that is known to be ethical and deliver good quality services at a fair price will endear themselves with their clients, and society, as a responsible institution. As Warren Buffett has said, "[i]t takes 20 years to build a reputation and five minutes to ruin it" (n.d.). "Business losses and a shrinking market share are not half as damaging as a loss in an origination's reputation and image (Viviers, van Greunen and Venter, 2012: 35). Building a good reputation can take a long time and requires responsible leaders at the helm of the business. Responsible leaders will endeavour to conduct business in such a manner that takes cognisance of stakeholders, while at the same time acting in an ethical manner. A good reputation is built by responsible leaders who inspire their followers to higher ethical levels (by setting the right organisational tone and being good role models for others) and, by doing this, they will, to some extent, protect the reputation of the business.

Yet, things do go wrong sometimes and the manner in which the business's leadership reacts to such instances can either enhance the business's reputation or erase a good reputation that took years to build. Therefore, it is of paramount importance that a leader possesses the four cardinal virtues, considers the various stakeholders and then maps out a way that will build on the existing

good reputation and further instil trust, not only in the business but also in their followers by reacting to the crisis in the appropriate manner. Consider the well-known Tylenol case of Johnson and Johnson in 1982. The then chairman, James Burke, referring back to the company credo, reacted by placing priority on protecting consumers. The wellbeing of their clients enjoyed greater priority than profits, which showed a distinct stakeholder-focus. The result was that Johnson and Johnson was able to reduce the damage caused by the scandal, as well as instil trust with their clients and enhance their reputation. It takes a huge amount of courage to risk profits by putting clients first.

A good reputation instils trust with clients; this, in turn, makes it easier for the financial planning business to conduct business with their clients. In their book *The Trusted Advisor* (Maister, Green and Galford, 2002), the authors contend that when a business has a good reputation and is trusted, then the cost of conducting business is also reduced because the business does not have to expend valuable resources and money on building trust with their clients. Thus, a good reputation also directly contributes to the profitability of the financial planning business.

5.2 OPPORTUNITIES TO DEVELOP RESPONSIBLE LEADERSHIP IN THE FINANCIAL PLANNING INDUSTRY

The current leadership cadre within the financial planning industry are, without a doubt, effective leaders. They would not have ascended to the high levels that they have if they were not effective. The majority of these leaders are also ethical; those that are not are soon exposed and face the consequences of their indiscretions. While all these leaders can be considered good leaders, moving towards becoming responsible leaders may require changing the way good leaders currently operate.

A recent example of responsible leadership in action was exhibited by the CEOs of Old Mutual and Nedbank Group, Ralph Mupita and Mike Brown, respectively. As South Africa faced a possible downgrade to 'junk status' of our sovereign debt, more than 100 CEOs engaged with government during February 2016 to discuss ways to avoid such a downgrade. The plan that the CEOs drew up was done under the leadership of Ralph Mupita and Mike Brown (Ensor, 2016). If it were not for their responsible leadership, the plan would not have been conceived, and South Africa could have been downgraded to 'junk status'.

While it is not common practice for business to get involved with government policy making, the threat of a possible downgrade required responsible leaders to engage with them and not only speak on their own behalf but also speak on behalf of the citizens of South Africa, as the citizens would

be hardest hit by a downgrade, which would have resulted in higher interest rates and ultimately push inflation upwards.

The downgrade was averted and South Africa is busy working hard at improving its economy, as well as embedding clearer and stronger economic policies. The example presented may be an extreme case however all good leaders need to engage with their stakeholders, especially the policy-makers, in order for the responsible leaders to chart the way forward for their organisations. Good leaders will have to be coached and trained as to how they can become responsible leaders.

5.2.1 Leadership Training

"Corporation mission statements are replete with character language, but an organization must go beyond rhetoric to put its moral vision into action" (Peterson and Park, 2006: 1153). One way to give effect to this is to develop responsible leaders by developing their interpersonal skills to successfully interact with stakeholders, as well as to develop the cardinal virtues. "The function of developing organizational morals is a distinguishing characteristic of executive work going far beyond the moral challenges face by individuals in general" (Sims and Brinkmann, 2002: 328). It is important that organisations conduct ethics training with their leadership cadre. When considering the cognitive and volition reasons for leadership failures, it becomes apparent that investing in ethics training programmes could reduce possible instances of ethical failures by leaders.

South Africans, coming from very different moral positions, come together at the workplace thus, if the organisation engages in ethics training, a common moral culture can be cultivated. Such training interventions can embed ethical values within the organisation and "an organisation with an ethical mind-set has *a strong ethical value orientation*" (Rossouw and van Vuuren, 2010: 126). By having a strong ethical value orientation, the organisation will be "characterised by a seamless integration of ethics into the purpose, mission and goals of the organisation" (2010: 126).

Successful leadership training will result in ethical organisations and, according to Storr (2004: 422), such leadership results in higher effectiveness due to:

i. strengthened organisational culture,
ii. lower levels of staff turnover, and
iii. increased employee effort.

The Financial Planning Institute of Southern Africa (FPI), which is a professional body for financial planners in South Africa and the designated licence holder for Certified Financial Planner® Professionals, requires all of their members to undergo continued professional development (CPD). Such development requirements are usually measured in hourly units. Currently, the FPI requires that all their members do a total of 35 hours of CPD training annually, of which five must be on ethics and professional standards.

Having leaders that are trained on matters pertaining to ethics is not just to the organisation's benefit but is also a requirement for a professional body to which many representatives and key individuals belong. Engaging in ethics training that address financial planning ethics will contribute to raising the level of ethical understanding and the ethical standard in the organisation, as well as that of the wider financial planning industry.

However, this is not going to be an easy journey. Unlike their followers, leaders are exposed to a wider array of ethical challenges. These challenges can result in leadership failures. Preventing such failures becomes a sustainable imperative. These challenges are separate from the regulatory challenges that leaders are also going to have to deal with. While there is no doubt that leaders will be well informed of the regulatory changes that are on the way, providing ethics training to leaders on how to deal with ethical challenges will be equally important in contributing to a sustainable financial planning business.

Furthermore, leaders can be trained to deal with different stakeholders, training such as interpersonal skills, emotional intelligence and conflict resolution, to mention but just a few, can equip the good leader with the skills needed to become a responsible leader. Such training will have a significant impact on the moral development of the organisation as a whole, as well as the bottom line.

5.2.2 Recruitment

The manner in which managers, and ultimately leaders, are recruited within the financial planning industry will have to be brought in line with the demands of tomorrow's regulatory environment. In the past, those who were sales-oriented were employed as managers and, as time went by, they

also became the leaders of such businesses. The Peter Principle[12] will have to be avoided if change is to take place in organisations. The sales manager of old will have to be replaced by service-oriented leaders, who are promoted based on their abilities, not just technical but relational and ethical abilities as well.

Considering that "leadership is a critical component of the organization's culture because leaders can create, maintain, or change culture", it becomes important to position the right leaders who will "establish an ethically-oriented culture" (Sims and Brinkmann, 2002: 328). When employing leaders, organisations have to find leaders that have the right character strengths required for the position (Peterson and Park, 2006: 1152).

Going forward, the virtues of new recruits – both representatives and key individuals – will have to be considered and not just their ability to make a sale or manage a sales team. New recruits can undergo a set of tests that examine their moral cognition and maturity however the legality of such tests will have to be clarified prior to implementation. While such tests may have to be developed in order to test moral cognition and maturity, using case studies for possible recruits to comment on can be a starting point to recruit people of good character. "People with good character are highly engaged in what they do and find significance beyond themselves in their activities" (Peterson and Park, 2006: 1153), which will also reduce staff turnover.

5.3 BRINGING IT TOGETHER

Followers learn from and imitate their leaders. The leadership of an organisation needs to set the ethical tone and culture for followers to follow, thus transforming them to higher levels of morality. While there will always be leaders that fail, organisations will do well to introduce measures to prevent some of these failures. By recognising the signs, appropriate action can be taken. Embedding the four cardinal virtues in leaders will, to some extent, contribute to preventing leadership failures. This can be done by means of training courses and by recruiting the right people *ab initio* however this is still no guarantee that a leader will not fail.

Responsible leaders, who possess the four cardinal virtues and who take a relational approach in organisations, will be in a better position to deal with the different challenges that will come their

[12] The Peter Principle (Peter and Hull 1969) occurs when someone who is good at their current job is promoted for this reason. At some stage, they are promoted to a point where they are not able to perform according to the requirements of the position. Essentially they are promoted into incompetence.

way. Being a responsible leader in the financial planning industry today can have significant implications for the industry going forward. Furthermore, and admittedly very aspirational, responsible leaders within the broader business sphere can steer South Africa towards an ethical and virtuous society by the ethical examples they set, which will ultimately be to the benefit of all stakeholders.

When considering the current poor state of leadership in the political sphere in South Africa, as mentioned by Dr Khoza, it becomes abundantly clear that change is desperately needed. Responsible leadership initiatives – such as that of Ralph Mupita and Mike Brown to engage with government to discuss solutions that would start steering South Africa in a new economic direction – become not only an economic imperative but also a leadership imperative. Responsible leaders will have to exhibit courage and speak up for what they believe to be just, while at the same time taking stakeholders into consideration, especially those whose voices are drowned out because they are poor or have limited means.

Through their current actions, responsible leaders will influence the leaders of tomorrow. It is important that the responsible leaders of today conduct themselves in such a manner that will produce not leaders nor good leaders but responsible leaders for the future, responsible leaders that can continue the work started today.

The financial planning industry can make a significant contribution to the economic state of South Africa, if responsible leaders, who will embrace the changes ahead, steer their organisations towards the new service-orientated model. Within this environment, they can find ways to help those who do not have access to financial services.

The time for change is now. Those who embrace and find ways to integrate the change into their financial planning organisations will, no doubt, be in a favourable position to weather the storms of change and to ensure the sustainability of their companies, while at the same time providing an essential service to their clients to ensure their clients' financial wellness.

In light of the changes awaiting the financial services industry, especially the financial planning industry, and the arguments posed in this thesis, I conclude with the words of Friedrichs, who succinctly spells out the challenge that lies ahead, a challenge which can be tackled head on with the adoption of responsible leadership:

"The future is not what it used to be
because we can no longer rely on the
comforting assumption that it will resemble the past."
(Friedrichs, n.d.)

BIBLIOGRAPHY

Aristotle (2009) *The Nicomachean Ethics*, Oxford: Oxford University Press.

Audi, R. (2012) 'Virtue Ethics as a Resource in Business', *Business Ethics Quarterly*, vol. 22, no. 2, April, pp. 273-291.

Azanza, G., Moriano, J.A. and Molero, F. (2013) 'Authentic leadership and organizational culture as drivers of employees' job satisfaction', *Journal of Work and Organizational Psychology*, no. 29, pp. 45-50.

Bass, B.M. (2008) *The Bass Handbook of Leadership: Theory, Research and Managerial Applications*, New York: Free Press.

Bateman, B. (2010) *Eye Witness News*, [Online], Available: HYPERLINK "http://ewn.co.za/2010/10/14/Krion-scheme-mastermind-gets-25-years-in-jail" http://ewn.co.za/2010/10/14/Krion-scheme-mastermind-gets-25-years-in-jail [26 August 2015].

Beauchamp, T.L. and Childress, J.F. (2009) *Principles of Biomedical Ethics*, 7th edition, Oxford: Oxford University Press.

Blake, R.R. and Mouton, J.S. (1982) 'A Comparative Analysis of Situationalism and 9,9 Management by Principle', *Organizational Dynamics*, Spring, pp. 20-43.

Blanchard, K. and Stoner, J. (2004) *PartnersWithNonprofits*, [Online], Available: HYPERLINK "http://www.partnerswithnonprofits.org/uploads/1/0/7/3/10733039/the_vision_thing.ken_blanchard.pdf" http://www.partnerswithnonprofits.org/uploads/1/0/7/3/10733039/the_vision_thing.ken_blanchard.pdf [08 Sep 2014].

Broughton, T. (2007) *iol*, 29 November, [Online], Available: HYPERLINK "http://sbeta.iol.co.za/news/south-africa/former-bank-employee-stripped-of-all-he-owns-380702" http://sbeta.iol.co.za/news/south-africa/former-bank-employee-stripped-of-all-he-owns-380702 [20 December 2015].

Broughton, T. (2012) *iol*, 16 November, [Online], Available: HYPERLINK "http://sbeta.iol.co.za/news/crime-courts/woman-wins-back-r2-5m-from-bank-1424975" http://sbeta.iol.co.za/news/crime-courts/woman-wins-back-r2-5m-from-bank-1424975 [20 December 2015].

Buffett, W. *BrainyQuote*, [Online], Available: HYPERLINK "http://www.brainyquote.com/quotes/quotes/w/warrenbuff108887.html" http://www.brainyquote.com/quotes/quotes/w/warrenbuff108887.html [01 August 2015].

Burns, J.M. (2012) *Leadership*, Kindle edition, New York: Open Road Integrated Media.

Cameron, K. (2011) 'Responsible Leadership as Virtuous Leadership', *Journal of Business Ethics*, vol. 2011, no. 98, April, pp. 25-35.

Chetty, J. (2015) *Jerrier v Outsurance Insurance Company Limited*.

Ciulla, J.B. (2001) 'Carving Leaders From the Warped Wood of Humanity', *Canadian Journal of Administrative Sciences*, vol. 18, no. 4, pp. 313-319.

Ciulla, J.B. (2004) *Leadership Ethics: Mapping the Territory*, 2nd edition, Westport: Praeger Publishers.

Ciulla, J.B. (2004b) 'Ethics and Leadership Effectiveness', in Antonakis, J., Cianciolo, A.T. and Sternberg, R.J. *The Nature of Leadership*, Thousand Oaks: Sage Publications, Inc.

Ciulla, J.B. (2007) 'Ethics: The heart of leadership', in Maak, T. and Pless, N.M. (ed.) *Responsible Leadership*, New York: Routledge.

Cobbett, J. (2013) 'How Fidentia's Brown blew a billion', *MoneyWeb*, 17 July.

Comte-Sponville, A. (1996) *A Small Treatise in the Great Virtues*, Henry Holt and Company, LLC.

Davis, R. (2013) *Daily Maverick*, 21 May, [Online], Available: HYPERLINK "http://www.dailymaverick.co.za/article/2013-05-21-the-disgraced-fidentia-boss-and-his-unlikely-friends/" \l ".VZbW6mDleFI" http://www.dailymaverick.co.za/article/2013-05-21-the-disgraced-fidentia-boss-and-his-unlikely-friends/#.VZbW6mDleFI [03 July 2015].

Devettere, R.J. (2002) *Introduction to Virtue Ethics: Insights of the Ancient Greeks*, Washington D.C.: Georgetown University Press.

Donnelly, L. (2014) *Mail & Guardian*, 14 November, [Online], Available: HYPERLINK "http://mg.co.za/article/2014-11-14-debt-false-rumours-fuel-pension-cash-in" http://mg.co.za/article/2014-11-14-debt-false-rumours-fuel-pension-cash-in [19 July 2016].

Driscoll, C. and McKee, M. (2007) 'Restorying a Cultire of Ethical and Spiritual Values: A Role for Leader Storytelling', *Journal of Business Ethics*, vol. 73, no. 2, June, pp. 205-217.

Ensor, L. (2016) *Business Day Live*, 10 February, [Online], Available: HYPERLINK "http://www.bdlive.co.za/business/2016/02/10/business-offers-plan-to-stave-off-downgrade" http://www.bdlive.co.za/business/2016/02/10/business-offers-plan-to-stave-off-downgrade [22 May 2016].

Essop, H. (2001) *Project Management: Is Management or Leadership ability a prerequisite for a successfull project Supervisor/facilitator*, Stellenbosch, Available: http://scholar.sun.ac.za.

Evan, W.M. and Freeman, R.E. (c1983) 'A Stakeholder Theory of the Moren Corporation: Kantian Capitalism', in *Corporate Responsibility*.

fin24 (2015) *fin24*, 24 May, [Online], Available: HYPERLINK "http://www.fin24.com/Debt/News/SA-debt-measures-backfire-20150524" http://www.fin24.com/Debt/News/SA-debt-measures-backfire-20150524 [19 July 2016].

fin24 archives (2002) *fin24 archives*, 02 September, [Online], Available: HYPERLINK "http://www.fin24.com/Companies/Masterbond-saga-almost-over-20020902" http://www.fin24.com/Companies/Masterbond-saga-almost-over-20020902 [26 August 2015].

fin24 archives (2010) *fin24archives*, 26 July, [Online], Available: HYPERLINK "http://www.fin24.com/business/krion-matriarch-shows-no-remorse-20100726" http://www.fin24.com/business/krion-matriarch-shows-no-remorse-20100726 [20 December 2015].

Financial Services Board (2011) *Traiting Customers Fairly: The Roadmap*, Financial Services Board.

Financial Services Board (2013) *TCF – Guidance for small FSPs/ Independent Financial Advisors (IFAs)*, Financial Services Board.

Financial Services Board (2015) *Financial Services Board*, [Online], Available: HYPERLINK "www.fsb.co.za" www.fsb.co.za [29 August 2015].

Flores, F. and Solomon, R.C. (1998) 'Creating Trust', *Business Ethics Quarterly*, vol. 8, no. 2, April, pp. 205-232.

Friedman, M. (1970) 'The Social Responsibility of Business is to Increase its Proficts', *The New York Times Company*.

Friedrichs, J. *The MIT Press*, [Online], Available: HYPERLINK "https://mitpress.mit.edu/books/future-not-what-it-used-be" https://mitpress.mit.edu/books/future-not-what-it-used-be [23 July 2016].

Geller, K.D. (2009) 'Transformative Learning Dynamics for Developing Relational Leaders', *Innovations in Transformative Learning*, vol. 341, pp. 177-200.

Gethard, G. (2008) *Investopedia*, 27 October, [Online], Available: HYPERLINK "http://www.investopedia.com/articles/economics/09/american-investment-group-aig-bailout.asp" http://www.investopedia.com/articles/economics/09/american-investment-group-aig-bailout.asp [18 July 2015].

Gini, A. (1997) 'Moral Leadership: An Overview', *Journal of Business Ethics*, vol. 16, no. 3, pp. 323-330.

Gini, A. (2004) 'Moral Leadership and Business Ethics', in Ciulla, J. (ed.) *Ethics, the Heart of Leadership*, Westport: Praeger Publishers.

Greenwood, M. and Van Buren III, H.J. (2010) 'Trust and Stakeholder Theory: Trustworthiness in the Organisation-Stakeholder Relationship', *Journal of Business Ethics*, vol. 95, pp. 425-438.

Grudem, W. and Asmus, B. (2013) *The Poverty of Nations: A Sustainable Solution*, Weaton: Crossway.

Hannington, A. (2015) *FANews*, 02 October, [Online], Available: HYPERLINK "http://www.fanews.co.za/article/economy/43/general/1198/sa-could-lose-top-wef-audit-and-reporting-ranking-while-urgent-turnaround-plans-needed-to-mend-the-nation-s-battling-health-labour-education-system-grant-thornton/18879" http://www.fanews.co.za/article/economy/43/general/1198/sa-could-lose-top-wef-audit-and-reporting-ranking-while-urgent-turnaround-plans-needed-to-mend-the-nation-s-battling-health-labour-education-system-grant-thornton/18879 [19 December 2015].

Havard, A. (2007) *Virtuous Leadership*, Scepter Publishers Inc.

Hogg, A. (2007) 'Fidentia: It's our worst nightmare', *MoneyWeb*, 08 February.

Hogg, A. (2014) *biznews*, 02 December, [Online], Available: HYPERLINK "http://www.biznews.com/undictated/2014/12/02/justice-for-j-arthur-brown-revisiting-feb-2007-story-breaking-news-of-fidentia-scandal/" http://www.biznews.com/undictated/2014/12/02/justice-for-j-arthur-brown-revisiting-feb-2007-story-breaking-news-of-fidentia-scandal/ [20 December 2015].

Hollander, E.P. (1990) 'Ethical Challenges in the Leader-Follower Relationship', *Business Ethics Quarterly*, vol. 5, no. 1, pp. 55-65.

iolnews (2001) *Discraced Masterbond trio get early parole*, 29 April, [Online], Available: HYPERLINK "http://www.iol.co.za/news/south-africa/disgraced-masterbond-trio-get-early-parole-1.65787" \l ".VZaYJGDlfHh" http://www.iol.co.za/news/south-africa/disgraced-masterbond-trio-get-early-parole-1.65787#.VZaYJGDlfHh [03 July 2015].

iolnews (2008) *iolnews*, 11 May, [Online], Available: HYPERLINK "http://www.iol.co.za/news/south-africa/cotton-gets-15-years-1.400063" \l ".VZkUpWDlfHg" http://www.iol.co.za/news/south-africa/cotton-gets-15-years-1.400063#.VZkUpWDlfHg [05 July 2015].

Jegadeesh, N. (1993) 'Treasury Auction Bids and the Salomon Squeeze', *The Journal of Finance*, vol. 48, no. 4, September, pp. 1403-1419.

Jones, M. (2014) *iol*, 08 July, [Online], Available: HYPERLINK "http://sbeta.iol.co.za/news/crime-courts/former-nedbank-staff-accused-of-duping-clients-1716109" http://sbeta.iol.co.za/news/crime-courts/former-nedbank-staff-accused-of-duping-clients-1716109 [20 December 2015].

JSE (2013) *Johannesburg Stock Exchange*, 12 September, [Online], Available: HYPERLINK "https://www.jse.co.za/news/wef-global-competitiveness-report-2013-2014-south-africa-ranks-first-in-regulation-of-securities-exchanges" https://www.jse.co.za/news/wef-global-competitiveness-report-2013-2014-south-africa-ranks-first-in-regulation-of-securities-exchanges [04 July 2015].

King III (2009) *King Report on Governance for South Africa 2009*, IOD.

Kirk, P. (2009) *Moneyweb*, 10 November, [Online], Available: HYPERLINK "http://www.moneyweb.co.za/archive/masterbond-lawyer-kills-himself/" http://www.moneyweb.co.za/archive/masterbond-lawyer-kills-himself/ [19 December 2015].

Kotter, J.P. (1990) *A Force For Change: How Leadership Differs from Management*, Kindle Edition edition, New York: The Free Press.

KPMG (2014) *KPMG South Africa*, [Online], Available: HYPERLINK "http://www.kpmg.com/za/en/issuesandinsights/articlespublications/financial-services/pages/retail-distribution-review.aspx" http://www.kpmg.com/za/en/issuesandinsights/articlespublications/financial-services/pages/retail-distribution-review.aspx [20 December 2014].

Kuppan, I. (2007) *iol*, 27 September, [Online], Available: HYPERLINK "http://sbeta.iol.co.za/news/south-africa/cotton-plea-deal-an-attempt-to-save-wife-372459" http://sbeta.iol.co.za/news/south-africa/cotton-plea-deal-an-attempt-to-save-wife-372459 [20 December 2015].

Lipman-Blumen, J. (2005) 'Toxic leadership: When grand illusions masquarade as noble visions', *Leader to Leader*, vol. 2005, no. 36, pp. 29-36.

Ludwig, D.C. and Longenecker, C.O. (1993) 'The Bathsheba Syndrome: The Ethical Failure of Successful Leaders', *Journal of Business Ethics*, vol. 12, pp. 265-273.

Maak, T. and Pless, N.M. (2006) 'Responsible Leadership in a Stakeholder Society: A Relational Perspective', *Journal of Business Ethics*, vol. 66, no. 1, pp. 99-115.

Maak, T. and Pless, N.M. (2006) *Responsible Leadership*, London: Routedge.

Maak, T. and Pless, N.M. (2006) *Responsible Leadership: A relational approach*, New York: Routledge.

Mabuza, E. (2014) *Times Live*, 02 December, [Online], Available: HYPERLINK "http://www.timeslive.co.za/local/2014/12/02/r160-million-investment-scam-trial-still-struggling-to-get-going-after-10-years" http://www.timeslive.co.za/local/2014/12/02/r160-million-investment-scam-trial-still-struggling-to-get-going-after-10-years [26 August 2015].

Maister, D.H., Green, C.H. and Galford, R.M. (2002) *The Trusted Advisor*, Paperback edition, London: Simon & Schuster.

Malloch, T.R. and Mamorsky, J.D. (2013) *The End of Ethics and the Way Back*, John Wiley & Sons.

Mallock, T.R. and Mamorsky, J.D. (2013) *The End of Ethics and the Way Back*, Singapore: John Wiley & Sons.

Mann, I. (2013) *fin24*, 15 December, [Online], Available: HYPERLINK "http://www.fin24.com/Economy/Ponzi-scheme-in-action-20131213" http://www.fin24.com/Economy/Ponzi-scheme-in-action-20131213 [20 December 2015].

Mayer, M. (2005) *enotes.com*, [Online], Available: HYPERLINK "http://www.enotes.com/topics/nightmare-wall-street" \l "summary-nightmare-wall-street-1" http://www.enotes.com/topics/nightmare-wall-street#summary-nightmare-wall-street-1 [15 July 2015].

McInerny, R. and O'Callaghan, J. (2015) *The Stanford Encyclopedia of Philosophy*, Spring, [Online], Available: HYPERLINK "http://plato.stanford.edu/archives/spr2015/entries/aquinas/" http://plato.stanford.edu/archives/spr2015/entries/aquinas/ [23 February 2016].

McManaman, D. (2013) *A Treatise on the Four Cardinal Virtues*.

Moolman, J., Pillai, C., Bam, N.N. and Appasamy, J. (2010) *Financial Advisory and Intermediary Services Guide*, LexisNexis.

Muczyk, J.P. and Steel, R.P. (1998) 'Leadership Style and the Turnaround Executive', *Business Horizons*, March-April.

Mullen Jr., D.J. (2010) *The Million Dollar Financial Advisor: Powerful Lessons and Proven Strategies from Top Producers*, New York: AMACOM.

Murphy, P.E. (1999) 'Character and Virtue Ethics in International Marketing: An Agenda for Managers, Researchers and Educators', *Journal of Business Ethics*, vol. 18, no. 1, January, pp. 107-124.

Murphy, P.E. and Enderle, G. (1995) 'Managerial Ethical Leadership: Examples Do Matter', *Business Ethics Quarterly*, vol. 5, no. 1, January, pp. 117-128.

National Treasury Policy Document (2011) *A safer financial sector to serve South Africa better*.

Nedbank Dagwood (2014) *Living Our Values*, Nedbank Ltd.

Nedbank Ltd (2015) *Nedbank Group*, 16 June, [Online], Available: HYPERLINK "http://www.nedbankgroup.co.za/sustainCarbon.asp" http://www.nedbankgroup.co.za/sustainCarbon.asp [16 June 2015].

Nel, H.C. (2001) *The Final Report of the Commission of Inquiry into the affairs of The Masterbond Group and Investor Protection in South Africa*, Cape Town.

news24 (2009) *news24archives*, 28 July, [Online], Available: HYPERLINK "http://www.news24.com/Africa/News/Krion-a-Ponzi-type-scheme-20090728" http://www.news24.com/Africa/News/Krion-a-Ponzi-type-scheme-20090728 [20 December 2015].

news24 (2014) *news24*, 11 June, [Online], Available: HYPERLINK "http://www.news24.com/SouthAfrica/News/W-Cape-financial-planner-faces-fraud-charges-20140611" http://www.news24.com/SouthAfrica/News/W-Cape-financial-planner-faces-fraud-charges-20140611 [20 December 2015].

Nienaber, H. (s.a.) *Conceptualisation of Management and Leadership*, Available: http://uir.unisa.ac.za/bitstream/handle/10500/4002/Final%20conceptualisation%20of%20M%20&%20L%20that%20will%20appear%20in%20MD%202010.pdf?sequence=1 [06 Sep 2014].

Palmer, D.E. (2009) 'Business Leadership: Three Levels of Ethical Analysis', *Journal of Business Ethics*, vol. 88, no. 3, pp. 525-536.

Peterson, C. and Park, N. (2006) 'Character Strengths in Organizations', *Journal of Organizational Behaviour*, vol. 27, no. 8, December, pp. 1149-1154.

Pless, N.M. and Maak, T. (2011) 'Responsible Leadership: Pathways to the Future', *Journal of Business Ethics*, vol. 98, pp. 3-13.

Pressly, D. (2012) *Independent Online*, 04 April, [Online], Available: HYPERLINK "http://www.iol.co.za/business/news/nedbank-boss-slams-politicians-1.1269894" http://www.iol.co.za/business/news/nedbank-boss-slams-politicians-1.1269894 [23 January 2016].

Price, T.L. (2000) 'Explaining ethical failures of leadership', *The Leadership & Organisational Development Journal*, vol. 21, no. 4, pp. 177-184.

Price, T.L. (2003) 'The ethics of authentic transformational leadership', *The Leadership Quarterly*, no. 14, pp. 67-81.

Price, T.L. (2004) 'Explaining ethical failures of leadership', in Ciulla, J.B. *Ethics, the Heart of Leadership*, Westport: Praeger.

Rachels, J. and Rachels, S. (2010) *The Elements of Moral Philosophy*, New York: McGraw-Hill.

Rose, R. (2015) *Times Live*, 08 February, [Online], Available: HYPERLINK "http://www.timeslive.co.za/businesstimes/2015/02/08/barry-tannenbaum-from-uber-trickster-to-uber-taxi-driver" http://www.timeslive.co.za/businesstimes/2015/02/08/barry-tannenbaum-from-uber-trickster-to-uber-taxi-driver [03 July 2015].

Rossouw, D. and van Vuuren, L. (2010) *Business Ethics*, 4th edition, Cape Town: Oxford University Press.

Rost, J.C. (1993) *Leadership for the Twenty-First Century*, Westport: Praeger Publishers.

Rost, J.C. (1995) 'Leadership: A Discussion about Ethics', *Business Ethics Quaterly*, vol. 5, no. 1, pp. 129-142.

SAPA (2012) *fin24*, 16 Aug, [Online], Available: HYPERLINK "http://www.fin24.com/Economy/Nedbank-chair-warns-of-rogue-state-20120816" http://www.fin24.com/Economy/Nedbank-chair-warns-of-rogue-state-20120816 [19 May 2015].

SAPA (2013) *iolnews*, 06 March, [Online], Available: HYPERLINK "http://www.iol.co.za/news/crime-courts/fidentia-not-a-fly-by-night-lawyer-1.1481848" \l ".VZbUmGDleFJ" http://www.iol.co.za/news/crime-courts/fidentia-not-a-fly-by-night-lawyer-1.1481848#.VZbUmGDleFJ [03 July 2015].

SAPA (2014) *iolnews*, 11 June, [Online], Available: HYPERLINK "http://www.iol.co.za/news/crime-courts/financial-planner-faces-fraud-charges-1.1702080" \l ".VZkXFWDleFJ" http://www.iol.co.za/news/crime-courts/financial-planner-faces-fraud-charges-1.1702080#.VZkXFWDleFJ [05 July 2015].

SAPA (2014) *News24*, 10 July, [Online], Available: HYPERLINK "http://www.news24.com/SouthAfrica/News/Feed-a-Child-SA-withdraws-racist-ad-20140710" http://www.news24.com/SouthAfrica/News/Feed-a-Child-SA-withdraws-racist-ad-20140710 [02 November 2014].

Schollmeier, P. (1989) 'Aristotle on Practical Wisdom', *Zeitschrift fur philosophische Forschung*, vol. 43, no. 1, Jan-Mar, pp. 124-132.

Schwartz, M.S., Dunfee, T.W. and Kline, M.J. (2005) 'Tine at the Top: An Ethics Code for Directors?', *Journal of Business Ethics*, no. 58, pp. 79-100.

Schwartz, S.H. (1994) 'Are There Universal Aspects in the Structure and Contents of Human Values?', *Journal of Social Issues*, vol. 50, no. 4, pp. 19-45.

Scott, E.D. (2002) 'Organizational Moral Values', *Business Ethics Quarterlt*, vol. 12, no. 1, January, pp. 33-55.

Sims, R.R. (1992) 'Linking Groupthink to Unethical Behaviour in Organizations', *Journal of Business ethics*, vol. 11, no. 9, September, pp. 651-662.

Sims, R.R. and Brinkmann, J. (2002) 'Leaders as Moral Role Models: The Case of John Gutfreund at Salomon Brothers', *Journal of Business Ethics*, vol. 35, no. 4, pp. 327-339.

Sison, A.J.G. (2003) *The Moral Capital of Leaders: Why Virtue Matters*, Cheltenham: Edward Elgar Publishing Limited.

Sorkin, A.R. (2009) *Too Big to Fail: Inside the Battle to Save Wall Street*, Kindle Edition edition, New York: Penguin Books.

Sterngold, J. (1988) *The New York Times*, 10 January, [Online], Available: HYPERLINK "http://www.nytimes.com/1988/01/10/magazine/too-far-too-fast-salomon-brothers-john-gutfreund.html" http://www.nytimes.com/1988/01/10/magazine/too-far-too-fast-salomon-brothers-john-gutfreund.html [28 March 2015].

Storr, L. (2004) 'Leading with integrity: a qualitative research study', *Journal of Health Organisationals and Management*, vol. 18, no. 6, pp. 415-434.

Tannenbaum, R. and Schmidt, W.H. (1973) 'How to choose a leadership pattern', *Harvard Business Review*, May-June, pp. 162-180.

The Financial Planning Institute (2015) *Financial Planning Instituted of Southern Africa*, [Online], Available: HYPERLINK "http://www.fpi.co.za/YourFinancialPlanning/tabid/3076/language/en-ZA/Default.aspx"

http://www.fpi.co.za/YourFinancialPlanning/tabid/3076/language/en-ZA/Default.aspx [29 August 2015].

Tsoukas, H. (1994) 'What is Management? An Outline of a Metatheory', *British Journal of Management*, vol. 5, pp. 289-301.

Unknown (2008) *mallen baker's respectful business blog*, 08 September, [Online], Available: HYPERLINK "http://mallenbaker.net/article/clear-reflection/johnson-johnson-and-tylenol-crisis-management-case-study" http://mallenbaker.net/article/clear-reflection/johnson-johnson-and-tylenol-crisis-management-case-study [28 February 2016].

Viviers, S., van Greunen, C. and Venter, E. (2012) 'Variables influencing unethical decision-making and behaviour in the life insurance sector in South Africa: A theoretical framework', *Management Dynamics*, vol. 21, no. 2, pp. 34-50.

Whetstone, J.T. (2001) 'How Virtue Fits within Business Ethics', *Journal of Business Ethics*, vol. 33, no. 2, September, pp. 101-114.

Widder, P. (1991) *Chicago Tribune*, 18 August, [Online], Available: HYPERLINK "http://articles.chicagotribune.com/1991-08-18/news/9103010338_1_salomon-brothers-gutfreund-drexel-burnham-lambert" http://articles.chicagotribune.com/1991-08-18/news/9103010338_1_salomon-brothers-gutfreund-drexel-burnham-lambert [15 July 2015].

Wikipedia (2015) *Wikipedia*, [Online], Available: HYPERLINK "https://en.wikipedia.org/wiki/Bernard_Madoff" https://en.wikipedia.org/wiki/Bernard_Madoff [29 August 2015].

Wikipedia (2015) *Wikipedia*, 17 February, [Online], Available: HYPERLINK "http://en.wikipedia.org/wiki/Humanism" http://en.wikipedia.org/wiki/Humanism [17 Feb 2015].