Can we regain ethical leadership?

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Good individuals

Good institutions

Good culture + values

Ethics “infrastructure”
Why is ethics so crucial in financial sector?

• Power imbalance between client and agent

• Potential conflicts of interest embedded in the business

• Public expectations: “bank” and “trust”
The slide away from ethical leadership...

- Phase 1: **Incidental** and rogue actions of corruption by persons with **low** institutional power (opportunistic)

- Phase 2: **Incidental** and rogue actions of corruptions by persons with **high** institutional power (opportunistic)
The slide away from ethical leadership...

- **Phase 3:** *Institutional pockets* of unethical practices shared by those in a unit/division or business sector (intentional)

- **Phase 4:** *Whole institutions* compromised and permeated by unethical “atmosphere” (intentional)
The slide away from ethical leadership...

- Phase 5: A **total culture** of corruption where leaders turn value-systems upside down

  - = blame and shame for “good” and social approval of “bad”
  - = starts intentionally but moves to “unconscious” behaviour
  - = what should be abnormal becomes the norm
What is the key negative legacy of the Zuma presidency which affects us all?
Not only public sector... it takes two to tango

• #guptaleaks and local/international private companies...
Financial services industry in deep ethical trouble...

- **Conflict of interest** between research and investment sections (ten Wall Street firms including Goldman Sachs = $.4bn)
- **Aid tax evasion** by rich Americans (Credit Suisse AG = $2.6bn)
- **Lack of anti-money-laundering controls** (HSBC Holdings = $1.9bn)
- **Rigging currency trading market** (RBS, HSBC, Citibank, JP Morgan & UBS = 2.6bn British pounds)
- **Rigging LIBOR** (Barclays and others since 2005 – found out in 2012)
Comments on ethical deficit...

• “We had people working in this bank who did not know the difference between right and wrong and put their interests ahead of clients”.

(Ross McEwan, CEO RBS)
RSA...ordinary people gets suspicious

• African Bank – reckless lending practices

• R125m fines from Reserve Bank...
  • FirstRand R30m
  • Nedbank R25m
  • Standard R60m
What makes ethical leaders?

1. Competence
2. Positive Energy
3. Integrity
Leadership-for-trust competencies

- Technical/Professional
- Financial
- Management
- Social
- Ethical
Positive energy

Energy irrespective of social power

Energy via “emotional banking”

Ubuntu energy: My success builds on us succeeding
Inject energy into civil society

• People pull back – “inward migration” – and say “things just happen and I can do nothing”
WE SHALL NOT BE SILENCED
What is “integrity-based” leadership?

It is leadership marked by coherent personal/organizational values which are acted on habitually and consistently in all contexts.
What you talk is what you walk...
First CEI and then CEO

CEI
- Competence
- Energy
- Integrity

CEO or finance person
- Chief
- Executive
- Officer
www.usb.ac.za