

Ethical Leadership and Ethical Legacies

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Lately, the financial sector has been perceived as being more unethical than any other. This paper will take as an example the Wells Fargo scandal. It shows how, once again, employees are at the heart of an ethical crisis in financial services. Such crises have now become a great concern for moral psychologists, for spiritual leaders, and for behavioural scientists who are trying to understand what led to that situation and what caused such behaviours. How can 5,300 employees all lose their moral compass?

The truth is that we are all vulnerable. Despite our good intentions, we may sometimes be forced to make choices we never thought we would make. According to former prosecutor Serina Wash (2016), most of the corruption today comes from “ordinary good people”

with whom you “could well have coffee with that morning. And they were still good people who’d made terrible choices.”

Lisa Ordonez, Vice Dean and Professor at the University of Arizona talked about how “goals have a strong effect of causing tunnel vision, narrowly focusing people at the expense of seeing much else around them, including the potential consequences of compromised choices made to reach goals.”

The first section of this paper is focused on the ethical dilemmas faced by bank employees today and how our financial system is gradually becoming ethically lethargic. Going from ethical to unethical is not a sudden shift, but rather a gradual process that starts with those minor, unethical decisions that employees allow themselves to make. The daily

Le monde de la finance a graduellement passé d'un système hautement éthique à un système éthiquement léthargique. Cette situation de léthargie a été un incubateur parfait pour le dérapage de 5300 employés de la banque Wells Fargo en 2016.

En tant qu'employés de ce système, nous sommes vulnérables et pouvons répéter les mêmes erreurs. La transgression inoffensive de l'éthique que nous nous permettons de commettre régulièrement crée, à long terme, un modèle dans notre subconscient qui force une réaction automatique lorsque nous faisons face à des situations contraires à l'éthique.

Ce papier commence en fournissant au lecteur une analyse situationnelle des dilemmes éthiques auxquels font face les employés de banque dans différents secteurs dans l'organisation et élabore différentes

repetition of dishonest actions creates a pattern in our subconscious. Over time, our reaction to such situations becomes automatic and does not even register as unethical.

By reviving an ancient approach to ethics written some 2000 years ago by Aristotle, I emphasize in the second section the importance of promoting ethical leadership in our organisations to inspire employees' to embrace ethical values in their daily behaviour. I also encourage a re-examination of cultures and whistleblowing systems to facilitate ethical leadership by looking at the following questions:

1. What can management do to create a more ethical organisational culture?

2. How can we optimize the effectiveness of whistleblowing system?

The future and the profitability of our financial system depend greatly on the next generation of employees. It is therefore our responsibility to build an ethical legacy for this digital generation and to ensure that the system that was once created to safeguard the interests of the community still has value and importance in the heart and mind of each person in society.

Tech - no - logic

The transition from one method of communication to another is always morally contentious. Socrates lived in an era when people were moving from communicating orally to a new form of technology which

consisted of collecting information in scrolls and books. Socrates refused to write anything down based on his argument that written words "seem to talk to you as though they were intelligent, but if you ask them anything about what they say, from a desire to be instructed, they go on telling you the same thing forever". (*Phaedrus, section 275d*).

Today we live in a world in constant change. Technology has been an important trigger in the evolution that banks have faced over the last decades. Technological development of the banking system and digitalisation of banking channels have enabled customers to have non-stop access to banking services without having to physically enter a branch. Digitalization has swept through bank operations and enhanced customer experience with alternate customer channels. Customers are now being offered multiple interaction points including branches, ATMs, internet banking and, now, mobile banking. The smartphone has brought a real transformation to everyday retail banking. By digitalising customer service, banks have become more effective and faster in their customer interaction. This, in turn, has changed the structure of the organisations: new units have been created such as call centres and back office operations have been extended. At the same time, the front line service is more concentrated on winning business and increasing the firm's portfolio. As a result, employees

solutions selon des approches telles que, (i) un leadership pour promouvoir l'éthique chez les employés, (ii) l'amélioration de la culture et (iii) revoir le système de reporting. Il s'agit de répondre aux questions suivantes (a) comment peut-on promouvoir le leadership en matière d'éthique dans une organisation ? (b) comment la direction peut-elle créer une culture d'entreprise plus éthique ? (c) comment rendre le système de reporting efficace ?

La technologie a été un important catalyseur dans la transformation du secteur bancaire de l'ère traditionnelle à l'ère numérique. On offre maintenant des points d'interaction multiples aux clients à travers les agences, les distributeurs automatiques de billets, la banque en ligne et sur mobile, qui permettent de repousser les limites du service client.

Toutefois, comme l'a bien visualisé Socrates, bien que la technologie

often face excessive pressure to meet unrealistic targets.

Call centres- The conflict between the needs of customers and the needs of the bank

An article in the *International Journal of Work Innovation* (Csillag et. al, 2012) identified how work in a call centre is emotionally demanding, with high pressure and routine, and boring and repetitive tasks. Further, employees' performance targets are based on the number of customers dealt with and the employees have little or no control over how work is allocated. Others have described call centres as the: "high tech workplaces of the future, symbolizing the close and value-creating interactions of information technology and human beings" (Moss et al 2008; Altieri et al 2002)

This article goes further to identify two ethical issues that employees in call centre face:

1. Organisational issues: Overregulation and control of the employees, together with and the highly unrealistic performance targets reduces the sense of responsibility that the workers have, may numb their conscience and may encourage them to cheat.

2. Customer interaction issues: If staff are encouraged to lie to customers this will, over time, create a moral distance in an employee's subconscious.

Unethical behaviour seen in

call centres is, most of the time, a result of the unrealistic goals and standards imposed on the employees. Moreover, the processes and the organisation itself are constantly in flux, introducing new rules and regulations. That churn discourages employees from putting rules and regulations into practice. The rules, regulations and targets imposed are seen as unfair by the employees and cheating is seen by many as the only solution. Employees are also stuck between the competing expectations of the customers and of the organisation. The loyalty and confidential clauses in the employees' contract bind them to sometimes lie, withhold information and giving wrong information to cover up for their organisation.

Back office operators – The factory workers

The job of back office employees has been undervalued over time causing them to become demotivated and adopt a mechanical approach to work. These employees are invisible to the customers and are often viewed collectively by the management as a processing department. Their individual contribution are generally recognized only by their direct reporting superiors who sometimes neglect to reward them accordingly.

Once again, irrespective of how they behave, these employees find that the targets imposed on them are the only measure of their performance. That is why ethical values are overlooked in their quest

paraissent intelligentes, il faut un cerveau humain pour penser et agir pour elle. Tout ceci débouche sur une pression excessive sur les employés pour suivre la vitesse du développement technologique et respecter les objectifs peu réalistes fixés par les dirigeants de l'organisation. Pour les besoins de ce texte, nous considérerons trois niveaux différents d'une organisation financière et feront toute la lumière sur les dilemmes éthiques auxquels font face les employés de banque aujourd'hui.

Le Centre d'appels est qualifié comme «le lieu de travail d'avenir et de haute technologie». Ce travail met l'opérateur sous haute pression et il est très exigeant émotionnellement. L'employé est confronté à deux dilemmes :

1. Réduction de la responsabilité et encouragement à la triche du fait des objectifs incessants et un contrôle rigoureux.
2. Créer une distance morale dans le subconscient de l'employé en le poussant à mentir aux clients.

for better reward and remuneration. Knowing that how they behave is not being monitored, but rather how they perform, they have a superficial sense of freedom from having to behave ethically all the time.

Not convinced? Let me put it this way: how do you eat when you are having a formal dinner with your boss in a restaurant compared to having a pizza in front of your television alone? Ethics are like good table manners. If they are not recognised, they are ignored. The rule of thumb is that you will behave ethically only when you are being observed, because being observed makes you feel accountable.

Relationship Manager – The Jehovah's Witness of the bank

One morality-diminishing factor that forced employees at Wells Fargo to modify their behaviours was the aggressive sales target imposed. The employees were forced to work unpaid overtime to meet the target. In an attempt to do so, at least 5000 employees became involved in the Wells Fargo Scandal of 2016, (The Guardian, 2016) reported. A total of at least 2 million deposit and savings accounts were opened in the names of the customers without their consent. Wells Fargo's internal analysis revealed that more than 1.5 million deposit accounts and at least 565,000 credit cards were set up between 2011 and 2015. "This dishonest and unethical conduct", as the top securities regulator of

Massachusetts would eventually describe it, was the result of great pressure on, and low consideration for, the employees.

Cross-selling is at the heart of every financial organisation and it is seen as an aggressive sale pitch to increase the earnings of banks, rather than as a means to inform the customers of their options. On top of that, some banks have selling contests in which they reward their best performers with either cash prizes or vacation as, for example, at Morgan Stanley where a total of \$24m of new loans was generated in the period 2014 to 2015.

How far these sales can be considered as good sales? For the sake of achieving targets, old people without computers or mobile phones have been granted Internet & mobile banking access. Large loans that had been rated credit-grade became non-performing, because the risks had been neglected to drive a higher profit margin.

The disconnect between the bank's expectations of ethical behaviour by an employee and the goals and restriction imposed on the employee is counterproductive and it increases confusion and doubt in the minds of bank staff. In order to reduce tension and anxiety, employees create a rational explanation for their behaviour without realizing that, over time, they are losing their emotional sensibility and abandoning their ethics to blindly follow procedures.

Employee engagement – The missing carrot

De même, les employés du back-office se défaussent de leurs responsabilités éthiques en échange de meilleures rémunérations et de la reconnaissance. En effet, ils sont notés seulement sur la base de leurs performances mesurables ce qui les entraîne à adopter une approche mécanique dans leur travail. Les chargés de clientèle sont ceux qui se battent sur le front sous haute pression pour respecter les délais serrés et reçoivent peu de considération comme dans le cas de Wells Fargo.

La contradiction flagrante entre les attentes de la banque en termes de traitement éthique et les objectifs imposés aux employés, augmente encore plus la confusion dans l'esprit des employés. Pour pouvoir faire face à cette tension, ils choisissent de suivre aveuglément les procédures tout en laissant de côté leur sensibilité émotionnelle.

Another major crisis that the financial system has been facing since the credit crunch of 2007-2008 is in employee engagement levels. Although organisations worldwide recognize that employee engagement is crucial for their growth, the level of engagement has barely moved over the past decade. Gallup Daily tracking (2015), reports that only 32% of U.S employees are engaged and on a worldwide scale only 13%. Engagement determines the degree to which ethics are displayed. Most of the bank employees today find themselves stuck in Maslow's (1943) first level of employee need, the survival level. They have abandoned their hope for a better life; doing more does not necessarily imply being recognized. To be promoted today, you must either be in the good books of the managers, or, sadly, report on your peers. Subsequently, ethics for employees at the survival and security level are quasi non-existent. They are working only to pay the bills and their children's school fees, and to get a retirement pension at the end. They have no vision of being part of the system as an important stakeholder.

Who is to blame then?

The Gallup Report (2015) further identifies some of the causes of this disengagement among employees:

1. A focus on surveying engagement, rather than investing in and mentoring employees.

2. Not treating employees as stakeholders within the chain.
3. The wrong culture.
4. Abusive role models.

In an article published by the Asia Pacific Journal of Human Resources, Eve Anderson (2009) mentioned how an organisation can “face difficulties” if the interests of individuals aren't considered “when changing work policies and processes”. Employees can be disengaged if they feel that they have no benefit from, and value in, the change process.

So why are we still failing despite the many attempts? How can we solve this ethical crisis in our system? The answer is simple; by calling a spade a spade.

Neuroethics – A social practice

Today there are many standards for defining ethical values. For instance, on the basis of pragmatism or of a belief in what is right and what is wrong. According to Howard Gardner's multiple intelligence theory, moral intelligence is a “form of *neuro-biologically-enabled* social intelligence.” Moral intelligence is therefore not a matter of the logical accuracy of language. Neuroethicist Antonio Damasio (2006) in his book, *Descartes' error* (p.10) claims that “ethical behaviours are a subset of social behaviours”. This close connection between social and moral intelligence suggest that the human brain conceives moral intelligence as a socially-interactive intelligence and that it is visible in our interactions;

Le niveau d'engagement parmi les employés du secteur financier est aujourd'hui à son plus bas. Les employés se battent seulement pour survivre et l'éthique à ce niveau est inexistant. Les causes d'un tel désengagement d'après le suivi journalier de Gallup (2015) sont :

1. l'absence d'investissement dans l'employé
2. une considération faible
3. une culture toxique
4. des modèles de rôles abusifs.

La neuro-éthique est définie comme la pratique sociale de l'éthique. Selon Antonio Damasio (2006), la connexion étroite entre l'intelligence sociale et morale permet au cerveau de concevoir l'intelligence morale comme une intelligence socialement interactive. L'intelligence morale permet à l'individu de distinguer les interactions bénéfiques de celles qui sont nocives ; mentir et frauder d'un côté, donner aux gens les moyens de vivre paisiblement, de l'autre.

for instance, in negotiating agreements, communication, reciprocity, and mitigating conflicts. Matt Ridley, in *The Origins of Virtue* (1996), further adds that the brain “is equipped with special faculties to enable it to exploit reciprocity, to trade favours, and to reap the benefit of social living.” This includes mutually beneficial forms of conduct that encourage positive feedback, and in turn inspire moral actors to repeat these good social behaviours. Most importantly, moral intelligence empowers the actors to live peacefully with each other and to distinguish between beneficial and harmful interactions, examples of the latter being lying and committing fraud. Such a sense of duty is not only anchored in the psychological approach of the individual, but rather a social practice. This is referred to as the practice of mutual obligations, the equivalent of mutual benefit as in the relationship between management and the employees. In such a relationship, there are both rights and responsibilities. By this token, neuroethics, supports a *social deontology* (a concept of duty) and *social utilitarianism* (mutual benefit).

Ethical Leadership –when everything else failed

We are not only concerned about recent scandals in the financial industry but, taking a wider context, about man-made catastrophes *per se* – such as the latest scandal in the oil industry, which resulted in an eco-

logical disaster and was triggered by profit-oriented leadership practice. The public interest in ethical governance and ethical leadership has grown. Ethical leadership has been shown to have a positive impact on how well organisations function by increasing management effectiveness, job satisfaction, improvement in followers' performance and citizenship behaviour within the organisation.

Ethical leadership is defined as leadership that is directed by respect for ethical beliefs and values and for the dignity and rights of others. It thus relates to concepts such as trust, honesty, consideration, charisma, and fairness. (Wikipedia 2015). It can also be seen as a function of the leader's personal characteristics and of environmental circumstances. (Lewin, 1951). It is further defined by Brown, Treviño, and Harrison (2005) as the “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (p. 120).

Ethical leadership encompasses both a visible and an invisible aspect. The visible side of ethics is revealed in individual behaviour and actions. The invisible part is embedded in the character and moral values of the individual. The first principles of ethical leadership can be traced back to Aristotle. In his work *Nicomachean Ethics*, Aristotle defines *phronesis* as

Le leadership éthique est un leadership qui est dirigé par le respect pour des croyances et des valeurs éthiques et est considéré comme dépendant de la personne du dirigeant et du contexte.

On trouve le premier principe d'un leadership éthique dans l'ouvrage d'Aristote sur l'Éthique de Nicomaque. D'après lui, la *phronesis* est la capacité qu'a un individu de combiner l'éthique avec l'action pour parvenir au bonheur.

Une approche plus moderne du leadership éthique est le leadership transformationnel, élaboré par MacGregor en 1978. Selon cette approche de leadership, le dirigeant a la possibilité et la capacité de transformer un individu et d'amener des changements positifs pour ses adeptes.

Bernard M Bass (1985) est allé plus loin dans cette théorie en expliquant que la mesure dans laquelle un leader est transformationnel dépend de son influence sur ceux qui le suivent.

the intellectual capability for combining ethics and actions to help people achieve *eudaimonia* (happiness). It is "about having the right feelings at the right time on the right occasion towards the right people for the right purpose and in the right manner." *Phronesis* is essential for decisions towards promoting *eudaimonia*.

According to Aristotle, *phronesis* is more like a practical phenomenon than a purely rational one. Men with *phronesis* have developed through experience an "eye for things so they can see correctly".

The eight traits of an ethical leader have been summarized in quotes from Aristotle below:

1. "To avoid criticism say nothing, do nothing, be nothing."
2. "He who cannot be a good follower cannot be a good leader."
3. "We are what we repeatedly do. Excellence then is not an act, but a habit."
4. "To run away from trouble is a form of cowardice and, while it is true that the suicide braves death, he does it not for some noble object but to escape some ill."
5. "Liars when they speak the truth are not believed."
6. "Happiness belongs to the self-sufficient."
7. "Tolerance and apathy are the last virtue of a dying society."
8. "Patience is bitter, but its fruit is sweet."

Next breed of leaders

Ethical leadership is significantly associated with transformational leadership, which is a more modern approach to Aristotelean philosophy. Transformational leadership theory was introduced by McGregor in 1978 in his book "*Leadership*".

In his approach, (McGregor, 1978) elaborates on the responsibility of both leaders and followers to raise one another to higher levels of morality and motivation. This leadership approach has the ability and capacity to transform an individual. It brings positive change to followers with the objective of turning them into leaders. Likewise, it becomes an example of ethical and moral values to leader peers.

Bernard M. Bass (1985) further elaborated on McGregor's theory by explaining that the degree to which a leader is transformational depends on how much influence they have on their followers. The qualities of a transformational leader – such as the ability to inspire trust, loyalty and respect – empower and motivate followers to willingly work harder towards objectives. Along the way, the followers will also develop and espouse the same ethical values as the leader. By providing an inspirational vision and endowing them with a new ethical identity, the leader is offering the followers more than just work self-gain.

Through charismatic and exemplary influence, which is founded in high ethical values, such leaders

La complexité du monde financier provoque des conflits entre les objectifs éthiques et la pratique permettant de réaliser ces objectifs, ainsi qu'entre les attentes contradictoires des différentes parties prenantes.

Les organisations avec de hauts standards éthiques aident à réduire cette différence en créant une atmosphère propice à la prise de conscience des problèmes éthiques et en développant une sensibilité éthique chez les dirigeants et les employés. De plus, en tenant les dirigeants responsables de leur conduite contraire à l'éthique, l'organisation envoie un message clair à tous ceux qui en font partie sur le fait que l'éthique est prise très au sérieux.

transform, motivate, and stimulate the intellectual and personal considerations of their followers.

Given the significance of this subject, how can we promote ethical leadership in our organisations?

It is argued that the complexity of an organisational environment is negatively correlated with the development and maintenance of ethical leadership. Sharfman & Dean (1991) defined the three dimensions of environmental complexity as: (a) the level of knowledge essential to understand the organisational environment; (b) the level of changeability in the environment; and (c) the level of existing resource from the environment. In complex situations, leaders have to constantly evaluate and monitor unpredictable changes in the environment to be able to provide the appropriate solutions. Edgar Schein (1985) emphasised that it is crucial for an organisation to embrace uncertainty as an advantage in order to be more adaptive. He also does a great job in demonstrating how transformational founding leaders succeed in managing internal and external challenges by incorporating other values and perspectives, thus creating shared culture in young organisations. In his book, *Organisation culture and leadership*, 4th edition, Schein (1985,) noted that:

“With the changes in technological complexity, the leadership task

has changed. Leadership in a networked organisation is a fundamentally different thing from leadership in a traditional hierarchy” (p.12).

Ethical mandate in organisations

In a complex environment like the financial world, conflicts may arise between ethical goals and the practices for achieving these goals, and different stakeholders may have different ethical expectations. Budde, Child, Francis, & Kieser (1982) elaborate on how an organisation with a strong policy of ethical behaviour can create an atmosphere of high awareness of ethical issues, and develop ethical orientations in leaders and employees. In such an environment, leaders develop an increased awareness and sensitivity to humanitarian issues, which is then reproduced in their daily interpersonal and leadership behaviour. According to Festinger's (1978) theory on cognitive dissonance, it is impossible to work for an organisation that aims to be highly ethical and simultaneously treat others inhumanely. From the employees' perspective, they become more sensitive to the ethical dimension of leadership and appreciate being treated justly, fairly and humanely.

Based on the theory of social learning, employee support for ethical leadership is linked to positive progression and maintenance through reinforcement and through positive feedback loops. (Bandura, 1977, 1986)

On peut comparer la culture au caractère d'un individu. Il est décrit par Schein (1985) comme « les phénomènes sous la surface qui contraignent et guident le comportement » et aussi défini comme la façon dont nous « faisons les choses ».

Une organisation doit aussi être prudente lorsqu'elle décide de fusionner afin d'éviter des heurts de culture comme dans le cas de Wells Fargo, une ancienne entreprise de diligences express qui a fusionné avec Norwest en 1998. Bien que fonctionnant sous le nom Wells Fargo, c'est la culture de vente agressive de Norwest qui a continué de prévaloir. La culture prédominante de Norwest a définitivement été un déclencheur dans la conduite contraire à l'éthique des 5300 employés.

Firms with a policy of ethical behaviour moreover attract applicants who embrace greater ethical awareness and higher moral development (Kohlberg, 1976), which means they have social motivations beyond getting an attractive salary and career prospects. This candidate self-selection in turn facilitates the development and maintenance of ethical leadership in the organisation. Most of the employees will have a more positive attitude to ethical issues and will have more or less the same preferences for ethical leadership.

Accountability of Leaders (Walk the talk)

Too often, leaders take credit for all achievement but when it comes to taking responsibility for failures find ways to avoid it. Instead, they blame employees, the system and the organisation. By holding leaders accountable for unethical conduct, an organisation sends a clear signal to the rest of the firm and society on how seriously ethics is taken. For instance, Carrie Tolstedt, senior executive of retail banking at Wells Fargo, walked away with only a fine of \$67 million. Junior employees, in contrast, were the most severely punished as in the case of the 5,300 employees who lost their job. Accountability in leadership builds trust and promotes ownership in the organisation in contrast to the commonly held view that accountability means people are under constant surveillance. When

correctly applied, accountability builds employees' confidence in themselves and in their leader.

Culture review

During his speech at Brooklyn College in New York in 2014, the president of the Federal Reserve Bank of New York, Mr. William Dudley, reiterated the necessity for banks to improve their culture and further suggested that senior executives should lead by example and that the banks should reward the employees who dare speak out.

Simply put, culture is “the way we do things around here”. It consists of cognitive entities like leadership style, process, actions and relationship which can be further grouped into **values** and **practices**. A survey conducted in 2016 by MIT Sloan Management review and Deloitte Digital, revealed that financial institutions are investing massively in digital transformation by developing digital products to improve the customer experience and strengthen their engagement. However, many firms today are focusing on the external environment and how to leverage their digital capabilities and are not spending enough resources on the internal development of the organisation and on its culture.

Culture in an organisation can be compared to the character of an individual. Schein (1985) describes culture as the “phenomena beneath the surface that constrain and guide behaviour”.

Robin et Judge (2009) ont approfondi cinq pratiques qui aident à construire une culture éthique :

1. devenir un modèle de référence visible
2. communiquer des attentes éthiques claires
3. offrir des formations en éthique
4. récompenser des actes éthiques et punir ceux qui y sont contraires
5. installer un mécanisme de protection.

« Le lancement d'alerte » est un système bien connu utilisé par les organisations financières aujourd'hui. Il consiste à offrir un canal anonyme pour signaler des comportements contraires à l'éthique. Selon une étude menée par « Transparency International Global Corruption Barometer » 91500 personnes dans 86 pays sont prêtes à dénoncer les fautes professionnelles pour autant qu'elles soient effectivement protégées.

Is your culture toxic?

Have you ever felt like a cog in a machine and that your contribution is not being recognized? Are told to get on with your work and stop asking questions? Those are all signs of a toxic culture. Employees today have switched to “survival mode” in order to safeguard their jobs or get a raise and this often implies making unethical choices. A good example of an unethical organisational culture was Enron. The firm valued profits over ethical behaviour and it was described by Sims and Brickmann (2003) as “the ultimate contradiction between words and deeds, between a deceiving glossy facade and a rotten structure behind”. (p.243)

Organisations have to also be cautious when deciding to merge. They are not only combining staff and locations, but corporate cultures. The CEO of Wells Fargo, John Stumpf defended his bank culture and put the blame on the “bad” employees. “Everything we do is built on trust,” he said. He further defined his bank culture as “a pattern of thinking and acting with the customer in mind...the habit of doing the right things, and doing things right.” However, this is not what the organisation's history tells us. Wells Fargo was established in 1852. The bank was a former stagecoach express that carried valuable goods from gold mines. It had merged with Norwest in June 1998. Although the Norwest name no longer exists, its culture still

prevails. Prior to the merger of both banks in 1997, Norwest launched a product campaign called “Going for Gr-Eight”. In an interview with *Fortune Magazine* in 1998, the then CEO Dick Kovacevich explained that his bank was involved in “selling money” through different financial instruments like ATM cards, credit cards, and loans. All the financial instruments were considered consumer products no different from, for example, the bread sold in a bakery. According to him, the branches were the “stores” and the bankers the “sales people” whose only task was to “cross-sell”. He said it was his “business model” and “it was a religion. It was very much the culture”.

Norwest's dominant culture was a definite trigger in the unethical conduct of 5300 employees despite the Wells Fargo code of ethics that qualifies such conduct as “gaming”: “the manipulation and/or misrepresentation of sales and referrals....in an attempt to receive compensation or to meet sales goals”.

What can management do to create a more ethical organisational culture?

Truxillo, Bauer, & Erdogan (2016) claimed that an organisational culture that emphasizes ethical behaviour can reduce organisational misbehaviour. They say that whether an organisation adopts a culture that “emphasizes doing the right

L'efficacité de ce système d'alerte peut être optimisée (a) en promouvant une culture basée sur un haut niveau de conscience éthique et de transparence ; (b) en protégeant les employés qui dénoncent les fautes et en ne les traitant pas avec hostilité ; (c) en établissant un cadre de confiance et un système d'examen des faits et les accusations avant d'entreprendre des actions, protégeant ainsi les employés de fausses allégations.

thing even when it is costly comes down to whether leaders, starting with the CEO, consider the ethical consequences of their actions. Leaders with a moral compass set the tone when it comes to ethical dilemmas" (p. 385).

Robbins and Judge (2009) elaborate on five practices that help building an ethical culture which have been adapted for the purpose of this paper:

1. Become a visible role model

By acting and behaving ethically, senior management sends a positive message to their subordinates. They provide a model of what behaviour is, or is not, acceptable in the organisation.

2. Communicate clear ethical expectations.

Communication is an effective tool in eliminating ethical ambiguities. Ethical rules and code of conduct should be clear at all levels of the organisation. It should be first embraced, as mentioned above, by the organisation's elite and cascaded down to the rest of the organisation.

3. Provide ethics training.

Training can be used to reinforce the ethical code of conduct by equipping employees with knowledge of, and practice in, what is allowed and what is not.

4. Reward ethical acts and punish unethical ones.

Performance measurements in financial firms nowadays are designed to include measurable targets and achievements. They

do not include the evaluation of decisions made according to the code of ethics. Appraisals should, however, not only be focused on the results but on how those results were achieved. And, consequently, the right behaviour should be rewarded, while unethical behaviours should be penalized.

5. Instate protective mechanisms.

Employees should be encouraged to report any unethical conduct of peers or managers without fear of being reprimanded. I shall further discuss in the next section the importance of creating a proper ethical reporting platform as a proactive measure to detect any sign of unethicity well before it turns into fraud and crime.

Ethics reporting

Too often ethics is brought up only after a scandal has occurred, or during the yearly compliance policy review. Employees are not really conscious of the code of conduct expected from them. Without a clear code of conduct in mind, it is difficult to differentiate between what's ethical and what's not. Once employees are clear about the ethical goals, there will be less hesitation in reporting ethical misconduct.

One approach, which is being increasingly used in organisations today, is an ethics hotline or 'whistle-blowing' system. Its first intention is to provide an anonymous channel where employees can report unethical behaviour without fear of retaliation. The Protected

On estime que la génération Z est la première génération qui est née dans un environnement technologique, on présume qu'ils sont très réalistes, avec un esprit entrepreneurial, animés par des valeurs et qu'ils prennent au sérieux les problèmes de stabilité financière. En reconstruisant une forte réputation éthique basée sur un leadership éthique, et en favorisant une culture fondée sur la collaboration et sur la relation bilatérale, nous parviendrons à faire émerger une génération Z d'employés engagés. La seule façon d'atteindre ce but est de retourner aux vieux principes et de recréer un système ancré dans l'éthique pour un meilleur futur.

Disclosures Act (No. 26 of 2000), the so-called 'whistle-blower act', ensures that the employees are protected from occupational disadvantage for reporting offenses.

A survey done by Transparency International's Global Corruption Barometer 2010 revealed that 91,500 people in 86 countries are willing to report misconduct provided they are effectively protected. So why are many employees still reluctant to report transgression?

It depends at which level this transgression is being carried out. For example, employees feel vulnerable when it comes to reporting senior management. They could be at risk of losing their job, a promotion and career prospects.

How can we optimize the efficiency of the ethics reporting system?

First and foremost, the culture of the organisation needs to be conducive to reporting wrongdoings and should encompass high levels of ethical awareness and transparency. Second, the informer should be viewed as a loyal employee safeguarding the interest of the organisation and not be treated with hostility. It takes courage to report such misconduct, and it should be viewed as act of bravery.

Another important factor, which should not be neglected, is the people on the ethics committee. Establishment of a proper trust framework is crucial for the effective functioning of the committee.

For example, there could be one committee consisting of board members for the sanctioning of management and another committee consisting of senior management for actions against employees. The actions taken should be matched to the gravity and nature of the charge. The committee should also be aware that this system can lead to false and mischievous reporting. Thus, it is important to also have a review system to verify the facts and accusations before taking action, in order to protect employees from false allegations.

Legacy for the digital generation

Generation Z, born after 1992, is considered to be the first generation born into a fully technological environment. They are said to be very realistic, entrepreneurial, and very curious and value-driven and, above all, they are said to take financial stability issues very seriously. It is not difficult to see why that might be. They grew up in a period of economic and political instability and have seen the older generation struggle. Gen Zers are determined to avoid committing the same mistakes and they are self-motivated. According to a new global study by EY (2016), 71 % of Gen Z view respect and ethical behaviour as the most important characteristic of a future employer. The study also revealed that this generation is not insensible to their parent's experience and that these

experiences had a “very or somewhat negative” effect on how much they will trust their future employers.

So how can we ensure the financial system is appealing to the next generation?

My journey as a banker started when I was only 8 years old. One hour spent at the bank with my father was enough to inspire a lifetime’s career. The ethical culture and leadership in those days were so strong that it could be felt, although not understood, by a young girl. I believe that by rebuilding a strong

ethical reputation based on ethical leadership and authentic brand image, and by fostering a culture built on collaboration and two-way relationships, we will engage Gen Z employees. The striking part is that our system was once built on ethical foundations. However, while we have embarked on a digitalised journey into the future, we have lost track of the ethical values and responsibilities we had in the past. The only way to get back on the right path is to halt and return to the old principles of a system anchored to ethics. That will lead to a better tomorrow.

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