



October 2022

ETHICAL LEADERSHIP IN CRISIS MANAGEMENT

'Empower Ethics'

Why ethical leadership matters

A guide to ethical leadership in crisis management

Retailing Africa



BRANDFUNDI

Brought to you by Brandfundi and RetailingAfrica.com

Executive summary

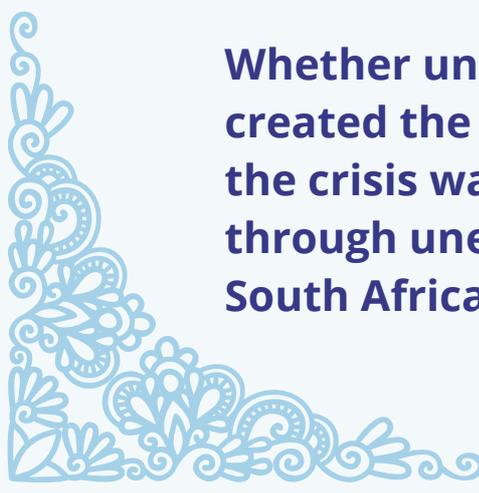
"The real threat to business is from within, from poor ethical standards and lack of integrity that can do incalculable harm. History has proven repeatedly that business ethics, shared value and corporate governance determine the longevity of an enterprise." – Azim Premji.

For the past couple of years, South Africa has faced its fair share of ethical crises; state capture, corrupt government officials, corporate collusion, fraud, bribery, insider trading, tender rigging, fake news/misinformation, intimidation, price-fixing, and racial, gender, and economic injustices etc. The list goes on.

Just over a year later, media specialist Chris Roper published an article for [The Reuters Institute in June 2022, highlighting the growing trust in news](#), which, between 2019 and 2022, increased from 49% to 61% (SA ranks second out of 46 countries). Investigative journalism crucially contributes to freedom of expression and media development, upholding ethical standards in society.

To this point, [AmaBhungane](#), [Daily Maverick](#) and [News24](#) were awarded the 2017 Taco Kuiper Award for investigative journalism, "honouring the collaborating trio's investigative skills and experience in uncovering grand corruption related to the Gupta-leaks". Moreover, investigative journalist Jacques Pauw, who authored the book, 'The President's Keepers', revealed how Jacob Zuma's shenanigans compromised our nation.

Aside from politics, corporate South Africa has made the headlines for unethical behaviour enough times to warrant a white paper on ethical leadership in crisis management.



Whether unethical behaviour created the crisis or the crisis was mismanaged through unethical decisions, South Africa has a problem.



Whether unethical behaviour created the crisis or the crisis was mismanaged through unethical decisions, South Africa has a problem. Prof Deon Rossouw, the CEO of The Ethics Institute, penned an article published in Daily Maverick in February 2022, saying, "South African employees have a higher tolerance of unethical practices compared to employees in other countries."

"When asked to respond to statements related to tolerance for unethical behaviour, South African employees ranked first for indicating that minor breaches of rules are inevitable in modern organisations; as well as for indicating that if an organisation should crack down on every minor breach of rules, it would soon find itself without any staff. These findings are strong indicators that a certain level of misconduct has become quite acceptable to most South Africans. It is not regarded as serious."

He added, "South Africans might have become so used to the unethical practices associated with the era of state capture that old bad habits still prevail and are actively endorsed as part of the 'way we do business here'."

Moreover, "South African employees felt – more than in any of the other countries that participated in the survey – that honesty is not practised at work."

Over time, continued unethical behaviour naturally weakens the communities in which it flourishes. Prof Rossouw explained, "People need to understand the consequences of unethical business for the organisations in which they work, for their colleagues, for the morale of their organisations, for their supply chain, for their clients and customers, for the communities and natural environment in which they operate, for the appetite of international investors, and economic growth."

While ethics is not a new philosophy in business, it took a while to become a formal discipline.



As Harvard Business Review published, "Starting well before World War II and culminating in the 1960s and 1970s, the dominant approach to the moral dimension of business was a perspective that came to be known as 'corporate social responsibility'. Largely reacting to neoclassical economics, which holds that the sole responsibility of business is to maximise its immediate bottom line subject to only the most minimal constraints of the law, advocates of corporate social responsibility argued that ethical management requires more than merely following the dictates of the law or signals of the market, the two institutions that otherwise guide business behaviour. Rather, ethical management is a process of anticipating both the law and the market – and for sound business reasons."

Created as a day to commemorate ethics in the business world, Global Ethics Day aims to empower ethics and takes place on the third Wednesday of every October. This year, it fell on 19 October 2022, with the theme, 'Empower Ethics'.

Global Ethics Day calls on people to reflect on how to take action to empower ethics to help raise awareness and work towards addressing the most critical issues facing society. It's an opportunity to demonstrate a commitment to using ethics as a force for good and to empower ethics in everyday life.





As good as your word

"The courage to speak on moral or ethical issues and to take an ethical position becomes a greater imperative every day. With demonstrated commitment and a sense of ethics that works full-time, ethical behaviour must be exemplified and modelled by the leader." – Frances Hesselbein.

Ethical violations contribute to an organisational crisis, and ethical missteps cause mistrust and can ruin a brand financially and reputationally. However, ethical leadership during a crisis can save an organisation/brand and, in some instances, even grow brand equity.

A brand's response at the moment of a crisis is critical to shaping the narrative – shoddy and, more especially, dishonest and half-truth responses can have a lasting and negative impact on how a brand is perceived. Where the brand fails to communicate effectively about the situation; the public, journalists, and commentators will fuel the story, leaving the brand exposed to insinuation.

The media help the public understand the situation more easily when identifying the hero, the villain or the victim. The story about what happened and who is to blame will continue to be published, influencing the court of public opinion and ultimately forcing the brand/s responsible to be transparent and shed light on the matter.

For an organisational leader, the gap between doing the right thing and doing what's best for brand sustainability and reputation is what they'll be judged on. It's what will inform the most ethical decisions in that situation. Ethical leadership isn't about precision; in many cases, the right choices aren't easy to make, but ethics guides them.

Brands implicated in a crisis caused by questionable ethics won't escape responsibility by denying it. Complete disclosure and a quick and honest response will mitigate the reputational damage and retain customer trust.

Reputations are built on trust, but people have lost their trust in companies. Sadly, the annual global Edelman Trust Barometer survey confirmed that in 2022, "distrust is now society's default emotion. Nearly six in 10 say their default tendency is to distrust something until they see evidence it is trustworthy." The real cost of a crisis handled without transparency and empathy will feed this distrust, leading to customer churn, boycotts, lower customer acquisition and purchase frequency, and a negatively affected share price, amongst other key aspects.

Ethical communication in crises needs to make it possible for stakeholders to evaluate the information and situation, accept the decisions and actions taken, witness the redress of perceived injustices, or reject improper management and policy outcomes.



In the wake of questionable ethics

"A person may cause evil to others, not only by his actions, but by his inaction. And in either case, he is just as accountable to them for the injury." – John Stuart Mill

Ford Kuga Bursting into Flames

The Crisis:

A man lost his life in 2015 when his Ford Kuga caught fire. There were 56 other reports of Kuga models equipped with the 1.6-litre engine that were experiencing overheating and catching on fire. (Source: [EWN](#)).

Brand Response:

When this was brought to Ford's attention, the brand denied responsibility defending itself with poor excuses and distancing itself from the no-accident-induced loss of life in one of its cars. A year after the customer's death, the brand released a statement that lacked compassion or empathy. It was reported that, "Ford management opted to take advice from lawyers and insurers concerned only with avoiding pay-outs." However, 7,000 vehicles were eventually recalled in 2017. (Source: [Business Essentials](#)).

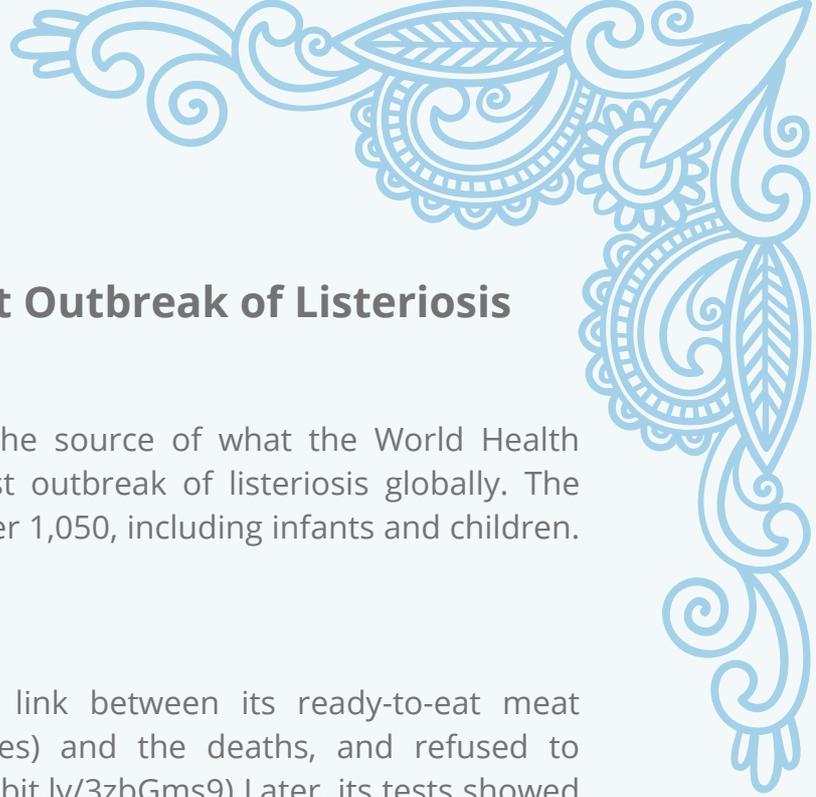
The Damage:

This resulted in a class action lawsuit against the company, with documents showing Ford knew about existing problems with Kuga models. The brand was ferociously attacked in the press. The National Consumer Commission fined the Ford Motor Company R35 million, and the company agreed to compensate R50,000 to each customer affected by the fires.

The Key Takeout:

The brand should have responded more quickly and compassionately to the issue, especially as there was a loss of life. For a year, negative sentiment grew around the brand, putting more lives at risk. The brand values were questioned as they seemed to prioritise profit over people. The brand lacked empathy and genuine concern for its customers' safety.

Acknowledge the signs of ethical leadership failure and address them immediately. Avoid pursuing profits, bonuses, and other short-term financial gains.



Tiger Brands and The Deadliest Outbreak of Listeriosis

The Crisis:

In 2017, Tiger Brands was identified as the source of what the World Health Organisation documented as the deadliest outbreak of listeriosis globally. The outbreak killed 218 people and infected over 1,050, including infants and children. (Source: [Food Safety News](#)).

Brand Response:

Initially, Tiger Brands claimed no direct link between its ready-to-eat meat products (specifically polony and sausages) and the deaths, and refused to apologise. (Source: Daily Maverick – <https://bit.ly/3zbGms9>) Later, its tests showed the presence of the ST6 listeria strain, identified in the outbreak, in its products but fought to prove that it wasn't necessarily the 'sole source' of listeria contamination. It recalled processed meat products and halted operations at various plants.

The Damage:

The listeriosis outbreak plagued the country for 14 months. Class action proceedings were filed against Tiger Brands. It later reported an operating loss of R252m, a 52% revenue decline, and a 26% decline in headline earnings per share. Then, there's the reputational damage caused by the lack of empathy in handling this crisis.

The Key Takeout:

As with the Ford Kuga case, the brand did not acknowledge how its customer felt, conveying a cold and unsympathetic attitude. Further, the brand's delay and blame-sharing strategy raised concerns about how transparent the company was, especially as it cost many people their lives.

Leaders must empower ethics as a force for good: While it's not an easy task, ethical leaders need to balance the needs of the business with that of its stakeholder.

Bell Pottinger Inflames Racial Discord in South Africa

The Crisis:

In 2016, UK-based PR company, Bell Pottinger, implemented an underground fake news campaign to stir up racism in SA on behalf of the Gupta family. Using provocative language and spreading hatred, Bell Pottinger intended to influence the political and social agenda in the country by inciting anger about 'white monopoly capital'. Ultimately, it attempted to deflect attention away from the family associated with corruption scandals. Still, social media, websites and the Gupta family's print and TV platforms created racial unrest in South Africa. (Source: [Time](#)).

Brand Response:

The agency cancelled its deal with the Guptas, citing "increasingly strong social media attacks on its staff and business".

James Henderson, Bell Pottinger's chief executive, said he and other senior managers had been misled about the activities in South Africa. "We wish to issue a full, unequivocal and absolute apology to anyone impacted. These activities should never have been undertaken. We are deeply sorry that this happened."

The company apologised for driving the divisive campaign, dismissed one partner, and suspended three staff in July for what it admitted to as unethical and offensive behaviour.

The Damage:

The agency was debarred from the Public Relations and Communications Association, accused of bringing the PR and communications industry into disrepute.

Consequently, after 19 years since it opened, Bell Pottinger lost £8 million worth of clients, and all 250 staff were let go. Later, the agency was declared bankrupt and forced out of business. It was said that. "Bell Pottinger may have set back race relations in South Africa by as much as 10 years".

The Key Takeout:

No matter what one does to cover something up, the truth will always come to light. There's an expectation for brands to share positive, inclusive stories that are sensitive to all. It isn't easy to comprehend that the leadership team wasn't fully aware of what was happening – especially in a communications company.

Establish core ethical values: regardless of organisation size, this is the fundamental starting point in developing an ethical corporate culture. Core values must be infused throughout the organisation's policies, processes and practices.





A guide to ethical leadership in crisis management

"Ethics or simple honesty is the building block upon which our society is based. And business is a part of society. It's integral to the practice of being able to conduct business that you have a set of moral, ethical standards." – Carrie Stokes

Ethical leaders must motivate a collective effort to solve shared problems, which relies on the ability to craft communications that resonate in meaningful ways.

Embracing these ethical principles and strategies is critical to emerging from a crisis stronger and more respected:

1. Assume broad responsibility.
2. Be transparent.
3. Convey empathy and compassion.
4. Consult with the brain and the heart
5. Adapt from a moral foundation.
6. Build resilience.

According to the [Centre for Ethical Leadership](#), four qualities essential to ethical leadership include Values, Vision, Voice and Virtue.

Aristotle, the Greek philosopher, was "the first Western thinker to formally catalogue a list of virtues, which he held to be foundational for effective, ethical leadership and, more generally, for living a (morally) good life (Source: [The virtues of effective crisis leadership, by Suze Wilson and Toby Newstead](#)). This article reports a strong 'business case' for virtues-based leadership and its intrinsic ethical merits. That said, a virtues-based approach's core concern is to advance ethically sound leadership in its motives, means, and ends.

"Virtues inform ethical leadership and encourage numerous positive outcomes in teams and organisations...Virtues also have a role to play in good crisis leadership. Not only can virtues help to prevent the crises of unethical and inept leadership; they can also inform more effective and wise ways of leading through crisis."



The virtues of effective, ethical crisis leadership include;

HUMANITY

We're all connected, and everyone's well-being is important.

JUSTICE

We all have a part to play.

PRUDENCE

We must listen to diverse perspectives and make reasoned justifiable decisions.

COURAGE

Take the right action, even if it is risky.

TEMPERANCE

Remain patient and dutiful.

WISDOM

Remain curious and continually learn.

TRANCENDENCE

Reminds us of where we come from, where we are going, and the broader meaning and purpose of our efforts.



Why ethical leadership matters

"It takes less time to do things right and ethically, than to explain why you did it wrong."
– Henry Wadsworth Longfellow

A crisis is often a test of moral fibre, hence why ethical leadership is critical for successful crisis management.

According to the University of Delaware's Alfred Lerner College of Business and Economics, "possessing the characteristics of ethical leadership is absolutely essential in order to steer an organisation through a crisis".

While ethics won't solve every problem, it serves as the playbook for collaborating and respectfully solving challenges. It helps to pursue the truth and uphold moral standards.

Last year, the World Economic Forum (WEF) unpacked the, 'State of Moral Leadership Report', sharing, "moral authority, as opposed to formal authority alone, can improve employee and business performance; and managers that demonstrate higher levels of moral leadership also have stronger connections with colleagues and tend to maintain moral behaviours during crises."

The WEF article highlights, "In moral capitalism, you can't create shared value without shared values; the focus is not on doing the next thing right, but rather doing the next right thing."

The report indicated that, "consistent moral leadership remains elusive. Nearly half of top organisational leaders do not consistently demonstrate moral leadership behaviours, while only 8% consistently demonstrate them at a high level. On the management level, just 7% consistently demonstrate a high moral leadership behaviour. This is startling as 46% of survey participants say they would take a pay cut to work for a moral leader."

In conclusion

"In every crisis, doubt or confusion, take the higher path – the path of compassion, courage, understanding and love." – Amit Ray

Ethical leadership makes business sense, especially when navigating a crisis. The WEF stated that organisations would make better business decisions if they followed a golden rule: treat others as you would have them treat you.

Overall, Giulia Villirilli, BetterUp Fellow Coach, PCC, MBA, outlines the benefits of ethical leadership as follows:

SENSE OF BELONGING

When company and employee values are aligned, and ethical principles are adopted, everyone's general well-being will increase. This leads to a positive atmosphere, reinforcing and fostering ethical behaviours, creating a virtuous loop where everyone will feel at home and in the right condition to give their best.

IMPROVED RELATIONSHIP WITH CUSTOMERS

Customers will feel they've made a good decision to work with your company when they perceive and witness ethical leadership and cultural values. This will encourage them to continue doing business with you while also boosting your reputation as one of the fair players in the market.

RESPECT FROM SOCIETY AND COMMUNITIES

Organisations led by ethical leaders set a good example for others and are respected and valued. These are the companies people want to work for, do business with, and emulate in their own companies.

SUPPORT IN TIMES OF CRISES

People want to see ethical leaders and the companies they work for thrive. Leaders who behave ethically and act with kindness and respect can be the ticket to getting through tough times.





LOYAL EMPLOYEES

When leaders are fair and just, team members have one less incentive to move elsewhere. Ethical leaders provide the optimal setting for employees by inspiring, developing, and establishing a culture of trust and respect. This brings significant benefits like lower turnover, higher productivity, and loyalty.

BETTER MORALE

A strong emphasis on values and ethics creates a positive work environment that fosters an overall better mood and a higher understanding among individuals.

HIGHER STABILITY ON THE MARKET

Organisations with ethical leaders are at lower risk of crises due to internal factors. This usually is acknowledged and appreciated by investors.

HIGHER MOTIVATION

When each team member knows that the company is operating ethically and for the benefit of the greater, they will want to do their part to further the company's mission.



+27 82 821 9050 michelle@brandfundi.co.za



BRANDFUNDI

Prepared by
Michelle Cavé
Managing Director
Brandfundi (Pty) Ltd
www.brandfundi.co.za



A B2B specialist Public Relations and Marketing Communications Agency

For more than 20 years, Brandfundi's founder has been navigating brand communications, telling brand stories, solving brand challenges and honing skills across multiple sectors. Our family team's experiences, knowledge, skills, and network culminate in a value-adding partnership for clients who commit to working with us. We truly care about delivering great work and fostering strong relationships founded on respect, honesty and professionalism.

