International Journal of Arts & Sciences,
CD-ROM. ISSN: 1944-6934 :: 07(02):361–372 (2014)

SERVANT LEADERSHIP IN FINANCE – CONTRADICTION OR SYMBIOSIS?

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In this paper we will identify which core elements of servant leadership can be made effective in the financial sector, and we will develop a new concept – Servant Financial Leadership – which integrates servant leadership theory with financial management practice. This paper develops four aspects of Servant Financial Leadership: "Honorable Merchant", "Invisible Hand", "Lateral Leadership" and "Intuition and Emotion". It provides an accessible bridge between current leadership theory and finance practice, and considers the request for integration of different domains and disciplines to advance business sciences.

Keywords: Financial leadership, Servant leadership, Financial management.

Introduction

For the financial crisis since 2007, irresponsible risk-taking is often blamed. In fact, financial service providers, especially investment banks, have been led until about the 1970s in a way that contained many elements of servant leadership. Elements that have been lost later, which has contributed in fact to known issues.

We will work out in our article, which core elements of servant leadership can be made effective in the financial sector. The ancient Hanseatic model of the *Honorable Merchant* seems pretty much associated with servant leadership, so we make it the starting point of our considerations. Running a business requires trust in the *Invisible Hand*, which can take effect within the microeconomy of an organization as well as within the macroeconomy. This can also help to prepare for unlikely but extremely dangerous events. Financial managers are often in a situation of *Lateral Leadership*, which encourages to pay a closer attention to those Servant Leadership elements that emphasize inspiration and conviction rather than relying on institutional power. This requires empathy, and thus confidence in one's own *Intuition and Emotion*. As we will show, this is particularly important in the financial sector.

What is Servant Financial Leadership?

The term Financial Leadership is established in practitioner literature (eg Bragg 2007, Stenzel & Stenzel 2004, PriceWaterhouseCoopers 2009). Usually a multi-stage development from Junior Controller to CFO is assumed, where the highest level can be referred to as Financial Leadership (Zehetner 2013). This is

also supported by first empirical studies (Thompson 2008). Between 2007 and 2010, interviews with 130 Austrian CFOs were conducted and published (Deloitte & Institute of Financial Management 2008, 2009, 2010, 2011) and analyzed in a research project of FHWien University of Applied Sciences Vienna. The study (Fahrngruber 2013, called hereinafter 'the CFO study') suggests that Financial Leadership is the CFO's ability to provide a competitive advantage for the organization: During stable periods, Financial Leaders enable their companies higher returns for the same risk or lower risk for the same return. And during crises, they safely navigate their organizations through rough seas. This model of Financial Leadership is based on the effectiveness of the person in the company. The fulfillment of the professional qualifications is a matter of course, the mastery of personal challenges in terms of leadership makes the difference between successful and less successful financial managers. It is the Homo Oeconomicus – the economically rationally acting individual, the fundamental being of most economic theories – who finds the right answers for technical or analytical challenges. But in the mastery of the leadership component we encounter the rather erratic brother of Homo Oeconomicus, who is driven by his intuition and emotions, shaped by his ethical, philosophical or spiritual ideas, and acting in his social environment.

Some of the main challenges for financial leaders – according to the interviewed CFOs – are (in addition to the striving for shareholder value, the mitigation of risks and the ability to ensure compliance) particularly social and systemic competences (Zehetner, Pichler & Trappl 2012). This strong emphasis on Stewardship in the concept of Financial Leadership suggests combining the concept of Servant Leadership with the concept of Financial Leadership.

Why Should Finan7cial Managers be Interested in Servant Leadership?

Servant Leadership can best be explained by describing the ten core elements identified by Larry Spears (2002) building on the work of Greenleaf (1991): listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment, and building community. These characteristics of Servant Leadership correspond to four aspects of the profession of financial managers that gained a greater importance in recent years due to the financial crisis but also because of new research findings, at least for people who aspire to reach Financial Leadership. We are convinced that the integration of both concepts can help to cope with the challenges in the financial sector.

Aspect of the Honorable Merchant

Participation and personal liability - ie entrepreneurship - promote a culture of risk awareness and of commercial prudence. Management by well-paid, but not risk-involved managers fosters a culture of extreme risk-taking. The well-known experience that owner-led companies are run in a more sustainable manner than others seems to particularly apply in the financial sector. But what should be done if managers (who are not co-owners) are unavoidable? Then the Servant Leadership core element of Stewardship can give an answer.

Aspect of the Invisible Hand

The invisible hand of the market encourages the free development of skills and of servant leadership, albeit at the price of redundancy and thus lower efficiency. The visible hand of central planning drives efficiency and requires control and sanctions, as well as institutional power. The choice between market and planned economies is not only to be made at the level of the whole macroeconomy, but also at the level of every business or organization.

Aspect of Lateral Leadership

In the above mentioned CFO study, the CFOs were also asked about current developments in their profession. Some findings were the emphasis on service orientation, and the ability to motivate, to inspire,

to influence in terms of the best for the company. The conclusion is that the “number-crunching” financial managers may have an affinity to the Servant Leadership concept (however without even knowing this term), because they are often faced with the challenge of having to lead “laterally”, which means to lead employees of other departments without direct hierarchical access.

Aspect of Intuition and Emotion

Intuition and emotion are generally important for the topic of Servant Leadership, regardless of the financial sector. In order to perform in a “serving” manner, you need a feeling for your people: Social competence and intuition are prerequisites for Servant Leadership, which have already been emphasized by Robert Greenleaf (1991). One result of the CFO study was the surprising finding of the high importance that is attributed by the interviewees to intuition and partly emotion in financial decisions. Successful financial managers are distinguished from lesser successful ones in the fact that can rely on their experience and their intuition.

Aspect of the Honorable Merchant

In an interview (2012)[1] based on his personal experiences, Swiss investor Marc Faber described a possible cause of the financial crisis that received little attention in public, and that we would refer to as a loss of Servant Leadership in investment banking. When Faber began to work in New York in 1970 after his graduation, all investment banks (with First Boston as the only exception) were partnerships. They were privately, often family owned, and the owners invested their own money and could make a fortune, but also lose everything. This system fostered a culture of prudence. Since the 1980s more and more of these brokerage firms became corporations. The decisions were no longer in the hands of partners, but in those of top managers (CEOs) whose incomes were strongly dependent of call options on the shares of their bank. If the stock price strongly increased, they could become incredibly rich (just like the owner families in earlier times). But if the bank went bust, they lost nothing, but still had their good basic income. If they were fired after a big loss, they got golden handshakes. This system fostered a culture of extreme risk-taking. The problem was aggravated by the end of the two-tier banking system, whereby investment banks were given the opportunity to speculate not only with their own money, but also with other people's money,[2] and through investment bankers’ experience that jeopardizing risks were usually eased through state intervention (or by extending the quantity of money by the central banks) and losses were socialized in this way (Peso crisis of 1994, LTCM crisis in 1998, burst of the tech bubble in 2000).

A culture of prudent business practice is conveyed through participation and personal liability – ie through entrepreneurship. Commercial prudence is one of the basic virtues of the Hanseatic model of the Honorable Merchant (Bauer 1906), who, in addition to his business expertise, also has well-established personality traits who save him from short-term oriented actions. The mission of the Honorable Merchant is sustainability. In this ideal, economic action and ethics merge into one.

But what if the lead is in the hands of managers? Of the ten core elements of Servant Leadership (Spears 2002), one in particular corresponds with the aspect of the Honorable Merchant: Stewardship. Spears cites Peter Block (1993), who, in the preface to his book, defines *stewardship* as “holding

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[1] The interview can be found on www.thebubblefilm.com. On this website, experts explain the financial crisis. The interviews were originally conducted for a documentary movie project. They are an interesting source for qualitative empirical research

[2] In 1999 the Glass-Steagall Act of 1933 was lifted, which had determined that a bank shall either be a commercial bank (which invests the money of their depositors in a very conservative manner) or an investment bank (which puts investors' money into riskier investment projects). Due to the cancellation of the two-tier banking system, socio-politically desired projects were made possible, for example, loan financing of real estate for non-credit-worthy citicens, or the funding of municipalities far beyond their borrowing capacity. The opaque risks had then been sold all over the world to end up (directly or indirectly) in the assets held by those who actually wanted to invest conservatively, until it came to the collapse of 2007/08.

something in trust for another", ie as a fiduciary responsibility (to manage a business or an organization) for someone else. A stewardship attitude promotes sustainable action, which is so typical for entrepreneurs. It is not compatible with incentives for top managers that encourage moral hazard.

The Honorable Merchant is aware that his company is embedded in society, and that his success is not possible without a free-market system. This leads us to the next aspect of Servant Financial Leadership.

Aspect of the Invisible Hand

To manufacture such a simple product as a pencil, thousands of people have to work together: From the snack bar waitress who serves the forest worker's lunch to the engine fitter, who sets up the milling machine where the drilling tools are made to produce the oil to drive his chainsaw. The processes are so complex that no mastermind and no central planning board would even remotely be able to coordinate it (Read 1958[3]). Only the Invisible Hand of the market (Smith 1776[4]) is capable of doing this. Thus, the supporters of the free market economy advocate for as little governmental intervention in the economy as possible, so as not to hinder this Invisible Hand.

The paradigm of the free market economy has been repeatedly challenged in the history of economic thought, and this does not exclude the financial sector. For example, Marx and Engels (1848) in their Communist Manifesto claimed (amongst other things) the centralization of the credit system in the hands of the government, and John Maynard Keynes (1936) suggested in his General Theory that the government should execute fiscal and monetary policies, in particular deficit spending, to raise the overall economic demand to a level of full employment. Also, the design of the world financial system is characterized by frequent changes between te trust in the free market and the belief in central planning. The capitalist system is based on the free formation of interest rates, which take over the function of risk allocation: capital flows more easily in future-oriented and sustainable projects, while risky transactions with dubious benefit are usually cut off from capital resources. In recent years (for example, in the euro zone) interest rates are artificially equalized (de facto fixed at centrally planned levels) through political mechanisms despite different risk levels (Sinn 2012). The interest rate thus loses the function of risk allocation, and this function shall be substituted by governmental control and sanction mechanisms.

The idea that central planning is more efficient than individual strive for success was mainly represented by Alfred D. Chandler in his major work, The Visible Hand (1977). His research on the transformation of family businesses to corporations in the United States convinced him that the success was attributable to central planning and management of resources through a hierarchy of managers.

The choice between market and planned economy, ie between Invisible and Visible Hand is not only possible for a national economy, but also for any organization.

Central planning replaces the free development of individuals (including their sometimes bad decisions) by guidelines, controls and sanctions. It has the undisputable advantage of higher efficiency by avoiding redundancy and is based on institutional power.[5] The disadvantage of the loss of redundancy is the sensitivity to unanticipated (because very unlikely) events with great impact. Nassim Taleb (2007) calls these events "black swans", and a good example is the financial crisis since 2007. Whereas nature,

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[3] Leonard Reads essay "I, Pencil" was also filmed and can be found as a short animated movie, as a radio play, or as entertaining retelling by Milton Friedman on www.youtube.com under this title.

[4] Adam Smith used the metaphor of the Invisible Hand to show by means of examples, that an individual acting in economic self-interest is more beneficiary to the interests of society than if he or she would consciously try to benefit society (4th book, chap. 2, in the cited digitized reprint p 184)

[5] The ancestor of all political utopias, Platon, designed in his Politeia (7th book, around 370 BC), the ideal of a state, where private property and traditional families are abolished, and that is guided by the principles of justice. The absolute power is in the hands of rulers whom Plato calls 'philosophers'. No subsequently developed political utopia targeting equality and justice up to our time is able to abstain from absolute rulers. Someone, after all, has to define what is fair and equitable.

as a matter of course, prefers redundancy (we all have reserve organs such as two lungs or two kidneys), managers try to avoid redundancy (eg spare capacity or unused capital) because they perceive it as inefficiency (Taleb, Goldstein & Spitznagel 2009).

Already in an earlier book (Fooled by Randomness, 2001) Taleb had recognized that the confidence in mathematical models makes financial systems fragile. The view of standard deviations as a measure of risk leads to the fact that events with low probability, but high impact are ignored. In options trading, for example, it is possible to constantly realize small profits by good models. But just a few (improbably) lost bets can lead to a total loss.[6]

Taleb realized that people tend to seek causalities even where in fact randomness dominates, and therefore believe the complexity of the world to be more explainable than it really is. We believe that we can learn from successful entrepreneurs, while ignoring the many who have failed with the same method (survivorship bias). We only reluctantly listen to advice on what we should avoid. We overestimate our abilities and underestimate what can go wrong (Taleb, Goldstein & Spitznagel 2009). Dissent is also information. Systems that suppress dissent are error intolerant and fragile.

The Servant Leadership concept includes some elements that counteract the dangerous deficiencies described: awareness, conceptualization, persuasion, commitment to the growth of people. Spears (2002) defines *awareness* as the ability to view most situations from a more integrated, holistic position, and *conceptualization* as the ability to convey the full story (“dream great dreams”). We are convinced that such an attitude helps to prevent overemphasis on efficiency at the expense of redundancy; so unforeseen events (black swans) will not hit as hard. Trusting in *persuasion* allows the decision for the Invisible Hand within the organization, which will better cope with complexity than a system of central planning, that must be based on institutional power, control and sanctions, suppresses useful dissent, and develops strength only in economically stable times. *Commitment to the growth of people* is another prerequisite for the functioning of the invisible hand. Corporate training programs often show the overestimation of the ability to centrally plan the training needs of employees. Skills are rarely developed in a prescribed seminar.

To persuade based on trust and to inspire rather than relying on institutional power is not just a virtue, but also a need for financial managers. This leads to the next aspect of Servant Financial Leadership.

Aspect of Lateral Leadership

Many of the interviewees in the CFO study defined as a key competence of their profession the ability to inspire managers and employees, so to motivate and to influence them for the benefit of the organization. Often they are faced with the difficult task to influence managers and employees outside their own area and therefore without the support of hierarchical power. One approach that has been explicitly designed for this kind of challenge is Lateral Leadership (Wunderer 1974; Kühl, Schnelle & Schnelle 2004; Kühl & Schnelle 2009).

Financial managers therefore see themselves as service providers and as leaders. Because they lack the means of the hierarchy, they have to show the more leadership in terms of encouraging people to achieve corporate goals voluntarily, committed and motivated (Hinterhuber & Saeed2007, 49).

We will show that Servant Leadership and Lateral Leadership clearly overlap, and that the concept of Servant Leadership is well suited for the lateral, service-oriented management task of the financial manager.

The concept of Lateral Leadership develops management approaches beyond hierarchical control. The point is to provide a guideline for members of the organization how to interact with others, over

[6] The two economists Robert Merton and Myron Samuel Scholes have received the 1978 Nobel Prize in Economics for their 1973 developed Black-Scholes model, which they used in their hedge fund company Long-Term Capital Management (LTCM). In 1998, LTCM went bust, which had almost led to the collapse of the global financial system, only averted by a massive bailout.

whom they have no hierarchical authority. Lateral Leadership is based on the interplay of three mechanisms of influence: understanding, trust and power.

If we now consider these three mechanisms from the point of view of the tasks of financial managers, it is clear that all three mechanisms are critical for success. Financial management is seen as a service, coordination and communication function. A financial manager must be able to understand and to use the language of his or her counterpart in order to perform these functions successfully. An excerpt from the above CFO study may clarify this: A CFO must be communicative, that means he must be able to transport content so that he also understands the opponent (Fahrngruber, 2013, 45f). The importance of confidence-building can be experienced in many contexts in financial management. If for example the financial controller creates a budget together with the responsible technical manager, the result (ie the created budget) is especially "good" from the company's perspective, when both trust each other and know that the tricky points will remain "confidential"; this could be experienced again and again in many budgeting rounds by the authors. Of course, financial managers also have power, like the aforementioned power sources (control of the internal communication and expertise), but also power through information.[7] Moreover, there is evidence that financial managers have a highly distinctive power motive. The data of the CFO study showed that Austrian financial managers have a high need for power, but only moderate needs for achievement and for affiliation (Pichler, Zehetner & Trappl 2012).[8]

Two of the three mechanisms fit very well into the Servant Leadership approach: understanding and trust. Among the ten core elements of Servant leadership that Spears (2002) mentions there are three that match the mechanisms of understanding and trust: *listening*, *empathy* and *persuasion*. However, the third mechanism (power) may not be compatible with the Servant Leadership concept, moreover as it also can be contradictory to the mechanism of trust. A serving leader convinces others not by power and status, but by example and credibility (Schnorrenberg 2007, p.32). Power is threatening consequences, stokes fear and motivates to primarily take care of oneself. Confidence, however, is the one glue that holds relationships together and can create "meaningfulness" (Pircher-Friedrich 2005).

Two mechanisms of Lateral Leadership - understanding and trust - strongly fit to the Servant Leadership concept, but the mechanism of power turns out to be antagonistic to it. However, Kühl & Schnelle (2009, p 52) elaborate that that in the process of Lateral Leadership the mechanisms of understanding, trust and power can partially substitute each other. Anyway, we are convinced that Lateral Leadership even and especially can work well when trying to dispense with the mechanism of power – even if this may be difficult for some financial managers due to their high power motive – and therefore focussing on the two mechanisms of understanding and trust. Lateral Leadership can work well when the mechanism of power is seldom used.

Lateral Leadership and Servant Leadership require the development of empathy. This leads us to the fourth aspect of Servant Financial Leadership.

Aspect of Intuition and Emotion

In this section we discuss the importance of intuition and emotion, on the one hand for Servant Leadership, and secondly for Financial Leadership. For this purpose a brief overview of the findings of the emotion and intuition research is needed.

The above-mentioned ten core elements of Servant leadership (Spears 2002; Schnorrenberg 2007, pp. 30ff) include foresight and empathy. *Foresight* in the servant leadership concept is the ability to think and feel in total contexts and to trust in one's inner guidance (intuition). By learning to use intuition and consciously listen to it, it is possible to make better decisions (Schnorrenberg 2007, p 32). Intuition is an

[7] If the traditional classification of power sources are applied (French & Raven 1959), these sources of power could be attributed to the source of information ("information power") and the source of knowledge and skills ("expert power").

[8] The study was based on the three main types of needs postulated by McClelland (1985): "need for achievment", "need for power", and "need for affiliation".

important core component of Servant leadership. The findings of intuition research show that intuition is based on emotions, which we will present in more detail later. Emotion is also a prerequisite for *empathy*, just as the nowadays inflationarily used term of social competence, which includes emotional competence or emotional intelligence (Salovey & Mayer, 1990). Mayer & Salovey (1997) have postulated four dimensions in their four-factor model of emotional intelligence: “the ability to appraise and express emotion”, “the use of emotion to enhance cognitive processes and decision making”, “the ability to understand and analyze emotions” and “the reflective regulation of emotions”.

Winston & Hartfield (2004) found that three of these four factors of emotional intelligence have strong links with various models of Servant leadership: perception and expression of emotions, using emotions to support thinking, and dealing with emotions. Only for the factor understanding of emotions no correlation was found. So, emotional intelligence seems to play a key role in Servant Leadership. This is also supported by findings of Avolio & Gardner (2005) who, in a comparison of various leadership theories, identified emotion as a component of Servant leadership (but also of other leadership theories, such as authentic leadership). In addition, the finding of the importance of the use of emotion to support thinking confirms the importance of intuition for Servant leadership.

Intuition and emotion thus seem to be an important prerequisite for Servant Leadership. But then how important are intuition and emotion for financial managers? A central task of the finance department is to support decisions making. This corresponds very well with the organizational view, where decisions are often viewed as a basic element of organizations (Luhmann 2000; Simon 2007; Steinkellner 2012).

In finance, there are numerous instruments (such as investment analysis or budgeting) for decision support. The goal of most of these instruments is to provide a rational and objective basis for decision making. This is based on the assumption that rationality is the basis of human decisions.

This classical view of judgments is not only prevalent in finance, but also in everyday life, probably because we already learn this from an early age. In particular, school as well as university seems to promote this view. Based on the old “Star Trek” movies this decision model might be named after “Mr. Spock”. Good decisions are made without emotions and passion, reason and facts are the focus. Successful management weighng the costs and benefits and then making an objective and purely rational decision.

Neuropsychological findings on human deciding show that the role of emotion and intuition for decision making is much higher than previously assumed, and that people who have no emotions, actually cannot decide. Therefore neuropsychologic models on human thinking and deciding lead to important starting points for the understanding of decision making in finance. They show that in addition to the factual level there is a level of emotion and intuition that plays a big role. This is perhaps reflected in the fact that not Mr. Spock, despite his amazing analytical skills, is captain of the Enterprise but the thoroughly emotionally acting Captain Kirk (Evans 2001, 22ff). Cognitive scientists are already talking about a new paradigm, the so-called dual-process theory, in which the important role of emotion for thinking, reasoning and decision making is taken into account (Mankeltow, Over & Elqayam 2010; Vartanian & Mandel 2011, 2).

Our life comprises a continuous flow of decisions. Even in the personal and social spheres deciding can be a tedious process, because of high complexity and uncertainty, while decisions in these spheres are most immediately connected with our personal destiny. Damasio (1995) has researched extensively in this field and has come to the surprising conclusion that most decisions are not made according to our Spock model, but emotions and physical sensations are significantly involved. “Gut feeling” plays an important role as a basis for decision. A queasy stomach or trembling knees may be able to have more influence on a decision than five stacks of well sorted and studied facts. Reason alone is obviously not capable of making decisions, which Damasio could prove from studies with brain damaged individuals. Nevertheless, our brain is able to meet excellent decisions by using emotions in the decision making process in seconds, as described by Damasio's theory of somatic markers (Damasio 1995, 237ff).

Somatic markers are physical sensations, such as an uncomfortable belly feeling. They are called “somatic” because sensations of the body (Greek: soma) are concerned and “markers” because the sensations mark a mental image as good or bad. This means that somatic markers either act as a warning

signal (“stop”) or as a start signal (“go”). Somatic markers can not completely replace the reason. They help us in thinking by marking some choices (eg as dangerous or favorable), thereby restricting the number of alternatives and accordingly increasing the accuracy and usefulness of decision making. In many, if not all, cases there is a final cognitive selecting process at the end.

Cognitive processes (the Spock model) and “emotional processes” (the somatic markers model) apparently are closely linked, and a pure Spock model of decision making probably can not work, even if it dominates our Western view of deciding since Platon (Evans 2001, 22ff).

A major caveat to applying this emotional-intuitive model to financial decisions might arise by poiting to the principal-agent-problem. Emotion compliant decisions might be made in favour of the decider’s private benefit rather that the benefit of the organization. Yet this has nothing to do with the decision model, because deciding to the company’s or rather to one’s own advantage is probably more influenced by the decider’s moral and ethical principles. Individual misconduct can occur in the rational model as well as in the emotional-intuitive model.

At the same time more and more scientific findings show the importance of emotion and intuition in management decisions (eg Simon 1987; Sadler-Smith & Shefy 2004; Kathri & Ng 2000; Dane & Pratt 2007; Dane, Rockmann & Pratt 2012) but also in financial decisions (eg Lo & Repin 2002; Sadler-Smith 2008, 256ff; Anderson & Maks 2012). The following two examples shall serve as illustrations of the importance of intuition in financial decisions.

One of the authors had the professional opportunity to experience the importance of emotion and intuition in financial decisions in coaching employees in proprietary trading of a large Austrian bank. It showed that above all, trust in one’s own intuition is an important success factor, and that successful prop traders appear to be using their unconscious mind to evaluate choices. This experience coincides quite well with the above cited scientific findings. Almost every prop trader, maybe after a couple of successful periods, experiences a period of poor performance. Successful prop traders recover after such a bad year, where, in the worst case, the entire capital is lost. Others can not manage the loss experience and have to change careers. What is the difference between these two groups? Our coaching expertise suggests the following main difference: Long-term successful traders remain self-confident, because they know that success not only depends on in their experience, but on a bundle of sometimes unpredictable influences. While they can not influence these things, they can use their knowledge and their intuition as good as possible, and so they do not change their decision making behavior and rely on their experience and intuition. Those traders who never recover after a big loss show a decline in self-esteem and optimism. As a result, they change their decision making behavior. Rather than deciding quickly and using their knowledge and intuition, they begin to hesitate and to search for rational reasons for and against a decision. The consequence is that they often both buy and sell too late – just like amateurs – because they no longer trust their intuition.

The successful investment banker and billionaire George Soros uses his intuition when making decisions, as reported by his son, who said that Soros can explain by theories and tell in detail why he has made this or that decision, but actually, when he changes a position in the market, it is because he feels awful back pain. He falls literally into a spasm, and that is his early warning system. (Gladwell 2005, 57). This coincides very well with the scientific findings on somatic markers.

How can a CFO make use of the above findings when making decisions? Despite the importance of unconscious processes he should not only be guided by gut feeling, because purely emotional decisions may lead astray. On the other hand, relying mereley on conscious thinking and analysis may limit the amount of information taken into account.

A rule of thumb for financial decisions could be formulated as follows: The more experience we have in an area, the more similar decisions we have already made, and the less time we have for the decision, the better is the use of intuition in support of our rational thinking. For recognizing these feelings as a form of decision evaluation, somatic markers can be used. If there is still enough time, consciously reflecting and reviewing the decision should be the final step. Feeling should be considered an important indicator of the decision, the results of conscious consideration of the choices should be used as a cross check. The combination of the two decision making systems, intellect and intuition (with a little

more emphasis on intuition), should lead to the optimal decision. Consider again the stock decisions of George Soros: He clearly has a lot of experience in stock trading, he has already made many such decisions and usually it is important to make these decisions quickly. Therefore the main focus should be on intuition here.

However, if we have little experience in an area or have barely made any decisions, then intellect is superior to intuition. In this case we should try to make the decision based on reason, ie by balancing the various arguments and by the use of mathematical models. Consider the first attempts of a novice in the stock market: He has no experience with stocks and has never made buy or sell decisions. Regardless of the amount of time available for the decision, a purely intuitive decision is likely to lead astray, ie stock selection based on gut feeling is more likely to cause losses.

Once we have built expertise and a lot of decision making experience, intuition and emotion are an important basis for good decisions. Of course a CFO should not abstain from reason and analysis tools, but additionally make use of the strengths of unconscious pattern recognition and parallel processing of our brain.

Discussion, Implications & Conclusion

Table 1 summarizes the connections between the ten core elements of Servant Leadership (Spears 2002) and the four aspects of Servant Financial Leadership.

Table 1 Our Model / Spears (2002)		I Honorable Merchant	II Invisible Hand	III Lateral Leadership	IV Intuition and Emotion
1	Listening			X	
2	Empathy			X	X
3	Healing				
4	Awareness		X		
5	Persuasion		X	X	
6	Conceptualization		X		
7	Foresight				X
8	Stewardship	X			
9	Commitment to the Growth of People		X		
10	Building Community				

We have started our considerations with the model of the *Honorable Merchant*. His virtues are a precondition for economic success. They are quite inevitably focused on sustainability and correspond with many elements of Servant Leadership. So Servant Leadership is an element of entrepreneurial behavior.

Acting entrepreneurially means to develop the power of the *Invisible Hand*. That means to enable proactive initiatives rather than relying on central planning. This is not easy, because even in Western countries policy makers, bureaucrats, and the mass media more and more distrust the market mechanisms and increasingly favor elements of a planned economy, which requires strict control and sanctions, as well as a privileged class of decision makers. Acting entrepreneurially also means allowing redundancy (at the expense of efficiency). This harms only slightly in good times, but prevents from big losses in case of unforeseen events with great impact. Redundancy corresponds to the natural behavior of individuals. Allowing it facilitates the development of the employees' skills.

To trust in the Invisible Hand means to rely on the mechanisms of trust and understanding rather than on the mechanisms of power. Financial managers are often faced with the challenge of having to lead laterally. The mechanisms of *Lateral Leadership* correspond with some core elements of the servant leadership.

Intuition and emotion are a prerequisite for Lateral Leadership as well as for servant leadership. When they have sufficient experience, financial managers shall rely on to their intuition as a supplement to analysis and rational arguments.

We want to close with a critical reflection on the limits of our work: The significance of this paper is limited as the development of the new concept of Servant Financial Leadership is primaily based on theoretical research. So far there are no empirical studies on the results of this concept, and therefore further evidence is needed to underline the proposed usefulness of this concept for financial managers.

The main contribution of this paper to science is the develoment of a Servant Financial Leadership model which integrates important aspects of Financial Leadership with the Survant Leadership concept. The paper shows an accessible bridge between leadership theory and the practice of financial management. It shows that the integration of different domains and disciplines can lead to promising ideas to improve finance practice and to advance business sciences.

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