



THE AMERICAN COLLEGE  
CARY M. MAGUIRE  
CENTER FOR ETHICS  
IN FINANCIAL SERVICES

# PERSPECTIVES ON ETHICAL LEADERSHIP 2020

*Twentieth* ANNUAL

JAMES A. AND LINDA R. MITCHELL  
**FORUM ON ETHICAL LEADERSHIP  
IN FINANCIAL SERVICES**



# Forum on Ethical Leadership

**THE TWENTIETH ANNUAL JAMES A. AND LINDA R. MITCHELL/THE AMERICAN COLLEGE FORUM ON ETHICAL LEADERSHIP IN FINANCIAL SERVICES** TOOK PLACE ON JANUARY 18, 2020 IN PALM BEACH, FLORIDA. THE EVENT FEATURED A DISCUSSION OF KEY ISSUES CONFRONTING THE FINANCIAL SERVICES INDUSTRY, ALONG WITH AN EXAMINATION OF PRACTICAL ETHICAL DILEMMAS ENCOUNTERED BY EXECUTIVES DURING THEIR CAREERS AND QUESTIONS RAISED BY BUSINESS ETHICISTS FROM MAJOR COLLEGES AND UNIVERSITIES.

## Participants

### ACADEMICS

**MARC A. COHEN, PhD**, Associate Professor, Department of Management and Department of Philosophy, Seattle University

**JOSEPH DESJARDINS, PhD**, Ralph Cross Professor of Business and the Liberal Arts, College of Saint Benedict and Saint John's University

**AINE DONOVAN, EDD, MRE**, Clinical Professor of Business Administration, Tuck School of Business, Dartmouth

**KEVIN W. GIBSON, PhD**, Professor of Philosophy, Marquette University; Cary M. Maguire Fellow, The American College of Financial Services

**CHAD PATRIZI, PhD**, Executive Vice President and Provost, The American College of Financial Services

**JASON STANSBURY, PhD**, Associate Professor, Calvin University

**LINDA TREVIÑO, PhD**, Distinguished Professor of Organizational Behavior and Ethics, Smeal College of Business, Penn State University

### EXECUTIVES

**GRETCHEN CEPEK**, General Counsel, Allianz Life Insurance Company of North America

**PATRICK L. DEES**, President and CEO, WoodmenLife

**EDWARD G. DEUTSCHLANDER, CLU®, CLF®**, CEO, North Star Resource Group

**MARIANNE HARRISON**, President & CEO, John Hancock

**JAMES MITCHELL, CLU®, ChFC®**, Chairman of the Advisory Board, Cary M. Maguire Center for Ethics in Financial Services, The American College of Financial Services; Chairman and CEO (Retired), IDS Life Insurance Company

**GEORGE NICHOLS III**, President and CEO, The American College of Financial Services

# Executive Summary

On January 18, 2020, a group of seven academics and six executives met in Palm Beach, Florida to participate in the Twentieth Annual James A. and Linda R. Mitchell Forum on Ethical Leadership in Financial Services.

The purpose of this annual event, established in 2001 by Jim and Linda Mitchell, is twofold:

- To provide executives with an opportunity to reflect on ethical issues they confront on a regular basis with questions posed to them by academics engaged in business ethics education; and
- To afford academics the opportunity to engage in discussion about these issues with top-level executives so they can bring that experience back to their classrooms.

Prior to the meeting the participants reviewed a case dealing with a current ethical issue in business. It was used to stimulate the initial discussion and prompt further insights.

To start the day, each participant spoke briefly about the meaning of ethics to themselves and their organizations, and shared their goals for the day. Next, the participants discussed the case and related issues. Afterwards the executives presented issues of their own, and the academics posed questions to the executives. The day wrapped up with each participant providing personal reflections on the day's discussions and key takeaways.

The initial case focused on an executive reviewing a folder of findings from analysts who had been trawling big data on the company's clients. While some of the results would undoubtedly give her firm a competitive advantage, she worried that some of the results might turn out to reflect mere correlation rather than causality, and might result in classifications she would ordinarily disavow. On the other hand, other companies were likely doing the same sort of analysis and she recognized there could be significant advantages to getting ahead of the competition.

The group reflected on privacy expectations regarding the collection of personal information, noting that some people are comfortable with giving up their personal information while others, including some of those involved in this discussion, were not. Some felt that it was a personal choice as to whether to give up information, while others queried whether an informed decision about personal data can be made in the absence of information as to its true value. The conversation then moved to the



challenges of keeping data secure, and in particular the challenges presented by partnering with third-party vendors holding data about a firm's customers. The group agreed on the importance of initial and ongoing monitoring of vendors. Finally, the group discussed what processes were needed to ensure appropriate uses of data in a company's quest for innovation.

This discussion led to the exploration of individual cases presented by each of the executives to the rest of the group. Topics included dealing with a vendor that had promised more than it was able to deliver; the appropriateness of soliciting vendors to support an annual company philanthropic effort; how and when to deviate from company policies for compassionate or other reasons; how to support a senior colleague with specific legal concerns about a company activity; and when to report lapses in ethical behavior by others.

Next, the academics posed their questions to the executives. One asked to what extent environmental, social and governance factors are a part of their company's investment decisions. Another pressed the executives to reflect on their



*Jim Mitchell and Kevin Gibson welcome the group to the 20th Annual Ethical Leadership Forum*

company's performance systems and how they ensured the systems did not create unintended consequences. A third involved the appropriateness of expressing political opinions in the workplace and the tension with "bringing your authentic self" to work. Another asked for executives' views on the future of business in light of the Business Roundtable report placing shareholders as only one among a company's five primary stakeholders. Next was a question as to whether a company could claim to be socially responsible while paying no taxes. The final question asked executives to share their experiences with changing employees' perspectives and transforming an organization's culture.

In conclusion, the participants discussed some of their key insights during the day. Some emphasized the importance of trust and values in creating an ethical corporate culture. Many expressed their surprise at the similarity of their experiences and concerns, whether they were executives or academics, and the academics expressed gratitude for the examples and insights they would now be able to bring back to their students.



# Opening

**Jim Mitchell** began the session by asking each of the participants to answer two questions: What has ethics meant to me and my organization? What do you want to get out of today?

He started by reflecting on his career. “I have the advantage of having worked for two really outstanding organizations. I saw that acting ethically was actually more successful and profitable in the long run than not. I know philosophers may say, ‘It shouldn’t matter. You do the right thing because it’s the right thing.’ Well, yes, you do, but also because it’s good business.”

The purpose of today’s session, he continued, was “to provide an opportunity for the executives to spend time in what I call organized reflection. It’s hard to do the right thing if you don’t take time to step back and reflect about what the right thing is. For the academics, we’re trying to provide you with an opportunity to



*Jim Mitchell, Kevin Gibson, Jason Stansbury, Linda Trevino, Patrick Dees, Mark Cohen and Aine Donovan listen actively to the discussion.*

interact with executives, and, hopefully, at the end of the day, you’ll have some stories that you can take back to your classroom to help your students understand that there actually are many business leaders out there trying to do the right thing.”

**Kevin Gibson** reflected, “As a teacher I have learned that you don’t convert people, but you can plant seeds that you hope will take root. Sometimes, former students will say, ‘Ah, now I see what you were talking about and why it matters so much.’ I routinely encounter students who are skeptical about the role of ethics in the current business environment and I believe we don’t often do a good job of counterbalancing expediency with moral concerns. I would love to hear some inspiring stories from the business leaders.”

**Jason Stansbury** reflected that he had “hopes that people can be at peace with each other, with themselves and with the natural environment. Of course, that’s not what life is really like. So, I am looking forward to hearing from business leaders how they live into the tension



of wonderful possibilities and the problem of terrible possibilities, and try to thread that needle for themselves, the people they care about, and their organizations as a whole. To the extent I can garner some insight into how you manage that tension and can take that back to my students, that would be magnificent.”

**Linda Treviño** noted that she’d been working in ethics for 30 years and that her interest is deeply personal. “I am a child of Holocaust survivors and so am motivated to try to understand why people do good things, and why people do bad things. I value the opportunity to interact with very senior executives because their stories are very enlightening.”



*The group observes Aine Donovan deliver remarks.*

**Pat Dees** observed that his company is about 130 years old. “As the CEO it’s my responsibility to build on that heritage and to protect it so it can be handed on to the next generation of leaders. Because of our organization’s unique nature, we depend on a lifetime of relationship with each of our members for a continuous opportunity for revenue growth and referral, so ethics is paramount to what we do. I hope to get different perspectives around ethics issues that could be applied to our organization.”

**Marc Cohen** noted that he thought there’s something distinctive about the part of the business world represented in the room. “Their products serve a specific purpose which is very different from other kinds of financial products and services. It brings a different kind of responsibility, so I’m looking forward to talking and thinking about that.”

**Aine Donovan** noted that “This is a great opportunity for me to bring examples of real-world business ethics experience back to my students.”

**Gretchen Ceppek** related that her company had created an “ethics office” several years ago and named a Chief Ethics and Compliance Officer. “As general counsel, I worried that as a result, the rest of the company might think, ‘well, that’s where ethics happens, it’s not my responsibility.’ Thankfully, that did not happen. One of the things that I’m really interested in learning about is how to move the needle on culture. How do you make ethics something that’s lived and truly engaged in by all employees?”

**Marianne Harrison** agreed with others, noting that “our business touches people at very emotional times, when



it comes to claims, whether it's life insurance or long-term care, or even retirement. We also are in a unique position where we have relationships with customers for many, many years. I'm anxious to learn from everyone else."

**Ed Deutschlander** pointed out that "All of the major influences in my life – family, education, faith, and profession – come back to the importance of ethics. What I'm looking for today is just to learn by being around such great minds."

**Chad Patrizi** stated that "A previous employer had grown very quickly, posing a lot of ethical questions. However, I remained with that University because of the high level of ethics exhibited by leadership. Now I'm at The American College, and we are trying to increase the amount of ethics offered in the programs. I question how to accomplish this task. Do we offer an ethics course, or do we offer ethics in every course? How does one instill ethics in the students? I am hoping to learn by hearing everyone's perspectives."

**Joe DesJardins** observed that he was "very interested in the intersection between culture and individual action."

I think ethics has to be part of the culture. If it's not, all the rules and codes of ethics and mission statements in the world will mean nothing. How do you get an institution on board in a way that's more than just lip service?"

**George Nichols** said "I'm interested in how we can reinstate the DNA of ethics back into our organizations and how, the next time we experience a financial crisis, The American College can be a catalyst for discussing what financial institutions should do in response to loss of confidence and trust. Unfortunately, I believe we will have that opportunity."



*George Nichols delivers remarks to the group.*



# Case Study

Lesley Tobin is the CEO of a large mid-western financial services firm. As she sat at her desk she realized that the dog was annoying her. Perhaps not the dog itself: A friend had sent Lesley an optical illusion. At first glance the picture looked like black smudges against a white background. But when she looked at it again, she wasn't sure if it was really a picture of a dog sniffing the ground, or if she was unconsciously constructing the image from the random shapes on the page. The illusion was disturbing, as it seemed to be a perfect analogy for the data analysis she had on her desk.

Data collection and analysis had been a growing element of her business, and with the emergence of powerful search engines and social media, huge amounts of data were becoming discoverable about current and potential clients. The image reminded her that there could be patterns in the data that someone could piece



*Ed Deutschlander, Chad Patrizi, Joe DesJardins and George Nichols listen attentively.*

together to see the picture behind, and making those connections could yield immensely valuable information leading to a competitive advantage. On the other hand, the analysis could be associating data that was incidental or projecting connections that didn't actually exist. The fact remained, though, that once you found the dog in the picture or connected the results of big data, you would always perceive them that way – you couldn't un-see it.

The reason it was getting under her skin was that she'd had several occasions lately to fall back on her logic and ethics classes from her undergraduate liberal arts degree. The first incident involved her teenage son who was complaining about the cost of his auto insurance. "It's not fair" he declared "that men pay more than women – it's discrimination!" Lesley had explained to him that insurance rates were set by grouping people into risk categories, and teenage boys on average got into more accidents than teenage girls, and when they had an accident it tended to



be more costly. Her son hadn't bought the argument. "I'm a safe driver" he replied "and probably a whole lot safer than many of the girls I know - why should I be put in the same pool as some kid who's reckless?" Lesley told him that rates are aggregated, and insurance premiums reflect the risk. We could put all people into a single category regardless of age and gender, but that would in fact penalize groups who were indeed less expensive to cover. "Why age and gender?" he countered. "Perhaps the risk factors were testosterone levels or character traits, so why didn't the company test for those instead?"

"Do you really want to go down that road?" Lesley asked. She gave him the example of the Minnesota Multiphasic Personality Inventory (MMPI) that was developed in the 1940s. Still in common use, it asks a wide range of questions that seemingly may not be relevant, but it turns out that if someone responds the same way to the same questions it is reasonable to group them the same way. So it might show you to be someone with a high degree of restraint over impulses, and so not likely to engage in road rage, but alternatively it might show you to

be prone to addictive behavior, anxiety or depression even if you've never encountered situations that provoke those responses. "Would you really want to know that - or have a company tell you that when you think you know yourself best?" she said, "How far are you willing to let them dig?" His answer startled her. "There is no privacy anymore, it doesn't exist" he claimed, "and besides, I have nothing to hide."

Later that day, Lesley overheard a couple in an upscale grocery. "Do you know what the difference is between organic and non-organic food?" said the husband. His partner knew the joke and responded, "About \$2 a pound." Whether there was any truth to that, Lesley had heard a report on the radio in the morning about research that showed that people who routinely ate organic produce had better overall health scores than those who didn't. She'd reacted by thinking that the research was only a



*Joyful conversation shared among Greg Snyder, Aine Donovan, Patrick Dees and Linda Trevino at the closing reception.*



proxy for other factors – people who ate organic food probably had more money and leisure time, and so may be were able to take better care of themselves. So while the results of the study were probably accurate and had some predictive value, it wasn't the organic food that caused better health, but a confluence of other features of their lives.

At lunchtime she caught an article in the New York Times “Aerobic Fitness May Trump Strength for Metabolic Health”<sup>1</sup> The subheading announced that according to a new study, endurance affects metabolism substantially more than muscular strength does. But when she skimmed down to the conclusion she saw the sentence “The research involved only healthy, young, male Finns and does not show that endurance changed people’s metabolomes, but only that their fitness and metabolites were linked.” Lesley told a friend that it wasn't so much fake news as bad science being paraded as fact.

What she heard later in the day surprised and alarmed her. As she was lamenting the poor logic that invalidly mistook correlations for causes to an

older colleague, he pointed out that the financial services industry had historically discriminated on the basis of race until the civil rights era. In the late 1950s the life insurance industry quietly merged racially classified mortality rates. She found the news distressing, but in context it was easy to see how such racism had affected the industry. Race was a classification on the census, and provided an easy way to analyze mortality rates. It seems obvious that socio-economic factors and the cultural environment factored into the data, but just like the organic food, the resulting correlation was very strong. From an actuarial point of view, it seemed to make perfect sense, as there may be continuing mortality differences when groups are grouped by race.<sup>2</sup>

Lesley reflected on the basic principles of fairness. It wasn't always wrong to discriminate, she felt. It only became morally questionable when equals were treated unequally on immaterial grounds. She had no problem if someone with a poor driving record was charged more for auto insurance because it was a strong indicator of future risk. As she'd heard once in a financial services training seminar “discrimination is not necessarily bad, equality is not necessarily good.” On a personal level she would be horrified if anyone called her a racist or sexist. Yet she accepted standard industry practices. She recognized that while the industry had moved away from race-based classifications, it was still standard to charge differential pricing for gender, and, it seemed, genetic dispositions, even though both had nothing to do with individual behavior but rather were the result of a “parental lottery.”

She returned to thinking about the picture of the dog. In



front of her was a folder of findings from the analysts who had been trawling big data that her firm had on its clients. Keen-eyed recent graduates had run a series of regressions for different factors, and had come up with some results that may turn out to be correlates rather than causes, but nevertheless, had strong implications for pricing products. Using them would result in a competitive advantage. However, several of the dots they had been connecting drew on seemingly questionable moral categories – gender, sexual history, social media usage, visiting porn sites on the web, credit history, a father who had seen active service in the military, living more than one state away from one’s birthplace, fast food consumption, and a wide range of other seemingly unrelated factors.

She worried that some of the information might involve moral judgments or classifications that she would ordinarily disavow. Still, every other company in the business was likely doing the same sort of big data analysis, and there were significant market advantages in getting ahead of the competition in this area. But she also knew that once she saw the

information, she would never be able to revisit it without projecting the patterns that others had made. Sipping her afternoon tea, she opened the folder and began to read.<sup>3</sup>




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1. Gretchen Reynolds, "Aerobic Fitness May Trump Strength for Metabolic Health" *The New York Times*, September 4, 2019.

2. See Lea Bimmayer et al. 1980. *Sex Discrimination in Employer-Sponsored Insurance Plans: A Legal and Demographic Analysis*, 47. *U. CHI. L. REV.* 505, 538-58. Also see Mary L. Heen, 2009, "Ending Jim Crow Life Insurance Rates" *Northwestern Journal of Law and Social Policy*.

3. See, Jill Gauldin, 1995, "Race, Sex, and Genetic Discrimination in Insurance: What's Fair." 80 *Cornell L. Rev.* 1646.



# Case Questions


1. Technology may allow us highly accurate information. We can develop algorithms or procedures for solving mathematical problems based on patterns found in the data. Once those correlations are discovered, are there any boundaries that should not be crossed on moral grounds? (E.g., groupings by racial origin, religious affiliation or sexual history). Could there be any value-free (purely objective) categories? If so, which ones?
2. Actuarial data are vital in the financial services. Analysts in the life insurance area may process apparently random factors and derive results that go against the moral grain of top executives and/or elements of the public. Once presented with this kind of data, what process should a company have to determine how to treat it? What



*Gretchen Cepek and Marianne Harrison actively observe the conversation.*

- processes should a company have for periodic review of the algorithms they use, to detect and prevent systemic bias?
3. Should there be any external regulatory monitoring system for these algorithms? If so, what body should regulate?
4. Discrimination becomes a moral issue when non-material factors affect behavior in business. At the same time, discrimination on material grounds (income, health, age) is deemed appropriate for life insurance. Regulation has affected how businesses may treat clients, but today are there specific groups that ought to be protected from all discriminatory practice?
5. Game theory uses the term “chump option” for parties who stick to their principles when others abandon them and seek to maximize profit as their paramount objective - i.e., a business starts to lose market share because it doesn’t employ some of the data it has available. To what extent should the practices of competitors be a driving force in business practice?



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6. Some categories may be a function of bad science, in that the results are correlations due to other factors (for instance result of lower life expectancy among certain racial groups may in fact be the result of socio-economic factors, not race itself). However, the results may still be robust. How far should we 'dig down' to establish what is a cause as contrasted to what is a correlation?
  7. Analysts provide evidence of some strong correlations of mortality not established by medical science (e.g., moving more than 3 states from where you were born combined with active social media postings and aversion to tomatoes). The information is proprietary but could save lives if the individuals were made aware of the factors involved and chose to alter their behavior. Is the firm under any obligation to disclose its findings to (a) the scientific community; (b) the public; (c) the individuals in the group?
  8. Some life insurance companies have recently promoted programs that give discounts on premiums based on clients' changing behaviors. The firm can verify the information via an

- upload on a phone app, which effectively tracks personal activity and basic health functions. To what extent should financial industry firms be in the business of incentivizing certain lifestyle changes?
9. Some financial advisors have developed "gut feelings" or "hunches" about clients. These could be the result of many years of experience, or alternatively just manifesting biases. For example, when questioned some clients overstate their propensity to take risk, while the advisor may believe they are more risk averse. Is there room for personal discretion when "robo-advice" might suggest the advisor is mistaken?
10. Most clients apparently would allow their blood to be drawn for a cholesterol check. That blood could, theoretically, be further analyzed. Is it morally acceptable to further analyze material or data already on file if it could affect the advice a financial advisor gives to a client?
11. There are quasi-medical assessments readily available, such as over-the-counter DNA tests that present the client with medical predictions – some of dubious accuracy. Nevertheless, once such information becomes available to the individual—such as the fact that they may be likely to develop Parkinson's disease—to what extent should an insurance company be able to request it for risk selection and pricing purposes?
12. Lesley's son states that "there is no privacy anymore." Is that true? If it is true, what expectations can consumers reasonably have about the handling of their data?



# Case Discussion

Kevin Gibson began the case discussion with some general observations and questions. “An enormous amount of data is being collected on everyone all of the time. I think we’re behind on asking questions about the use of that data and the implications of finding troubling correlations which may be morally questionable.”

Linda Treviño agreed, pointing out that correlation is very different from causation. “If you’re making a decision based upon a correlation, it is important to think about the ethical issues that might accompany that decision.”

Gretchen Cepek suggested that “when we are in conversations with regulators, we need to have a fulsome explanation of what’s behind any type of algorithm that is going to assist us in decision

making, and an expectation that there is a good degree of transparency. Disclosure is not a cure-all, but it certainly helps.”

Reflecting on generational differences, George Nichols asked, “how many of you, 20 years ago, if someone walked up to you and said, “Here’s what I want you to do. I want you to take every password you have and give it to me, and then consolidate all your financial information and give it to me and I’m going to keep it for you.” How many of us would say we’d do that? My generation says, ‘I don’t understand why people are giving away their information,’ whereas the younger generation says, ‘That’s just the way life is, and all that information out there actually helps them serve me better.’”

Aine Donovan agreed, explaining that she tries “to impress on my students that once they’ve put information out on



*Jim Mitchell, Kevin Gibson, Jason Stansbury and Linda Trevino are amused by George Nichols’ remarks.*



social media, it is always out there, somewhere. So, when you are thinking of posting pictures of your drunken nights in Cabo, consider what may happen when you are trying to become CEO. To actually get rid of any of those records is really difficult.”

Ed Deutschlander countered that it's not always a question of right or wrong. “If someone says, ‘I'm willing to relinquish my privacy for the sake of saving money,’ that's their choice.”

Gibson agreed, but noted there's also an unaccounted negative externality in the data. “My students are willing to trade the data for a price, but if they knew the real value of it, they would probably be expecting more in return.”

Joe DesJardins observed that “values are choices and we need choices to be informed. But so many consumers aren't informed. Yes, we want to respect the choices that people make based on different values, but it has to be an informed choice. And there's a big knowledge differential.”

Marianne Harrison stressed the importance of disclosure. “We have a product called Vitality. It encourages people to live a long and healthy life.

The policy includes a wearable device. As you exercise, eat healthy foods and focus on healthy living, you can get rewards and discounts on your insurance policy. It's completely voluntary and we don't see any of an individual's data. All data comes back to us from a third party on an aggregated basis. You can decide how much, if any, information you want to provide. I think it comes down to choices.”

Marc Cohen appreciated this approach, noting that “if a premium is based on actual behavior, it begins to eliminate the worry about discrimination, because now the pricing is not tied to a social factor but directly to my behavior. That seems fairer to me, if I can trust the people with the data.”

Deutschlander noted that the real challenge with compiling data is keeping it secure. “I'm focusing on



*Joe DesJardins shares his thoughts as George Nichols, Jim Mitchell and Kevin Gibson listen.*



making sure that our vendors have the highest level of security measures. That's where you rely on trust - and a track record."

Treviño asked, "how do you know you can trust them?"

Deutschlander responded that "you have very talented people working for you who recognize that we're not willing to compromise on security just to save money."

Pat Dees commented on his company's approach to vendor relationships. "When we contemplate a relationship with a vendor, we make sure there's an adequate number of controls and pay attention to any deficiencies. It's an ongoing review and evaluation."

DesJardins queried what motivated the reviews. "How much of that activity is driven by regulatory oversight vs. corporate decision culture vs. reputation?"

Harrison offered that all of them played a role. "It takes months and months of conversations to make sure that the vendor company has the necessary tools to protect the data. It's our reputation on the line, too."

Cepek noted her company's very formalized vendor risk management program. "We deploy folks to do the initial due diligence before we decide to contract with the vendor, and then employ ongoing diligence. It's driven more from an internal risk management standpoint and less from the regulator."

Dees agreed. "There are vendors we've had relationships with that we've moved on from."

Gibson asked about how the data might be used. "Could you ever see yourselves using a genetic test as part of the initial underwriting?"

Harrison noted the crucial underlying issue. "In insurance, the company and the individual have to have the same information. If an individual is predisposed to something, has had genetic testing, and doesn't share that information, the model doesn't work."

Jim Mitchell observed that laws are being passed to restrict use of genetic information. "As of June 2018, seventeen states have laws restricting life insurers from using genetic information."

Deutschlander asked about the role of the courts. "When do the courts and the legal system come into play? If someone knew from a genetic test that they were on a path to have a serious health issue and did not disclose it in the underwriting process, the insurance company would deny the claim because the information wasn't disclosed. What would the courts say?"

Harrison noted that "the contestable period during which we could deny the claim is only two years. But the claim



“WHEN WE’RE USING DATA, WHO GETS TO DECIDE HOW TO RESTRICT THE USE OF THAT DATA?”

– Chad Patrizi

“THE PRIVACY TEAM ACTS LIKE A CONSCIENCE AND LETS US KNOW IF WE ARE GOING TOO FAR AND WHY. IT’S HELPFUL TO HAVE THAT KIND OF PROCESS.”

– Marianne Harrison

could be 10 or 15 years later.”

Donovan emphasized the potential unintended effect on individual health. “The average person would say, “I’m not going to do testing, because my insurance company will deny my claim for it,” but it could help that person to have the testing done.”

Jason Stansbury pointed out that “even if you make a voluntary disclosure, what if the company gets hacked? What if someone violates the control procedures? Remember that before HIPAA, someone disclosed that Arthur Ashe was HIV positive. It devastated him. I think that incident helped a lot of the American public to realize that data in the wrong hands can be very dangerous.”

Chad Patrizi returned to the topic of privacy and the use of personal data. “I think the onus is on the user when they’re using social media. The user has the personal responsibility to know what controls can be turned on and off. People who are posting family photos need to realize that the government has access to everyone’s photo that has been posted on Facebook. It can be used for facial recognition as you walk through an airport. The question

remains, when we are using data, who gets to decide how to restrict the use of that data?

Mitchell asked “Do you have something like a committee to assess your processes to figure out what algorithms you’re going to use or not? How does that work?”

Harrison described her company’s process. “We have a privacy team to make sure things are being done properly. It’s a question of balancing innovation and creativity with privacy concerns. The privacy team acts like a conscience and ensures we are not going too far. It’s helpful to have that kind of process.”

Cepek observed that her company had a similar process. “We have cross-functional control teams. While our underwriting, actuarial and marketing areas are driving innovation, others are making sure it’s tempered by the right conversations and trying to recognize any unintended consequences.”

Dees added that “we have an interdepartmental governance team which looks at all kinds of things. For example, we reviewed data correlations when contemplating whether or not we could go to only allowing electronic withdrawal. It turned out that the bulk of our clients that aren’t already on electronic withdrawal are either unacculturated immigrants or nonbanked Hispanic members. So, we backed off because we decided it wasn’t the right thing to do.”

Gibson asked if it “was a moral decision or a business decision?”

Dees replied that it was a moral decision. “If it was just a business decision, we would have saved the expense.”



# Executive Dilemmas

## **JIM MITCHELL SET THE STAGE**

for the next discussion. “We asked each of the executives to bring an ethical dilemma that they’ve dealt with at some point in their business career and try to articulate the reasons why you should do one thing, reasons you might do something different, and how you thought about resolving the dilemma.”

## **PAT DEES BEGAN. “WE WERE LOOKING**

at upgrading some technology. We were going to vet a number of different providers and build a relationship with our chosen vendor. We ended up choosing to adopt a totally new platform which no one else yet had. Within a year, it turned out that some of the capabilities they had



*Patrick Dees, Mark Cohen and Aine Donovan listen attentively to the group discussion.*

told us they had were not yet developed.

“Then I went to an industry association meeting and this vendor had a booth there. Their employees were passing out materials and openly discussing with other participants that they have this same capability and that it’s launched and live.

“We were able to have a very open and frank conversation with the leaders of that organization. We value our vendors. We expect the same from them. It came down to, do we cut ties or do we go forward? We chose to go forward. And now another year-and-a-half into it, I’m very pleased with the way that they’ve responded and reacted.”

Jim Mitchell inquired “what was their explanation for why they’re selling something at this conference that you knew they didn’t provide?”

Dees explained that “the salespeople had a timeline of



“HOW DO YOU CREATE THE CULTURE THAT PERMITS YOUR EMPLOYEES TO TELL YOU THEY MADE MISTAKES?”

– Jim Mitchell

“ONE OF THE FIRST TENETS OF LEADERSHIP IS TO MODEL THE BEHAVIOR YOU ARE TRYING TO CULTIVATE.”

– Patrick Dees

when a certain product would be ready and were assuming it was still correct. Instead there had been some hurdles along the way which hadn't been communicated to the sales team. We hope to have a long relationship with this vendor.”

Mitchell asked, “how do you create the culture that permits your employees to tell you they made mistakes?”

Dees explained that after he had become CEO three years ago, “we created a transformational leadership program. One of its first tenets is to model the behavior you are trying to cultivate. Be honest in your relationships, own up to your own mistakes, and take some



Patrick Dees and Mark Cohen listen as Aine Donovan shares her thoughts.

of the punitive element out of it, so people feel more comfortable with acknowledging their own challenges. If people know they're going to be treated fairly and it's an open conversation, the truth comes quite quickly, but I won't say it comes easily.

“We introduced a growth mindset which says ‘Okay, maybe this didn't work, but what can we learn from it and how can we pivot from this to where we need to go?’ Meetings are more effective because people say what needs to be said and don't take things personally. With more information, we make better decisions. It's a constant work in progress.”

### **ONE EXECUTIVE DESCRIBED THAT HER COMPANY,**

like many in the industry, engages in philanthropy by giving back to the community. “One of the ways we raise money is a signature event each year benefitting a particular charity. The employees get involved in various ways. We also partner with our vendors to support this event. When we solicit the vendors, we emphasize that we're inviting them to join and, while we value their support if they choose to give it, their decision won't in any way impact our business relationship. I don't even track which vendors say yes. Also, we don't solicit those vendors with whom we are engaged in contract negotiations. What do you think of our approach?”

Jim Mitchell observed that he could “see how there might be a perception issue.”



The executive clarified that, “though sponsorship is acknowledged internally, we don’t generally publicize or communicate those names to the public.”

Aine Donovan observed that, while “it is a conflict of interest, almost everything is. It’s how you manage it.”

The executive elaborated. “Under our policy, if you’re going to accept a conflict, it has to be waived at the right level. This conflict was waived by our CEO based on the recommendation of the corporate giving group and the engagement of the legal department. With the right controls in place, we were willing to waive the potential conflict in order to serve the community.”

Joe DesJardins inquired “how do you decide who is going to be the beneficiary, and then, what about the vendors who disagree?”

The executive responded that “we recognize we’re not always going to hit the vendors’ sweet spot, and there are only limited dollars that any of us have for giving. I have gotten comfortable because we need to ensure that we respect the fact that people make

other choices with their charitable dollars and we don’t hold it against them in any way.”

### **MARIANNE HARRISON WAS NEXT. “MY EXAMPLE**

involves a claim from a policyholder who was dying of cancer. He wanted to get funds advanced on his life insurance policy, but in order to do that you have to meet certain criteria. This client met everything except one final medical procedure that he refused to do. He refused to do it because his father, who had passed away of the exact same cancer, had done it and as a result it ruined the quality of his last few months of life.

“A conversation ensued about whether we should decline him because the guidelines are very clear on requirements to qualify for the fund advance. When I became aware



*Marianne Harrison makes a point as Gretchen Cepek listens.*



“YOU CAN HAVE LOTS AND LOTS OF CORPORATE POLICIES, BUT YOU HAVE TO REMEMBER YOU ARE DEALING WITH HUMAN BEINGS.”

– Aine Donovan

“IT CAN BE REALLY HELPFUL FOR PEOPLE -- EVEN IF THEY DISAGREE WITH THE ULTIMATE DECISION-- TO UNDERSTAND HOW YOU GOT THERE AND THAT YOU GOT THERE IN A WAY THAT THEY CAN ACCEPT.”

– Linda Treviño

“WHEN DO YOU MAKE AN EXCEPTION TO THE RULE?... THAT IS NOT SOMETHING THAT AI IS EVER GOING TO BE ABLE TO DECIDE. IT'S GOING TO BE BASED ON INTUITION AND EXPERIENCE.”

– Joe DesJardins

of the situation I said, ‘Absolutely, we need to advance him the money.’ Because whether he lived three months and had a terrible three months of life or whether he lived three months and had a wonderful three months, he had a terminal illness and was going to die.

“But it was interesting, because we train our employees to understand our corporate policies and why they exist. Many people get involved in the claims process, so sometimes they don’t see the whole person.

“One of our core values is to do the right thing. How do you get employees to focus on that while following the spirit of the policy? There are always two sides to a story and you have to find a balance.”

Aine Donovan noted that “you can have lots and lots of corporate policies, but you have to remember you are dealing with human beings.”

Chad Patrizi agreed. “The College encounters issues with students over GPAs, complaints about grades and requests for refunds. Yes, we have guidelines. The College has rules and regulations. However, if you look at it

from a humanistic element and a guidelines element, a decision can be made fairly easily. The decision-making process tends to cause people to feel uncomfortable. At what level does that decision need to be made? How many people need to be involved in the decision making?”

Linda Treviño asked about the process for denying or accepting a claim. “Is it the front-line individual who makes that decision? Or do they bump it up to a group that has been trained to think through these kinds of issues? It can be really helpful for people – even if they disagree with the ultimate decision—to understand how you got there and that you got there in a way that they can accept.”

Harrison responded that “it gets bumped up to a committee which reviews the claim and then explains why something did or did not get approved.”

Ed Deutschlander made an observation about the purpose of policies. “Sometimes we think policies are there to make the decision for us, and that’s where I think we get in trouble. Policies are to serve as guidelines. Whereas leadership is about thinking. At the same time, you can’t let it swing so far over that policies aren’t even a consideration anymore. As you said, it’s a delicate balance.”

Harrison noted that “as we start to automate claims processes, humans will always have to be involved, so that claims like the example I gave would not be denied.”

Joe DesJardins then asked what he characterized as a fundamental question. “When do you make an exception to the rule? It’s like Aristotle’s practical wisdom. Knowing when to do that comes from experience. I like the idea of



“PRACTICAL WISDOM ALWAYS HAS TO BE SITUATED WITHIN A PARTICULAR SET OF VALUES AND BELIEFS ABOUT WHO PEOPLE ARE AND WHY THINGS MATTER.”

– Jason Stansbury

“HOW DO YOU KEEP TRACK OF THE HISTORY OF DECISION-MAKING? HOW DOES IT REMAIN A TEACHABLE MOMENT?”

– Marc Cohen

“IT’S REALLY MORE THAN JUST A TRANSACTION, A LEGAL CONTRACT. THERE’S A HUMAN BEING ON THE OTHER SIDE.”

– George Nichols III

bumping it up – maybe bumping it up to a group who can talk it through, who can say, ‘Well, we are going to make an exception.’ That is not something that AI is ever going to be able to decide. It’s going to be based on intuition and experience.”

Jason Stansbury noted that “practical wisdom always has to be situated within a particular set of values and beliefs about who people are and why things matter.”

Marc Cohen asked about the practical aspects of this approach. “How do you keep track of the history of decision-making? How does it remain a teachable moment?”

Harrison posited that “it’s primarily by talking to one another and adjusting



*Ed Deuschlander, Chad Patrizi and Joe DesJardins are amused by George Nichols' comments.*

our policies based on real life examples. When new claims people come into the organization, a number of these examples are used as teachable moments.”

Deuschlander shared that his organization “memorializes these experiences by writing books with examples of actual situations and connecting them to our values and who we are. We expect our advisors and team members to read them. Those stories then begin to permeate and help maintain the culture.”

George Nichols approved of that practice, “because you really do want your people thinking. You don’t want them to operate as machines. It goes back to what I think all of us have said. In the space we’re dealing with, it’s really more than just a transaction, a legal contract. There’s a human being on the other side.”

#### **ED DEUSCHLANDER SHARED THAT ONE DAY HE**

had “gotten a call from our Marketing Director explaining that some video clips from a recent documentary that I was going to use in a presentation may not be able to be used. As she was pulling clips from the documentary, the technology tool she was using pointed out that using a video without consent from the entity who has those rights was illegal. She felt she was putting her career and possibly the firm in harm’s way if we were to use those clips in the presentation. She went so far as to ask for a hold harmless agreement to protect her and her team if I decided to go forward with the clips.



“EVERY DECISION  
EITHER REINFORCES  
OR DIMINISHES THE  
CULTURE. IT COMES  
DOWN TO HOW WE ACT  
ON A DAILY BASIS.”

– Ed Deutschlander

“I had purchased the movie. I couldn’t figure out why I didn’t have the ability to show the movie to my colleagues and friends.

“The more I thought about it, I became a bit frustrated by the situation and was a little disappointed that the marketing director made an issue of this. But how I responded could affect our leadership team, my relationship with the Marketing Director, and the firm’s culture.

“So, I called her the next morning and, after confirming it was the actual cutting of the clips and pasting them into the video presentation that was the issue, I suggested that, since I had purchased the video, couldn’t someone simply just fast-forward the video I bought and show the excerpts at the appropriate times? She said, ‘Absolutely, we can do that. I feel wonderful about that.’

“During the presentation, while we were waiting to get to the various portions of the video, I explained to the audience why we were bothering to do this. The group seemed to feel like it was great that we went to such lengths. It served as a teaching moment. In addition, the Marketing

Director later thanked me for showing respect for her position. I’m telling this story because I think every decision either reinforces or diminishes the culture. It comes down to how we act on a daily basis.”

Gretchen Cepek observed that the marketing director’s comment that “she will do what you want as long you indemnify her provided a great teaching moment. You handled it beautifully by letting her know, ‘Listen, I would never want to put the company in a position where I would just somehow absolve you of liability and we would go ahead and do something that might be illegal.’”

Marc Cohen interjected that “the example would be even better if it is legal, because you prioritized the relationship with your employee and that was what pushed you to find a different solution.”

Jason Stansbury suggested that “the meaningful question is, does anybody care whether I do this or not? I think that’s something that we encounter a lot of the time when we face some restriction - How do I get around it? The turning point in the narrative was where you recognized the vulnerability of your director of marketing, and you honored her concern instead of telling her to ‘get over it.’ This is a real example of people making an ethical decision and honoring each other’s conscience. I think it’s really powerful.”

Kevin Gibson agreed. “I liked your comments to your audience, which was a public validation of her.”

Deutschlander reflected on what had happened. “I was very appreciative that she was thinking that much about the greater good. How can I be punitive in that respect? Was she overreacting a bit? Maybe, but I’d rather have her



overreact in that direction than in a different direction.”

### **GEORGE NICHOLS DESCRIBED**

a situation from a prior job. “I was involved in Organization X as a representative of my employer. I’d heard rumors that a person was being promoted in Organization X so that an executive could make inappropriate advances towards her. Then, one of my employees was told the person being promoted was leaving the organization. I talked to the employee at Organization X who had told my employee what was going on and that person was upset. He begged me not to do anything.

“I quickly decided that I must disclose it. There was an investigation. The victim reluctantly admitted what had gone on, and it all came out.

“It forced me to step back and ask myself – should I have considered investigating when I first heard the rumor? But Organization X was running effectively and had appropriate value statements and procedures in place. That was my struggle.”

Jim Mitchell observed that “once you actually know, clearly you do have a responsibility. But the fact that there’s a rumor out there, that’s a stretch for me to say you’ve got a responsibility to investigate that.”

But, Nichols responded, “what if you think the rumor is true? I had seen situations where the individual was inappropriate not with employees of my organization or the other organization, but with other people. I could see a pattern. The part I am dealing with is that the new victim potentially might not have been the new victim had I acted sooner.”

Aine Donovan observed that “honor codes within educational institutions require us to take note of other people’s actions. The hardest part about honor codes is speak up.”

Linda Treviño added that it was important to tell the person “that we will do everything possible to protect you from any form of retaliation, because that’s what people are afraid of.”



Jason Stansbury, Patrick Dees and Mark Cohen pay attention as Linda Treviño adds to the discussion.



# Academics' Questions

## **JASON STANSBURY ASKED THE**

business leaders “to what extent are environmental, social, and governance criteria (ESG) factors in making investment decisions?”

Marianne Harrison shared that “at John Hancock, we worked with a third-party organization to help us create a model to identify companies that are stronger or weaker from an emissions perspective. We’re using that model in our investment portfolios, where we invest in a lot of alternative assets – wind generation, agricultural farms, forests where we replant trees. ESG is an important part of our business.”

Gretchen Cepek reported that “from a global standpoint, our CEO has signed commitment statements as to where we will be on various ESG dimensions within X number of years.



*George Nichols makes a point to the participants.*

Those commitments have had a big influence on our U.S. operations.”

Pat Dees offered that his organization is in the conversation stage. “It’s not like it will be a two-week decision and we’re out. Assets and liabilities are matched up for many years and often won’t mature for 15 or 20 more years. We don’t have it built within our investment policy yet for prospective investments.”

George Nichols pointed out that “with general account investments it’s really not your money, but the policyholders. You have to make investment decisions that are in their best interests.”

Cepek mentioned that her company’s efforts include reaching out to influence vendors. “We talked earlier today about partnering with our vendors. We also encourage them to reduce their carbon footprint. Our reputation is tied to with theirs in this area as well.”



Kevin Gibson commented that “one of the problems with socially responsible investing in general is that it doesn’t always beat the market. How much of a loss would you take to be socially responsible?”

Nichols agreed, noting “that’s the important question. I think in this environment, the CEOs of companies have lots of voices pulling them in different directions. The number one obligation, though, is to look out for the interests of your policyholders. All the other stuff, we can deal with, but can you pay the claim when it’s due? That is the number one consumer protection.”

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**LINDA TREVIÑO BEGAN BY POINTING** out that “it’s really important for CEOs to think about their performance management system and their role in that system. A lot of unintentional things can happen because of the pressures placed on individuals by the performance management system. In one organization we studied, the people at the bottom knew that what they were doing was wrong. They didn’t

want to do it, but they didn’t feel like they had a choice. So, in the end, they did what was expected of them.

I’d like to hear the senior executives reflect on the performance management systems in your organization. How is the incentive structure set up? Who is setting the goals? Is there some way you’re checking to see if the goals are actually achievable, and how people in the lower ranks feel about what’s being asked of them?”

Pat Dees responded. “In our organization, the head of distribution attends our executive committee to ensure there’s always an open, transparent conversation, because goals have to be SMART – specific, measurable, attainable, relevant and time-bound. In addition, over the last three to four years, we’ve transitioned from setting annual sales targets to something we call enterprise value, which is the value of the organization projected 30 years out, and then discounted back to present value. This way the real measure of our decisions and our actions is the long-term impact on the organization. You can make decisions in one year that look good for this year, but there’s another generation of leaders that will be left dealing with the results of those decisions.”

Aine Donovan asked if these changes were motivated by the Wells Fargo situation.

Dees replied that they were not. “We have a range of products, and some have a more generous ROI than others. Certain products are not very profitable but are intended to be an introductory product to engage the customer. When we saw that those entry-level products were being sold to generate compensation and bonuses



on the sales side, we made them ineligible for those purposes. We wanted to change behavior and make sure products weren't being sold just to meet a compensation goal."

Treviño thought that was a great example, and added that "something else we can do, which performance management systems often don't do, is to set goals for what you might call values or behavior, so that people are judged not just on how many of a certain kind of product they sell, but some kind of a measure of their relationships with other people – respectful and trusting relationships, for example."

Marianne Harrison pointed out that in her organization "compensation is based not just on sales or earnings but includes other things such as strategic initiatives and driving efficiency. In addition, performance is evaluated against both what an individual has done and how they've done it with reference to our six values. You could be fabulous at the 'what' - your sales are really good - but how you go about it is part of the scoring, too. If the 'how' score is lower than the 'what' score, you get the lower score. We also do

'360 degree' surveys at the end of the year, especially for our leadership. We get input from their peers, their direct reports, and their boss(es). The input is anonymous, so the person never knows who it's coming from. We have found the surveys to be very effective."

Chad Patrizi agreed that 360s can be very powerful, but cautioned that "I've seen 360s used in a retaliatory manner. They can be seen as punitive, and when that happens it really shakes up the employees. Employees have expressed their concerns regarding 360s and some do not want to participate in a 360 because they know there might be negative ramifications."

Gretchen Cepek shared that her organization also does the "how" and "what" combination and pointed out that "for non-officers, we have gone to a no-ratings policy. People over the course of the years have gotten caught up into, 'Am I a 4 or a 3? Am I a meets or exceeds?' For non-



*Chad Patrizi delivers his thoughts to the participants.*



officers, we have embraced the idea of continuous coaching and giving feedback throughout the year but no ratings. They still get midyear and end-of-year performance reviews, but we don't wait for those to give feedback."

Ed Deutschlander believes that in his organization it comes down to the selection process. "They're electing to join our organization, based on our values. Integrity, being true fiduciaries, and looking out for their clients' best interests permeate everything. And since we're not manufacturing the products, all the products we offer are weighted the same for purposes of compensation.

"When we set goals, the very first question I ask myself is, are we positioned to achieve the goal? Are we providing the right environment, the right infrastructure, the right resources? If you create the goal but there aren't sufficient resources to hit the goal, shortcuts will occur. As an example, two years ago, we had a goal of recruiting a certain number of people. After a while, it became very clear to me that the goal wasn't realistic because we didn't have enough 'feet on the street' to hit

that goal. So, in a way, it was my fault. We invested in more recruiters. Now, the resources, the tools and the infrastructure were there to hit the goal."

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### **MARC COHEN PRESENTED A CASE THAT WAS**

brought to him by a student. "My student worked at a small consulting firm and was at a casual summer company party. Someone wore a "Make America Great Again" hat. My student was one of two black employees. He found this really upsetting, but other employees did too. A crisis exploded inside the company. My student wanted nothing to do with this, but he was more or less forced to be involved because he is put on a committee of people charged with creating policies and helping the organization heal, because he's seen as one of the people who is more insulted than others.

"The CEO has a conversation with the employee who wore the hat. He arranges for that man to make a public apology at a big company meeting. He shows up to make his public apology, but he doesn't apologize.

"When I brought this to my students, I thought we were going to have a conversation about whether it was necessary for management to ask the employee with the hat to apologize. But we didn't. It immediately turned into this other conversation about the appropriateness of politics in the workplace."

George Nichols asked "what would happen if another employee wore a Hillary Clinton hat and offended two



"YOU CAN BRING YOUR AUTHENTIC SELF TO WORK AND STILL BE RESPECTFUL OF YOUR COLLEAGUES."

– Gretchen Cepek

people that wanted Trump? The question is not the number. The question is whether it is an offensive act that the company feels it has to do something about. If that's the case, then you have to address the broader issue, not the number or the exact offense."

Ed Deuschlander believed the situation "goes back to our conversations earlier around rules and policies. Once you have a rule, you have to enforce it. If you don't enforce the rule, you don't have a rule. We create problems when we have too many rules. Then, if a rule is broken, you end up with litigation. Where are the values around decency and respect for others?"

Jim Mitchell agreed. "It goes back to values. One of our core values was the value of each individual. 'Each of us deserves to be treated with respect and dignity.' Probably the guy wearing the hat realized it would be offensive to some people at the party and he needs to apologize. But after that, honestly, if you then won't work on a team with him, I'm going to fire you, not him, because the job is to work on the team. If you can't do that, you can't

work here. Because he deserves to get treated with dignity and respect, also. It's got to go both ways."

Gretchen Cepek stated that "you can bring your authentic self to work and still be respectful of your colleagues. We have societal norms in the workplace or in your home or in the community or the neighborhood backyard party that vary from venue to venue, and being respectful is important."

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### **AINE DONOVAN STARTED BY EXPLAINING THAT SHE**

always gets an opening paper from her MBA students at the beginning of each semester. "Last fall I had them read the Business Roundtable report on the purpose of corporations which determined there were with five primary stakeholders, including shareholders. I asked them to reflect on this and tell me whether or not they agreed. I thought that they would find the report to be extreme. Instead, the vast majority of my students said it didn't go far enough. They said there shouldn't be as much profit and there's a lot of talk about executive compensation. They're very upset with it. It's funny. About ten years ago, I couldn't get any traction with my students about executive compensation. They all said, 'That's going to be me. No problem.'

"I throw it out to you as business leaders to tell us what you think about the future of business, with the Business Roundtable taking this position."

Pat Dees began the discussion by noting that, because



his company is “not a stock company, that’s the business model we have operated under for quite some time, including having our community as a stakeholder. The challenge lies in activist investors demanding that profit be the number one priority.”

Ed Deutschlander explained that he believes “the role of business is to improve the lives of people, but if it’s at the expense of making the organization unprofitable and not making good financial decisions, that’s not good.”

George Nichols reflected on his career decision. “When I left the regulatory community, I purposely chose to go to a mutual company because I want to keep my priorities simple. But if you’re CEO of a publicly traded company and you think for one minute that you’re not creating value for your shareholder, you’re not incentivized.

“At the end of the day, good decisions about your customers is good business and good ethics is good business.”

Jim Mitchell agreed. “We became the most profitable life insurance company in the country by treating customers really well. When that happens,

everything else follows. Our persistency was way better than industry averages.

“How did we serve our customers really well? We treated our employees really well. We were a terrific place to work for able and highly motivated employees. And customers were our first priority. By treating our customers great, by treating our employees great, we made a lot of money and everyone shared in it – customers, employees and shareholders, as well as the community.

“I saw the Roundtable announcement as a non-event. I read it and thought, ‘Of course. Why do you even bother having to say that?’ You have to take the long view. I can serve shareholders great over a three- to five-year time period by treating my customers great, by being good to my employees, and by being a good citizen of the community. Is that sometimes a tough balancing act? It is. That’s why you get paid the big bucks. But I don’t see a big change coming from the Roundtable statement, and I am frankly surprised it’s gotten as much interest as it has.”

Kevin Gibson put a question to all the executives. “When you are hiring, do you ask your candidates what the purpose of your organization is?”

Gretchen Cepek replied that “instead I ask what motivates them. You get a sense of whether it’s money or do they have customer focus? Do they get satisfaction overcoming challenges as part of a team? Those types of things. I assume they come in with knowledge of what the company does and its mission, but I want to go deeper. What are their values? Do we share the same values?”

Deutschlander agreed. “We hire more on values than



anything. I can teach skills, but I can't teach values. Arguably the most important question is, what are you most grateful for? If you have grateful people, somehow that just ties in so many other things."

Donovan explained that she discussed work-life balance issues with MBA students. "I think, as a woman, if I were working for you and you asked me that, my natural reaction would be to say, "My family, my husband." That's exactly what I'm going to say. But, as a woman in the workplace, I would be nervous – well, what should I say? If I say my family, does that make me seem less competitive?"

Nichols thought not. "I would say that with pride. If the response from the company isn't supportive, then it isn't a place I should be (unless you know you're going to be the CEO one day and change it).

"Also, it's a different generation of workers coming up through the ranks and as leaders, we are going to have to adjust. If I want to know what you value, and you say, family, I better have a good response that we support family, because, otherwise, we're going to lose a lot of people in our



*The participants listen as Chad Patrizi delivers his comments.*

organizations in the future. If there is a hesitation about hiring women – well, let's just look at the demographics. What do you want your organization to look like in the future? We're all going to have to answer that question."

Marianne Harrison pointed out that "it's not just women who want work life balance. It's men too. Men want to be there when the new child comes home to the family. It really is changing."

#### **JOE DESJARDINS BEGAN BY EXPLAINING THAT A YEAR**

ago a video from the Davos conference surfaced of some executives and academics talking about corporate social responsibility. "A Scandinavian economist became a little exasperated with the conversation and at one point said, 'Do you want to be socially responsible? Pay your taxes.'



And then he went after some of the people in the room at companies which famously, bottom line, don't pay any taxes."

George Nichols countered with a perspective from the life insurance industry. "If you looked across the life insurance industry, the lowest effective tax rate is probably 12 or 13 percent. No one is at the notorious level of zero. The life insurance industry has always had to pay taxes, so they've done their part."

DesJardins stated his appreciation for that perspective. "I think that's important to hear. As I write my tax check each year, I wonder how much energy companies who don't pay any taxes are putting into avoiding taxes that could be spent elsewhere."

Marc Cohen described a discussion in his graduate course on corporate social responsibility. "Last year, the most controversial thing we talked about was a paper arguing that companies have an obligation to pay their taxes. It argued that aggressive tax avoidance is immoral. My graduate students getting a master's in accounting and a master's in finance thought it was completely wrong. They thought you should avoid taxes,

to the extent legally possible."

Nichols agreed. "I don't know many people who want to pay taxes. Personally, I'll pay my fair share, but I don't want to pay any more."

Aine Donovan pointed out the underlying assumption of mutual responsibility. "We're all willing, as part of the social contract, to bite the bullet, but only as long as everybody else is doing it."

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#### **CHAD PATRIZI STARTED BY DESCRIBING THAT**

The American College is becoming a very student-centric organization. "All of our focus, from prospect to alumnus, is on the student every step of the way. The academics department has been restructured to reflect a student-centric college. A person has been hired to focus on the student-experience person in addition to a person overseeing the curriculum and faculty, to make sure that faculty are being appreciated and valued and that they feel secure in their work. The idea is to help everyone understand how they can help move the college forward. This requires a significant amount of cultural change. The question I'd like to pose to the business leaders is, how do you change people's perspectives from previous leadership?"

Marianne Harrison commented that the issue is "not that different than what we're facing in the corporate world. Our organization is trying to be very customer-focused. We haven't always been that way. As we work to be more customer-centric, we put our leaders through



a program to help them through this transformational journey and to encourage innovation. We're putting stretch goals out there, not around the financial metrics, but around metrics to get people to think differently and act differently, and trying to change the way that they've done things historically. It's a lot of work. You have to get everybody working together."

Linda Treviño pointed out that changing an organization's culture is a pretty slow process. "According to research, it can take up to a decade for intended changes to filter down and really get in the bones of an organization."

Jim Mitchell observed that "you transform an organization through mission and values. First you have to help them understand what the mission is and what it means, and then you go through the organization's three to five basic values and help everyone understand what they mean. Next I would articulate what the behavior of living out those values looks like. Then catch people doing things right. Every quarter in every department, I would nominate a 'VIP', a 'values in practice' person.

Make a hero out of them. Explain to everybody what they did to be honored. You've got to do it consistently and persistently."



Joe DesJardins, Ed Deuschlander, Linda DesJardins, Kevin Gibson, Elizabeth Lentini and Linda Mitchell at the closing reception.



# Reflections

"IT'S VERY EASY TO BE DECENT. YOU DON'T NEED TO DO VERY MUCH, AND PEOPLE WILL NOT BLAME YOU. BUT SOMETIMES YOU'VE GOT TO GO ABOVE AND BEYOND, AND THAT'S REALLY DIFFICULT."

– Kevin Gibson

Kevin Gibson began the final discussion by taking a moment to summarize some of the themes from the day.

"What I've heard from most people was appreciation for the gift of space and time we've been given today. I've also heard about good stewardship or good management – we need rules, but we also need to invoke some common sense along the way. I also heard what I would refer to as the "captain of the ship" doctrine – as a leader you need to delegate, but as captain of the ship you're responsible for everything that goes on. And that's a very difficult balance to have, because you're never removed from the moral taint of anything that goes below you. If something happens, you can't just say, 'It was just a bad apple.'

"I heard some very big questions about the purpose of business. What are we here to do? We're here as a service, but we're also part of the community.



*Jim Mitchell, Wade Kram and Gretchen Cepek converse at the closing reception.*

I heard about trust, and we need to learn more about trust. Business is not just a transaction. I heard about the willingness to acknowledge errors, how to correct them, and how to move on. I also heard about hiring for integrity, because, once they're on board, they're like family. And that's how you form the culture, but you've got to be very intentional when you hire people.

"One last thing. I want to give you the phrase 'easy decency.' What I mean by that is, we've got the decent and the heroic. It's very easy to be decent. You don't need to do very much, and people will not blame you. But sometimes you've got to go above and beyond, and that's really difficult. That is the thing that we need to instill in our culture.

"What has each of you taken away from today?"

Jason Stansbury reflected that he will remember "the necessity of leadership communicating and articulating



an ethos so that people get consistent signals within an organization about the organization's values and how they fit into the decisions they need to make on a daily basis."

Linda Treviño shared that she had kept thinking about the word "inspired." "The stories we hear so much about are the ones they make movies about and the ones that journalists choose to write about. It's much more juicy and sexy to write about the negative stories than to write about business leaders who are trying to do the right thing every day and making tough choices. I don't know if the students will believe me, but it helps me to have these stories to share."

Pat Dees shared that he was "very encouraged to be able to spend time with the academics and know there is an interest in responsibility and the teaching of ethical principles. Some things just are not inherent. I feel enriched from being able to be here. If you have a decision to make and you go to those who've already made that decision, you can learn from their experiences."

Marc Cohen revealed that a belief had been confirmed. "I'm still struck by the

thought I had at the beginning, that's been confirmed, that this is for radicals, because as much as we all agree in the room, we're pushing back against a narrative and a set of belief systems shared by our colleagues. I feel kind of encouraged. Not enough to grow my hair long, but it's cool to be able to go back and say, 'While you might think I'm a radical, I spent a whole day sitting in a room full of other radicals.' You have to decide, whose team are you on? This is a good team."

Marianne Harrison responded. "It's interesting, Marc, that you say that 'you're all radical.' I wasn't sure what to expect coming in here and talking to the academics, but I wouldn't have called you a radical. I would have called you more practical, to be quite honest. I could relate to a lot of the things that all of you were saying. The data conversation that we had this morning, I thought, was a very good discussion. When we talked about making sure that there's no bias in that data in terms of what we do



*Jason Stansbury and wife, Marilyn Stansbury, pose for a picture.*



with it just makes us think more about what we do. And the conversation this afternoon around letting people bring their whole self to work, whether it's political or something else – how do you get that balance? I think we all struggle with that. So, I think the conversation has been very good and I didn't think it was radical. I thought it was a very practical conversation and I thank you for it.”

Aine Donovan added her perspective. “When I teach business ethics to students, I always want to say, “It's good to do good just for goodness sake, but it's also good for business.” Then they say, “Well, how is it good for business? Well, we've heard that some initiatives not only help people to live longer but also allow a company to make more money. The issue of using genetic testing and medical information in insurance is another very interesting topic I will take away and use in my classes.”

Gretchen Cepek said she had been comforted by her observation. “Most of us are all – whether you're in business or in academia – dealing with the same types of things. You're dealing with a group of students that are about the

age of some of our newer employees. How do we keep them engaged? How do we learn from them? How do we refrain from saying, ‘I've been around a little bit longer?’ I think I know a little bit more.’ Let's accept the challenge from each generation to keep our minds open, to know that being pushed sometimes results in really innovative responses. I'm energized by that. I was also comforted about some of the struggles with big data, how to use it, what to do with it, decision making based on it. These are not easy decisions and they shouldn't be. Because of the ethical dilemmas bound up in that, we should be very thoughtful, and it's okay if it takes a bit of time. Thank you all. I appreciate it.”

Chad Patrizi agreed with Ms. Cepek. “It feels like we are encountering the same battles on many levels. I've also appreciated the similarities between academia and business. We're not that far apart. It's really nice to hear because it's encouraging that we now have colleagues in that world.”

Ed Deutschlander reflected on the day's conversations. “I find myself saying – and it's something I share at my company a fair amount – that people don't join companies so much as they join people and causes. People don't stay with companies. They stay with people and causes and the values and the culture that all of us bring to and live every single day in organizations. Something else I have taken away from our discussions has to do with the notion of trust. Trust is something that you bestow on another person. You decide if you want to trust them. That's something we control. What I heard a lot of is this intense focus around making sure that organizations – institutions



– are trustworthy, especially around big data.”

Joe DesJardins observed that “we’re all engaged in the same project. And it is a radical project, right? It’s that the world can be made better. And you don’t have to have this really, you know, ‘philosopher on the mountain top’ view. It’s made better every day by how we treat each other and treat people and treat our employees.”

George Nichols expressed his appreciation. “Thank you for giving us an opportunity to have this conversation. When I think about the industry representatives, these are people or companies that I know, and I know them to be upstanding companies and organizations. I feel really good about the next crisis that comes. There’s a group of people that are willing to reach out to other people that they know to say, ‘Let us help be a part of the solution to reestablish any loss of confidence or trust that the financial services industry may experience.’ That has been most inspiring and encouraging for me leaving today.”

Jim Mitchell started his remarks by sharing a conversation he’d had with a

good friend. “I’ve known him for 55 years. When I told him that I wanted, in retirement, to promote ethical business leadership, he said, ‘Don’t you think you’re tilting at a great big windmill?’ This guy is really smart, so I had to go away and think about that for a couple of days. I finally called him back and said, ‘You might be right, but I have to do what I have to do.’ So what I’ve been doing for the past 20 years is tilting at this windmill. And that’s what I get about the people in this room. We’re each trying to do our best each day, trying to do the greater good, to be worthy of the trust of our customers. Thank you for the privilege of being with you today.”



*Linda Mitchell, CJ Nichols, Linda DesJardins and Gretchen Cepek at the closing reception.*



The American College Cary M. Maguire Center for Ethics in Financial Services is the only ethics center focused exclusively on the financial services industry. The Center bridges the gap between sound theory and effective practice in a way that most ethics centers do not. The Center's mission is to raise the level of ethical behavior in the financial services industry. We promote ethical behavior by offering education programs that go beyond the "rules" of market conduct, help executives and producers be more sensitive to ethical issues, and influence decision making.

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James A. Mitchell was recognized in 2008 for his dedication to business ethics and was included in the "100 Most Influential People in Business Ethics" by Ethisphere, a global publication dedicated to examining the important correlation between ethics and profit. The list recognizes individuals for their inspiring contributions to business ethics.





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