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

PERSPECTIVES ON ETHICAL LEADERSHIP 2022

Twenty First ANNUAL

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

Foreword

FOUNDED IN 2005, THE AMERICAN COLLEGE CARY M. MAGUIRE CENTER FOR ETHICS IN FINANCIAL SERVICES WILL SOON MARK ITS 17TH YEAR. In 2020, I joined the Center as the new Executive Director, charting a course towards fulfilling our mission to raise the level of ethical behavior in the financial services industry. You can learn about my background **here**.

Our work at the Center for Ethics in Financial Services has never been more important. Demands are increasing for business leaders to understand the perspectives of diverse stakeholders, and to demonstrate a commitment to integrity. As the only ethics center within an academic institution focusing exclusively on the financial services industry, we aim to assist leaders on this journey and help them position their companies to advance business and stakeholder outcomes.

Over the course of the last year, we continued our high-quality research and programs to advance ethics education, and to provide forums for executives and other leaders to discuss the challenges of managing financial services in today's complex environment. For instance, we convened a private online Town Hall on The State of Stakeholder Trust to share insights from our white paper: **An Analysis of the State of Stakeholder Trust**. Other core research initiatives included our work on AI Ethics in Financial Services. You can read more about it in this **white paper**. Our tradition of attracting top-notch research talent has also continued with our recent cohort of **Fellows and Scholars**. Last year, we also expanded our core research team by hiring **Domarina Oshana, PhD**, an experienced social scientist well positioned to lead our research efforts.

Our vision for impact is to be the go-to Center advocating for ethics in financial services. To realize this aim, we have been, and will continue to engage with our community to provide applied research in a timely way.

We invite you to join us on our journey by reviewing and sharing the 2022 Perspectives report with your colleagues and associates, joining our **Alliance for Ethics in Financial Services**, signing up to receive Ethic*ally*, our monthly **newsletter**, or exploring the resources on our **website**.

Sincerely,

Azish Filabi

AZISH FILABI, J.D., M.A.
Executive Director, Cary M. Maguire Center for Ethics in Financial Services

Associate Professor and Charles Lamont Post Chair of Business Ethics

Highlights of the Center's Activities

TRAILBLAZING RESEARCH FOR TOMORROW

Our staff of talented researchers is continuously informing and collaborating with thought leaders across the industry, providing the latest insights on trends and topics in business ethics.

TRUST AND FINANCIAL SERVICES

An Analysis of the State of Stakeholder Trust in the Financial Services Industry (April 2021)*

AI AND ETHICS

AI-Enabled Underwriting Brings New Challenges for Life Insurance: Policy and Regulatory Considerations (January 2022)

AI, Ethics, and Life Insurance: Balancing Innovation With Access (March 2021)

ENHANCING DIVERSITY

How COVID-19 Has Impacted The Racial Wealth Gap (August 2021)

Women in Insurance Sales: Challenges and Opportunities (December 2020)

Read the research at Ethics.TheAmericanCollege.edu/Research

IN THE NEWS

As a team of experts dedicated to elevating discussions about ethics in the financial services industry and society, the Center for Ethics in Financial Services' team is often featured in the media, with insights and commentaries on current events published with a number of influential media outlets.

KIPLINGER | **ESG is Not "Ethical Investing." And That's OK**
By Azish Filabi, JD

FINANCIAL PLANNING | **How Big Data Risks "Proxy Discrimination" in Financial Services**
By Azish Filabi, JD, and Sophia Duffy, JD, CPA

*Part 1 of a multi-phase research initiative.

INSURANCENEWSNET | **Trust: A Major Factor Driving Consumer Decisions**
By Domarina Oshana, PhD

FORTUNE | **Businesses Shouldn't Do Good for the Sole Purpose of Doing Well**
By Azish Filabi, JD

Stay in the know on the latest news at TheAmericanCollege.edu/Insights

Your Ethic*ally* in Financial Services

Ethic*ally* is the Center for Ethics in Financial Services' monthly newsletter, aiming to inform readers about trends related to ethics in financial services and how financial services industry leaders can better navigate evolving challenges. The newsletter is a free service, so subscribe now and share with your peers by emailing

Ethics@TheAmericanCollege.edu

Vimeo.com/710907324

Forum on Ethical Leadership

THE TWENTY-FIRST ANNUAL JAMES A. AND LINDA R. MITCHELL/THE AMERICAN COLLEGE FORUM ON ETHICAL LEADERSHIP IN FINANCIAL SERVICES TOOK PLACE ON JANUARY 15, 2022, IN PALM BEACH, FLORIDA. THE EVENT FEATURED A DISCUSSION ON APPROACHES TO TRUST-BASED LEADERSHIP IN THE INDUSTRY, ALONG WITH AN EXAMINATION OF PRACTICAL ETHICAL DILEMMAS ENCOUNTERED BY EXECUTIVES DURING THEIR CAREERS AND QUESTIONS RAISED BY BUSINESS ETHICISTS FROM PRESTIGIOUS ACADEMIC INSTITUTIONS.

Participants

ACADEMICS

AZISH FILABI, JD, MA, Executive Director, Cary M. Maguire Center for Ethics in Financial Services, Associate Professor of Business Ethics, Charles Lamont Post Chair of Ethics and the Professions, The American College of Financial Services

CELIA MOORE, PhD, Professor of Organisational Behaviour, Co-Director, Centre for Responsible Leadership, Imperial College Business School

SUNITA SAH, MD, MBA, PhD, Director of Cornell University Academic Leadership Institute, Associate Professor of Management and Organizations, SC Johnson College of Business, Johnson School of Management, Cornell University

MARSHALL SCHMINKE, PhD, Pegasus Professor of Business Ethics, University of Central Florida

BATIA MISHAN WIESENFELD, PhD, BA, Andre J.L. Koo Professor of Management, Leonard N. Stern School of Business, New York University

EXECUTIVES

NOREEN BEAMAN, Vice Chair, Board of Directors, Orion Advisor Solutions

MATT BERMAN, President, Foresters Financial Life Insurance (US)

SCOTT A. CURTIS, President, Private Client Group, Raymond James Financial

JASMINE JIRELE, President and CEO, Allianz Life Insurance Company of North America

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

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

BILL J. WILLIAMS, Executive Vice President, Ameriprise Franchise Group, Chairman and CEO (Retired), IDS Life Insurance Company

Executive Summary

ON JANUARY 15, 2022, a group of five academics and seven executives convened in Palm Beach, Florida to participate in the Twenty-First Annual James A. and Linda R. Mitchell Forum on Ethical Leadership in Financial Services.

The Forum's purpose is to engage practitioners from the financial industry and business ethicists from academia in meaningful dialogue about ethics in the industry.

Prior to the meeting, participants reviewed a case study on unprecedented events calling for novel approaches to trust-based leadership. The case study guided the initial discussion and sparked further analysis and insights.

To start the day, each participant briefly shared the meaning of ethics to themselves and their organizations. They also imparted their goals for the day. The participants then analyzed the case. Subsequently, the executives presented ethical dilemmas they have confronted. The academics followed with questions to the executives and shared their individual experiences and research on ethically challenging situations.

The initial case study focused on how leaders can increase trust in financial services while navigating the complexities of the business environment. Participants used the concept of trust as an analogue and framework for ethics, acknowledging trust's utility in helping leaders render tangible topics that may appear elusive. The case study drew on real events in business and society from 2020 and 2021, invoking participants to consider how those events have affected leadership in financial services, and how companies have leveraged insights to manage stakeholder relationships.

There were four proposed themes to explore: (1) employee engagement, (2) fake it 'till you make it', (3) racial justice and corporate leadership on diversity, equity, and inclusion (DEI), and (4) the rise of ESG. Participant engagement was so deep that time permitted dialogue on only one of the themes—employee engagement.

The group reflected on hybrid work environments, and the challenges of using the "before times" approach to compensation, promotion, and rewards systems in the new paradigm. The group also considered best practices relating to managing equality of access to promotions and rewards. A conversation ensued about the reality of the "great resignation."

In recognizing the bidding war for talent, some offered best practices. For example, instead of the traditional exit interviews, they acknowledged that companies are using “stay interviews” and offering bonuses to demonstrate value to employees. The group also recognized that striving to retain talent has created inequity, challenging managers to consider whether they can increase salaries across the board. Some pointed to values and the importance of having a mission-driven, purpose-oriented employee culture. Others surfaced the need to create meaningful engagement at the individual level, not only the collective, organizational level. Concepts such as social capital, personal identity, and a sense of employees “belonging” emerged in the context of employees’ mental health. The group concurred on creating shared experiences for employees to create cohesive cultures that can deliver organizational results.

The conversation moved to the precarious nature of trust in business. Participants shared their thoughts on a statement from Professor Jill Atkins, a corporate governance expert, quoted in Fortune Magazine’s April/May 2021 issue, on the evolution of corporate governance since 2001. “The biggest difference,” says Atkins, “is that a corporation’s social responsibility, and indeed its ethics, are no longer considered a separate realm from traditional corporate governance functions.” There was some agreement in the group that governance and social responsibility are different from ethics. At the same time, there was an appreciation for seeing ethics as a subset of corporate governance and that company boards are now engaged on these topics.

Discussion transitioned to the topic of selecting and training managers on how to use tools such as employee engagement surveys. This led to an exchange of thoughts on creating “speak up” cultures that create conditions for good ethical decisions and preserving moral agency. Some acknowledged that the tools for assessing sustainability are different now—there has been a shift from “How do we do no harm?” to “How are we doing good?”

Others appreciated insight from research showing the confirmation bias in academic literature i.e., the propensity to publish studies affirming doing well is profitable compared to those that do not. As one academic noted, “doing the right thing when it is not consistent with profits is hard…doing the right thing when it is consistent with doing well is easy.”

The group next discussed individual cases, presented by each of the executives. Topics included how incentives motivate life insurance agents; the possibilities and limits of artificial intelligence in underwriting; wholesaling for annuities, mutual funds, exchange-traded funds, etc.; taking

money from the Paycheck Protection Program (PPP) when not needed, and not paying it back; and holding employees accountable for their public behaviors on issues such as Black Lives Matter. Some key takeaways:

1. The use of predictive analytics and publicly sourced data in health and life insurance underwriting has raised questions of fairness due to the potential false conclusions drawn from the data.

2. There is complexity in the mental model of how conflicts of interest work. As one academic put it, “Everyone wants to believe that they are completely immune.” But none of us is.

3. For the businesses that took money from the PPP and didn’t need it, the ethical complexities relating to those actions remain, particularly, if the funds were not paid back.

4. Matters of social justice can present us with teachable moments—opportunities where we can really understand how to be a good ally.

Next, the academics posed their questions to the executives. One asked for cases of bottom-up change, challenging participants to share their companies’ experiences on employees taking a stand on matters of social justice. Another inquired about corporate “speak up” cultures, what leaders can do to create an environment where people can speak up and feel emotionally safe to do so. A third asked how executives feel they are preparing their employees to handle situations that might elicit moral distress.

A fourth asked about the trickle effect of ethics training from the top level of the organization to the frontline managers, adding, “If trust isn’t a part of ethics, what is it a part of?” and “What’s the difference between an ethics program and trust relationships?” The final question posed to executives was in the context of the quantification of social data, asking executives to share their thoughts on the ethical case for ethics.

Overall, the executives shared feedback that they valued having a community with which to discuss their dilemmas, and the academics valued having scenarios and cases to inform their teaching and research.

The group poses for a seaside photo.

Opening

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

He modeled the way by sharing insight from his own career. “I had the good fortune to work for what I thought were two highly ethical organizations. After 40 years, I came away concluding that good ethics was good business; that it was not just the right thing to do, but it was more profitable in the long run.” It is with this spirit that the Forum encourages embracing ethical behavior as a cornerstone of good management.

Mitchell added that the Forum is an opportunity for “organized reflection” whereby executives can step back to reflect on issues within their companies and figure out how to do what is right. Academics can listen with an eye to analyzing real stories they can take back to their classrooms to help students understand that

George Nichols makes a point as Bill Williams, Batia Wiesenfeld, and Noreen Beaman listen.

“most executives are genuinely trying to do the right thing most of the time.” It is a space to relate, to see that “the other people are people of goodwill.”

Azish Filabi noted that the Center’s focus is on applied research to inform knowledge and education in the industry. The Forum helps the Center understand management challenges, which helps clarify research priorities aimed to address those challenges.

The executives at the Forum represented a range of experiences and institutions they currently lead. From life insurance companies (Matt Berman of Foresters Financial, Jasmine Jirele from Allianz), to broker/dealers and registered investment advisory firms (Scott Curtis of Raymond James, Bill Williams from Ameriprise), as well as a financial technology company (Noreen Beaman,

Vice Chair of Orion), each expressed how ethics for them has been a combination of personal and professional experiences that have brought them to a company where they feel their values relating to integrity and ethics are encouraged and integral to their leadership. For instance, Bill Williams shared how the history of Ameriprise Financial, steeped in taking care of clients, stems back to their actions during the Great Recession, when the company made every client whole despite significant corporate/shareholder expense. The financial advisors that he leads rely on the brand of the company he represents, which has been in business for one hundred twenty years. When telling the company's story, employees refer to that history when they were "never a day late or a dollar short."

Williams noted, "What you're really selling is not tangible. You are not selling cars, or computers or clothing that people can test out and feel. You are selling trust…Every day I think about ethics. I think about ethics leading to trust. It is in the bedrock of how we treat

Matt Berman and George Nichols reflect on a comment from Bill Williams.

everybody, every stakeholder around the table and not in the room."

Building on Williams' thoughts, Jasmine Jirele shared that her current company focuses on ethics to differentiate itself as an employer. Jirele remarked, "People are coming into the workforce now looking for companies to work for that they believe have values that more closely match theirs. That's an aspect we're trying to lean into more, in part, because we think it will make us better as an organization too."

The academics at the Forum also represented a diverse set of personal and professional experiences that led them to ethics. For Batia Wiesenfeld (New York University) and Sunita Sah (Cornell University) a formative childhood experience was especially influential in the development of their respective professional "identities."

Sah's professional experience in medicine as a physician and as a consultant to the pharmaceutical industry added nuance to her view of business ethics, particularly on the unintended consequences of conflict of interest disclosures and upholding professional standards. Resonating with the concept of "identity," Celia Moore (Imperial College Business School) shared that she has researched how people can live consistently with their moral values. It gives her hope that people really do want to behave ethically; they have "strong moral identities."

All the academics expressed appreciation to be in an environment where they could share ideas to promote ethical behavior in business. Wiesenfeld elaborated, "How do we create organizations that enable individual members of those organizations to find their experience of working to be a fulfilling one that allows them to develop as people in valuable ways—this is what business ethics is all about; to make responsible business the only form of business education." Marshall Schminke (University of Central Florida) echoed this sentiment and remarked that in addition to ideas for research projects, what he hopes to get out of the Forum is the "back story" of how people arrived at ethical challenges in business, which is lacking in articles, books, and public presentations.

Noreen Beaman captures the group's attention.

Case Discussion

Azish Filabi began the case discussion by sharing that the case study she wrote isn't a hypothetical scenario because the past couple of years have provided sufficient real-life challenges that raise ethical dilemmas. She proposed four themes for the group to workshop: employee engagement, fake it 'till you make it, racial justice and corporate leadership on diversity, equity, and inclusion (DEI), and the rise of ESG. The discussion began with a COVID related employee engagement question, "How do you think about compensation, promotion, and rewards systems in the hybrid environment?" Then the related question, "Does the great resignation really exist?"

EMPLOYEE ENGAGEMENT IN THE HYBRID WORKPLACE

For two of the executives, Matt Berman and Scott Curtis, the idea that the great resignation is an emerging challenge resonated. Moreover, they see it as bleeding into some of the other ethical dilemmas such as corporate leadership on DEI. They reflected on the possibilities and limits of conducting "stay interviews" and offering retention bonuses. Berman apprehensively inquired, "Have we created a circumstance where there is now more inequity?" He soberingly noted that the fluid market has affected the experience his company provides to their agents and customers.

Increasing salary pay scales in response to inflationary pressure has come into play. Curtis posited that what once retained employees was collegiality—it united corporate culture toward a common goal. However, with people working from home or working from a remote location, he has observed that it is more challenging to cultivate that collegiality, and thereby, influence employees to stay. Being able to have an ethical culture that attracts employees is lost in the process, Azish Filabi theorized. Curtis countered that he doesn't think it points to ethics, only to a competition for talent. George Nichols suggested that it is not a matter of ethics or culture, rather of purpose and mission. Nichols framed his point as a question, "What is the real value and purpose and mission of what we do, and how do we define the good that it does in society?"

Noreen Beaman suggested that people are leaving due to the reward systems as well as new opportunity. She suggested that people need to feel important and empowered. Beaman offered a leadership challenge to

"ACTUAL ORGANIZATIONS ARE NOT MARKETPLACES."
— Batia Wiesenfeld

"WITH PEOPLE AT HOME, PHYSICALLY UNSEEN AND NOT COMMUNICATING, AND LACK OF SYSTEMS FOR KNOWLEDGE TRANSFER, IT IS A PETRI DISH FOR ETHICAL FAILURES."
— Azish Filabi

communicate more effectively. She considered whether the pressures are leading the industry to not hire to its core values, adding that perhaps it is a talent grab, not necessarily a synergy grab.

Observing that something was missing in the discussion, Batia Wiesenfeld noted, "Actual organizations are not marketplaces." Wiesenfeld pointed out that what is missing in the discussion is how companies institutionalize the knowledge that top performers have. She argued for the creation of "public goods," explaining that these are things organizations do collectively that are not portable when employees leave their organizations. She underscored that those public goods must be linked to purpose.

Reflecting on the downsides of the virtual work environment, Curtis bemoaned that the informal learning and development is lost. The executives see this loss as one of the greatest downsides of remote work. Bill Williams diagnosed the missed opportunity as raising a question for people who are

The group listens attentively to Scott Curtis's remarks.

earlier in their careers about how much they value the informal learning because they don't realize the long-term impact that it will have. Berman validated, "That strength and culture is built on apprenticeship, mentorship." Beaman agreed and underscored the heart of the matter, emphasizing that salaries are one indicator of value, which can communicate "You did not value me. You did not see me. This other company, they see me." The money creates value in how they see themselves at work.

Listening to these threads, Filabi reflected that it is hard to manage informal dynamics and promote ethical behavior. She remarked, "With people at home, physically unseen and not communicating, and lack of systems for knowledge transfer, it is a petri dish for ethical failures." Filabi invited the academics to contribute their thoughts on how to think about the ethical failures that might be coming in the next couple of years when not only managing employee engagement but getting people to do the right thing.

"THERE IS A NEW PARADIGM FOR FIGURING OUT HOW TO CREATE MEANINGFUL ENGAGEMENT AND DEVELOPMENT IN THIS NEW WORLD."
— Bill Williams

"I BELIEVE CULTURE IS A FUNCTION OF LEADERSHIP. YOUR BEHAVIOR WILL CASCADE THROUGH THE ORGANIZATION IF YOU ARE AUTHENTIC."
— Matt Berman

CULTURE AND THE FRONTLINE LEADER

Pointing to research on 80,000 employees across five different organizations that looked at who employees turn to when faced with a troubling situation, Marshall Schminke surfaced what mattered to ethical awareness—an employee's direct manager. Schminke remarked, "That is the organization to you—your immediate supervisor. That's what matters most even across different dimensions such as satisfaction with the organization." Schminke added that every single organization that took part in the research had virtually ignored that element in terms of culture and ethical development. He noted astonishingly, "That was the moment of sudden discovery, and nobody was doing anything about it."

Underscoring the role of culture and all the elements that surround it, Schminke asked the group to share what their efforts are at this level because he is convinced that is where all the action is. Bill Williams agreed, "There is a new paradigm for figuring out how to create meaningful engagement and

Scott Curtis, Sunita Sah, and Celia Moore observe the discussion.

development in this new world." Williams challenged the group to consider what the compelling reasons are why employees should come into the office, what the benefit is to the employees, and whether leaders are creating reasons to return to the office and clearly communicate the benefits of doing so. Williams ended by stating he does not have the answers, but recognizes it is completely different today than it was two years ago.

Meaningful workplace engagement begins with culture. Matt Berman remarked, "I believe culture is a function of leadership. Your behavior will cascade through the organization if you are authentic." Berman reflected that he tries to balance being visible with not overwhelming employees with screen time while working remotely, suggesting that this is the mental health conundrum leaders are trying to reconcile. At times, he offers to have phone discussions while going for a walk, as one way to keep things healthy. Scott Curtis and Sunita Sah affirmed

that rapport building at work is now different, and that the hybrid environment means that there are multiple, different perspectives at play.

Sah perceptively concluded that it is an identity decision that elicits employees to introspectively search for answers to who they are in their current organization and who they could become in a different organization. She also noted that with people in senior levels, that aspect of identity — where one wants to belong, what one is going to lose in terms of social capital—might not be given enough thought. Williams agreed, referring to Berman's example of having phone discussions with employees while going for a walk as "a form of value." Berman validated, "It is currency." Batia Wiesenfeld added that it is also about being a part of a well-run organization that can execute and deliver for its clients. She voiced that in financial services it is a challenge because the focus is on measurable outcomes, which distracts from examining the systems and processes that make those outcomes achievable.

Batia Wiesenfeld shares her thoughts with the group.

How organizations are planning to support employees around the long-term health implications of this new world of work was a question raised by Celia Moore. Sah responded by commenting that the pandemic has allowed people to reflect on what their values are, where they want to work, what they want to do, and if they are enjoying their work. She suggested that this reassessment of values might be driving the great resignation. She stressed, "Institutions now have to become more attractive and more employee friendly to align with people's newfound values."

Jasmine Jirele shared that her company offers targeted support programs for employees. For example, they offer sabbaticals where people can get out of the work environment for six months to do something else and return thereafter. While there are costs involved, the hope is to retain more people. More importantly, they have trained managers to spot signs of trouble and proactively get employees out of the workplace for short or long times, so that people feel that it is okay to step away.

Jirele concluded the discussion by noting that there must be a more human element to figure out how to navigate because it is just not realistic to think that there is a one-size-fits-all solution.

CORPORATE SOCIAL RESPONSIBILITY

The discussion turned to a quote in Fortune magazine that references a professor, Jill Atkins, who compares what is occurring in corporate governance today with her experience in 2001. The professor articulates that the biggest difference is that a corporation's social responsibility is no longer separate from traditional corporate governance functions. Moreover, Professor Atkins believes that what is happening today is that we are seeing integration of ethics into the core of the business and how people think about the long-term challenges, and how that relates to society. The group considered whether this statement is true within their organizations.

Some remarked that they see corporate social responsibility as different from corporate

Marshall Schminke expressively communicates as Jasmine Jirele, Jim Mitchell, and Azish Filabi listen.

governance and acknowledged that the topic is emerging increasingly in board and C-suite conversations. Adding a nuanced view, Jasmine Jirele commented, "I think it's more integrated, but I think it's different than corporate governance." Others highlighted that the responsibilities of business have extended beyond the bottom line. Senior leaders are now being held accountable for specific actions during the year related to all those things some would describe as ESG.

Jim Mitchell contributed a different perspective. "To me, corporate social responsibility is a subset of ethics." Mitchell shared that in his experience, an annual employee engagement survey can be powerful, particularly the questions about acting in accordance with a company's values. Mitchell noted, "If people believe they can respond confidentially, and if you do something with the results, not just tell them what the results are, you'll get great participation and you'll get the truth." Mitchell emphasized, "The employee engagement survey is one of the best

"TRANSPARENCY HOLDS PEOPLE BETTER ACCOUNTABLE WHEN YOU KNOW EVERYBODY IS GOING TO SEE IT."
— Noreen Beaman

tools senior leaders have." Based on research she published that looked at directors across corporate boards, Batia Wiesenfeld remarked that directors could benefit from additional training or familiarity with using the tools that are now available and expected, such as evaluations of materiality or sustainability.

The group considered how transparency relates to how social responsibility issues are being elevated to the boardroom. Companies are increasingly asked to show how they are living with their values. Firms that get out ahead and open their books will be the winners, especially with this next generation. Noreen Beaman pragmatically stated, "Transparency holds people better accountable when you know everybody is going to see it."

Balancing transparency with the need to show value to stakeholders raised questions relating to how leaders can continue to manage core operations in a sustainable and financially profitable way, while demonstrating consistency with their values. The group noted, particularly, for investors, there's a need to help them evaluate the long-term value in a company and fulfilling the business case. As Jasmine Jirele pointed out, "It is a different metric than many of the other things that investors are used to looking at when assessing the success of an organization." Bringing it back to core beliefs, Scott Curtis remarked, "If organizations truly believe at their core that greater diversity of thought, greater diversity of perspectives, will lead to greater outcomes for the organization, then it's easy to embrace. I want to be accountable for that because it will result in better outcomes for everybody: employees, clients—all stakeholders."

Batia Wiesenfeld and George Nichols have a lively conversation as the group observes.

On the topic of the business case, the group discussed that in many circumstances when core values are challenged, there isn't necessarily an evident business case—at least not in the short-term. Celia Moore considered whether there is confirmation bias for the prevalent belief that doing well is profitable. She added that studies showing this may be more likely to publish than studies that do not show this. Others reflected on this challenge of consistently demonstrating the business case and measuring these relevant behaviors. For instance, people might find it difficult to speak up in companies that are profitable, even if their leaders are clearly doing unethical things. When there's good behavior, the day-to-day aspects of the culture are comprised of a series of smaller decisions that are necessary to run an ethical and profitable business. Mitchell summarized, "You don't see all the good stuff that happens every day. It doesn't make the news."

THE UNASSUMING CLOAK OF DISSENT

The discussion about workplace dissent began with Celia Moore summarizing a recently completed large study at a bank that she led, examining "speaking up" in terms of moral agency. The goal was to better determine how team leaders could encourage people to speak up and contribute their ideas. The intervention was designed such that the entire team generated ideas together for the first half of the meeting, and then at the midpoint of the meeting, the leader was to "drop the bomb"—to choose and move forward with what they thought would be, unbeknown to the other team members, the worst idea that the team had generated.

Moore recounted that consistent with a finding from a classic obedience to authority experiment, two-thirds of participants in the experiment did not defy authority even when making an unwise decision. She noted, in those cases where team members did speak up, "It just took one person to speak up, to say something contradictory, for enough people to follow and overturn the worst idea." She asked the group, "How do we create more of those ones?"

Highlighting a training opportunity to sensitize managers to what actual dissent looks like, Moore expounded, "Dissent doesn't look like you think it does." She described that while sometimes the dissenter was very blunt and explicit--one person even said, jokingly, of the worst idea, "Are you drunk?" --in many of the teams, dissent was elusive and implicit. It sounded like, "Are you sure? I rather liked this other idea. Maybe we should consider it." She pointed out, in these instances, dissent was very hedged and hesitant.

Noreen Beaman asked what it was about the dynamics of the team that made them more comfortable to be explicit, or if it was due to one person. Moore replied that there is an individual difference. There is a distribution in the population of people who are just more willing and able to speak up. Moore added that there were also nuances in teams such as those that demonstrated "humanity" and "humor." She described this in terms of "people actually looking at each other, having more informal conversations." She concluded, "Psychological safety is the prerequisite."

Questioning the influence of respect in an organization's culture; George Nichols wondered about people being respectful rather than saying, 'Are you drunk?' Moore acknowledged "agreeableness" is a problem in teams. The teams that were least likely to overturn the bad idea were the ones where the discussion was entirely positive and affirming. Moore appealed, "We need to have cultures where it is okay to dissent. Maybe not as far as, 'Are you drunk?' Yet, where we can be a little more direct because not everyone has to be nice all the time." She stressed the need for leaders to embolden people to make them a little more resistant to agreeing with the worst idea. She suggested framing it in a way that is not harshly critical and offer the possibility for a better idea.

Consistent with Moore's research, Sunita Sah shared insight from her studies on "insinuation anxiety" in the medical and financial contexts. Sah defined "insinuation anxiety" as a psychological process in which you feel anxiety to insinuate that the other person is incompetent, untrustworthy, or corrupt. "People often want to avoid giving any manner of negative evaluation to another person. Even though you might not trust someone, you do not want to signal that distrust to that person and potentially insinuate that the person is unethical or biased," Sah explained. She passionately noted that people's obsession with being polite over speaking up is immensely powerful.

Jasmine Jirele, Jim Mitchell, and Azish Filabi consider remarks from Marshall Schminke.

Executive Dilemmas

Azish Filabi validated Sah's work, sharing that The American College has integrated into its continuing education Sah's insights on the subtle psychological aspects of advisor relationships. Filabi commended Sah and commented, "I think awareness of subtle psychological cues and effects is so relevant for how we train and educate financial advisors to build trustworthy rapport."

Jim Mitchell set the foundation for discussion of ethically challenging situations faced by the executives in their roles as leaders. Mitchell shared that the definition of an "ethical dilemma" is a situation where there are good reasons to do one thing and other good reasons to do something that is very different.

AGENT COMPENSATION: A PROBLEMATIC PARADIGM

In the life insurance business, financial incentives for agents are front-loaded, so that they are compensated well for making sales, but not very well for servicing their customers. Thus, the behaviors between the various stakeholders are misaligned. What naturally happens is that the agent is motivated to sell, but not necessarily service or take care of the customer. The ethical dilemma is how to build better incentives while staying competitive with other firms and maintaining loyalty of the agent base.

Discussion

In his search to find a resolution that balances incentives and economic reward across all stakeholders, Matt Berman shared his realization that life insurance has typically been a luxury purchase for those households that can afford it. He averred, "In our world, we are mission-driven, we are purpose-driven. We have built a compensation model to make sure we're promoting the incentives that will enable agents to target those families where life insurance is a benefit, where it is providing a social good and a social purpose." Berman continued, "I'm somewhat unsettled with the entire model of incentives. If we don't structure the incentives in a certain way, lower income households will never get addressed." Berman added, "They will never have a policy because the agent won't find it in their economic interests to prospect them."

As a steward of the business, Berman strives to find personal reconciliation in serving communities in ways that are socially responsible. Jim Mitchell colored the bigger picture with additional insight. He explained that selling life insurance is a "hard job," with only 14% of agents remaining in the business four years after starting the job. Mitchell added that the alternative to the front-loaded model is to pay all new agents a livable wage and pay more to a lot of people who will not succeed ultimately. Bill Williams pointed out that it's an industry wide dilemma because independent representatives are also licensed with multiple other firms that all pay an upfront commission. To effect change, the entire industry must change.

In Berman's view, there is a balancing act, and he wondered, at what point it becomes socially irresponsible to the clients. Scott Curtis observed that life insurance is very agent driven rather than customer driven. Berman agreed, adding, "The life insurance model today, for better or for worse, is the product is sold, not bought." He took it a step further and posited that if that is the general thesis of how products are distributed, companies will focus on the agent. He suggested that this opens a

George Nichols, Batia Wiesenfeld, and Noreen Beaman reflect on remarks from Bill Williams.

new set of questions: Is the agent now the customer, or is it the end consumer who is the customer? Berman acknowledged that the person who signs the check is the ultimate customer but highlighted that there are multiple stakeholders at play in the system.

FAIRNESS AND PREDICTIVE ANALYTICS IN UNDERWRITING

The use of algorithms to identify the likelihood of future outcomes based on publicly sourced data in health and life insurance is a source of ethical dilemmas for many companies. Issues arise as to which data inputs can and should be used to make decisions, and whether the underwriting and marketing systems lead to potential false conclusions about individual behaviors.

Discussion

This ethical dilemma was especially interesting for both executives and academics. A question was raised whether consumers could get insurance without agreeing that the company could use publicly sourced information. Jasmine Jirele acknowledged that consumers could go through traditional underwriting, but they might not get as good a price. Almost every insurance company is going in this direction because, in principle, more data can help make better decisions. As Bill Williams put it, "If you want life insurance, eventually, you're going to have to share all the facts."

Jirele surfaced the core dilemma of the ethical challenge, which is that there is no clear right answer. In some cases, the consumer wins, in some cases the insurance company wins, and in some cases, people are just paying the wrong amount based on the risk. Yet, with additional data inputs, it's possible that risk analysis could be more comprehensive. Moreover, the pandemic has added a wrinkle to the dilemma. It has highlighted the disparity in receiving quality care among underserved groups, raising questions about the factors that have led to health issues that affect pricing.

One suggestion was to test the variables — to look at certain factors and observe if they weigh more on the outcome. One may have very different outcomes depending on whether it is a fully automated process or whether a human is leading the underwriting and that person is going out and calling for the data. Sunita Sah noted having more information can sometimes make things worse. It may necessitate the need to redact irrelevant and biasing information to make things fairer.

Matt Berman speaks as the group listens carefully.

In the traditional system, the consumer provides information. There is an exchange and transparency around what was provided and how it relates to the

“THE WORLD IS A DIFFERENT PLACE IN TERMS OF HOW MUCH INFORMATION IS OUT THERE AND HOW DIGITALLY ACCESSIBLE IT IS.”
— Jasmine Jirele

insurer’s processes, which were led by people. With automation, it is a black box. There’s limited opportunity for the consumer to understand which data inputs were gathered and used about them, or to dispute the process. In particular, automation reduces clarity around the factors that led to the final decision. In addition, there are basic data quality questions, and there are not yet regulations addressing these issues.

Moreover, data providers make mistakes, and it is not always clear who is responsible for the mistakes and what role consumers can play to advocate or dispute data about their own behavior. This is a challenge best addressed at the industry level, rather than by individual companies, because a rising tide can lift all boats. Azish Filabi suggested, “On the question of what is actuarially justified, there needs to be an industry view on what factors should carry less weight on pricing outcomes, the related standards for data quality, and the approach to auditing the algorithms. If it’s not at a collective level, it’s just much more difficult to achieve.”

Scott Curtis inspires the group’s interest.

Another issue is whether privacy laws have caught up and whether consumers are consenting to having companies rate them based on whatever data is available to the companies. Dialogue ensued on the technical sense of the term “consent,” particularly about whether consumers have authorized the use of their data for insurance purposes. Filabi astutely offered that there are levels of consent because there’s a long chain of data ownership — she asked, “How can the insurer better understand that chain and help the customer close the loop on what they’re personally permitting for use for financial services?”

Jirele closed the discussion by noting, “The world is a different place in terms of how much information is out there and how digitally accessible it is.”

PAY-TO-PLAY AND CHARISMATIC WHOLESALING

Wholesaling for annuities and mutual funds was raised as an ethical dilemma with a question on whether the consumer is aware that wholesalers pay-to-play. A wholesaler is an expert on a product hired by the product company who then interacts with the financial advisors to educate them on their product. The wholesaler's role is to try to generate sales by virtue of educating advisors about those products.

Discussion

The group discussed the dynamics of the wholesaler-advisor relationships, and the potential conflicts of interest. There was concern that the advisor's behavior may be shaped by a relationship with a charismatic wholesaler versus a truly objective investment opportunity.

Bill Williams noted that some wholesalers pay more to the firm, so that they get more time in front of advisors. Every firm fully discloses it to its clients in the prospectus.

He questioned whether disclosure was sufficient, however, acknowledging that one must have a PhD in legalese to understand it.

As Williams sees it, the role of the wholesaler is to educate on the product of the company that they represent, to make sure the consumer is getting the best possible advice and recommendation. However, Williams observed that alternatively it could be seen as "edutainment" and that some use the relationships to offset distribution costs.

A parallel was drawn by Sunita Sah to conflicts of interest in the pharmaceutical industry within which pharmaceutical representatives build relationships with physicians, and how difficult it is to control that relationship and get the good aspects without the undue influence. Sah indicated that there's a huge body of evidence demonstrating that items prescribed are consistent with the drugs that are promoted to physicians.

The group is fully engaged as Sunita Sah expressively responds to Scott Curtis.

Relating to Sah's contribution, Scott Curtis shared how he had listened to a consumer panel where one of the consumers said 'I want to be able to trust my financial advisor in the same way I trust my doctor. I know that my doctor is putting my best interests at heart when they make a recommendation to me.' Curtis remarked on the consumer's potentially incorrect judgment.

From her work on conflicts of interest and their disclosure, Sah shared that people were confused in their thinking that their doctor always had their best interests at heart. She explained, yes, that is the purpose, but the doctors may not be aware of how they are being influenced. Sah noted that even if there is a disclosure to the patient, the patient is in a position of then trying to figure out what to do with that information. She has observed that there is complexity in the mental model of how conflicts of interest work.

Jim Mitchell offered his perspective that for decades the notion has been that more disclosure is better. Consequently, securities prospectuses, medical disclosures and the like get longer and longer, and people do not read them. Sah validated, "Research shows that as soon as you think, 'Oh, this is a standard disclosure or a standard contract' people just switch off and sign."

Sharing insight from a course she teaches on influence, Celia Moore shared that she begins with the premise that humans are natural reciprocators. She references a blind study from the pharmaceutical industry to instruct her students about the effects of influence. In this study, when a hospital changed its policy on pharmaceutical-rep-visited drugs to "no gifts at all" regardless of whether the gift was nominal (e.g., a squeeze ball) or substantial (e.g., trip to Hawaii), the percentage of prescriptions decreased by 12% compared to a decrease of 6%, when what was cut was only the substantial gifts, but not the nominal gifts.

In another example, Moore reflected on an experience she had upon meeting a former US Attorney when he spoke at Harvard. Moore recounted how the then District Attorney declined having a salad in the faculty lounge. Moore shared that she was so affected by the seriousness with which he took perceived conflicts of interest. When she used the same example at the European Court of Auditors, the pushback she received was stunning. They could never imagine that a mere salad would influence their judgment. Moore remarked that everyone wants to believe that they are completely immune from influence. But none of us is.

THE PPP LOAN: 'IT'S FREE MONEY, AND EVERYBODY IS TAKING IT'

A company executive shared an ethical dilemma in the context of eligibility to apply for a loan from the Paycheck Protection Program (PPP). At the time, they had been negotiating a deal to sell the firm which fell apart; but they still had bills to pay and had no additional access to credit. The firm's CEO felt conflicted on whether to take a PPP loan. The CEO was advised to take it, so the firm applied for the loan. The firm's CEO considered whether the money was really needed and if the firm should take it. The firm had no visibility into how long it would last. The CEO wanted to avoid feeling bad at the prospect of laying people off if the scenario were one of a missed opportunity — where the loan was not taken when the opportunity to take it had presented itself.

By the time the loan came through, the market had made a comeback and the firm had sufficient cash. Consequently, the firm gave the loan back. The firm had avoided being in the newspaper for taking the loan because they gave the money back within the expected time, but many others did not return the money. It was when the loan came through that the firm's CEO learned that many small businesses were not able to get PPP access because they did not have the right banker or other service provider for support.

Discussion

Acknowledging the prevalence of this dilemma, Scott Curtis commented that the mindset, at the time, was "Hey, it is free money offered by the government. We are taxpayers. We deserve to have this because we are small business owners. Even though we don't need it, we're going to take it anyway." Celia Moore suggested that for the small businesses that took the money and didn't need it, it is a question of how they cognitively switch to justify that whichever decision was made was the "right" decision.

TAKING A STAND ON SOCIAL JUSTICE

It was June 2020, the height of the Black Lives Matter movement. An employee of a public company and his wife were videotaped complaining and then calling police after confronting a person of color for stenciling 'Black Lives Matter' in chalk on the retaining wall of a property in their neighborhood. The white couple alleged that the person stenciling the message was not the person they knew to be as the property owner.

The video made it into social media and the news, creating an uproar that put pressure on the company to respond. While the woman who was the key person involved in the incident was not an employee, there were concerns that

"WHERE DO WE STAND AS AN ORGANIZATION? WE DO NOT TOLERATE DISCRIMINATION. WE DO NOT TOLERATE RACISM."
— Scott Curtis

her husband, the employee, did not rebuke her. The employee was not fired but resigned in the best interest of the company and himself. At the time, the company did not know who owned the property in question. It later turned out that the person of color did own the property. The group was asked to reflect on what the company should have done with this employee.

Discussion

Scott Curtis commented that it is a matter of reflecting, "Where do we stand as an organization? We do not tolerate discrimination. We do not tolerate racism." He continued that if the company did nothing, it would raise the question of the company condoning the employee's lack of action. On the other hand, if the company did something — terminate the employee — it would raise the question of whether the employee's inaction was a terminable offense.

A discussion ensued about the employee's thoughts and actions. Was it a case of stereotyping or just mistaken identity? The group felt that the options on the table — suspend, terminate, fire — were extreme.

Azish Filabi commented that there is a legal dimension as well as a leadership question with respect to proper coaching and values. The legal question raises due process concerns and the current law around what is considered a terminable action, particularly when it's off-site. Filabi noted that there is a related question about culture, education, and awareness, "Do you feel this person is upholding the values of the organization? I think that is a different set of questions and perhaps a little bit harder to address long-term."

Turning the group's attention to query about the long-term relationship of the couple at the center of the brouhaha, another participant opined that the default mode of siding with his wife's decision-making should not be a punishable offense. It's likely that he has a positive view of his wife's character over the years and is giving her the benefit of the doubt, compared to the individual who appears to be defacing the neighborhood. Moreover, can someone be punished for doing nothing?

A couple of executives concluded that, while there was some sort of "culpability," termination was an extreme outcome. They would rather have had the company view the incident as a "teachable moment." Sunita Sah suggested other options that could have been considered, particularly to coach the employee to reflect upon their role and response in the situation. George Nichols pointed out that the incident did not occur in a vacuum. "This was a whole challenging movement going on in America. This was a societal moment. Black Lives Matter is in front of you and highly visible." Sah challenged the group to consider whether our own empathies in responding to the situation are derived from our own ethnic backgrounds and identities. "Maybe we can see ourselves as the person of color in the situation?" and that impacts how we analyze the scenario.

Celia Moore suggested the company or an organization that faces this could have taken this as an opportunity to teach employees about allyship. She concluded, "This is an opportunity to really understand how to not be a bystander, how to avoid complicity, how to be a good ally."

Jasmine Jirele, Matt Berman, and Noreen Beaman gladly pose for a photo.

Academics' Questions

"ARE WE TAKING A STAND AGAINST THINGS THAT WE THINK ARE WRONG? IF IT IS BECAUSE WE BELIEVE SOMETHING'S WRONG, I WOULD RATHER ADDRESS THAT THAN TAKE NO ACTION."

— George Nichols

NAVIGATING EMPLOYEE ACTIVISM

Batia Wiesenfeld asked the executives if they have observed organizations change from the bottom-up, as a function of employee pressure. Of particular interest to Wiesenfeld are academic institutions that have had student- and faculty-led backlash against global campuses. She is concerned that these academic institutions may have lost their ability to change due to a cancel culture problem.

The group brought to bear considerations such as generational differences and societal matters. Additionally, a pragmatic question was raised about institutional investing in alignment with values.

The group absorbs remarks from Batia Wiesenfeld.

On the generational influence, Azish Filabi reflected that with the younger generation today, there is a global dynamic of accountability that seems to be translating into boycott, rather than engagement. She wondered where the middle ground lies and how to insert that into these dialogues. Alternatively, she wondered if it is a virtue signaling dynamic where people want to appear to be on the right side of history.

With respect to the interplay of societal influences on organizations, George Nichols contributed that sometimes there are broader, systemic challenges around which we need to directly engage. Nichols offered, "Are we taking a stand against things that we think are wrong? If it is because we believe something's wrong, I would rather address that than take no action." The group discussed the difficulty of distinguishing between those issues where the institution must take a stand, and others where ongoing engagement is sufficient. At the individual level, there is

"WHEN WE ALL THINK THAT WE HAVE TO BE PERFECT AND CAN ONLY PRESENT PERFECT OUTCOMES, THEN THAT IS WHAT CREATES FEAR."
— Celia Moore

an introspective process to get to the root cause of "why" you wish to take a stand. The motives might be relevant in these circumstances, and ideally people are purpose-driven to speak up against unethical issues.

Jim Mitchell queried Wiesenfeld on whether her concern is with academic institutions that invest in companies that are trying to promote change and have their capital do the talking. He wondered whether students take that into consideration or if they want to cancel everything. Filabi reflected that while part of the speak up challenge in organizations is getting people to voice concerns in the first instance, she also questioned the utility of circumstances where people are voicing concerns regularly in non-constructive ways. She challenged the group to consider how to get people to speak up about ethical dilemmas and related challenges. Noreen Beaman added that it is also important to consider what action leaders are taking when confronted by ethical dilemmas, so that core issues are not ignored.

PROMOTING SPEAK UP CULTURE

Sunita Sah queried, "What can leaders do to create an environment where individuals feel they can speak up if facing an ethical transgression?" She asked the executives, "What are you doing in your organization to make it possible to hear about ethical transgressions?" She clarified that while there's Federal law protecting whistleblowers, there are often so many costs for one individual to speak up that they can be discouraged. There is so much the whistleblower can lose. Relating to the seriousness and weight of the dilemma, Noreen Beaman remarked, "I think the challenge is creating trust."

Reflecting on an assignment she gives to her students, Celia Moore shared, "When we all think that we have to be perfect and can only present perfect outcomes, then that is what creates fear." Sah pressed the group to consider if they are aware of this infatuation with perfection and how saying 'just speak up,' doesn't seem to be enough to create the environment where people do feel safe.

Celia Moore impresses a point as Sunita Sah, Jasmine Jirele and Marshall Schminke listen.

Recounting a professional experience, Jim Mitchell shared that he used "management by walking around" as an approach to connect with employees. He used to ask people, one-on-one, "What can I do to help you do your job better?" In many instances, he would be informed of behaviors that did not align with the company's values and was challenged about why he let such behaviors exist.

Mitchell noted that most of the time, he did not know that the behavior had been going on but promised to check it out and get back to the employee. Sometimes the behavior was consistent with his company's values, and he would go back and explain why to the employee. In the instances when he knew what was going on and he thought it was consistent with the company's values, then he would explain that right then. He was glad that he was able to improve some business processes just by walking around and listening to people. As importantly, though, it sends the message, "It's okay to speak up."

The group considered where the locus of responsibility should be relating to speaking up – with the individual, or the leader who created the environment. George Nichols commented that leaders have a proportionately larger role in these dynamics. If a leader reacts punitively, then the accountability and consequences for acting punitively is his alone. Nichols offered that humility is a key factor. "If a leader can admit he's wrong, then I think employees are getting the message that he's willing and open to listen to the employees."

Reinforcing this sentiment, Mitchell pointed to the fact that Nichols was willing to say, 'I know I messed up.' The lesson: by not being perfect, a leader makes room for employees to make their contribution, to bring ideas, to share the truth. Mitchell stressed, "That will give your employees permission to come to you and say, 'I screwed up.'" Nichols remarked, "It becomes an important level of trust. It goes across the organization. But it is work." Beaman commented, "We're all responsible, as leaders, for how people are feeling."

Reacting to Nichols, Matt Berman stated, "I think there are proof points that leaders can establish to ensure that there is a safe environment and safe forum." Berman shared that he struggles with this because there are so many things that can't protect that whistleblower that are existential. The stakes could be profound for that individual. The executives agreed that leaders must act when a whistleblower comes forward.

The group then considered how loyalty is a factor in scenarios where people are whistleblowers. When a whistleblower has true information that is problematic

for the company, that person must really care about the company and be willing to put their own career on the line. Filabi pondered, "How do we get the voice that is loyal to the best interests of the group to be able to come forward at the right time?"

As the group considered Filabi's question, Nichols polled the executives on whether they have created informal internal advisory groups. Nichols shared how he relies on such groups, who are individuals not in his chain of command, but on the frontline and spread throughout the organization. These informal leaders have their ear to the ground, and he facilitates these relationships so that he can be well informed.

PREPARING EMPLOYEES TO HANDLE MORAL DISTRESS

Celia Moore shared that she is involved in a project on moral distress, a concept that is adapted from the medical literature. It's defined as negative feelings or cognitions around a perceived dilemma. She noted there are three types of moral dilemmas people experience in organizations.

Jim Mitchell and Azish Filabi turn their attention to a moment that elicits different expressions.

The first is "necessary evils," which is doing something that a person believes is right, but still causes harm, and therefore, creates distress. The second type of distress is when a person does not know what the right thing to do is. The third type of distress is when a person knows what the right thing to do is and feels something (their job, their organization, or their leader) is restraining them from doing it.

In her project, Moore had several hundred people write about a moral distress experience. She stated that the third type of distress is by far the most dominant. She also indicated that almost no one writes about necessary evils, which she hypothesized is because people mostly experience distress when they feel they know what the right thing to do is and feel they can't do it. She asked the executives, "How do you feel you are preparing your employees to handle situations that might elicit moral distress?"

Scott Curtis shared that in his organization the leadership team has discussed difficult decisions with negative potential implications for associates, recognizing the importance of communication and associates' needs for understanding the rationale supporting the decision. At the same time, they have demonstrated empathy so that people did not feel management was carelessly "clubbing them over the head" and that it was only good for the business. Moore observed, "That's procedural justice – to explain to people what the rationale is and people are more willing to accept outcomes that are not good for them if they believe the process is fair."

In sum, Moore's project showed that there are four different reactions that people report having – defiance, collaboration, avoidance, and complicity. She shared that people who defy or collaborate report much happier outcomes. They have higher levels of life satisfaction, higher levels of employee engagement, and higher levels of intent to stay in the organization. Moore pointed out that there are many things that don't rise to the level of whistleblowing that people are glad they stood up for.

THE TRICKLE-DOWN EFFECTS OF TRUST

Marshall Schminke shared a challenge in which ethics training does not seem to trickle down. He referred to a study he published a couple of years ago on the trickle-down effects of trust. He remarked, "Trust and trusting relationships, at the top level, do find their way down." Schminke reflected honestly that he cannot explain why the ethics part does not work that way, but it turns out the trust part does. He offered it in terms of a bright spot that it is not all lost. He believes training can really engage top-level executives. He stressed, "The foundation of good ethical relationships is trust." He asked the executives to share their thoughts on the difference between the ethics programs and training and development, and what is different that would make trust work but ethics not.

Two of the executives shared what they do in their organizations. In one company, they test new education and training at the executive level before it rolls out across the entire organization. The education programs are helpful. Scott Curtis remarked that the dynamics of trust are different than ethics because trust is about inter-personal relationships. Curtis emphasized the importance of leaders admitting to their mistakes, showing a little bit of vulnerability, and asking for opinions, including those that might be different. He stressed, "To lead effectively, you need your team members' trust. You empower them to provide their perspective, you create that safe environment." He added that coaching and employee development are key skills. Sunita Sah echoed, "To be

"TO BE AN EFFECTIVE LEADER, YOU NEED TO BE BOTH COMPETENT AND OF GOOD CHARACTER."
— Sunita Sah

"WE NEVER TALKED ABOUT ETHICS. WE TALKED ABOUT VALUES. WE NEVER USED THE 'E' WORD, BUT WE WANTED OUR BEHAVIOR TO BE A MANIFESTATION OF OUR VALUES."
— Jim Mitchell

an effective leader, you need to be both competent and of good character." Jim Mitchell judiciously stated, "We never talked about ethics. We talked about values. We never used the 'E' word, but we wanted our behavior to be a manifestation of our values."

Synthesizing the discussion, Azish Filabi remarked that she thinks of trust as a "repeated game," and you must be involved in the game to be trustworthy or to trust. Celia Moore closed the discussion by commenting, "Trust is relational. You can't have it without people."

BUSINESS ETHICS AND QUANTIFICATION OF SOCIAL DATA

Azish Filabi rounded out the academics' discussions with an ethical dilemma about the ethics of quantification of social data. Filabi explained the need for more quantification is due to growth of interest in ESG but queried whether the right data is being quantified and if the measures encourage appropriate behaviors.

In the context of developing a research agenda, Filabi wondered about the ethics of pursuing this research and how to do so with integrity. Filabi asked the executives to consider the business case for the related ethical challenges and whether they think about the ROI to some of these contributions.

The executives questioned the existing metrics. George Nichols acknowledged that no one admits they are not ethical and struggled to accept the validity of a metric that would confirm or not confirm ethical behavior. Scott Curtis observed that the tendency is to measure unethical behavior, which is more easily observable. It was also noted there is something "paradoxical" about a metric as a barometer for ethics because of the variance in decisions and circumstances that govern decision-making. Matt Berman astutely remarked, "Ethics is a pattern or conduct of behaviors within a community of people that have ranges."

Sunita Sah, Celia Moore, and Batia Wiesenfeld dialogue at intermission.

Everyone has a point of view on what is the right thing to do in each circumstance.

In making the case for metrics, Marshall Schminke argued that ethical cultures traditionally have been measured in terms of whether people really understand how to make a good, ethical decision. He suggested there is a need for a metric that tracks three things – competence, empathy, and efficacy. He asserted that it is a three-way interaction and having even one of these absent within an organization makes the whole just fall apart because the ethical behavior may not emerge. All three must be positive to get the outcome.

Filabi shared that the quantification of social data issue is partly driven by investor demand for better indicators. Yet, the measures can become a metric for reputation management, rather than for problem solving and doing the right thing. There was some discussion among the group on whether the problem is figuring out how to measure the "S" or the "G" in ESG.

Jim Mitchell speaks as Noreen Beaman and Bill Williams listen thoughtfully.

Celia Moore suggested that the problem is that measurement relating to corporate ethics focuses on the absence of ethical failures, which are harder to measure and emerge irregularly. This can create a challenge relating to benchmarks and effective quantification. For example, many companies have confidential hotlines, but the quantification challenge is whether we want the number of reports to confidential lines to be low or high. Moore explained that sometimes if the reports are exceptionally low, that is an indication that everyone is scared, which raises a question about what the optimal amount is. Other times, high reports are an indication of high incidence of unethical behavior.

Moore concluded, "I think there are certain things that we know can be measured. They are not direct measures of the 'S,' but they are measures of the likelihood of a bad 'S

Concluding Remarks

Jim Mitchell concluded the day by asking the Forum participants for feedback on their experience of the Forum. Resoundingly, participants expressed appreciation for the opportunity to engage in the day's discussions. Overall, the executives shared feedback that they valued having a community with which to discuss their dilemmas, and the academics valued having scenarios and cases to inform their teaching and research.

Mitchell thanked everyone for their participation and concluded, "I hope you will reflect and do some things differently as a result of this time today."

THE JAMES A. AND LINDA R. MITCHELL/ THE AMERICAN COLLEGE FORUM ON ETHICAL LEADERSHIP IN FINANCIAL SERVICES

The American College Cary M. Maguire Center for Ethics in Financial Services is the only academic 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.

The Forum is a groundbreaking, one-of-a-kind event that underscores the Center's emphasis on collaboration and conversation among academics and executives. The Forum is a cornerstone of the Center's activities, bringing together industry leaders, accomplished producers, and prominent business ethicists to reinforce the need to connect values and good business practices.

James A. Mitchell was recognized in 2008 for his dedication to business ethics by being 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.

Appendix

CASE STUDY

It's said that truth is stranger than fiction. The true events of the past few years have indeed been strange. It seems that every year is an "unprecedented year," and we have yet to see what 2022 has in store for us.

Each year, the Ethical Leadership Forum's morning session begins with a case study to launch a discussion around a topical ethics challenge. The focus of our case study for the January 2022 Forum will be how leaders can increase trust in financial services while navigating the complexities of the business environment. The 2022 Forum is the 21st convening, hosted by Jim and Linda Mitchell and The American College of Financial Services Maguire Center for Ethics. The Forum has run continuously for 20 years, until the CoViD-19 pandemic obliged that we pause in 2021.

This year's Forum discussion will draw directly from the real events we've all experienced or read about, enabling participants to reflect on recent developments in business and society, how those events impact leadership in financial services, and how companies can use those insights to manage stakeholder relationships.

Where there's complexity, there's a need for ethical decision-making. Using trust as an analogue and framework for ethics can help leaders render tangible topics that may appear elusive. With respect to trust, commentators and researchers continue to highlight that there is a crisis of trust in institutions, which has consequences for their ability to continue to fulfill their mission.

For example, the April/May 2021 issue of Fortune Magazine was devoted to the precarious nature of trust in business, asserting that accountability is of prime importance to address this challenge.[1] Moreover, the annual Edelman survey on public trust in institutions notes a continued decline in trust in all institutions. Edelman's research shows, however, that business is now the most trusted institution in America. Yet, financial services is one of the least trusted sectors in business.

In a sign of good news for the industry, based on recent survey results from our American College Maguire Center for Ethics *Trust in Financial Services* research, when financial services is compared to other service industries, about one-third of people indicate they have high trust in the industry, after healthcare and education, and above telecommunications, media, and government. We also found that as household income increases, so does trust in all service industries. Furthermore, millennials have higher levels of trust in the industry overall, which is promising because they are currently the largest population in the U.S.

Let's explore a few of the events of 2020 and 2021 across the following four proposed themes, with a particular emphasis on how it relates to the financial industry:

1. ***Employee engagement***. *The "great resignation" and new hybrid working environments.*

Engaging employees has always been a challenge. Hybrid and remote work environments make it even more so.

Based on data from the U.S. Bureau of Labor Statistics, the national "quit rate" in September 2021 was 3%, up from 2.3% last year.[2] While that's an overall figure, it seems that the financial services industry is responding to a similar trend, mainly by increasing salaries and providing flexible work arrangements. Professionals in insurance and finance had an estimated 7% increase in pay last year.

While hybrid arrangements provide benefits, they also bring new challenges. For instance, how do managers equal the playing field when it comes time for promotions and rewards, particularly when contributions from a segment of the population in the office are more visible while those from home are less seen and heard? Attempts to facilitate equal access, such as conducting all meetings by video when at least one participant is remote, will likely backfire as workers who commute to be in-office may soon vocalize their discontent.

Hybrid environments are likely to impact inter-personal trust in the workplace as well. Academic research studies report that the physical and social distance created by remote work decreases trust.[3] This will also have implications for ethical culture. And some of the early responses, like the increased use of surveillance technology on employees, are quick fixes to more fundamental culture issues.[4]

Yet, survey findings continue to show that not providing flexibility is no longer an option in the new-normal. More than ever, navigating the landscape of workplace culture is of paramount importance not only to trust and ethics, but also the core elements of organizational effectiveness.

2. ***Fake it 'till you make it.*** *Visionary leadership under the microscope.*

Meanwhile, fundamental ethics challenges of misrepresentation and fraud continue to headline business news.

The line between "puffery" and fraudulent misrepresentation is thin, and Ozy Media seems to have stepped over to the wrong side. The company's COO was caught impersonating a You Tube executive during a conference call with Goldman Sachs, who had been considering a $40M investment in the start-up. The COO boasted about the popularity of Ozy's videos on You Tube's social media feed. Ozy also made other false claims, indicating for example that it's secured deals with broadcasters, when it had not. Goldman did not invest, and it was later reported that Ozy Media will be shutting down, and then again reported a day later that they will not shut down. Pinning-down the Ozy leadership team is a challenge.

For those who study business ethics, it's not surprising that the Ozy staff members complained of a "relentless culture" and of the Founder's erratic, controlling, and sometimes punitive management style.[5]

The ability to engender trust is a key component of attracting on-going commitments, financial or otherwise. The Washington Post reports that investors were attracted to the company's "mission-driven orientation" and the Founder's vision to deliver a modern media company that attracted a younger, more diverse, and global audience. The fatal allure of the mission-driven pitch sounds familiar, particularly this year as Theranos Founder Elizabeth Holmes is on trial defending her own actions in connection with the failed blood test biotech start-up. Visionary leadership gone wrong is also reminiscent of We Work co-founder Adam Neumann's promise of building a better world and stronger communities through his business model, which famously went from a valuation of $50B to $8B in one year (2019).[6]

To further enhance this point about the importance of ethical leadership: in our *Trust in Financial Services* survey, over one-third of respondents indicated that they are likely or highly likely to be influenced by the behaviors of business leaders as a factor in their decisions to choose a financial firm.

3. ***Racial justice and corporate leadership on diversity, equity, and inclusion (DEI).***

A year-and-a-half after the social uprisings for racial justice in Spring, 2020, many observers are asking whether corporate efforts relating to DEI are here to stay.

It's clear that public expectations of corporate behavior have shifted. According to survey research conducted by Just Capital in 2020, "nearly 90% of Americans believed that the pandemic provided an opportunity for companies to hit "reset" and focus on doing right by their [stakeholders]" beyond just investors.[7] Many companies are beginning to respond. The Wall Street Journal reported in December 2020 that corporate America committed $35 Billion toward racial equity programs including a combination of initiatives to improve diversity within companies, improve access to financial services in underserved communities, and support for Black business owners.[8]

Yet, in follow-on surveys in 2021, public sentiment had already shifted. Just Capital found that the expectations are still high, but confidence is waning.[9] Notably, only 49% believe companies have a positive impact on helping overcome systemic racial injustice, and only 36% believed that companies have a positive impact on the financial well-being of their own lowest paid workers.

The financial industry is at the intersection of these dynamics. While it has the corporate challenge of managing internal DEI efforts relating to their employees, it also can catalyze impact on the broader economy through its' role as an intermediary. In our surveys on *Trust in Financial Services*, we found that nearly 6 in 10 consumers were more likely to trust a financial company that supports local communities, and that a similar percentage seeks connection with companies whose values align with their own.

4. ***The rise of ESG.*** *Aligning efforts on social and environmental issues.*

Whether you believe ESG investing is merely greenwashing, or if you think it's the next big thing in financial services, it's clear that since the beginning of the pandemic, investor concern about how companies manage stakeholder interests has led to increasing attention to performance on environmental, social and governance issues. ESG means different things to different people: some use the acronym as a term that applies to all non-financial elements of running a business; others view it through a risk management lens to find companies that score higher on metrics that may lead to long-term sustainable financial performance; yet others believe ESG is synonymous with ethical or impact investing and has the potential to improve livelihoods. (My own view is published in **this Kiplinger essay**).[10]

The themes of employee engagement, corporate culture, good governance, and community engagement, described earlier, all manifest themselves in ESG because investors look for ways to analyze company performance on related metrics. This enables a shift in capital towards behaviors that investors (and investment managers) believe either represent a view on long-term sustainable financial performance, or as investor preferences/values.

Yet corporate disclosure of non-financial behaviors is sparse and inconsistent, and ESG rating agencies vary in their approaches and conclusions.[11] It's clear that we are in the early stages of a long-term challenge to develop systems that integrate factors that were historically deemed to be "externalities" (such as environmental pollution, impact on employees, etc.) and there'll be more to come from both regulators, researchers, and business leaders on how to advance these strategies.

CASE QUESTIONS

1. Fortune Magazine's April/May 2021 issue was about the precarious nature of trust in business. In the foreword, the author quotes Professor Jill Atkins, a corporate governance expert and chair from the Sheffield U School of Management, who reflects on the evolution of corporate governance since 2001: "The biggest difference," says Atkins, "is that a corporation's social responsibility, and indeed its ethics, are no longer considered a separate realm from traditional corporate governance functions." Do you agree with this statement? Where do you experience social responsibility as a separate realm from ethics? Where do you see the overlaps? How should ethics be integrated into the Board's roles and responsibilities?

2. Now that hybrid work environments are here to stay, at least in the near term, have you been challenged with using the "before times" approach to compensation, promotion, and rewards systems in the new paradigm? Do you see any best practices relating to managing equality of access to promotions and rewards?

3. Some leaders say that managing the disruptions from COVID, including the vaccine mandates and related employee engagement challenges, has been among the most difficult culture management challenges of their career. What kind of disruption has your organization experienced? What is your sentiment about that? Has your organization experienced any benefits or been able to advance on any opportunities?

4. Commentators relating to Ozy Media, Theranos, and We Work often point to the fact that these “bad actors” don’t represent the broader population of visionary entrepreneurs and business leaders. Do you agree with this perspective, or do you think there is a culture problem? Is it localized in Silicon Valley and among tech start-ups, or is there a broader problem in business culture or among investors?

5. People, and in particular investors in start-ups, want to support visionary leaders who are charismatic and confident about the success of their ideas. This seems to be particularly the case for early-stage investments, when products or services are still under development. Supporters of WeWork, Theranos, and Ozy Media all seem to have been blinded by the charisma and the momentum behind the founder’s ideas, and their due diligence didn’t go far enough to verify the facts and data behind the story. To what extent do you agree with this assessment of the appeal of charismatic leadership? If so, how might we find (or train) confident leaders who possess the qualities needed for success with the integrity to match their words to their actions? What are those other necessary qualities?

6. When it comes to diversity, equity, and inclusion (DEI), there’s a tendency to treat the topic as a niche challenge, or as relating only to internal culture and employee engagement. Yet, with respect to demographics in the U.S., many estimate that individuals who today are considered minorities based on race/ethnicity, will collectively represent the majority population by 2045–2050. With that in mind, the financial services sector will need to not only attract and retain diverse talent but also develop products and services that will attract diverse customers. How well equipped is the industry to meet this challenge? What more is needed?

7. In your role as leaders of financial advisory and insurance companies, where do you see the balance of interest in ESG? For instance, do you see that ESG is generating opportunities for you to develop new products and strategies? Or are you exploring possibilities for how your company’s invested capital can be aligned with sustainability? Or both?

8. Data collection and reporting on ESG has been reported as a big challenge for companies, as well as for investors who wish to use that data for decisions. Have you experienced this challenge? If so, please describe your challenge and how you’ve tried to resolve it.

9. For those who are researchers, in your role in academia, what opportunities do you see as ESG data grows? Are there implications for measuring social impact and other components of ESG?

10. The idea of balancing stakeholder interests is increasingly a hot topic in business ethics. While many leaders indicate that their job has always been about balancing stakeholders, the modern challenge seems to call for more advanced frameworks and related data about stakeholder expectations, and their patterns and practices of engagement with companies. Do you see an evolution in your leadership approach towards balancing stakeholder interests? If so, how has it evolved and what are the present challenges?

[1] See, Fortune magazine, April/May 2021. Available at **https://fortune.com/packages/april-may-2021/**

[2] See Beagan Wilcox Volz. "Great Resignation, Labor Shortage Push Up Pay." Ignites, November 15, 2021. Available at **https://www.ignites.com/pc/3399224/432944?all=true**

[3] Ward Van Zoonen, et. al., Factors Influencing Adjustment to Remote Work: Employee's Initial Responses to the COVID-19 pandemic. Available at **https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8297254/**

[4] Jerry Useem. "The End of Trust: Suspicion is undermining the U.S. economy." The Atlantic, November 24, 2021. Available at **https://www.theatlantic.com/magazine/archive/2021/12/trust-recession-economy/620522/**

[5] See Sarah Ellison and Jeremy Barr. "Ozy Media's audience was mostly a mirage." The Washington Post, October 5, 2021. Available at, **https://www.washingtonpost.com/media/2021/10/05/carlos-watson-ozy-media-today/**

[6] See, Rani Molla and Shirin Ghaffary. "The WeWork Mess, Explained." Vox, Recode, October 22, 2019. **https://www.vox.com/recode/2019/9/23/20879656/wework-mess-explained-ipo-softbank**

[7] See, Nick Mascerola. "The JUST Report: Business is failing the promise of a "Great Reset." Just Capital Blog, November 15, 2021. Available at **https://justcapital.com/news/the-just-report-business-is-failing-on-the-promise-of-a-great-reset/**

[8] Lauren Weber. "Companies have promised $35 billion toward racial equity. Where is the money going?" Wall Street Journal, December, 2020.

[9] Jennifer Tonti. "Survey Analysis: Americans believe CEOs Have a Role to Play in Addressing Income Inequality, Believe Workers are Being Left Behind." Just Capital Blog, accessed on December 8, 2021 at **https://justcapital.com/reports/survey-analysis-americans-agree-ceos-have-a-role-to-play-in-addressing-income-inequality-believe-workers-are-being-left-behind/**

[10] Azish Filabi. "ESG Is Not 'Ethical Investing.' And that's ok." Kiplinger, November 29, 2021. Available at **https://www.kiplinger.com/investing/esg/603836/esg-is-not-ethical-investing-and-thats-ok**

[11] Saskis Kotsantonis and George Serafeim. "Four Things No One Will Tell You About ESG Data." Journal of Applied Corporate Finance. 31, no. 2 (Spring 2019): 50–58.

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

630 Allendale Road, Suite 400
King of Prussia, PA 19406
610-526-1000