

# Perspectives on Ethical Leadership 2019



Nineteenth Annual

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



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

# Forum on Ethical Leadership

**THE NINETEENTH ANNUAL JAMES A. AND LINDA R. MITCHELL/THE AMERICAN COLLEGE FORUM ON ETHICAL LEADERSHIP IN FINANCIAL SERVICES** TOOK PLACE ON JANUARY 12, 2019 IN NAPLES, FLORIDA. THE EVENT FEATURED A DISCUSSION OF SEVERAL 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 AROUND THE COUNTRY.

### ACADEMICS

**DONALD CONLON**, The Gambrel Family Endowed Professor of Management & Chairperson, Broad College of Business, Michigan State University

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

**JARED HARRIS**, Associate Professor of Business Administration, Darden School of Business, University of Virginia

**BEVERLY KRACHER**, Executive Director/CEO, Business Ethics Alliance; Robert B. Daugherty Endowed Chair in Business, Ethics, and Society, Heider College of Business, Creighton University

**CHRISTOPHER MACDONALD**, Associate Professor, Law and Business & Director, Ted Rogers Leadership Centre, Ted Rogers School of Management, Ryerson University

**KATHERINA PATTIT**, Associate Professor, Ethics and Business Law, Opus College of Business, University of St. Thomas

### EXECUTIVES

**ROGER CRANDALL**, Chairman, President and Chief Executive Officer, MassMutual

**SALENE HITCHCOCK-GEAR**, President, Individual Life Insurance, Prudential Financial

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

**GEORGE NICHOLS III**, President and Chief Executive Officer, The American College of Financial Services

**KNUT OLSEN**, President and Chief Executive Officer, National Guardian Life Insurance Company

**WESTLEY THOMPSON**, President and Chief Executive Officer, M Financial Group

**LEO TUCKER**, Managing Partner, Washington, DC, Northwestern Mutual



# Executive Summary

On January 12, 2019, a group of six academics and seven executives gathered in Naples, Florida to participate in the Nineteenth 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.



*Beverly Kracher listens attentively to Leo Tucker's comments.*

Before the meeting, the participants received a case dealing with a current ethical issue in business that was used to stimulate the initial discussion and prompt further insights. The format deliberately used a circle of chairs with no table or electronics, which allowed for a free exchange of ideas and observations. After introducing themselves and sharing their goals for the day, the participants began by discussing the case. Subsequently the executives presented cases and issues of their own, and the academics posed questions to the practitioners. The day wrapped up with personal reflections and key ideas that had emerged out of the forum.

The initial case centered on a dilemma faced by a CEO. The financial services company had traditionally engaged in philanthropic community ventures as part of its commitment to being socially responsible. One artistic enterprise it supported was a local theater company. As a result of recent social and political events, the theater had staged a deliberately controversial and provocative production that dealt with LGBTQ issues and challenged





what was described as “white oppression.” The CEO’s company was featured as a prominent sponsor in an announcement at the beginning of each performance and had an appreciation page in the playbill. The CEO was being asked to make a public statement. Some within the company reported that clients had surrendered their policies as a result of the association, whereas others felt that some younger clients would strongly support the right to free speech. The General Counsel advised him to withdraw from the relationship as it was unconnected with the corporate mission. Peer firms had not faced the same issue, and so it was difficult to forge allies. At the same time, the CEO believed he could not divorce his own views from those of the company and wanted to make a personal statement that did not compromise his own integrity.

The participants agreed that a company’s core values, as reflected by its culture, are key to determining when and how a company takes a public position on issues. There was also a consensus that, in today’s

environment, being silent might also be interpreted as taking a position. The accessibility of information in the digital age, and the speed with which it travels, can quickly bring relationships and situations into the public sphere that previously went unnoticed. Failing to address such information publicly can lead to a gap that clients and employees may fill in by presuming the worst. As a result, companies, even those that rarely made public statements in the past, are increasingly taking public positions on a variety of topics seemingly unrelated to their businesses. Formulating appropriate responses and leading effectively through these situations requires critical thinking, good judgment and the ability to tolerate ambiguity.

The rich initial discussion led into individual cases that the executives presented to the rest of the group. Several themes emerged: the issue of role morality, where an executive is an agent of the company whose job is to



*Roger Crandall comments as Donald Conlon and Knut Olson listen.*





benefit all stakeholders while staying true to her or his own values; the difficulties involved when a manager knows that an employee is a high performer but whose personal integrity is compromised; tensions when ethical issues at work may reach a point where someone feels compelled to quit a well-paying job with an executive trajectory; moral quandaries when trying to work through fiduciary duties to the firm and its clients; working with others whose values may not be consistent with your own; and what is the tipping point when it comes to reporting ethical lapses by others.

In turn, the academics posed their own questions to practitioners. One asked about how the CEOs had approached ethical dilemmas they had encountered. Another asked about the tensions between incentivized performance and ethical standards. Drawing on recent experiences, one of the academics queried how senior management prepared for and subsequently took action when faced with an ethical crisis. A broader question focused on the constant demand for

growth, and how to create a long-term perspective against a background of expectations for short-term performance. The last focused on integrating ethical training at entry-level positions, given the stress placed on productivity.

## CONCLUSION

In conclusion, the participants discussed how companies are trying to create cultures, and how values are built in, monitored and encouraged. In the words of one participant, we constantly have to engage the “tone at the top, mood in the middle and buzz at the bottom.” The values of a company were also linked to moral responsibility at all levels. In addition, training and self-awareness seem to be key. Finally, humility and the admission of imperfection give others the space to learn and grow.



*Wes Thompson, George Nichols, Kevin Gibson, Jim Mitchell and Salene Hitchcock-Gear listen as Jared Harris makes a point.*



# Introduction



Jim Mitchell began the day's discussions by asking the participants to answer two questions: "Why are ethics important to you and your organization?" and "What do you want to get out of today"?

**Jim Mitchell** shared that he'd had the good fortune to work for two highly ethical organizations. He saw firsthand that good ethics is good business and, since retiring, has been working to help promote ethical business practices through activities such as today's Forum. One of the Forum's purposes is to give busy executives and academics an opportunity for structured reflection, which he thinks is very important given the demands of the digital age. He concluded by noting that he hoped the academics would leave with a sense that there are a lot of thoughtful people in the financial services industry, trying to do the right thing.



*Katherina Pattit is amused by Chris MacDonald's remarks.*

**Jared Harris** told the story of his father, who had spent 30 years working for the same employer. When preparing to retire, he wrote a check to his employer for a couple of hundred dollars. His father explained that it was for pens or pads of paper and envelopes that had come home in his suit coat at the end of the day. Harris reflected that his father had showed him that ethics is the way you bring together your personal values and the other parts of your life, including your professional life. "Ethics is big and it's grand but it's also really small, like the little choices that we make every day. And by being small, by being personal, that's actually what makes it big."

**Salene Hitchcock-Gear** shared that she had started in the financial services industry after being a lawyer for a short time, which had greatly influenced how she approached ethics in a business setting. As a lawyer she was always aware of her professional duties and had been trained in the language of fiduciary duties regarding the way things needed to get done. As she started working in corporate matters, she realized quickly that things



"IF YOU DON'T ALREADY HAVE AN ETHICAL FRAMEWORK TO GUIDE YOU, YOU HAVE TO CREATE ONE."

- Salene Hitchcock-Gear

"IT'S ABOUT THINKING LONG-TERM AS WELL AS SHORT-TERM, AND IT'S ABOUT STRIVING TO BE PART OF SOMETHING BIGGER THAN JUST YOURSELF."

- Bev Kracher

"THE ONLY LONG-TERM SUSTAINABLE ADVANTAGE WE HAVE IS OUR COMPANY'S CULTURE."

- Roger Crandall

worked differently - you have business goals to achieve, and "if you don't already have an ethical framework to guide you, you need to create one."

**Leo Tucker** reflected that he has been with his company for twenty-eight years and a managing partner for sixteen years and from the beginning had been struck by the importance of what people like him do for clients on a very personal level. He feels it is a privilege to help his clients achieve their dreams. Because of this, he explained, it had never been a question of pushing ethical issues close to the line. "We're dealing with what people care about most, so it's important to be ethical because of the nobility of what our profession is all about." He thinks that "tone at the top" is extremely important. "What I accept and what I tolerate influences 300 other individuals, in the same way the decisions I've watched my leaders make has influenced how I make decisions."

**Beverly Kracher** confessed that she lives, breathes and sleeps

ethics, and when you ask, "what is ethics?" she says that it's about what's right versus what's wrong and what's good versus what's bad. It's about thinking long-term as well as short-term, and it's about striving to be part of something bigger than just yourself."

**Roger Crandall** noted that in today's fast-paced and interconnected world, if things go wrong, your company could find itself in the spotlight incredibly quickly. As a result, if you don't have something to fall back on as a matrix, ethical and policy decisions could be made on the fly, which is not good. For that reason, he feels it is important to build a self-correcting culture - an ethical culture - where people have a view of how to do the right thing. "The only long-term sustainable advantage we have is our company's culture."



*George Nichols listens to Wes Thompson's comments.*

“YOUR REPUTATION FOR BEHAVING ETHICALLY CAN TAKE YOU YEARS TO BUILD UP AND FIVE MINUTES TO BE DESTROYED.”

–Don Conlon

“THEORIES NEED TO BE TESTED BY BEING BOUNCED OFF REAL PROBLEMS, AND PRACTICAL WISDOM SHOULD BE ORGANIZED IN A THEORETICAL WAY TO BE TRULY USEFUL.”

–Chris MacDonald

**Donald Conlon** started by noting that when he teaches negotiation, one of the first things he tells his students is that “your reputation for behaving ethically can take you years to build up and five minutes to be destroyed.” By way of example, he explained that in the first meeting of his negotiation class he gives the students an assignment that requires negotiating with each other. Afterwards they invariably find out that a couple of people, in order to get the agreement they wanted, lied about something. The rest of the semester they are identified as liars, all from the 10-minute negotiation in the first class.

**Knut Olson** explained that at his first company, which took ethics very seriously, he was involved in an initiative to reduce bureaucracy and rules. Surprisingly, ethics ended up being the secret weapon to allow them to make those changes. Prior to implementing ethics training, he explained, his company had a rules-based culture. “Once training and emphasis on ethics

had increased trust, we were able to do away with some rules, such as, instead of requiring receipts for all reimbursements, allowing reimbursements up to \$75 without a receipt. The more you can drive ethics into the organization, it’s good business for you, too.”

**Katherina Pattit** observed that she believes ethics is integral and should be a part of everything we do. Her goal is to convince her students it’s not an add-on, but a necessity. Similarly, she continued, “in some classes students are taught that their only responsibility is to maximize shareholder value, which doesn’t leave them with a legitimate space for their personal values. That’s my mission and the role ethics has played in my teaching - how do we remove these barriers so people can be who they really are?” Her goal for today, she explained, is to gain a better understanding of how people navigate the collisions between these two worlds in the context of an ethical dilemma, and to bring that understanding back into the classroom.

**Chris MacDonald** noted that, as a philosopher teaching in a business school, he is very interested in the intersection of theory and practice. While many consider them to be completely separate things - “there’s the textbook stuff and then there’s the real world” - he thinks, “theories need to be tested by being bounced off real problems, and practical wisdom should be organized in a theoretical way to be truly useful.” He was hoping to gain real world examples that he can take back to his classroom.



“ETHICS IS NOT  
REMEDIAL SUNDAY  
SCHOOL. IT SHOULD  
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EVERYTHING.”

–Kevin Gibson

“IT IS BETTER TO BE  
KNOWN BY YOUR GOOD  
NAME THAN BY GREAT  
WEALTH.”

–George Nichols

**Wes Thompson** recounted that his approach to ethics was shaped by an experience early in his career. He’d gotten the opportunity to run a regional marketing office after the former head, who had been very successful, was promoted to a much larger market. “Unfortunately, it was soon discovered that his predecessor, and several brokers in the office, had been engaged in a series of unethical schemes. As a result, I fired virtually all of the team I inherited. It took years to rebuild the office and overcome the stigma of what had happened previously. That was the cornerstone to building my career.”

**George Nichols** explained that his understanding of ethics started at a very young age. He grew up in the southern part of Kentucky when it was very racially segregated and oppressive, and his family was poor. His parents had told him that it was better to be known by your good name than by great wealth. As he went through life, he observed, the opportunities that came to him all stemmed

from his reputation for doing the right thing, for being authentic, and for being trustworthy “My goal at The American College is to figure out how we can become a catalyst for driving ethical behavior in the financial services industry, and if we can do that in this particular industry, then everything we do will be relevant to many other industries.”

**Kevin Gibson** asserted that his vision of business is that it is ultimately purposive - there’s got to be a reason to do it. “Since ultimately, business is service and service is helping other people, if you don’t consider what is in the best interests of your clients and your employees, then why bother? Ethics is not remedial Sunday school. It should be integrated into everything. The issues tend to be incremental and hidden such that you may not realize you are in the thick of it until you’re there and you don’t know how to get out.” His goal for the day, he explained, is to listen hard for solutions.



*Wes Thompson pays close attention to George Nichols' remarks.*



# Case Study

## ETHICAL IMPLICATIONS OF TAKING A PUBLIC POSITION

Chris Miller sighed as he looked at the blank legal pad in front of him. What seemed straightforward last year had become messy and fraught, and he felt that he was somehow being punished for doing good with the best of intentions

Chris was 52, and had been CEO for just over 18 months. He led a well-established and stable financial services company based in the Midwest. It specialized in life insurance, but had recently expanded its offerings to include long-term care and other innovative products. Agents had been encouraged to diversify their offerings and broaden their market, with a fresh approach of lifetime financial security for their clients. The market edge was the personal touch of the



*Kevin Gibson and Jared Harris listen as Jim Mitchell makes a point.*

advisor, the reputation of the company for its reliability and transparency and the strong level of support from the home office. The home office had also gone through some rapid changes.

When Chris started his career, the workplace was full of index cards and secretarial staff. Now the company was moving forward with robo-advice, where clients could log on to a website and get customized quotes immediately. He had a twinge of nostalgia for the days when talk of religion and politics was strongly discouraged in the office, a place where his main mission was to reconcile the books and he rarely had to take work home from the office. The most significant shift, Chris reflected, had been in the corporate culture. As an aspirant manager, Chris had routinely dressed in a suit and tie following the corporate dress code. Just last year he had signed off on a memo advising all staff that they could dress as they pleased, and now many staff came to work in jeans or sports clothing. The changes reflected a more relaxed atmosphere and image that had been started by Chris's predecessor, Kim Williams. Kim had been fast-tracked in the company





and when she became CEO she was the youngest person to take the position. Despite her success, she had chosen to step down as her family situation had become untenable, with a special needs child, parents having health care issues and a strained marriage

Kim had instituted a wide range of initiatives to, as she put it, “move the company into the twenty-first century.” She had set up company-wide diversity and inclusion initiatives. These included mandatory training for all employees on conscious and unconscious bias, as well as “wide-net” hiring practices that deliberately sought out under-represented recruits to the industry. Certain individuals were earmarked as mentors for women and minorities within the company. The sales force was strongly encouraged to develop associates and clients from non-traditional groups. Diversity training was integrated into officer retreats, and progress in the area became a question on annual reviews. Internally,

corporate officers were asked to sponsor Employee Resource Groups (ERGs) that were given resources to develop affinities and advocate for minorities and others – for instance, the LGBTQ group, the Hispanic ERG and the Women’s ERG. Kim had also shifted the culture of community involvement. Volunteerism was strongly supported, and more focus given to aiding deprived areas. Kim had actively partnered with the Hand-Up (HUP) local organization with large corporate donations. Two years ago the company had launched a new program with HUP with great fanfare. The publicity boldly stated that the financial services firm wanted to promote “great communities, great schools, and great promise for the future.”

When Kim stepped down, Chris had been unanimously selected by the Board as her successor. The Board assured him that it believed that Kim had taken the company in the right direction and he was expected to maintain the momentum. Still, things had changed in the recent months. Although the company had a solid financial footing, the low interest rate environment was a constant challenge. The customer base of Millennials was more accustomed to a web-based retail environment and field representatives were reporting that it was getting harder to persuade clients of the value-add of personal interaction.

But the business side was not Chris’s immediate issue. Virtually since the day he had taken over, the charged political atmosphere had affected the executive suite. Among the issues he had been asked to comment on were the DACA (Deferred Action for Childhood Arrivals)



program and the President's barring of transgender service members from the U.S. military. In both cases, the company vice president for communications, Jamie Lopez, had coordinated a generic statement along with several other major firms that affirmed their commitment to human rights for all.

### THE PLAY

The current case seemed so insignificant to begin with. One of the programs that Kim had instituted broadened the support that the company gave to local theater programs. Traditionally part of corporate philanthropy had been to fund a collective fund for local artists. However, there were a number of emergent theater start-ups that were dedicated to more radical productions, and Kim had directed funds to several without any restrictions. In one case, the amount involved was relatively minor - \$30,000, but it represented a major proportion of donations to a small theater company, "Act Two." Originally the theater had intended

to put on the "Pittsburgh Cycle" by the playwright August Wilson but, prompted by recent events in the headlines, the theater group had completely revised its annual programming. It had commissioned new plays with a confrontational edge, often portraying white people as oppressors. The latest production dealt with LGBTQ rights and the treatment of undocumented immigrants. The play involved violence, strong language and nudity, and deliberately provoked audience reaction. Chris's firm was announced as a major sponsor at the beginning of each performance, and figured prominently in the playbill. Some conservative groups had organized protests nightly outside the theater, which the director dismissed as "simply reflecting the colonial domination and repression demonstrated in the play."

Originally Chris thought the controversy might be a tempest in a teacup, something that would hit the news cycle but then fade quickly. However, the play had acted like a lightning rod for various stakeholders, and now Chris had been requested to address it both by a national newspaper and at the annual meeting. Questions had been raised about why a financial services firm was involved in what the local paper editorial board had called "deliberate political agitation." Policyholders had started to e-mail and use social media to decry the donation, and some had canceled their policies. Moreover, Chris had heard informal comments from officers within the firm that maybe the diversity initiatives had gone too far, and that many white men were feeling stymied in their careers and alienated from their work.

Chris had solicited ideas from his management team.





Jamie Lopez considered the issue to be a PR crisis, but one that could be addressed with appropriate messaging. She felt that the firm could capture the narrative, and spin it as an extension of community involvement. She also suggested an announcement that while the firm did not necessarily agree with the content, it felt that free speech was a paramount American value that should be supported. At the same time, Alex White, the Chief Marketing Officer, saw the effects from a more pragmatic point of view. While some clients had surrendered their policies in protest, Alex argued that there might be hidden value in promoting issues that resonated with Millennials, and a strong supportive stand might actually help increase business with a younger population of potential policyholders and employees. Robin McNab, the General Counsel, struck a more cautious tone. He felt that withdrawing any future support for the theater company would be a reasonable move that would allow the firm to distance itself from messy political issues

that had nothing much to do with the essential mission of the firm and its market performance.

This time there were no corporate allies that Chris could turn to for a consolidated response, as the financial support to the theater company was uniquely from his firm. As he stared at his empty pad, he felt that the expression “tone from the top” had never been more important or urgent. The time had come for him to make a public statement that was clear and unambiguous. It was obvious that he wasn’t going to please everyone, but he didn’t want to employ multiple justifications of his actions by saying “on the other hand” several times in his address. He had become acutely aware that financial reporting was relatively easy compared to expressing value-based commitments to a politically polarized audience.

His confidential personal assistant, Mary, had listened as he explained his dilemma – ultimately he was going to either support the theater in the future or not, and that decision would have rippling implications throughout the firm. He was open to advice but felt that, as a leader, he needed to provide a principled vision for the company. He was aware of stakeholder interests, but could not jeopardize the central function of the firm and the promise of security it had given to its policyholders. Mary nodded as he spoke, but only added admiringly that one of the traits of great leaders is moral courage.

Chris turned to his keyboard and began to write.

# Questions

1. Issues such as climate change, immigration, gun control, racial diversity and gender identity are very much in the public mind these days. Under what circumstances should a company make public statements about these kinds of issues?
2. Is there a distinction between what a CEO says and the position of the company? Why or why not?
3. Is there a tipping point where a CEO should speak out publicly about a controversial topic not directly related to the firm?
4. Some public statements or corporate actions carry the risk of resistance or backlash. What sort of safeguards should a company put in place to minimize those risks?
5. Taking a corporate position on

issues such as these may involve promoting values that some members of the organization disapprove of. What is the best way to address their concerns?

6. Is it best to get in front of a controversial issue or wait until it becomes clear how other members of the industry are going to react?
7. Are there some organizations that a company should not support, and if so, on what grounds?
8. Is corporate social responsibility the same as philanthropy? In other words, are there meaningful interventions that a company could make in the community without allocating financial or other resources to causes or institutions it supports?
9. Should corporate philanthropy be regarded as an arm of public relations?
10. How should corporate philanthropy be incorporated into an annual report?



*Leo Tucker and Roger Crandall listen attentively to Beverly Kracher's remarks.*



# Discussion of the Case

Kevin Gibson started the discussion by asking: “Under what circumstances should a company make public statements about current issues?”

Beverly Kracher observed that the first thing to do is review the core values of the organization, and then, based upon that, decide whether to say anything or not.

George Nichols agreed, and added, “it is also important to consider the implications for your employees and clients.”

Kevin Gibson queried, “Are personal values and company values the same or different?”

Beverly Kracher responded that they are different, but what has to be in the front of the CEO’s mind are the organization’s values.”

Wes Thompson observed that “We



*Jared Harris listens as Salene Hitchcock-Gear shares her thoughts with the group.*

make choices to stay at or to leave a company based on cultural alignment - the way you think about the world around you and what the company stands for. If that disconnect is really wide, I don’t know how a CEO can lead effectively.”

Katherina Pattit pointed out that silence is also saying something. “By staying silent you might be supporting a culture that is not good or supporting an act that is not good.

Salene Hitchcock-Gear interjected that everything a CEO says reflects on the company. Communication “falls on the shoulders of managers and senior people because they are responsible for company outcomes.”

Chris MacDonald noted that it was unlikely all CEOs or senior executives are comfortable talking about ethics, which is why he thinks it is important for his students to spend time in his classes talking about ethics. He doesn’t want the first time they have to say something about ethics to be when they have a TV camera in their face.





Roger Crandall noted that while his company was historically the classic type of company that said nothing publicly whenever possible, “We’ve pivoted and are increasingly taking public stands on all kinds of things.”

Jared Harris wondered whether or not it was inevitable that companies are going to have to take a stand on every issue in some way, shape or form. “To Chris’s point, today’s world means you’re increasingly getting recorded and filmed, but millennials also want companies to take stands on things.”

Jim Mitchell suggested that there should be another criterion, which is, does it have some relevance to the firm’s business expertise? “Why should people care what MassMutual thinks about gun control?”

Roger Crandall responded that MassMutual had an employee who lived in Newtown, Connecticut, and one of his five-year-old son’s friends was murdered in the Sandy Hook school shooting.

Things are connected, and often in ways that we don’t realize or understand at first glance.

Selena Hitchcock-Gear pointed out that even without the personal connection cited by Roger, “most companies have broad-based mission and value statements that could encompass many contemporary issues.”

Leo Tucker noted that “the speed with which communication is distributed today has created, whether we like the term or not, ‘tribes’ within our organizations, and if we don’t address and empower these tribes, in the absence of information the human mind assumes the worst.”

Roger Crandall pointed out “while some questions have easy, black-and-white answers, there are others where it’s best to be somewhat nuanced. Authenticity is key at all levels of management.”



*Roger Crandall makes a point as Donald Conlon listens intently.*



"IF YOU'RE AT THE CEO LEVEL AND YOU CAN'T NAVIGATE COMPLEX ISSUES, THEN YOU SHOULDN'T BE IN THAT ROLE."

—Wes Thompson

"IF YOU LOOK AT OUR NEWSFEEDS, THEY ARE JUST ECHO CHAMBERS PROMOTING OUR BIASES, WHICH ENTRENCHES POSITIONS AND POLARIZATION."

—Leo Tucker

Agreeing with Roger, Wes Thompson stated, "If you're at the CEO level and you can't navigate complex issues, then you shouldn't be in that role."

Chris MacDonald recalled a memorable moment in the history of how CEOs express themselves around complex issues when, about ten years ago," one of Google's co-founders publicly confessed that he wasn't really sure if it was a good thing for Google to expand its business into China. Opinion writers were critical, saying it was a weakness for CEOs to express doubts instead of complete confidence in their decisions. He disagreed, positing that "If you think a decision that is genuinely complicated is easy, then you're just wrong."

Kevin Gibson followed up by asking, "Should backlash be a concern?"

Roger Crandall then drew a distinction between anticipated backlash, that can be modeled and worked through, and unanticipated backlash, which is much more complicated. "I



*The participants listen as George Nichols shares his thoughts.*

like Salene's earlier comment about having a construct around professional ethics, because at least you have a framework to think through unanticipated backlashes."

Wes Thompson pointed out that "Judgment seems to be a lost art, which contributes to polarization. Language is not always being used in a way that fosters mutual understanding."

Leo Tucker agreed that judgment is scarce, but added that what's really gone is critical thinking. "If you look at our newsfeeds, they are just echo chambers promoting our biases, which entrenches positions and polarization."

George Nichols suggested that, in their hiring practices or when thinking about promotions, people need to "put a premium or value on critical thinking ability and judgment. Without understanding those qualities, you can't determine whether you can put someone in a position to make important decisions."

Knut Olson volunteered that when at a prior company he hired an organizational psychologist to build a very





elaborate program to hire his field representatives. “There were only three measures we decided we would not compromise on: critical thinking, synthetic thinking and creativity – we thought those were the three critical pieces required to be able to bring judgment to the table.”

George Nichols thought it was the quality of the decisions you make. “Do I choose to drink and drive? I have to make a decision and if I’m drinking, I probably should not drive, so let me get a friend who didn’t drink and ask him for a ride. That’s good judgment, which results in good decision making.”

Roger Crandall pointed out challenges around determining good vs. bad judgment. “Would you hire some with a DUI that happened when they were 21 versus 47? What if someone is having an affair? When is evidence of poor judgment a disqualifier?”

George Nichols stated, “even if people are good at critical thinking, you’ve got to start with the ability to exercise judgment.” and Leo Tucker

ventured that “you need to add self-awareness to the calculus of judgment and critical thinking.”

Jim Mitchell observed that the discussion about creativity, judgment, and decision-making was another way of describing a skill that his former company made an explicit requirement to be a senior executive, namely “tolerance for ambiguity”. “It is the ability to recognize there may be several sides of an issue and deal with that complexity as best as you can.”



Jared Harris, Beverly Kracher, Jerry Stegeman, Linda Mitchell and Leah Selekman at the closing reception.





# Executive Cases

## EXECUTIVE CASE #1

*A complex international organization created from multiple mergers maintained a foundation that had been seeded by the founders. After the mergers, the founders left the company and the new leader decided to repatriate the foundation's funds, despite assurances in the merger negotiations that the new company would respect and honor legacy commitments by the founders and the foundation to local non-profit organizations. The person responsible for the foundation, who was also a senior executive of the company, believed this directive conflicted with her obligations as a fiduciary of the foundation. The director of the foundation was under pressure from the leader to stop delaying and repatriate the funds.*

## DISCUSSION

Salene Hitchcock-Gear observed that the foundation director was in a difficult position because “she was managing part of the company as an employee while also having fiduciary responsibilities to a foundation.” If she were in this position she would, at the very least, make sure that everyone was aware of the issue and ensure it was thoroughly documented.

Chris MacDonald responded, “it’s not just about making decisions, but also designing solutions. Sometimes you have to manage around the edges to make sure the changes go better rather than worse. Problems are often more complex than just a yes/no solution.”

Katherina Pattit observed that the case highlighted something her students always struggle with, which is conflicting obligations. “How does one navigate that tension and prioritize one’s obligations?”

Salene Hitchcock-Gear commented that ethically, “you have to be comfortable with the possibility of leaving an organization if you can’t get to an outcome you are comfortable with.”

## EXECUTIVE CASE #2

*The successful director of a regional office is transitioning a new member of his leadership team into place, whom he had personally mentored. When the director had taken over the office 20 years earlier, he had worked hard to make sure that the office was family focused, by doing things such as making sure that office events included spouses. He*





*was especially concerned to create a safe atmosphere for the women members of his office, since business travel was a big part of the job.*

*About three weeks into the new position, it came to the director's attention that the new leader, who'd been married just six months, was having an affair with someone else in the office. The director immediately pulled him into his office to tell him his new leadership contract was being taken away, but allowed him to stay on as a producer. On the basis of legal advice, the director did not talk to, or take any action with respect to, the other person involved in the affair. She was a salaried employee with no supervisory responsibilities. About two weeks later, she told the director she was leaving, since she was sure she could never shake the taint of what had happened.*

## DISCUSSION

Donald Conlon said that his “knee-jerk reaction, which isn't good, is that this is another case where the female in a lower power position

gets the raw end of the deal.”

Leo Tucker observed, “Something just had to be done. There's a saying that ‘culture is what leads when leadership is not around.’ If you don't have some symbolic events that support the culture, people are left to wonder ‘what does leadership want me to do in this situation?’”

Kevin Gibson challenged the group, “What if the new leader had told you that his wife was aware of the situation and was okay with it?”

Katherina Pattit observed that, as they'd previously discussed, at some point you can't teach judgment. “But at the same time, mistakes can happen. So how do you decide that redemption is possible? Sometimes there is much more to be gained through seeing and supporting the act of redemption and healing than getting rid of the offender. How do you make that determination?”

Leo Tucker noted that perhaps it was important that this was a new appointment. “If you have a senior leadership team you've worked with for a long time, it's probably more likely that the director could have worked with the person to lead through it together. I don't think there is a single answer to your question.”

But what, Katherina Pattit posed, if it becomes known that someone tortures dogs for fun, and it has nothing to do with what they do at work? “What things are private and what things are not? Is it even feasible to say that you have two separate lives – personal and private – or is everything that you do part of what you do at work?”

Jared Harris felt that Katherina's example revealed the





incisiveness of Kevin's question. "What we're all implying is that it's easy for us to come up with examples that we would all agree would be disqualifying, but what if it's a little trickier? And at what point are your personal values not the right measuring stick?"

Kevin Gibson told a story about two students. At the end of a classroom negotiation game, one says 'you cheated; I'm never going to trust you again.' The second one responds that 'it was a game; it was only an exercise.' The first one responds, 'if you can do that when there are low or no stakes, how are you going to behave in the real world?'

Salene Hitchcock-Gear shared that she was involved in a real-life example of Kevin's story several years ago. "One team in a group exercise cheated on one of the exercises. Afterwards, they were teased and they said, 'yeah, but we were just trying to get ahead.' But some of those people ended up leaving the organization."

Knut Olson elaborated on the



Leo Tucker, Marilyn Tucker, Salene Hitchcock-Gear, Jared Harris, Chris MacDonald and Nancy Walton at the closing reception.

ability for people to change their behavior: "I was in the field a long time. I've saved lots of people's careers from themselves when I was in a director's role and got them back on a track to human flourishing. I have found that making mistakes is a commonplace occurrence among humans."

### EXECUTIVE CASE #3

*A new CEO is brought into a company. He makes good business decisions, but it becomes very clear to some of the senior executives, including Billy, that he has numerous ethical challenges regarding both his personal and professional behavior. It's known by senior executives that the board is looking at the situation. Billy is a senior member of the company's general account investment team and reports to Brenda, the company's chief investment officer who is leading the "oust the new CEO" camp. Brenda tells Billy that he should prepare to become chief investment officer on short notice just in*



*case something happens to her. At the same time the new CEO tells Billy that he should prepare to become the chief investment officer on short notice because he wants to fire his boss.*

*It has been Billy's career goal to be the chief investment officer of this company, and it would be financially difficult for him to leave his job. He also feels very loyal to the people he has hired into the organization.*

*What should Billy do if Brenda is fired and the new CEO asks him to take her place?*

## DISCUSSION

Roger Crandall pointed out that while Billy is in a difficult position, he has various options, including “saying yes so he can help make the needed changes at the top of the organization.”

Kevin Gibson acknowledged Roger's thinking but wondered if “in that case wouldn't Billy have been morally tainted by working for the new CEO? Wouldn't Billy be seen as ‘his guy’?”

Katherina Pattit thought it was interesting that the case “pointed out that the new CEO, though he clearly had problems, was a good businessman and presumably was making lots of money for the company. How does that line up with our earlier conversations about tone at the top and its importance to the company's culture?”

Jim Mitchell posited that, in his opinion, “If you are CEO, everything you do is a reflection of the company. You can't separate your personal behavior from the company's behavior.”

Roger Crandall added that, “Even in the short run, good business decisions which are accompanied by ethical and legal issues create other problems, like not getting good talent to come, and sending a broader message that cutting corners or cheating is okay.”



Donald Conlon, Katherina Pattit, Elizabeth Lentini and Kevin Gibson at the closing reception.



**EXECUTIVE CASE #4**

*An insurance company acquired a broker dealer firm, which had historically manufactured and sold their own mutual funds and later added funds from other companies. It had done business in a way that was very acceptable historically. However, the Department of Labor had now adopted the “best interest” rule and firms were supposed to be making reasonable progress toward that standard.*

*Without warning, the head of the broker dealer and the CEO were both fired. Jay, who was responsible for the company’s insurance business, had prior experience running a broker dealer firm, so was asked to step in as interim head. One of the first things he asked about in his new role was for an update on compliance with the DOL’s “best interest” rule. He was told that the broker dealer firm had gotten an opinion from outside counsel that their historic practices were legal despite the DOL requirement and so had not changed their practices.*



*George Nichols, Marilyn Tucker and Leo Tucker at the closing reception.*

*Nonetheless, Jay immediately began the process of complying with the “best interest” rule, including shutting down some of the firm’s proprietary funds.*

*In the meantime, a new CEO with no broker dealer business experience was put in place. He was upset about what he’d heard and asked Jay what was going on. Jay told the new CEO that, even though the company was following the regulations in the technical sense, he believed they posed a potential reputational issue: “If the national media decided to focus on this, it would be a good story for them, because we are probably the only firm in the country that is not making changes to eventually comply with the rule.” The CEO challenged Jay’s competency and said he would remove him from his role if he didn’t reverse his decision.*

*What should Jay do?*

**DISCUSSION**

*Knut Olson observed that the case was particularly tricky because “from a regulatory standpoint, the company*





was probably not going to get in trouble with the regulators – it was a reasonable risk decision. But in terms of where the marketplace had moved, and what the public seemed to think was acceptable, it sounds as if the company was definitely out of step.”

Leo Tucker noted “Jay had to have the courage to say, ‘remove me from the role or make this adjustment.’ I think the reputational risk of the company ultimately was at jeopardy because of the spirit of the law.”

### EXECUTIVE CASE #5

*As part of the acquisition by Company Alpha by Company Beta, the two companies agreed to make Company Beta’s former CEO the CEO of Company Alpha, and Company Alpha’s CEO became president. The acquisition of Company Beta was part of a two-step deal. After the acquisition of Company Beta, Company Alpha was to be acquired by another company.*

*The second transaction was negotiated by a team comprised*

*of the CEO, the president, and Lisa, head of operations for the company’s primary business line. The negotiating team started discussing the strategy for bringing the second deal to the board. The lead director, from Company Beta, was against doing the second deal and had influence over other directors from Company Beta. The directors from Company Alpha were in favor of the transaction.*

*During the team’s discussions, the CEO made derogatory comments about the directors from Company Beta and their ability to grasp the details of the transaction. The team later discovered their conversation had been fed back to those directors. Not surprisingly, support for the second transaction quickly deteriorated.*

*Lisa strongly suspected it was the CEO, to whom she directly reported, who had leaked the conversation. Because she ran the biggest part of the business, the board turned to Lisa to lead the messaging to clients and employees on what had happened. Lisa asked for a day to consider the request.*

*What should Lisa do?*

### DISCUSSION

Wes Thompson noted that Lisa was in a very tricky position. “Given the CEO’s behavior, wouldn’t it be very difficult for Lisa to continue to work for this person?”

Beverly Kracher pointed out “when we teach about loyalty and obligations, we say that your first obligation is to the organization, your second obligation is to your team, and your third obligation is to yourself. How does that apply here?”





Wes Thompson agreed with Beverly's statement but noted that the issue here was particularly delicate: "Leaking potentially damaging information, particularly without context, goes to the core of the working relationship."

Leo Tucker wondered if the CEO's behavior was likely unethical in other areas as well, ultimately affecting the company's culture: "A classic case of tone at the top influencing the entire organization, right?"

Wes Thompson noted that sometimes changes in culture are not explicitly unethical but can be damaging nonetheless. "Are you investing in people and promoting growth, or are you just trying to make the next quarterly earnings report?"

Donald Conlon teaches his students "your most powerful time to request things is after they've made you the offer but before you accept the position. Was there anything Lisa could have asked for that would have made the situation more comfortable for her?"

## EXECUTIVE CASE #6

*John is a senior executive at Company Z, which is affiliated with Company Y. John is told by one of his employees that according to some of Y's employees, Y's CEO had been involved in a series of inappropriate relationships with employees. His pattern of inviting the employee into his office, giving the person compliments, offering to mentor the employee, etc., was now happening to another employee. The employee felt uncomfortable but did not want to create problems, so was leaving Y.*

*John reached out to two friends at Y for confirmation, which they provided. John then advised one of them that he felt he must report the CEO's behavior, so an outside investigation could be done. The friend did not want his name used, saying: "For the sake of our friendship, please don't give them my name. I don't want to be a part of this."*

*After explaining the situation to his boss, including his friend's comments about not wanting to be named as sources, his boss asks him, "What's your recommendation?"*

## DISCUSSION

George Nichols wondered why John's friend told him anything. "Are you testing John to see if he will really report it?"

Beverly Kracher opined that, "there are all sorts of reasons why people tell people things. I might just need to get it off my chest, not that I want you to do anything about it."





Leo Tucker responded that “When someone comes to me and asks if I can keep something confidential, I tell them I can’t promise that. You need to really think through what you’re going to tell me.”

George Nichols suggested that “The higher you go up in an organization, the desire to be liked also goes up, along with the recognition that you will not always be liked. So you have to hinge your decision-making and your judgment going forward on something that you can always defend. You may not like a decision I made, but I wasn’t making the decision based on you. I was making the decision based on what is right for the organization, which I represent. If you don’t like that, I can live with that.”

Roger Crandall found it interesting that John wanted to have an independent investigation. “He didn’t rush to judgment. Sometimes it feels like we have to rush to make a decision, which is not always a good thing.”

Katherina Pattit observed, “We

have to recognize the complexity that ensues when values we think should be universal, like friendship, loyalty, secrecy and confidentiality, are all present at the same time.”



*Knut Olson, Jim Mitchell and Leo Tucker at the closing reception.*



# Academics' Questions

"I'VE FOUND OVER TIME THAT PROBABLY 80 PERCENT OF THE DILEMMAS EXECUTIVES BRING TO THIS FORUM ARE ABOUT PEOPLE, NOT PRODUCTS OR REGULATIONS."

—Jim Mitchell

## QUESTION #1 KEVIN GIBSON

*Kevin Gibson opened by quoting the philosopher Kierkegaard: "You live life forward and understand it backwards." In that vein, I'm curious to know what are the issues that have kept you up at night? Reflection takes time, but it's an investment in the future."*

Jim Mitchell volunteered, "I've found over time that probably 80 percent of the dilemmas executives bring to this Forum are about people, not products or regulations."

Leo Tucker agreed, stating, "Policy and compliance is not squishy. People are."

George Nichols observed "Most insurance companies used to be



Kim Morter Olson, Salene Hitchcock-Gear, Rosemarie Thompson and Wes Thompson at the closing reception.

mutuals. Even if they are no longer mutuals they have a culture that goes back years to do the right thing. So it might not be surprising that we would ultimately do the right thing because it is in our DNA. Our industry has a nice foundation to work from."

Kevin Gibson prodded the executives to keep going by posing the question, "What's the lesson you've learned that helps shape your action in the future?"

Salene Hitchcock-Gear reflected on the importance of a company's brand. "Within the walls of my organization, brand is paramount. All of our relationships are very deeply vetted, because I don't think you can distance yourself anymore. The people you choose to do business with are very much part of your ecosystem. Understanding that makes it easier to make good decisions about who you want to do business with."

Jared Harris challenged the group, "Are we at the point that you need to own the ethics of your business partners?"

Roger Crandall offered an example of how his company





approaches this question. “We have started talking to important business partners about what is important to us, such as diversity and inclusion. We fired a large law firm because they didn’t have a single female partner. We told them in advance this was important to us but they didn’t make any changes, so we said we’re not going to do any more business with you. As I told my son, business is actually driving more social change than you would expect.”

Leo Tucker provided a contrasting view given the posture of his business. “I serve the community directly in our marketplace. They share the same umbrella of rights that everybody in this country enjoys, so I can’t withhold serving them. As a result, my lens, in terms of who we are comfortable serving, has gotten very wide.”

## **QUESTION #2** **BEVERLY KRACHER**

*“My question comes from a colleague who thinks the*

*business model used in the financial services industry to recruit new financial advisors is ethically problematic. He thinks that firms solicit new advisors with a promise of a salary of, say, \$50,000 a year for the first three years. That supports them while they are learning the industry. They primarily sell policies to family and friends. After three years, their compensation becomes 100 percent commission, but many of them haven’t yet developed the ability to sell more, so within a short time they are nonproductive and the company lets them go. The policies they’ve sold are then parceled out to other, seasoned people in the organization and the process repeats itself. The young people are basically being used as a way to get new accounts. Is this description correct? What are your thoughts about it?”*

Salene Hitchcock-Gear said if it were true, “we’d be making a whole lot more money. There is no rational business model that says we want a handful of new policies in return for all of the money and time that we spend to recruit and train people for three years and then watch them leave.”

Leo Tucker agreed. “It takes 10 years to break even on a new insurance policy. Our company doesn’t pay any salary, so new people have to be productive early. We believe that if someone doesn’t make it in the first six months, it was a selection problem and we are dropping the ball somewhere. If you’re teaching individuals how to go to market ethically and to make it about the client, it doesn’t matter whether it’s friends or family. In terms of what happens to the servicing of policies sold by those that leave - for us, when an advisor joins an office,





they partner with another advisor, because we have an obligation to make sure those clients are taken care of.”

Wes Thompson took a broad view of the question. “We’ve not figured out how to price and structure our products so that they pay someone a flat commission of, say, 20 percent the first year, 20 percent the second year, and so on. Many product structures are so front-end loaded that it creates a challenge going forward.”

Roger Crandall pointed out another issue. “How many people who aren’t deathly ill and uninsurable wake up in the morning and say ‘I’d like to buy some life insurance today?’ These products require massive up-front work, and switching costs are high. People buy life insurance products just five or six times in their life. There’s a reason this has been a commission-based industry since it started. If it didn’t make sense the Internet would have changed it.”

Kevin Gibson pointed out there is likely a problem of perception.

“If I say to people that your rep is getting a hundred percent commission in the first year, they just freak. It just doesn’t seem right.”

Beverly Kracher agreed. “I have a Ph.D. but that doesn’t mean that I understand finance. The biggest issue is for you to educate consumers. People don’t understand the products you sell.”

George Nichols tried to bridge the two points of view by pointing out “the reality is that it is complicated. It truly is. But your agent should be able to help you understand what you are buying.”

Katherina Pattit confessed that her experiences with the industry have been similar to Bev’s. “We both have PhDs, yet we didn’t feel we understood what we were being advised to buy.”

Leo Tucker challenged The American College to be proactive. “The College has an obligation to make sure that the people who represent these products and services are educated in how to communicate their value.”

### **QUESTION #3** **DONALD CONLON**

*“Life at Michigan State is very challenging these days, given the Larry Nassar sexual abuse scandal that came to the fore in 2017. How do you suggest we get through this?”*

Kevin Gibson asked if it is a question of how to be an ethical person in an unethical environment or a tainted environment?





Donald Conlon elaborated: “I’d say it is a tainted environment. There are things I know we had to do, including having the president resign. Is it easier to effect large scale change with internal people because they know the levers or with external people because they don’t?”

Knut Olson responded with an example from the financial services industry. “A company in our industry had a Michigan State type of situation which could have ruined the company forever. So they brought in someone from the outside who went 180 degrees in a different direction. I think the fact that they still exist and are thriving is evidence that this approach worked.”

Jim Mitchell agreed. “Traditionally in an organization, if you want to change the culture, you bring somebody in from the outside.”

Roger Crandall suggested the university should be proactive in addressing the issue to enable them to move beyond it. “The response should be – ‘that was

not our values, it’s not what we do. We fired Nassar. We moved on.’ Excise the cancer and move on.”

Jared Harris noted that, if the problem was cultural, “then, yes, you bring in an outside person to clean house, just like a new CEO came in to Tyco after Kozlowski went to jail. So, is it cultural or was Nassar just a bad person?”

Donald Conlon replied that he thought it was cultural. “There were too many people who could have stopped it who didn’t, so there’s some complicity there.”

Kevin Gibson pointed out that it’s likely the university was unprepared for the unfavorable publicity, as well. “I expect there’s no crisis plan in place. There was no anticipation of what to do if we have a major PR problem.”

Beverly Kracher agreed, pointing out, “Academic institutions don’t tend to have all the processes that businesses tend to have. We don’t tend to do crisis planning and communication plans.”

#### **QUESTION #4** **KATHERINA PATTIT**

*“A challenge for our students when we talk about ethical issues is their expectation that their manager or Wall Street analysts will be driving expectations that they will have no choice but have to meet. This ties in with something I think is a general societal problem - how do we discern when we have enough - enough of a return, or enough security or enough money? How do you, as CEOs, handle the question when it comes up about your*



"AT OUR BEST WE'RE  
DISCIPLINED, RELIABLE,  
CONSISTENT, AND  
THOUGHTFUL."

—Knut Olson

*company, whether you're a stock company or a mutual company? Is there a point where you say, that's enough and we're going to manage down any expectations that we need more? What do you say?"*

Knut Olson responded from a mutual company's perspective. "I'm sure the mutual companies in the room probably all have somewhat of a similar religion around growth. Normally it is very planned. We're not a rapid growth industry and boring is beautiful, if you do it the right way. People who really understand our business understand that with constraints such as statutory capital requirements, there's a pace of growth that really makes sense. You may not get a pat on the back from Wall Street, but if you figure that out and get your board aligned with it, your business should make sense for a long, long time. At our best we're disciplined, reliable, consistent, and thoughtful."

Roger Crandall explained that from his perspective there's a real

problem when growth rates are based on unrealistic expectations. "But, given changes in technology, labor force, demographics, and aging, what are long-term sustainable growth rates? People have unrealistic expectations in many ways about growth."

Kevin Gibson pointed out that in the long run, culture perhaps does win out. "Separate from what analysts and others may say, we still need to be able to recruit quality people. And to get good people, we have to have a story that they're going to be proud to be part of."

#### **QUESTION #5** **CHRIS MACDONALD**

*"Last summer one of my students worked at a large bank doing retail sales of credit cards and lines of credit. The head office set everyone's sales targets but then the co-managers of her branch set a target almost double that set by the head office. The co-managers kept urging the workers to sell products the clients didn't want, need, or understand. Finally she said, 'I could make the targets if I did it their way, but I wasn't willing to do it their way, so I quit.' She was devastated because she'd never quit anything in her life. I'm concerned that if my students meet this kind of behavior in their first job, they'll think this is how business really works. Do you think this is a problem?"*

Wes Thompson started the discussion by referring to a common theme throughout the day. "I still come back to the culture of the organization, the culture of those co-managers. They could be the bad apples that end up being in the Toronto Tribune."





Chris MacDonald clarified that, “in my experience, reading reports and hearing from students, this behavior is not rare.”

Wes Thompson added that training was an important part of the equation as well. “While some organizations are still recruiting entry-level employees and training them properly, others bring people in and it’s just a numbers game. Some executives are making short-term decisions because it’s better for them and their pocketbooks. Young talent coming into many industries today isn’t being prepared for the future as perhaps people were 20 years ago when there was less focus on quarterly earnings.”

George Nichols thought the kind of work itself was an important factor. “How many of us were willing to go into sales when we got out of college?”

Roger Crandall agreed. “My dad was one of the top salesmen at MassMutual for many years. I saw how hard it was and instead pursued an analytical Ph.D.”

Knut Olson reminisced about the day he told his dad he was going to sell life insurance for a living. “My dad is a nuclear physicist by profession. He looked at me and said, ‘okay, is that what you really want to do?’ I said ‘yes.’ He said he had one requirement, ‘You must go someplace with a great training program.’ If I were to give advice to a young person coming into our business, I would tell them to ask a lot of questions of a potential employer regarding their attitudes and practices regarding training.”



# Reflections



Jim Mitchell introduced the final discussion, to pose questions for reflection and dialogue. “The word “culture” has been used a lot today. One of the things I haven’t heard very much about values.”

Leo Tucker responded by offering his opinion that “values are the agreed-upon behaviors of an organization. There are two different kinds - aspirational values and non-negotiable values. The non-negotiable values are not always talked about. Integrity and honesty are not often touted as values because you also don’t see ‘don’t murder’ as a value. People collectively behaving in concert with those values, creates the overall culture.”

Roger Crandall thought it important for people to engage frankly over potential issues. “We’ve had large meetings where we’ve had three or four executive

team members challenge each other about what we are doing. It’s important to send a message that it’s completely okay for people to argue. One of our biggest challenges is to get people to speak up and ask questions. We use an app where you can ask any question anonymously, and people then vote on the questions. Everyone sees what the top question is and we just go down the list. This has increased the number of questions.”

Chris MacDonald recalled the story of a bank whose values were on a card in the middle of every meeting-room table. “In a meeting where there was a dispute, someone grabbed the card and said, ‘look, these are our values, and that’s going to determine our decision.’”

Wes Thompson shared that, “A key challenge is when someone is a really good performer but not aligned with the company’s values. That’s where the difficult



*Kiki Walker, Beverly Kracher and Elizabeth Lentini at the closing reception.*





decisions have to be made, and that's also where people are looking at what you're going to do about it."

Roger Crandall agreed that people watch what leaders do. "If you celebrate the person who is successful, but is completely culturally misaligned, you're sending the message that our culture is really not that important. The dismissal of people like that once in a while is important."

George Nichols agreed. "When we talk about the attributes of the leader in the future, we decided that if you don't agree with the values and you don't understand the culture, the rest of your attributes don't matter. You don't believe in our value system and you don't understand our culture, so you can't work here."

Jim Mitchell recalled the hiring practices in his former company focused on agreement with values. "We tried to be clear in our interviewing process with new employees what our four values

were and how they played out. You would be surprised how many people self-selected out. They didn't want to hold themselves to those standards. It's better to know that early than find it out later."

Beverly Kracher asked about the role of ethics and compliance personnel. "Where are they in the organizational structure? Are they at the table when you're making the strategic decisions?"

Wes Thompson offered that ethics can't be left simply to compliance and ethics personnel. "I don't think one person should be in charge of ethics or compliance. The conversation should be happening among the people making the decisions - they should be challenging each other around behaviors and implications for decision-making."

Beverly Kracher countered with a question about which part of a company is most central to good decision-making. "We talk about tone at the top, mood in the middle and buzz at the bottom. Is the mood in the middle the critical ethical area?"

Wes Thompson agreed that "a lot of things happen in the middle management level, and I don't think we pay enough attention to that area."

Jim Mitchell reflected that he had taken Wes's comment differently. "I took your comment to mean that ethics is too important for the CEO to delegate."

Beverly Kracher clarified that she wasn't suggesting that important ethics decisions should be delegated. "Ethics is like safety. It is a guiding value. But just like there has



to be somebody in charge of the safety program, there should be someone in charge of an ethics program.”

Salene Hitchcock-Gear offered that, while everyone has compliance or business ethics officers, “we all have to believe we own the ethics of the organization.”

Leo Tucker believes the two approaches are not mutually exclusive. “My compliance officer sits at the leadership table and contributes to the overall dialogue when ethics are at play. She can play a very important role in bringing things to our attention that we can then address differently.”

Roger Crandall offered that a good chief risk officer or general counsel increasingly plays that role, adding that “the other big emerging trend is using big data and high-end data analytics to look for patterns that indicate something is off.”

Jim Mitchell agreed with Roger’s point about risk management. “Everybody seems fixated on risk management these days. It’s true



*Katherina Pattit, Jason Pattit and Kevin Gibson at the closing reception.*

that culture can be a company’s greatest asset, but it can also be the greatest risk to the organization if it’s not managed well.”

George Nichols noted the increased complexity of risk management. “The life insurance and financial services industry has historically been great at financial risk management. Next, we began to ask questions about managing our operational risk. Now we also need to deal with ethical, cultural and a whole bunch of other factors.”

Jim Mitchell brought the discussion back to the topic of the self-correcting culture. “That’s the notion that anybody around the table can raise the question, ‘But is this really consistent with our values?’ Companies are composed of fallible human beings. At any given moment, there’s probably somebody out there doing dumb stuff. But hopefully the culture will correct for those things. How do you ensure that?”

Salene Hitchcock-Gear thought overall mood was important. “If there is a feeling around an organization



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–Jared Harris



that people care about it and want to be there, it really makes a difference, because those are the people who are looking out for the company's well-being.”

Donald Conlon commented that sometimes it's a question of having too much of a good thing. “Take goal setting. It's clear that people who set specific goals perform at a higher level. But that's only to a point. We also know that if you're really close to your goal and you're failing, that is when you behave unethically. Similarly, group cohesiveness is a great thing for strong cultures because it communicates values. But it can also create a culture of silence right at a time when somebody needs to speak up.”

George Nichols noted that, “As a regulator I was involved in many liquidations of insurance companies. I can't remember one where there was a bad person at the top that said - 'I'm going to intentionally cheat or I'm going to do this bad thing.' It was always someone who made a mistake and attempted to cover up the

mistake, and then it escalated, as they had to keep covering up. That's when we have a problem.”

Jared Harris queried if leaders were always aware of the effect they have on others. “As leaders you don't realize that people want to do what they think you want them to do, even if you haven't articulated it. For example, a former general shared a story about making a comment as he walked into a building. He said, “Oh, that's an ugly tree.” Ninety minutes later he came out and the tree was gone. He was just making small talk. But somebody heard that and decided, ‘Oh, the general doesn't like that tree, so let's take it down.’”

Roger Crandall reflected on the importance of taking responsibility. “One thing I've really paid attention to is, when something goes wrong, does the leader accept responsibility or do they try to deflect it? If I see people who say that 'it's never my fault because the vendor screwed up', I get nervous about moving them further up the organization.”

Wes Thompson agreed, and noted one additional characteristic he looked for. “What is the next thing you do? You fix it. So, when a person comes into my office and says I take full responsibility, I'm expecting them to have an action plan to fix it.”

Knut Olson offered that Roger had effectively answered Jim's question about creating a self-correcting culture. “Leaders have to believe that taking accountability is not only not going to get you shot, but it's probably the greatest thing a leader can do.”

Kevin Gibson summarized some of the insights he'd



heard through the day. “First, culture is clearly very important. Second, ‘tone at the top’ is more than just saying the right thing – you must also model values through action. Third, I like the word ‘ecosystem’ to describe culture. It describes a system that is self-generating and self-replicating. Fourth, I took from the executives that everyone has had a long dark night somewhere in their career. It may be that that what doesn’t kill you makes you stronger - but it also propels you into the future because you’ve had to state your values and stick to your guns. We launch our ‘moral torpedo’ and we don’t know exactly where it lands, but we know that it was the right thing to do in the moment. Additionally, we’ve discussed ethics as part of the DNA of your organization – it’s not just a add-on. Finally, it’s clear that the industry serves people and serves them well, but there are still many people without a retirement plan and a middle market that is not well served. We need to get the message out that we’re helping people and this is

not a predatory enterprise that’s just reaping profits. We are dedicated to serving consumers.”

Jared Harris shared that he was inspired by executives’ accounts of the tough decisions they had to make. “Not only were they compelling and inspiring in terms of who you are, but they’re also not that different from the kinds of dilemmas that we all face or that my students will face. The stakes might be lower for our 20-somethings, but I will come away with a handful of really great examples of executives that are thoughtful and careful in the face of tough decisions.”

Salene Hitchcock-Gear agreed that the personal stories are very compelling because they help us get at nuances better than academic case studies of “What if...?” “My takeaway is about the ‘Me Too’ movement and how every industry gets its turn. I don’t think the financial services industry has had its turn. Leo shared a particular practice he uses, which is to ask his staff how they feel and is anybody making you uncomfortable. I think we’ve got to do more active dialogue and real hands-on work than simply relying on memos from HR.”

Leo Tucker was inspired by the frank discussions. “When I hear this kind of discourse, I am so proud I’m part of The American College. It also inspires me to duplicate this in my firm. I want to have this kind of discourse with stakeholders at every level. And I’m hoping to have the ability to shut up and just listen and not get defensive.”

Donald Conlon’s big takeaway was, “how important it is to really make sure people are thinking about ethics. And while there was a lot of talk about top-down, there were also a lot of examples of bottom-up ideas.



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—Katherina Pattit



Anonymous questions allow for a bottom-up method of influencing by asking what direction we should be going, or are we living the values that we say we espouse.” Knut Olson pointed out how important the mood in the middle is. “It would be interesting to find out what those folks might say versus what we might say.”

Katherina Pattit noted the importance of humility and self-awareness. “Maybe one of the biggest gifts we can give to our students is to help them trust themselves and have the courage to stand up for those things they believe in. I heard the executives talk about all of the challenges they faced and how they often reverted back to ‘this is what I’m about, this is what matters to me, and these are my values.’”

George Nichols said he would agree with Leo in terms of what he liked about the day’s discussion. “I appreciated the candor and the openness. I wrote down the word ‘honesty’.”

Kevin Gibson said he didn’t think we’d discussed “character”

enough. “How do we train people? How do we build someone’s character? That is missing in the business school environment.”

Jim Mitchell reflected on earlier comments about character, courage, and humility. “I was probably 45 years old before I figured out that people actually didn’t want me to be perfect. If I was ‘perfect’, there wasn’t enough room for them to make their contributions. It’s a very powerful thing to stand up in front of a bunch of people as their leader and say, ‘you know, I got it wrong.’ And to build on a point George made, we’ve got an opportunity here for ethics to be a catalyst for improving the entire financial services industry. What does that look like? As ethical issues emerge, The American College could be a convener of a conference with legislators, regulators, and industry people, participants of all stripes. Not a lot of places are positioned to do that, and we are. So, we have to figure out how to capitalize on opportunities that present themselves and have a bigger impact on our world. Thank you all very much for your contributions today.”



Roger Crandall and Jim Mitchell at the closing reception.





The American College Cary M. Maguire Center for Ethics in Financial Services is the only ethics center focused 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 educational 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. 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

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important correlation between ethics and profit. The list recognizes individuals for their inspiring contributions to business ethics during the past year. The Forum is the cornerstone of the Center's activities highlighting how to bring industry leaders, accomplished producers, and prominent business ethicists together to reinforce the need to connect values and good business practices.







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