WHAT’S INSIDE

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Ten Golf Lessons for Your Company and Its Compliance Program

By Michael Matlock

The Game of Golf is rich in tradition, has worldwide appeal, state of the art ethical driven rules of play and played by millions. The Professional game of golf has evolved with superstar players, big TV contracts, million dollar prize money, new technology, high popularity and incredible skill level that has set the right “Tone at the Top” with its ethics and integrity. Much has changed for the good of the game but what hasn’t changed is that it maintains its uniqueness by allowing the rules of the game to govern the game, the culture and the brand. Unlike other sports, it is close to non-existent to hear of Golfers in trouble with the law, breaking the rules, or poorly representing their sport, if so the consequences are very severe. The Golf Culture has a unique and time honored tradition of integrity that serves as a standard barrier to build your brand and protect your company. Here are Ten Golf Lessons that can make your company and your brand better.

1. Each Golfer not only plays the game but serves as his/her self-appointed Compliance and Ethics Officer. The golfer is expected to not only know the rules of play, play by them, but more importantly call a penalty if awareness is at hand. Each course has a shared responsibility of protecting the brand and doing business pursuant to approved company policies and procedures. The expectation should be when company policies and procedures are not followed, the violator should self-report his/her actions to one’s management or Compliance Department instead of waiting for his actions to be uncovered by his companies controls, auditing processes or one’s colleague.

2. The game of golf has established a set of rules that apply to everyone, everywhere, and every time they play a round of competitive golf. Those rules manifest themselves as a control mechanism that protects the integrity of the game. Regardless of whether the Golfer is Jack, Arnold, Tiger, Phil, Rory or the great Bobby Jones, all have respect and played the game by the same rules and, if broken, the consequences are the same. Who they are and what they have meant to the game does not give them special treatment if misconduct or rules are broken.

Business Implication: Regardless of one’s title, tenure, past history, popularity, production, or financial impact, when it comes to addressing wrongdoing and conduct detrimental to your brand, who the person is should not serve as an asset nor liability. The consequences should be the same, every time for everyone!

3. Every golfer wants to play well and win, but he/she would rather play well and lose following the rules than win violating them. Cheating to win would compromise the integrity of what winning should stand for. Each Sunday a Professional Golfer stands in the Winner’s circle and accepts a check and trophy which represents the lowest score and best player of the tournament. What it also means is every score for every hole was played by the rules and the highest of ethical standards.

Business Implication: In business, no producer or business unit should achieve its targets or goals by compromising the integrity of what the targets or goals stand for. Your mission statement must mean what it says and your brand must say what it means. Never trade the integrity of both for results that are not reflective of who you are and what you stand for as a company.

4. A power question that is asked of The Game of Golf is: “Who’s the most honest golfer?” The answer is, with few exceptions, all of them!

Business: When asked this question of Business, it’s easy to name who is the highest producer, but how easy is it to name the most honest high producer? In light of today’s culture, history has shown that it’s not often all of them, but shouldn’t it be?

5. In golf, even on the rare occasion when one is intentionally dishonest or unintentionally fails to observe a rule, others feel it is their responsibility to report the violator. Each player owns the responsibility of protecting the integrity of the Game as well as protecting the field of participants. Each scorecard is a certification of the accuracy of the recorded score; all rules were observed and proper golf etiquette was followed.

Business Perspective: Within your Company, what is the climate associated with misconduct? Does unreported misconduct outside of approved business processes impact your CEO’s certification of your financial statement or regulatory certifications? One unreported incident has the power to compromise the integrity of your financial statement, regulatory certifications, weaken your processes, and ultimately your brand.

6. In golf, the rules drive the integrity of the culture. Each time a rule is broken a penalty is assessed. The person who has the lowest score is deemed the best golfer for that day but what’s more important is the honesty and integrity the score represents. When a round of golf is over, every player should submit a good, clean and honest scorecard...no exceptions!

Business perspective: In Business each company has an approved way of doing business. Never overlook infractions to your approved way of doing business or allow people to break them on a daily basis or even when a competitive business promotion is in place. The winner should represent an effort and accomplishment that reflects the highest level of integrity.

7. Tell the truth: In golf there are options and opportunities other than telling the truth, but none are good. A high value is placed on telling the truth and being known as who one will be truthful to the rules even when the stakes are high and no one else observes the violation. To not be truthful is the most fatal error in golf. Other players will seldom trust you and your cheating will become public knowledge. Cheating once, is often viewed as continuous cheating because the future opportunity to do so is always there because of the honor system that Golf is based on. The typical golfer will “self-report” when a rule is knowingly violated, even though the penalty remains the same. Self-reporting elevates self-respect and renders one of the highest levels of integrity in all of sports.
Business perspective: In business, when reviewing a Code of Conduct violation or conducting an integrity review analysis, your inquiry must determine the “root cause” of the infraction. Questions that determine the root cause are: Is the misconduct knowledge driven? Is there a skill deficiency? What was the intent? Did the violator self-report? Once cheating takes place in business, the question is always, on what other occasions have you cheated? Make being truthful your first and only response. You’ll have other options but none are good.

1. When playing golf, respecting the rules and playing by them is less an expectation and more of a given. In Golf, the expectation that every golfer will engage and play the game at the highest ethical level has transitioned from an expectation to a given.

Business perspective: Establish Fair, Consistent, Ethical, Non-Compromising Business Expectations of Engagement and Conduct. Once expectations are communicated, personally owned, ingrained in your culture and properly addressed when misconduct occurs, expectations become a given.

9. The rules are shared, owned and embraced by every participant, official and fan. If broken, anyone who observes a broken rule can report it and, if verified, actions are taken. When the violation is presented to the player, he or she explains their actions, and if wrong, consensus is achieved and the player accepts the penalty. There is no such thing as an appeals process due to the commitment of playing the game the right way.

Business perspective: Your Compliance and Ethics Department do not own compliance and ethics, they are owned by the culture. The function of your Compliance and Ethics Department is to facilitate the processes that protect the integrity of your Company Brand. When misconduct occurs, empower your Compliance department to facilitate and own your company approved integrity resolution process. The role of other business partners should be to provide the facts and offer perspective but never with the intent of dictating the outcome. Stay true to your process!

10. In Golf, the phrase, “You have the honors” means, it’s your turn to play. But more importantly it means one has the privilege of honoring its institutional and historical integrity by playing the Game the “Right Way.” The history of the game and its ethical standards set the tone and climate for one’s conduct during play. For this game, everyone truly has the honor of being on the “Right Side of History!”

Business perspective: When working for your customers, being employed by your company, or having a career, look at it as an honor and privilege to engage at the highest level of ethical standards. You “have the honors” every day to set the tone and climate for your conduct associated with establishing a good, clean honest brand for your company by doing business the “Right Way”! Now that the lessons have been shared, how will you incorporate this level of ethics and integrity into your company’s culture? It’s a decision on which your Compliance Department along with each business unit should take the lead. You must have the full support of your CEO and outside board. Every set of procedures, company approval and sales processes, integrity case review, and regulatory filings should measure up to the highest level of transparency and self-disclosure requirements. A complete integration of your Compliance and Ethics Program into every facet of your Culture will take your brand to the next level and have your company executing its game plan with the esteemed ethics of golf.

When working for your customers, being employed by your company, or having a career, look at it as an honor and privilege to engage at the highest level of ethical standards. You “have the honors” every day…

Everyday Ethics – What If Everybody Did? By Jim Mitchell, CLU®, ChFC®

In our last issue, I talked about using the Golden Rule as a guide to ethical conduct on a day-to-day basis—what I called “everyday ethics.” There is another guide that I find helpful, too. It is a simplification—philosophers would say a vast over-simplification—of what Immanuel Kant called the categorical imperative. My version is: “What if Everybody Did?”

In other words, “what sort of place would the world be if everyone acted in the way I am considering acting?”

After I finish my candy bar in the park, I am considering dropping the wrapper on the ground. The Golden Rule—Do unto others as you would have them do unto you—is not a very helpful guide here. The park will not do anything unto me, regardless of whether I drop my candy wrapper or not.

But “What if Everybody Did?” is helpful in this situation. If everybody dropped their candy wrappers in the park, the park would become cluttered and ugly. That is why there are waste cans periodically throughout the park, so that people will dispose of their trash in them instead of littering. It is clear that dropping my candy wrapper on the ground would not be a good thing to do.

It turns out that “What If Everybody Did?” is useful to me in dealing with more complex ethical dilemmas, too. Here is one example: In a good number of our cities we see people standing on street corners with cardboard signs. The signs typically say that these people are homeless and hungry. The people want a handout. Do I give them one?

Surely, compassion suggests that I should share my good fortune with those less fortunate than I. Sometimes it hurts me to just pass these people by. But I do not give them money. Why not? “What if Everybody Did?” Many of the people standing on the street corners are addicts and use the cash they are given to feed their addiction. If everybody gives them cash, they will have more money to feed their addictions and will never seek treatment. Instead, my wife and I support a homeless shelter and addiction treatment center. If no one gave the homeless cash, more of them would seek shelter and treatment in this warm and healthy place.

Not all of the people on the street corners are addicts. A number appear to be able-bodied young people. What if everybody gave them money? Then they would have an incentive to ever enter the workforce and find a job that is productive for themselves and for society. Conversely, if no one gave them money, they would have an incentive to get a job. (Yes, Virginia, there are plenty of jobs available for people who really are willing to work.) With a job, they have an opportunity to gain self-respect, to learn additional skills and advance to become productive, contributing members of society.

Whether or not you agree with my approach to the question of whether to give handouts to people on street corners, I hope “What if Everybody Did?” is a useful guideline for you as you think through the ethical dilemmas in your life.
The Value of Virtue

By Julie Ragatz

Lately, I have been doing a lot of thinking about the virtues, specifically, whether a consideration of various virtues can help inform our understanding of the ethical responsibilities of financial services professionals. I started thinking about this question when a student in my PhD program asked whether he might write his final paper for my course on the virtues necessary to be a truly excellent financial advisor. His assumption was that while competent professionals adhered to the principles espoused in industry-specific codes of ethics, the ‘truly ethical’ advisor will adhere to a specific set of virtues.

If one way of defining ethics is ‘what you do when no one is looking’ it is worth noting the virtues are especially important for financial services professionals. The ignorance that leads clients to seek out financial professionals creates an additional vulnerability insofar as they may find it difficult to determine whether their advisor is truly acting in their best interest. Professional virtue is important because it creates people of good character who will do the right thing, even when no one is looking because no one knows what they are looking at or looking for. Virtues are also important to guide our behavior when principles are in conflict. Finally, and perhaps most importantly, the virtues help us to know how to perform the morally correct action. Let’s look at an example.

James, a mid-career financial advisor, is the owner of large and successful practice. While he was proud of what he had achieved, he felt as though his professional life had become increasingly unwieldy. His practice consisted of small, low-asset clients, many of whom he inherited in the beginning, as well as a growing group of affluent clients who had complicated estate planning needs. These clients were rewarding both financially and intellectually. James’ success with a particular niche of the affluent market in his area was also generating excellent referrals and leads. James was scrambling to keep up with all of the opportunities and recently added additional support staff to help serve the needs of his practice. However, something felt wrong and this is one of them. The virtuous person would not have made such a mistake, she would have known the right action to perform, had the courage to perform it and, importantly, she would have performed the action in a virtuous manner.

In the upcoming months, I will be exploring the particular virtues of the financial services professional and how these can help us meet our obligations to clients. You can follow these discussions on our website, at www.theamericancollege.edu/ethics.

Many people have found themselves in a situation in which they are embarrassed with how they handled themselves and compounded the original error by refusing to own up to it...
“Our Centers are operating at a higher level than ever before, generating thought leadership on industry trends with both academic and industry applications.”

A Moment with our Faculty – John Whitham, MLIS, MSIS
By Sheila Runkel

Before beginning his Library Science studies, John Whitham had noticed a deficit with library research. While completing his undergraduate studies at the University of Pennsylvania, John was exposed to a range of genres and historical periods. However, his interests kept pulling him toward more obscure texts that had very little scholarly research associated with them, which made analysis challenging. “I came to dislike library research, because it seemed incredibly difficult to access the resources I needed.”

This difficulty became all the more apparent in his senior year. “I wrote my honors thesis on a book called Holiday, which is a relatively unknown, modernist novel by Waldo Frank about the problem of race relations in a fictional Southern town. The book spoke to many important issues about race and art in early-modernist American culture, but it was very difficult to find source material on this novel. Few people had written about the work already, and what materials our library had were handwritten journals and letters yet to be transcribed.” The University’s library services had the collection or resources restricted to on-site use, but they had not been catalogued or copied. Waldo Frank’s nearly indecipherable handwriting only added to the challenge of extracting the proper content John needed for his paper. While difficult, the process provided John with a path of interest. Following his time at Penn, he enrolled in Drexel University’s dual Master of Sciences program in Library Information Sciences and Information Systems, with an emphasis on digital library technology.

At Drexel, John learned the history and theory of information accessibility and dissemination, and also trained in database administration and implementing systems to capture and share information for a wider population of users. With these skills, John became an invaluable resource for The College when he joined the staff in July of 2012 as the Digital Librarian. In early 2013, The American College transitioned their library to a digital format and John was promoted to his current role. “I’m ex officio faculty; I do not teach courses, but as the College’s chief Librarian, my responsibilities include oversight of The College’s digital library and research services, which directly support the academic growth of The College and its programs of study.”

The Vane B. Lucas Memorial Library now stands among the industry’s best resources, featuring one of the most robust online collections of financial services information in the country. Students at The College have access to nearly five thousand scholarly journals, more than three thousand trade journals and business magazines, nearly 2,500 market research reports, and more than nine thousand executive and analyst interviews. It is an exciting time for John, who believes, “establishing the digital library was an innovation for The College; it put us years ahead of the technology of other institutions and opened up a whole new way of sharing knowledge with our online students.”

Alongside his library duties, John is also the director of administration for The American College’s six Centers of Excellence, each concerned with a different sphere of influence in the industry. Along with the Cary Maguire Center for Ethics in the Financial Services, there are centers for women and financial services, financial security, veterans affairs, and retirement income. Two new Centers are on the horizon, as well, focusing on special needs planning and gerontology. “Our Centers are creating. Are the Center’s following best practices? Are their research projects in line with and advancing their missions? Under what circumstances should this information be shared freely, and when is it appropriate to sell? Is the content serving the Financial Services industry well? In John’s eyes, the nature and principles of information are a complex topic of philosophical investigation. As a discipline, Information Science has been able to establish best practices and guidelines for other aspects. However, there is still a lot to be debated.

The Centers of Excellence only add to The College’s value. “Our Centers are operating at a higher level than ever before, generating thought leadership on industry trends with both academic and industry applications.”

To John, these new developments are an important addition not only to the industry, but also to The College community. “I feel so fortunate that I’m in the position to work cross-departmentally within The College. As overseer of Library Services and Center Admin, I interface with colleagues at every level and in all departments of the College. It has expanded my professional knowledge and improved my interpersonal and communication skills. I’m excited to help the College into the future, in whatever initiatives come next.”

To learn more about The Centers of Excellence, visit www.theamericancollege.edu.