In the article, “Compliance and the Illusion of Ethical Progress”, Christopher Michaelson points out that there is a qualitative difference between compliance and ethics. The implication is that merely increasing compliance requirements should not count as ‘ethical progress’.

Michaelson defines ethics as “freely choosing the good”. That is, choosing what is good because it is good. This definition matches our intuitions about what constitutes an ethical action. For example, imagine that a young executive was walking to a business lunch with her boss. It was the holiday season and volunteers from the Salvation Army were stationed on street corners ringing bells and soliciting donations. Now, this young executive is incredibly cheap, the sort of person who regifts industry tchotchkes for family birthdays. When her boss placed some money in the bucket, the young executive did the same, but only out of fear of being perceived as uncharitable. But all the way back to the office, she was literally pained by the money foregone and mentally committed to avoid walking anywhere with her boss for the remainder of the holiday season.

Most people would not judge her action as morally good, even if they recognize the financial benefit to the charity is the same. Intuitively, we believe that for an action to have moral worth, it needs to be chosen for its own sake. You should donate to charity because it is the right thing to do and not to impress your boss or to avoid looking like the Christmas Grinch.

But are there viable opportunities for people to act ethically at work? In an industry in which so much of our behavior is directed by various compliance regulations, is there even room to freely choose the good?

I believe that there is and here are three proposals to increase the space for ethics in the workplace.

1. **Explain actions and policies in moral terms and emphasize that it was the moral motivation that directed your action.**

   People have multiple motivations for their actions; in fact, most of the time we can account for our actions by a mixture of self-interest, moral obligation and affection. I try to perform my job as well as I can because I want to keep my job (self-interest) and because I feel a duty to the university and the students who pay my salary (moral obligation). Finally, I care for my students and want to help them and see them succeed (affection).

   Similarly, an agent may refrain from...
Case Study of the Month: Cantankerous Clients

John knocks on the door of Martine, a close colleague. “Do you have a minute?” Martine turns from her computer to face John. “Of course, come on in.” She shifts some papers to the side of her desk and gestures to a chair. “What’s going on?”

John slumps in his chair. “I just got off the phone with this terrible call. I can’t take it anymore. This family is driving me crazy!” Martine frowns. “Hey, let’s back up a little bit. Who called you? Let’s start at the beginning.”

“Do you remember when George retired and Keith asked me to take over some of his smaller cases?” Martine nods and John continues. “Well, one of those clients was Mr. Mathieson. He’s about 80, and he seemed as sharp as a tack the few times we met last year. But a couple of months ago, his wife died and it has all been downhill from there. It’s like he has aged 10 years; cognitively, emotionally, and physically, he’s a different man.”

“I’ve seen that sometimes with my own clients,” Martine comments sympathetically. “When the spouse dies, it’s like the other spouse doesn’t know how to go on. Is he the one calling you? Do you have a pretty good relationship?”

John sighs and reaches to close the door. “We didn’t have much of a relationship to begin with, but it has gotten worse in the last few weeks. He comes off very confrontational, but I think that he’s really just frightened. He’s convinced that everyone is trying to swindle him…me, his kids…it’s awful.”

“Well, I know that’s not the case with you,” Martine comments. “But with his kids, does he have a reason to be paranoid?”

“Frankly, I’m not sure. It’s not a particularly happy family from what I can tell.” He stares out the window for a moment and then looks at Martine. “It’s his kids that are driving me crazy. I just got off the phone with his daughter, who lives out of state. She keeps badgering me about how much money is in his account and how her younger brother can’t be trusted. I think Mr. Mathieson’s wife held everything together and kept all of the tempers in check, but now that she’s gone…”

There is a long pause. “What do you want to do?” asks Martine.

John takes a breath. “I want to walk away. I can’t deal with this. It’s affecting how much time I can give to my other clients. I’m finding it harder and harder to even pick up the phone when I know it’s one of them calling. But, then I keep thinking - if I walk away, what happens to Mr. Mathieson? He may be acting like a jerk and his kids are nuts, but he is so vulnerable. I worry about who they would find to take my place.”

To comment on the case and learn what others are saying about it, please go to our LinkedIn group, The Cary M. Maguire Center for Ethics in Financial Services.

Director’s Update — Saving a Family From Ruin

by Julie Ragatz

In my “Good News” column this edition, I would like to share a story that emphasizes the power of doing the right thing and reinforces the truism that we can never predict precisely how our actions will affect other people.

Fred Sievert, the retired President of the New York Life Insurance Company, has embarked upon a fascinating “second act”. Upon retiring from New York Life, Sievert enrolled in Yale Divinity School, where he was awarded a master’s degree in religion in May 2011. In addition to his many other activities, Sievert

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Dr. Glenn Boseman joined the faculty of The American College in 1981 as the Roger Hull-James S. Bingay Chair of Leadership. Boseman earned his Doctor of Business Administration (DBA) from Kent State University. Before he came to The American College, Boseman held a faculty position at Temple University. He was persuaded to make the move to The American College because he supported the mission of The College and appreciated the challenges and rewards of educating working adults. After 31 years at The American College, Boseman still has the same passion about working with leaders to develop and refine their skills.

Dr. Boseman has served The College in many ways during his time on the faculty. When he arrived at The American College, he developed, taught and maintained classes in the Masters of Science in Financial Services (MSFS) program. He also worked with LIMRA to develop the highly successful Chartered Leadership Fellow (CLF®) designation, now wholly owned by The College and widely recognized as the ‘state of the art’ program for leader development in the financial services industry. Under the leadership of Dr. Larry Barton, The College reimagined and redesigned the Masters of Science in Management (MSM) Program. Boseman’s contributions to the content of the curriculum as well as the structure of the program were instrumental in making it the success it is today. Boseman was promoted to the Dean of the Irwin Graduate School in 2008.

When Dr. Boseman arrived at The American College there was little focus on ethics in The College’s educational programs. This lack of emphasis on ethics was consistent with most traditional universities at the time. However, because of widely publicized abuses in the industry during the 1980s, The College was confronted with the need to think seriously about ethics and specifically, about how to ensure that people at every level of the organization were acting in accordance with ethical standards.

Boseman notes that some companies sharpened their focus on ethics better than others; many organizations instituted compliance departments but often failed to explain the ‘why’ behind the increased vigilance. In some organizations, the compliance function is referred to dismissively as the ‘sales prevention department’, a phrase that reflects a general lack of buy-in and commitment among the very people that the department is supposed to direct and support.

The increased publicity of abuses and emphasis on compliance led many industry leaders to think hard about ethics. According to Boseman, one of the ways that The American College has answered the call for leadership in ethics is through the Professional Pledge. This Pledge is required of each student who earns a designation from The American College and reinforces the commitment of the student to act in accordance with its high ethical standards.

As Dean of the Graduate School, Boseman ensures that each student in the graduate programs receives training in ethical decision making. In the MSFS program, every student is required to complete a face-to-face course entitled, “Ethics and Human Values”. This course is highly interactive and examines ethical issues and human values from the perspective of the financial services professional. Special attention is paid to the ethical dilemmas that students are likely to encounter in the course of their professional activities. Students discuss and evaluate decisions by examining the extent to which these decisions adhere to fundamental ethical principles such as integrity, justice, fairness, benevolence and responsibility.

In the MSM program, every student is introduced to ethics during his/her first on-campus residency through a course entitled, “Seminar in Stakeholder Analysis”. In this seminar, students work in small groups on a case

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On July 12th, I had the pleasure of interviewing Keith B. Kronen, CLU®, ChFC®, CLF®, CASL®, who is the Chief Development Officer for Northwestern Mutual in eastern Pennsylvania. A Pennsylvania native, Keith grew up in Harleysville and attended Ursinus College, majoring in finance and marketing. In college, he worked full-time for Core States and Merck during the day and attended school at night – a rigorous schedule that helped him develop dedication and commitment as well as a strong work ethic. After graduation, Keith spent a year at The Vanguard Group managing stock funds, but he longed for more freedom and flexibility in his business pursuits. With Northwestern Mutual, he found the balance he was looking for: phenomenal products, financial strength, and a company culture that is a fit with his personal values.

Keith became a full-time representative at Northwestern Mutual in 2002 and now works out of their King of Prussia location, one of about eighty ‘network’ offices in the organization. The other regional offices in eastern Pennsylvania include Lancaster, Lehigh Valley and Scranton/Wilkes-Barre. In his current position, Keith spends most of his time recruiting for these offices. Regarding his affiliation with The American College, he didn’t really get too serious until about 2008, when a new managing partner who was familiar with The College’s programs and designations was appointed to this region. Since then, Keith has pursued his CLU® and ChFC® (both completed in 2009), the CASL® (also completed in 2009) and the CLF® (most recently completed in 2011).

For Keith, having these designations and being committed to The Pledge and Canons is like having a set of internal guidelines that you have to follow—and want to follow—in your everyday dealings. Extra commitment to ‘doing the right thing’, which becomes a differentiator within the industry. Designees are and should be proud of the accomplishments that they have attained. In fact, Keith feels so strongly about education and these values that he has recently signed up for the new RICP™ (Retirement Income Certified Professional) designation program offered by The College, in order to continue his studies.

Reflecting on the influence that a commitment to the Pledge and Canons can make, Keith described an incident that happened about a year ago. A competitor entered the area, claiming superior products and compensation, and was successful in enticing a number of Northwestern Mutual’s reps into leaving the company. Although the statements the competitor was making about Northwestern Mutual were not accurate, Keith’s team members decided to take the ‘high road’ and were able to mitigate many of their clients’ fears by reaching out and confirming the company’s continuing commitment to them. They also brought in product specialists to show the reps exactly how some of the products worked, which reduced their anxieties and ‘set the record straight’. The end result of this situation was a renewed sense of unity and purpose within the company, knowing that they are conducting business ethically and in the clients’ best interests.

When he thinks about how The Pledge and Canons have affected the way he interacts at all levels, Keith admits that it has definitely impacted his relationships with family and friends as well as his business associates. His ability to communicate has improved – as well as the delivery style of his conversations - including his desire to give and receive feedback. After Keith had been working at Northwestern Mutual for some time, his best man at his wedding noted that he seemed ‘more polished’, ‘more approachable’ and more ‘balanced’. Keith thinks this is because Northwestern Mutual is committed to the personal development of its employees. The company focuses on exposing its people to the val-

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A Word From Our Chairman, by Jim Mitchell, CLU®, ChFC®

Taking The Long View

It has often been noted that the financial services industry is a long-term business. That is certainly true of insurance and annuities, where the insurance company makes promises that it must be able to keep decades later. In the last several years, however, questions have been raised as to whether business in general has gotten the short-term vs. long-term balance wrong, and given in to short-term pressures.

The website of the CFA Institute defines “Short-termism” as “the excessive focus of some corporate leaders, investors, and analysts on short-term earnings guidance, coupled with a lack of attention to the strategy, fundamentals, and conventional approaches to long-term value creation.” They state, “We feel that disproportionate emphasis on meeting short-term expectations of varying constituencies too often hinders corporate managers…from focusing on long-term value creation.”

In June 2007, the Aspen Institute published a paper entitled Long-Term Value Creation: Guiding Principles for Corporations and Investors, based on the thesis that long-term focus is critical to long-term value creation. Their paper states, “Short-termism constrains the ability of business to do what it does best—create valuable goods and services, invest in innovation, take risks, and develop human capital.” They believe that “favoring a long-term perspective will result in better business outcomes and a great business contribution to the public good.”

I believe that it was short-termism on the part of lenders, mortgage brokers, and securities firms that led to the financial meltdown of 2008. I can’t think of a better example of short-termism than making a mortgage loan for more than a house is worth, to someone whose income you do not bother to ask about. In retrospect, we can see that such practices were stupid. Yet greed motivated many to participate in the madness.

Taking the Longer-term Perspective is critical to ethical business leadership. It is only by taking the long view that a business organization can achieve an appropriate balance of the interests of all its stakeholders: its customers, its employees, its owners and the community at large. In the financial services business—where we may have a relationship with our customers that lasts decades—it is even more critical to take the long view. Financial institutions have a duty to their customers that must transcend any short-term pressures. Especially in our industry, ethical leadership requires that we take the long view to create value for all our stakeholders.

The Pledge Project, continued from page 4

ues it believes in and Keith knows that this has helped him to become a more positive person.

Regarding those who are considering entering the financial services profession, Keith thinks that the key question they need to ask themselves is whether or not it is the ‘right time’ for them. Do they have the desire to truly help people? Are they driven? Do they hunger to have more meaning in what they do professionally? And can they be committed to ‘doing the right thing’ every time? If you are looking for independence, the ability to dictate your income level and the opportunity to make a tremendous impact on others’ lives, then this may be the profession for you. Keith recalls the growth he experienced when his first death claim – his father – passed away unexpectedly a few years ago. Despite the grief, he was incredibly proud of having helped his family to obtain the coverage they needed to get through.

Keith looks forward to welcoming more successful individuals into the profession, knowing that they will be dedicated to continuing education and creating value propositions for their clients.
writes a remarkable blog, God Revealed (http://www.godrevealed.com/), which chronicles stories of how God’s messages are revealed to us in our everyday lives in both the simple things and in extraordinary occurrences.

What follows is a copy of an entry entitled “Saving a Family from Ruin”. I know that you will be moved by this powerful story revealing how doing the right thing can change people’s lives.

One of the most moving experiences of my life came during a professional insurance industry meeting. The experience not only reinforced my faith but also the profound value of my profession and the efforts of insurance industry sales representatives and employees. Sitting in an audience of seven thousand people, I palpably felt God’s presence. I had absolutely no doubt that God was speaking directly to me, as I was the only person in the massive audience who knew the “rest of the story.” I’d like to share what happened.

In 1998, I attended the Million Dollar Roundtable (MDRT), a huge industry meeting held at a large convention center in Chicago. As mentioned, a staggering seven thousand people were in attendance. I was there as an honored guest, while most attendees were insurance agents who had qualified to attend based on their high level of annual sales. The MDRT consisted of platform presentations to the full group of delegates every morning and smaller breakout sessions conducted each afternoon. The morning platform sessions were well known for their often emotional content, and attendees always came prepared to be moved by what they heard.

One of those main platform presentations was by David Woods, CEO of an industry association that publicized the importance of life insurance in protecting the financial future of families who lose the primary income earner. David showed us a very moving, professionally produced video about a young family with two small children who had lost their father in an automobile accident. He had been killed only two days after purchasing a life insurance policy.

The video was very moving; the young widow talked about her husband, and the children spoke emotionally about their dad. The widow also talked about the importance of his life insurance and how it saved them from financial ruin, allowing them to maintain their home and lifestyle and even provide for the kids’ education. There wasn’t a dry eye in the house, including mine. Indeed, the short video segment reassured the large audience of insurance professionals that our life’s work is significant and that it provides great value to consumers—consumers who don’t always recognize the devastating risks they face and who often object to “wasting money” on life insurance.

But the tears were streaming down my face for a very different reason that no one else understood. You see, there was a message in this story for me. In an audience of seven thousand people representing more than two hundred insurance companies, God was speaking directly to me.

As I watched the video, the family’s situation sounded strangely familiar to me. But it wasn’t until the family’s New York Life agent was interviewed at the end of the video that this became compellingly personal. A case exactly like this had come across my own desk at New York Life several months earlier.

As President of the company, I rarely had to make decisions on death claims. Those decisions were almost always handled by executives at a lower level in the corporate hierarchy. But this one had come to me from the legal department. They felt we were not obligated to pay the family’s claim because their applica-
tion had not been submitted with an initial premium payment. Therefore, on the date of the father’s sudden death, state insurance laws mandated that his life insurance coverage was not technically in force through the New York Life Insurance Company.

Our company lawyers recommended I deny the claim. They felt that if I paid the claim, I would potentially set a legal precedent that was beyond our technical contractual liability.

However, there was one extenuating circumstance: The father who lost his life in a car accident had written out a check to New York Life Insurance Company. The check was sitting on his desk at home the day he was killed.

When I reviewed the situation, I didn’t have time to read the entire file. I didn’t even consider the wife, or any kids; for me, this was nothing more than a business decision. I thought about the financial loss to the company if we were to pay the claim. I also thought briefly about the precedent I might be setting by approving it. I knew other agents could potentially demand similar treatment, even when similar extenuating circumstances did not exist. Nonetheless, given the evidence, I decided that the “right thing to do” was to pay the claim. I signed the claim and went on with my work as always. I didn’t think about the situation again—that is, until Chicago.

In that moment, in a crowd of thousands, no one was watching me cry. Even if someone noticed my tears, I certainly didn’t stand out; many others were crying in response to the emotion of the video. I cried unashamedly. I realized it was far too improbable to be a mere coincidence. Hundreds of companies were represented at this convention; thousands of agents from around the world were in this audience; and this one video told of one family that had insurance coverage with New York Life. Suddenly the true impact of an otherwise unemotional executive decision became crystal clear to me. I had forever impacted a young family’s financial future—saving them from ruin.

Here’s the miracle: At the time of the Chicago meeting, I was questioning the value of what I did for a living. I frequently bemoaned the sacrifices I was making in my own family life to take on such a huge vocational responsibility. As the video ended, it was suddenly crystal clear to me: God had chosen this venue, this story, to reassure me. God was making me aware of the importance of what I did for a living. Just as importantly, God was emphasizing the importance of integrity—of doing what was “right” instead of relying on legal loopholes and technicalities.

Needless to say, this experience with its resulting epiphany changed me forever. It not only changed the way I conducted business, but also how I lived my life. I subsequently told the story to thousands of agents and employees at New York Life, which gave me an opportunity both to express my faith and to indicate the importance of the work we all do in providing important benefits to our customers when they need it the most. Sharing my experience also helped motivate agents who were typically reluctant to approach prospective clients with a proposal to buy life insurance—a motivator for the agents and a potentially great blessing for their clients.

But the greatest change for me came in knowing I needed to be more attuned to, and listen more carefully for, messages from God. His message was one I desperately needed to hear, and as He always does, He found the perfect way to deliver it.

You can find the story on Sievert’s blog at http://www.godrevealed.com/site/2012/03/21/saving-a-family-from-ruin/
serving unsuitable products, withholding materially relevant information and forging her clients’ signatures partially because these actions are against the law and she fears punishment. But her dominant motive for avoiding these actions is her commitment to the professional principles of integrity and objectivity. The problem is that people often explain their actions to others by emphasizing the self-interested motivation rather than the ethical one. Research demonstrates that people tend to frame their explanations to highlight the self-interested motive because they do not want to appear to be naive, ‘soft’ or irrational. Leaders increase this tendency by focusing on the harms that befall those who violate compliance rules rather than encouraging people to choose the good because it is good. Leaders need to encourage people to run towards the good of professional virtue rather than away from the harms of compliance violations.

2. Exploit the ‘free-zones’ to the fullest possible extent.

Ethics demands that we treat others with respect and consideration. This is vital to producing an ethical culture, especially in a sales environment. Our interactions with co-workers, clients and professional partners are not fully determined by a compliance framework. Whenever we interact with others, we have the opportunity to express personal virtues of kindness, generosity and fairness. The ethical treatment of others in the little things (which frankly do not feel like little things when they are disregarded) makes a tremendous difference in the climate and feel of the organization.

3. Continue to have discussions about the “good” and what it means to you and your organization.

Michaelson points out that what is ‘good’ is often determined by senior management. They select the ‘core values’ of the enterprise and often dictate how they are interpreted. Thus, what is an expression of the personal ethical principles of the few becomes a compliance obligation for the many. To a certain extent this situation is irresolvable. Even in an organization that openly and freely debates the interpretation and application of corporate values, it is necessary to have one person or group who decides in the case of disagreement. However, it is the responsibility of management to keep the conversation going and to be as explicit as possible regarding the values and commitments of the organization. This gives people the opportunity to self-select into a culture and an environment that they believe is a match.

The take-away is that we need to give serious attention to creating room for ethics in a compliance-driven environment. The first step in this process requires us to think seriously and critically about how we should define ethics to distinguish it from compliance. The temptation, especially in an environment of ‘compliance creep’, is to simply elide compliance with ethics. But this would be a mistake.
study which challenges them to apply shared ethical values and standards to a multi-faceted situation. Students are encouraged to 'role-play' and actively seek out other perspectives to critically test their own assumptions about what is right and wrong. MSM students are also required to take a class in their second residency called “Ethics in Leadership”. In this class, students refine their ethical decision making skills and apply these skills to ethical dilemmas they face as leaders within the financial services industry. Students also learn how to create an environment that encourages others to act ethically. The development and maintenance of an ethical culture is a crucial component of ethical leadership. According to Boseman, “It should be clear that The College places great emphasis on ethics: ethics permeates everything that The College teaches.”

Beyond the classroom, Dean Boseman believes that, “the best way that a field or corporate leader can create an ethical culture is to be the ‘role model’ of ethics.” He emphasizes that far more than mere words, it is the behavior of senior leaders that really influences the actions of their followers. In addition, “the leader needs to communicate to followers, and communicate often, the importance of viewing ethics as part of being a professional.” Leaders often believe that their followers ‘know’ that values are important, but in order to be successful, leaders need to state these commitments explicitly and often. Finally, leaders need to publically recognize and reward people for acting ethically. It is important to celebrate ethical successes as well as material successes. Boseman believes that, “over time, this approach to ethics builds a culture such that everyone believes that ethics is the ‘way we do business around here.’”

Regarding his hopes for the future, Dean Boseman says that his goal is, “to leave the Irwin Graduate School a better school than when I assumed leadership.” He has certainly already achieved this objective. The Graduate School has improved in virtually every measure of success; enrollment is up and growing, the quality of the curriculum continues to improve, course material is delivered in innovative ways that meets students’ changing needs and the awareness of the value proposition offered by a graduate degree from The American College is increasing among our corporate stakeholders. In terms of The College, Boseman would like to see, “our faculty become the industry recognized authority that the news media as well as our representatives in Washington turn to when there are issues related to ‘personal finance’. With the proposed doctoral program and selection of high quality research and teaching faculty to join our existing faculty, the graduate school is poised to achieve these goals.”

Beyond his formal role as Dean of the Graduate School, Dean Boseman has served as a personal and professional mentor to several young faculty members at The American College. I have been the grateful recipient of his wisdom and guidance since my arrival at The American College. He is never too busy to spare time for a faculty member seeking his advice and counsel. Gerry Herbison, MSM, ChFC®, CASL®, CFP®, CLF®, Assistant Professor of Leadership and Director of the CLF® Program has worked especially closely with Dean Boseman for the past four years. Herbison notes that, “Glenn’s energy and commitment to excellence are unparalleled. I learn something new from him almost every day.”

The Center for Ethics is grateful to Dean Boseman for his support of the Center for Ethics in Financial Services. To learn more about the programs offered by the Irwin Graduate School, please contact Bonnie McCormick at bonnie.mccormick@theamericancollege.edu or visit http://www.theamericancollege.edu/graduate-degrees.
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