Bolster strategy and performance with an ethical decision framework

By Anthony O'Reilly

Anthony O'Reilly (anthony@oreillyadvisorsllc.com) is a founder of O'Reilly Advisors LLC in Newton, Massachusetts, USA.

- linkedin.com/in/anthony-oreilly-ethics

Ethical decision-making sounds like a simple thing; perhaps we think we inherently understand what is ethical and what is not, and so we don't need a framework. Or perhaps the organization proclaims basic ethical standards and considers the work done.

These approaches ignore two important factors: Ethics statements are typically nothing more than table stakes for being in business, and any framework for ethical decision-making needs to be specifically helpful to people facing challenging, real-life situations. We need to think more deeply if we're serious about helping guide behavior.

Here is how a global systemically important bank adopted a framework for ethical decision-making to strengthen client relationships.

Balancing principles and rules

Like many other financial services companies, the bank had no shortage of rules. Codified in more than 1,000 policies, standards, and procedures that were developed over time were rules written for everyone, from broker-dealers to administrative staff. These rules only grew as technologies and service offerings expanded and regulation evolved, and sometimes different jurisdictions developed rules in parallel, forcing the bank to think about whether it should adopt separate rules for each location. As a result, rules simply proliferated, creating an urgent need for a new approach.

Creating a chief ethics officer role was an important moment in the bank's approach because it brought a different perspective to the table. Compliance was focused on making sure rules were in place to meet all the regulatory requirements, which was itself an extensive task, given the breadth of topics covered by regulation. Legal, on the other hand, ensured that comprehensive sets of rules were clearly available to employees, not least because it would be important to demonstrate this in the event of having to defend the organization.

To these perspectives, the ethics office added the view that a principles-based ethical decision framework was essential. This framework would not displace the goals that were important to compliance and legal but would help managers in situations where several options were acceptable within the rules but choosing one option over another could lead to a very different ethical outcome. Additionally, the framework would provide a useful guide for employees facing a situation not clearly covered by the rules; this was increasingly important as new situations arose much faster than the rule-making process. Together, legal, compliance, and ethics agreed to add a set of principles to the rule book.