

Education and Industry Forum on Financial Services Industry Culture
Meeting Minutes
Federal Reserve Bank of New York
33 Liberty Street
10th floor
Friday, September 13, 2019
9:30 a.m. – 1:00 p.m.

Members present: William Boulding, Emmanuelle Bury, Joanne Ciulla, Jonathan Haidt, David Kirshenbaum, Peg Sullivan

Federal Reserve Bank of New York (“New York Fed”): Toni Dechario, Jack Gutt, James Hennessy, Jordan Jhamb, Alex Leonard, Jacqueline McCormack, Thomas Noone, Anika Pratt, Andrea Priest, Maria Carmelita Recto

Other guests: Kerryann Benjamin (Goldman Sachs), Ingrid Keating (HSBC), Jeremy Kress (University of Michigan – Ross School of Business), Christina Skinner (University of Pennsylvania – The Wharton School), Scott Stimpfel (Citigroup), Danielle Warren (Rutgers Business School – Newark and New Brunswick)

Thomas Noone called the meeting to order at 9:30am and started by reiterating the EIF’s areas of focus: (1) educational products, (2) empirical research, and (3) regular communications between industry and business education.

Update on culture initiative

James Hennessy discussed how the work of the EIF complements with the aims of the New York Fed’s culture initiative: to reduce misconduct, promote a health culture in the industry, and increase public trust in financial services sector. The New York Fed works towards these objectives by focusing on four areas: awareness, research, supervision, and education. In developing its approach to furthering its culture objectives, the New York Fed uses three lenses: (1) other disciplines like behavioral science, (2) technological change, and (3) workforce composition and dynamics. Several recent studies focusing on the process of human decision-making and the influence of human processes in change management seem to be particularly relevant to these objectives.

Case Study Development

Prior to the meeting, members and participants received a draft of 10 fact patterns presenting real-life workplace dilemmas. The fact patterns were developed by the New York Fed staff based on a combination of summaries of existing culture- or ethics- related training/educational materials voluntarily provided by EIF members, public sources like the Fixed Income, Currencies and Commodities Markets Standards Board’s Behavioural Cluster Analysis report on Misconduct Patterns in Financial Markets, public court documents, and informal consultations with New York Fed staff in the Supervision Group and in the Legal Group’s enforcement unit, and current and former prosecutors. Materials provided by EIF members to the New York Fed staff were treated as proprietary and were not distributed to the wider EIF group. The group discussed the audiences for the case studies, which focus on ethical issues confronting junior employees. Possible audiences could include business school

students in core courses, recruiting interviews with undergraduates, in-house training for new hires, and perhaps senior officer training as well.

The group discussed the structure and content of an existing case study, "Conflict on a Trading Floor," available through the Harvard Business Review, as a basis for shaping the cases to be written by the EIF. Participants agreed that cases need to be short, especially if they are to be used in the classroom and as part of in-house training. Some participants suggested that a normative framework be applied to the discussion with end users that can be used in deciding an approach to the dilemma. An extended discussion ensued regarding the end goals of introducing a normative framework.

There was also discussion about implementation of the case studies as a learning tool after publication. One suggestion is to create user manuals that detail how to effectively integrate cases into business education curriculum, firm training program, and firm recruitment practices. To inform this work, several participants suggested to field test the case studies in both the business school and firm setting to provide concrete anecdotal evidence of learning outcomes. Participants noted that discussions around the case studies should be able to simulate, to the greatest possible extent, the pressure that employees face in workplace situations.

Participants then broke into smaller group discussions to evaluate the draft fact patterns and ideas to further develop them into full case studies. Factors considered by members in assessing the viability of each fact pattern included, among other things, the ethical, legal, and technical ambiguity of choices available in the dilemma. After the discussion, the group selected five fact patterns to develop into case studies.

Next Steps

In the near term, representatives from the industry will be paired with counterparts from academia. Together, they will write a first draft of a case about the assigned topic before the end of the year. It was discussed that to the extent it is possible, cases will be no more than 2 pages of text. A participant reiterated that, from a pedagogical standpoint, case content must include details that prominently surface the ambiguous nature of the dilemma, rather than clear advantages and disadvantages. Participants also discussed upcoming teaching and development opportunities where the cases can be field-tested.

The group then discussed a proposal for an academic conference highlighting related learnings from the fields of ethics, behavioral science, social science, and neuroscience. The conference will explore the application of theories from these disciplines to strengthening positive culture in the financial services industry.