The financial services industry poses unique challenges for practitioners because of its hybrid structure. Financial advisors are experts and, like other professionals including physicians and attorneys whose counsel is relied upon in important matters, they are expected to embrace a set of professional values.

The challenge facing advisors rests in the reward system. Many financial advisors are compensated as though they were salespersons. These advisors are rewarded based on their sales productivity. In some organizations, despite the profusion of rhetoric about the importance of ethics, the balance is more heavily weighted toward productive success, and the misdeeds of badly behaved financial planners are overlooked, covered up or diminished by management.

If ethical behavior is not always rewarded, we are forced to ask the question, "Why should we act ethically?"

Unfortunately, this question is not often addressed. After all, who wants to openly challenge the value of ethics? It is this silence that prevents professionals from having an honest conversation about the benefits, as well as the perceived disadvantages, of ethical behavior.

Philosophers since the time of ancient Greece have questioned the contribution of ethical behavior to the “good life.” Plato, the Greek philosopher who lived around 400 BCE, posed the following thought experiment to his students. “Imagine,” he asked, “that you could render yourself invisible at will. How would your behavior change?”

Playing the devil’s advocate, Plato contends that only a fool would adhere to ethical rules in this case. Given the chance, each of us would use the “cloak of anonymity” to benefit ourselves at the expense of other people. We would gleefully take what did not belong to us, seek revenge on our enemies and fulfill all of our hidden desires. With such power, according to Plato, we would be counted the happiest of all people.

At the heart of Plato’s argument is the assumption that the only reason people act morally is that they fear the consequences of unethical actions. Immoral behavior leads to a myriad of social and legal punishments designed to make the cost of unethical behavior higher than the benefits. But, according to Plato, given the ability to break this contract with impunity, we would all leap at the chance.

The argument for acting ethically in business usually revolves around the consequences of unethical behavior—and this is particularly important in the financial services industry, where a reputation for trustworthiness is vital. This is the argument that morality provides value based on its external benefits. Yet Plato’s response to this challenge points the way
to another approach. He ultimately argues that the “internal benefits” of morality render it worthwhile. So, even if you do not get public credit for your moral behavior, it is still worth doing since the quality of life of a moral man or woman is higher than that of an immoral person.

What does Plato mean by the “internal benefits of morality”? Simply put, the immoral person lives in the worst of all possible worlds. This person’s interior life is in turmoil because he is ruled by his desires (for example, the pursuit of wealth, power or status). Instead of ultimate freedom, the immoral person is trapped in a cycle of pretense, a cycle that will ultimately be disrupted since it is impossible to fool everyone all of the time and pretend to be an ethical person when you are not.

When I teach business ethics to undergraduates, I ask them to consider how some of the principals in the recent ethics scandals spent the final nights before they were caught. Did they putter around palatial homes trying to figure out what could be salvaged? Did they concoct schemes to avoid the impending fallout? Did they frantically destroy evidence? Were they finally honest with their spouses, children, colleagues and friends?

Even for those who do not get caught and who do not suffer public humiliation the fear of being found out leads to a life that seems to be the furthest thing from being free and happy.

Every once in a while I meet someone who has been caught and convicted of ethical and legal violations. What is fascinating about these stories is the relief expressed upon being caught. The insight Plato offers is that the tension of living a so-called “double life” makes the life of unethical people simply miserable, regardless of their reputation for morality and their enjoyment of its external benefits. To use Plato’s language, the immoral person is in “dis-harmony” and his internal tension wreaks havoc on his peace and tranquility.

Plato’s thought-experiment is perhaps more relevant now than it was more than 2,400 years ago. Today the Internet provides people with a cloak of anonymity to say things and act in ways that they would not consider if they were held accountable for their actions.

Human nature does not change. Not only do our clients and profession benefit by our moral behavior, we do as well. To the extent, then, that we seek our own happiness, we should strive to act morally.

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