

Managing Conflicts of Interest and Encouraging Ethical Decision-Making in the Utilities & Energy Sector

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Introductions - Tijd voor “koffie”

- Who Am I?
 - Compliance advisor, writer, & blogger
 - Financial sector professional
 - “Born” September 15, 2008
 - Ex: Lawyer, Los Angeleno
 - Forever: New York Islanders fan,
Thanksgiving enthusiast
- How About You?



Agenda

- Conflicts of interest
- Ethical decision-making
- Ethical dilemmas
- Theoretical insights
- Practical applications

Conflicts of interest



- Arise when a person and/or organization is involved in multiple interests which could impact:
 - The decision-making of that person and/or organization
 - The interests of other person(s) and/or organization(s)
- Can be between:
 - Individuals and other individuals, organizations, clients, stakeholders
 - Organizations and other organizations, individuals, client, stakeholders
- Could come from outside business activities, interests, and involvements; family and social relationships within or outside work; gifts and entertainment

Risks from conflicts of interest

- Judgment or actions regarding one interest or set of interests could be improperly influenced by another interest or set of interests by:
 - Biases and unfair preference or harm
 - Commercial limitations
 - Loss of competitive advantage
- Or that conflicting interests could result in the perception of unfair judgment or actions
 - Reputational risk
 - Stakeholder “mis”-management
 - CSR and engagement

Ethical decision-making

- Making choices from a basis of integrity
 - The determination to do the right thing for the right reason at the right time
 - At both individual and organizational level
- Not sufficiently nuanced to view process as being about “right” vs. “wrong” or “good” vs. “bad”
 - Avoid moral relativism
 - Nature vs. nurture – individual ethics or corporate culture of compliance by force can never be authentic
- Complicated context of incentives for, and obstacles to, ethical choices



Risks to ethical decision-making

- Narrow framework
- Inadequate awareness and information to support choices
- Isolation from consequences
 - Lack of responsibility
 - Lack of context
- Inability to escalate
 - Culture of fear = culture of non-compliance
 - Management that isn't leadership or vice versa
- Limitations of good vs. bad apples

Ethical dilemmas

- Prompts describing situations from daily life or work where conflicts of interest may present challenges to ethical decision-making
- Dilemma analysis that leads to variety of perspectives and outcomes
- Dialog with a goal of creative engagement with ethics and inclusive, organic discussion that creates fluency
- Classic example: The Trolley Problem
- Workplace example: It's Relative



Working with ethical dilemmas from the utilities & energy sector

In small groups, discuss dilemmas (professional context, facts anonymized) guided by the following considerations:

- What is the ethical question?
- What are the relevant personal values?
- Who are the interested parties?
- What are their interests and how do they conflict?
- What are the potential answers and the consequences of each?
- Given the above, what is the answer to the ethical question (choice)?
- Is the choice possible/practical in light of all the interests and consequences?

Then, share your thoughts with everyone.

Theoretical insights

- Behavioral economics
 - Dan Ariely – Moral engagement; self control as potential conflict of interest (*Predictably Irrational; The (Honest) Truth About Dishonesty*)
 - Richard Thaler & Cass Sunstein – Libertarian paternalism; choice architecture (*Nudge; Misbehaving*)
 - Daniel Kahneman – Role of thinking in deciding; bias (*Thinking Fast & Slow*)
- Psychology
 - Viktor Frankl – Purpose-driven life, importance of quest for meaning (*Man's Search for Meaning*)
 - Sheena Iyengar – Intentionality of choice as: art, freedom, individuality, experience, and identity (*The Art of Choosing*)
 - Malcolm Gladwell – Thin slicing, filtering to choose (*Blink*)

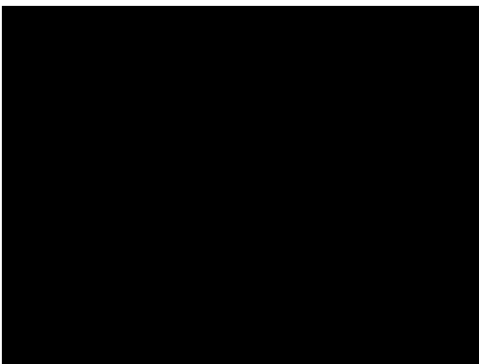
Practical applications

- Build control framework at organizational level and for all employees
- Duality of compliance
 - Mandatory and voluntary
 - Discipline and function
- Culture unites rules and values
- Implement best practices
 - Get concrete buy-in from the top – conduct also, not just tone
 - Demonstrate accountability
 - Policies in place
 - Procedures in place
 - Two-way communication, not training



And finally, a call to action, for you and the businesses you advise...

“I’m The Decider”



Four steps to Be The Decider

- Take personal accountability
- Chop wood and carry water
 - “Hear the voices, read the front page, know the speculation”
 - Consider outcomes and consequences
- Be ambitiously ethical
- Choose by doing unto others as you’d have done unto you

Thank you! Let's stay in touch!

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