Trust: The Finance Officers Most Valuable Asset

The Essence of GFOA’s Approach to Ethics
Top 10 Fears of 2018

Above are the 10 fears for which the highest percentage of Americans reported being afraid or very afraid.

- Corruption of government officials (74%)
- Pollution of oceans, rivers, and lakes (62%)
- Pollution of drinking water (61%)
- Not having enough money for the future (57%)
- People I love becoming seriously ill (56%)
- People I love dying (55%)
- Air pollution (54%)
- Extinction of plant and animal species (53%)
- Global warming & climate change (53%)
- High Medical Bills (53%)
Top Fear in 2020?

Corruption of Government Officials
<table>
<thead>
<tr>
<th>Complete List of Fears (2020)</th>
<th>% Afraid or Very Afraid</th>
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<tbody>
<tr>
<td>1. Corrupt government officials</td>
<td>79.6%</td>
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<td>2. People I love dying</td>
<td>58.5%</td>
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<td>3. A loved one contracting the coronavirus (COVID-19)</td>
<td>58%</td>
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<td>4. People I love becoming seriously ill</td>
<td>57.3%</td>
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<td>5. Widespread civil unrest</td>
<td>56.5%</td>
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<td>6. A pandemic or a major epidemic?</td>
<td>55.8%</td>
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<td>7. Economic/financial collapse</td>
<td>54.8%</td>
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<td>8. Cyber-terrorism</td>
<td>51%</td>
</tr>
<tr>
<td>9. Pollution of oceans, rivers and lakes</td>
<td>50.8%</td>
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<tr>
<td>10. Biological warfare</td>
<td>49.3%</td>
</tr>
</tbody>
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“The rule of law depends on trust. And if the rule of law cannot work, Then our democracy and its institutions Are doomed.”

Rt. Hon. David Johnston,
Former Governor-General of Canada
Trust is Our Most Valuable Asset
The Code’s Five Values

- Integrity and Honesty
- Treating People Fairly
- Reliability and Consistency
- Producing Results for Your Community
- Diversity and Inclusion
Question

- Which code element do you think is most important for building trust?
  - Integrity and honesty
  - Producing results for my community
  - Treating people fairly
  - Diversity and Inclusion
  - Reliability and Consistency
  - I can’t pick just one!
Which code element do you think is most important for building trust?

- Integrity and Honesty
- Producing results for my community
- Treating people fairly
- Diversity and Inclusion
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- I can’t pick just one!
Advances in our understanding of human behavior present an opportunity to develop a more powerful approach to ethics.
Cognitive Biases

Overconfidence Bias

50% of business people surveyed thought they were in the top 10% of most ethical people.
Which line, A, B, or C, is the same length as line X?

Social Pressures
Pressure from Authority

Figure

Fake Test Subject

(Urges the participant to keep going)

Experimenter

Subject

(Pretends to feel pain)

(Administers shocks)
Most People:
• Know the difference between right & wrong
• Want to *be seen* as ethical

The GFOA ethics program helps by making people....

More Resilient in Challenging Situations

More Vigilant Against Unethical Behavior from Others

See something. Say something.
Anyone can face circumstances that challenge their ethics...

Social support...

..strengthens the inner angel
Sometimes ethics fail...

Bad behavior more likely to be called out

See something. Say something.
Change Ethics from Constraint to Enabler

If being “ethical” is defined as being more “trustworthy”, then…

…when there is more trust in the finance office:

1. Finance is invited to be part of important discussions and decisions for the entire organization

2. Work is more efficient because there are more free flows of accurate information. People are more willing to share information.

3. People are more willing to take risks, so there will be more innovation.
Integrity and Honesty

One of the Five Values of the GFOA
Code of Ethics
Why Integrity and Honesty is Important

The foundation on which trustworthiness is built

• People can believe what I say
• I act in accordance with my deepest values
• I put principal ahead of my own ego
• I do the right thing even when it is hard
The Conventional Wisdom

“Trust takes a lifetime to build and seconds to destroy”
Peak Experiences Matter Most
Examples of Peak Experiences

Zero tolerance for unethical behavior

Owning mistakes

Delivering bad news well
How to Deliver Bad News Well

- Be prompt
- Be straight
- Provide solutions
Standing for Your Values

Integrity is the integration of values with behavior

- Define the values that drive how you conduct yourself in service to your community
- Be prepared to give voice to your values when faced with pressure to do the wrong thing
Examples of Values

- A strong emphasis on customer service
- A commitment to democratic government
- Follow a defined set of principles
One Finance Officer’s Personal Code

- Is it illegal?
- Is it immoral?
- Will anyone be hurt?

Resource: GFOA Code of Ethics Poster
Strengthen Your Integrity By Standing for your Values

“A Self defense class for the soul”
Speaking of values…which best describes your level of awareness of GFOA’s values-based approach to ethics before this session?

- I was aware of new Code of Ethics and Giving Voice to Values.
- I was aware of the new Code of Ethics, but not GVV
- I was aware of GVV, but not the new Code of Ethics
- I was not aware of either of them
Speaking of values...which best describes your level of awareness of GFOA's values-based approach to ethics before this session?

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Key Take-Aways

- Take advantage of high points, low points, and transitions to build trust

- Define your value system

- Standing up for your values can be a high point
  - Giving Voice to Values is a powerful tool for this
Treating People Fairly

One of the Five Values of the GFOA Code of Ethics
Why Treating People Fairly is Important

If people feel unfairly treated, relationships break down, and they may withhold their support from my local government.

Consider the “Ultimatum Game”
The Ultimatum Game

Scenario 1

Bill shares roughly equally

Joe Accepts

Scenario 2

Bill is miserly

Joe Rejects
Procedural Justice

- Decisions are based on accurate information
- Transparent & consistent decision-making criteria applied equally
- Stakeholders given opportunity for input
- Mistakes are recognized & corrected
Traverse City Area Public Schools

Declining Enrollment

Declining Revenue

Aging Facilities

DIFFICULT DECISIONS
3 Principles

- Education priorities should drive the budget
- You can’t be all things to all people
- Get the most bang for our buck
Range of State Average
Procedural Justice

- Decisions are based on accurate information
- Transparent & consistent decision-making criteria applied equally
- Stakeholders given opportunity for input
- Mistakes are recognized & corrected
“We Love Math! We Love Math!
-A chant of 4th grade students at Westwoods Elementary
Start with Why
Cross Departmental Team Develops New Approach

Opportunity for input

Team develops criterial to evaluate need for vehicles
The Team Makes a Discovery!
Procedural Justice

- Decisions are based on accurate information
- Transparent & consistent decision-making criteria applied equally
- Stakeholders given opportunity for input
- Mistakes are recognized & corrected
A counter-example
How well does your budgeting process embody the features of procedural justice?
• Nailed it! We should be a case study in the next GFOA training
• There are opportunities for improvement
• What’s procedural justice?
How well does your budgeting process embody the features of procedural justice?

Nailed it! We should be a case study in the next GFOA training

There are opportunities for improvement

What's procedural justice?
Distributive Justice

- People get what they deserve

- “Deserve” is defined by an individual’s ideology, so is tricky!

- A promising approach is to define outcomes that the community wants to achieve and distribute resources in a way that allows members of the community to realize those outcomes.
Key Take-Aways

- Build procedural justice into financial decision-making
- Account for distributive justice in decision-making
Distributive Justice Resources

https://www.gfoa.org/materials/fees-fines-foreitures

https://www.gfoa.org/materials/gfr-equity-in-budgeting-2-21

https://www.gfoa.org/materials/time-for-change
Diversity and Inclusion

One of the Five Values of the GFOA Code of Ethics
Begin with Trust
The first step to becoming a genuinely empowering leader by Frances X. Frei and Anne Morriss
From the Magazine (May-June 2020)
Authenticity
I experience the real you.

Logic
I know you can do it; your reasoning and judgment are sound.

Empathy
I believe you care about me and my success.

TRUST

From: “Begin with Trust,” by Frances Frei and Anne Morriss, May–June 2020

HBR
Diverse teams
A diverse store of knowledge is partly shared.

Homogenous teams
A common store of knowledge is fully shared.

Inclusive teams
A diverse store of knowledge is fully shared.

From: “Begin with Trust,” by Frances Frei and Anne Morriss, May–June 2020
Additional Resources
For further reading on trust

gfoa.org/trust
For your Code of Ethics poster
gfoa.org/trust
For trust and open communication applied more broadly to public finance

www.gfoa.org/financialfoundations
Questions and Comments