# MORAL AND ETHICAL LEADERSHIP IN A DIGITALIZED FINANCIAL INDUSTRY

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# How do we make our moral and ethical decisions?

It seems to be a simple question, but it is a difficult one to answer.
Especially if an AI Robot will answer moral and ethical question for us.

*Example outside the financial industry*
Mercedes made the moral and ethical decision to protect the driver in a self-driving car always*.

The question is not what the outcome of the decision is, but how they decided on this specific question.
Which process or questions did they ask to each other to come to the final statement?

**The challenge of a missing decision framework**

- The financial industry is a complex industry where trust is the most crucial factor. It is also a money driven environment with a constant pressure on ethics and morality.

- Robotization and digitalization are common practice in the financial industry. AI is already implemented in investment robots, in client services, etc..

  *A general accepted decision framework on how ethical and moral decision making in the financial industry can be based, is missing.*

- So, how can we supervise those who are really challenged by their environment and how do we make sure that they make moral and ethical decisions in the absence of such a framework in the best interest of the client?

*Moral and ethical questions might not be very different from today, but the possible impact of robot decision making and their replication skills obliges us to make to make them more explicit before they are implemented by the AI robot.*

## Moral and ethical decision framework?

A moral and ethical decision framework is meant as a structure to develop a systematic approach on how to decide on moral and ethical questions. The focus is not on the outcome of the answer, the focus is not on developing a moral compass or moral values, it is focussed on the process, on how the decision has been reached or can be made in such way that all relevant aspects are included.

An example is the framework of Norman Vincent Peale and Kenneth Blanchard in 1988 and their "ethics check questions"

- Level 1: Is it legal?
  *Will I be violating either civil law or company policy?*

- Level 2: Is it balanced?
  *Is it fair to all concerned in the short term as well as the long term? Does it promote win-win relationships?*

- Level 3: How will it make me feel about myself?
  *Will it make me proud?*
  *Would I feel good if my decision was published in the newspaper?*
  *Would I feel good if my family knew about it?*

*Most impressive is the simplicity of the questions and its interconnection on logos, pathos and ethos as described by Aristotle.*
*Legal connected to Ethos, Balanced connected to Logos and Feeling to Pathos. But also the possibility to use data relevant for AI.*

## Literature and Delphi research

**Starting point, feeling is crucial:** it is crucial to incorporate feeling in answering moral questions, but it is also subjective. Be aware to include a combined thinking & feeling fast and slow and diversity and inclusivity to minimize biased opinions.

*AI cannot check feeling and ask the correct questions. In the end a human touch is always needed.*

**Second level, stakeholders:** a multi-level stakeholder perspective should be incorporated. E.g. customers, employees, (business) partners, shareholders, society. But per stakeholder it's important to add weight to each stakeholders and take thereby also into account hierarchy differences.

*From an AI perspective an assessment on level 2 could be implemented in the short run if all relevant data is available. In the long run the AI should be capable to complete a second level decision making process.*

**Third level, legality:** when feeling and balanced is checked, the next check is if it is legally acceptable.

*Level 3 could be completely done by AI in relative short time, first examples in USA proof that an accuracy of 70-79% is reachable on the dataset nowadays\*.*

The final check is if the outcome on level 3 is still in accordance with the decision at the starting point.

*\* https://emerj.com/ai-sector-overviews/ai-in-law-legal-practice-current-applications/*

# The moral and ethical decision framework

## The moral and ethical question

### Level 1:
How will it make me feel about myself?
Guided by: publicity, generalization and mirror test

### Level 2:
Is it balanced (per stakeholder)?
focus also on those who suffer from the decision

### Level 3:
Is it legal?

### Recheck:
Alignment level 1

# The moral and ethical decision framework

## Level 1: The fundamental check

How will it make me feel about myself? Is guided by the three feelings check tests:

**1** **The publicity test:** what if it gets in the newspaper? What would your customers, employees, or family think about you making this decision?

**2** **The generalization test:** what would you think if everyone made the same choice as you, and what would the consequences be?

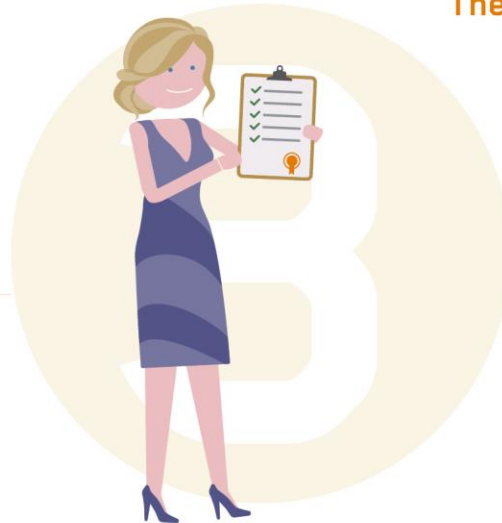**3** **The mirror test:** when you make this choice, do you see in the mirror the person you want to be?

*Be aware to include a combined thinking & feeling fast and slow and diversity & inclusivity to minimize biased opinions.*

**Level 1 cannot be done by AI. In the end a human touch is always needed.**

## Recheck: Alignment

Is the final outcome still aligned with the fundamental level 1?

## The moral and ethical question

## Level 2: Balanced check

Is it balanced (per stakeholder)?

Take also into account the hierarchy and weight added to each stakeholder

Example's: customers, employees, (business) partners, shareholders and society

**If data is sufficient and unbiased, this level could be done by AI (stage 2). Stage 1 is using AI as assessments for level 2.**

*Due to focus on the outcome/development, an extra focus is needed on those who suffer from the decision.*

## Level 3: Legal check

Is it legal?

The final check is if the answer is legally allowed

**If data is sufficient and unbiased, this level could be done by AI (stage 2). Stage 1 is using AI as assessments for level 3.**

*"Everyone is convinced that moral and ethical leadership is crucial, but no one could explain how exactly they decide on a moral and ethical question.*

*The moral and ethical decision framework is a first stepping stone and more steps should follow.*

*Let's try to challenge our personal moral and ethical leadership, our decision making and explanation of those decisions, to make a better world for the day after tomorrow."*

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