

# Integrating Compassion into the Financial Services Industry:

**A Guide and Personal Reflections  
from Leaders in Finance**



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We are each made for goodness, love and compassion. Our lives are transformed as much as the world is when we live with these truths. Frequently people think compassion and love are merely sentimental. No! They are very demanding. If you are going to be compassionate, be prepared for action.

Archbishop Desmond Mpilo Tutu

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Love and compassion are necessities, not luxuries. Without them, humanity cannot survive....

If you want others to be happy, practice compassion. If you want to be happy, practice compassion.

His Holiness the 14th Dalai Lama

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## by Dean Sanjeev Khagram

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The most transformative experience of my life occurred while in the presence of Archbishop Tutu and the Dalai Lama. Through this experience, I feel grateful to support them in spreading the principles and practices of compassion in the service of peace around the world, especially in leveraging business in the service of peace. The one word I can offer about being in the presence of these two revered individuals is grace; with this, the principal guiding tenet for each of these Nobel laureates was compassion.

Compassion is desperately needed today, more than ever. The forces of violent and divisive nationalisms and parochialisms are ascendant, rather than those of global connectedness and cooperation. In this geological epoch of the Anthropocene, we humans have come to dominate our ecosystems, placing our precious planet truly in peril. The technologies of the Fourth Industrial Revolution have become forces of increasing contradictions and conflict rather than generators of composure and calm. The COVID-19 pandemic only accelerated and exacerbated inequalities, violence, and suffering.

We at the Thunderbird School of Global Management have a vision of a world where no one is left behind. Our mission is to educate and empower global leadership for the Anthropocene and Fourth Industrial Revolution toward these ends. We are bound by our Oath of Honor with three fundamental principles: We oppose all forms of corruption and exploitation; we respect the rights and dignities of all people; and we advance sustainable and equitable prosperity and peace worldwide.

Compassion is required for the foundation of global leadership and citizenship that is both empowering and transformative. Compassion, as the Dalai Lama teaches us, is a necessity, not a luxury, that brings happiness to others and ourselves. Compassion, as Archbishop Tutu taught us, is not merely a sentimental notion but a powerful and demanding call to action.

We at Thunderbird are proud to have played a part in supporting this conceptual and practical guide on compassion for global finance specifically and business more generally. There is tremendous wisdom in these pages, and I personally have learned so much from the contributions in this book. All of us, and certainly I, can continue to become more compassionate each and every day. Compassion is a journey, not a destination.

I express my deepest gratitude to the professionals who dedicated themselves to this project. You inspire me, you inspire all of us.

*Dr. Sanjeev Khagram, Director-General, Dean and Foundation Professor of Global Leadership and Global Futures, Thunderbird School of Global Management; Foundation Professor of Global Leadership Arizona State University*

# ACKNOWLEDGMENTS

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They say it takes a village. In this case it really did.

The idea that became this book started when Tsewang Namgyal and I reconnected with one another. We first met when I was an associate on a project financing in Mexico—Tsewang was my client, working as the agent and financier for this particular project. We quickly developed a friendship, but, as such things happen, we lost contact over the years. It was not until the early days of the COVID-19 pandemic when we reconnected. And the timing could not have been better. While Tsewang has always been at the forefront of advocating for mindfulness and compassion in the professional world, I was just in the beginning of my journey. That one brief conversation we had led to an idea—a collection of thoughts on how compassion can be integrated into the financial services system. Immediately after that phone call, Tsewang got to work contacting like-minded people, and an ad hoc working group was formed. I am amazed at what this group has accomplished. It has taken us some time—and many twists and turns on the path. But this group has been steadfast in their commitment to this one idea: that by encouraging compassion in the workplace—specifically in the financial sector—positive change can arise, not only in individuals, but in organizations and, by extension, the world. I am forever thankful to these amazing human beings: Tsewang Namgyal, Annemieke van der Werff, Dr. Mary Sully de Luque, Dr. Sogol Homayoun, Dr. Liz Grant, Mally Hudson Smith, Andrew Rasanen, Margaret Worrall and Dr. David Addiss.

But this little group did not do it alone. The purpose of this book was not only to give an academic, facts-based justification for why compassion should be adopted as a guiding principle in business; but to give personal reflections by leading people in finance. Each of these contributors took the time to engage with us and then produce personal and meaningful pieces. I wish we did not have to edit the length of these pieces as they were all thoughtfully prepared and full of wisdom. It goes without saying (but I will say it anyway as I'm a lawyer) the ideas, stories, and viewpoints of the contributors are their own—they are not endorsed by their organizations, and these contributors speak for themselves, and not in any official capacity as representatives of their organizations.

Without the support of the Thunderbird School of Global Management this book would not exist. I specifically recognize Dean Sanjeev Khagram and 25<sup>th</sup> Secretary of the U.S. Air Force Barbara Barret for their support; they have been enthusiastic supporters of this book since day one and Dean Khagram has offered us all the resources that Thunderbird has to offer.

Finally, I thank my firm, White & Case LLP, for contributing its resources in producing this book. Pioneering, United, Human—these are the values we live by at White & Case, and I cannot think of a better manifestation of these values than this book. I am blessed to call this Firm my home. I am also deeply indebted to two exceptional associates—Coleman Saunders and Bala Venkatakrishnan—each of whom committed many hours to making this book a reality.

My hope is that this book is the start of a long and thoughtful conversation. Happy reading.

Todd Kevin Wolynski, Partner  
White & Case LLP

## by Tsewang Namgyal

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Compassion is the emotion that is generated when we are aware of the suffering of others, are empathetic to it, and develop a wish to alleviate it. Compassion among family and friends is largely instinctive.

Through analysis, we can expand our compassion to all people.

We can achieve this breakthrough by first recognizing that we are all equally important as human beings. We all want to be free of suffering and achieve happiness. With this understanding of commonality, and applying the Golden Rule, we can expand our compassion from family and friends toward those to whom our feelings are neutral, and further to those we regard as adversaries or enemies.

Through a similar analysis, we can expand our compassion to all sentient beings.

Over 2,500 years ago, contemplative techniques such as mindfulness were developed to train the mind to awaken our compassion and develop it further. Today, these techniques are practiced in many different cultures and industries, including the world of finance, and have shown meaningful results.

We developed this handbook to capture these insights in an easy-to-use and practical guide to help all of us expand our use of compassion in life and business. What I find beautiful about this book are the stories from our contributors and how these powerful mind-training techniques and our economic well-being are integrated and harmonized, leading to even better results.

Through more than 17 years of global banking, energy, and infrastructure experience, I have had the opportunity to work on numerous projects and with leaders across the finance industry. One of the main aspects of finance that always amazes me is the power of our industry to influence the world both materially and culturally.

In my current work at one of the world's largest banks, I spearheaded the integration of mindfulness and compassion training for all employees, beginning over eight years ago. This practice has had a transformative impact on many colleagues, leading to positive business results and mental well-being. Since its initial introduction, mindfulness and compassion have now been included in the bank's analyst training program in the Americas, a Mindfulness Employee Resource Network was developed, and the bank has expanded mindfulness related initiatives across our organization. I see this approach as the ultimate form of impact investing because this training helps bring compassion into the hearts of decision-makers who have such a profound impact on our communities.



The majority of the authors and contributors to this handbook are from the financial services sector. They bring a deep understanding and commitment to discuss how their personal experiences can help improve well-being and offer optimal solutions for some of the many challenges we face in an uncertain and continually changing world.

This handbook does not claim to be THE solution to such challenges but rather aims to help us learn from different insights and experience an approach that is good for both the self and others. These learnings are much needed in a time of ongoing change and especially times of crisis.

Crises today seem even more dangerous than those in past generations. Today, we see humanity threatened by the consequences of the COVID-19 pandemic, military conflicts with the availability of weapons of mass destruction, and the ever-growing threat of climate change. It is also clear that even in places that have so far been spared the worst impacts of global crises, anxiety and depression are causing much mental suffering. While reading this handbook, you will see that all the contributors recognize the value of working within our financial services industry and transforming it into a conscious and deliberate force for good.

On a personal note, I would like to recognize with profound gratitude my family, our elders, and our ancestors who, through generations, passed down the important mind training techniques to develop our compassion and awareness of our interdependence, and those who set up the modern economic system that has helped

us develop materially. I see the integration of our ancient contemplative teachings in our current economic system today as the greatest source of hope and optimism for a flourishing and peaceful planet for all.

While we were working on this book, my father died on January 13, 2022, at the age of 101. He was aware of this project and greatly appreciated it. He was a great example to me and many others on how to live a compassionate life that is rich in meaning. My father did not understand the modern financial system; however, he did see the power and critical role the financial industry can play in improving the livelihood of both individuals and societies.

I hope that after reading this handbook you will feel hope and optimism based on reflection in the kindness of others through the stories shared here.

Thank you.

*Tsewang Namgyal is a Director in the Structured Finance Group of the Global Corporate & Investment Banking for one of the world's largest financial institutions. He also serves on the board of The Tibet Fund, the Advisory Board of the Garrison Institute where he founded the Compassionate Leadership in Finance (CLiF) program, is a founding member of Mindful on Wall Street, and is the key visionary behind the Reimagining Doeguling Tibetan Settlement Project. Tsewang is a graduate of Dickinson College and the Thunderbird School of Global Management where he is part of The Thunderbird Global Alumni Network Advisory Council (TGAN).*

## by Annemieke van der Werff and Tsewang Namgyal

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The following chart provides an approach designed for practicing techniques to develop deep insights. In turn, this may be applied to your leadership, your decision-making, your exploration of deeper thoughts toward purpose and resolve, overcoming obstacles, and nurturing innovation.

The three stages—or processes, if you will—of listening, thinking, and contemplation are not new. They are associated with the ancient process of developing mindfulness our compassion, awareness of our interdependence and integrating the two.

The chart presents a way to understand and explore these practices, which can be applied to your personal life as well as your work life within the financial industry. In essence, you can use the chart in practicing all three stages and, by applying all of them consistently, become mindful of your practice of self-compassion, compassion for others, and compassion for the world at large.

**THE THREE STAGES OF LISTENING, THINKING, AND CONTEMPLATION**

LISTEN	THINK	CONTEMPLATE
Compassionate listening is listening in stillness; it can also be applied to reading and studying.	Compassionate thinking is to seek clarification, using heart and mind.	Meditative contemplation is to find answers, including inner resolve and purpose.
Be present.	Be inquisitive.	Be silent.
<p>Use the “three-cup metaphor” to check how you are listening:</p> <p>(a) <i>Cup with a hole</i>: We hear but do not absorb what is being said.</p> <p>(b) <i>Cup is upside down</i>: We hear but are not listening with an open mind.</p> <p>(c) <i>Cup is clean</i>: We are listening with good-intended motivation and are able to fill the cup.</p> <p>Listening is like “a thirsty person who knows where the water source is.”</p>	<p>Reasoning through intelligence but also with our heart, in thinking, reflecting, and experimenting.</p> <p>Thinking “is getting to the water source.”</p>	<p>Train the mind (ethics, meditation, and wisdom):</p> <p>(a) Develop deep concentration.</p> <p>(b) Find deep insights of impermanence, that we are transient beings.</p> <p>(c) Develop positive emotions for self and others.</p> <p>Contemplation is the “actual drinking.”</p>
Pay attention to the words, the silence in between words, but also facial expressions, body language, and tone of voice.	Explore whether you fully understand the situation by asking questions such as “Why...?”	Create a space to sit in silence.
Be focused, mindful, and self-aware, and listen with compassion for others and for yourself.	Use your findings to get closer to clarity: the awareness of suffering, its causes, and the recognition of the possibility of ending it.	Close your eyes, focus on your breathing, listen to your heart, and look for guidance and direction to identify and explore answers.
Active and compassionate listening includes gentle—nonverbal and verbal—responses to those who share, confirming your listening and understanding.	Record your findings in text and/or images.	Take time and be prepared to have multiple meditation sessions.



Our task must be to free ourselves...  
by widening our circle of compassion  
to embrace all living creatures and the  
whole of nature and its beauty.

Albert Einstein



## What Is Compassion?

by Dr. Liz Grant, Dr. David Addiss, Evan Harrel, Annemieke van der Werff and Laura Berland

Compassion has been mainstreamed in our social discourse, yet there remains a question of what it is and whether—and how—compassion works. Compassion has been seen as a feeling, a descriptor of kindness, a motivation, a process, and a way of being, but is there a science behind compassion? This chapter turns a lens on some of the key scientific findings from research on compassion and will provide you with insights into how compassion plays a role in organizations such as financial institutions.

### What is compassion, and how does it differ from other practices?

The root of the word *compassion*, from Latin, Old French, and Middle English, has two parts: *com*, meaning with or together, and *pati*, meaning suffering. Thus, compassion is a response to suffering but a response that is purposeful. Monica Worline and Jane Dutton in *Awakening Compassion at Work: The Quiet Power That Elevates People and Organizations* describe compassion as a four-part process<sup>1</sup>: **noticing** pain and suffering, **interpreting** the suffering, **feeling** empathic concern such as sadness or sorrow, and **acting** to alleviate this suffering in some way. The heart of compassion is in the action.

Compassion has been used interchangeably with words such as sympathy and empathy, but it has a different source, a different effect on us and others, and a different purpose. Sympathy is most commonly understood as the feeling of concern or sadness for someone who is suffering misfortune. While not intentional, sympathy can be misconstrued as pity, and often is associated with a passing kindness, care, and respect for the sorrows of another. Empathy is what makes it possible to share emotions and resonate with experiences that others are going through. The word comes from the German *Einführung*, which means “feeling into.” Empathy creates a space in which there can be togetherness and engagement; the challenge is in maintaining emotional boundaries. Empathetic distress—described as an intense feeling, identification with, and absorption into the emotion of another—is one of the responses that can be generated from empathy. This distress, coming alongside and holding another’s emotional burden or sorrow, can lead to exhaustion or burnout if there is no system of support.

Simply put, sympathy is a feeling *for* others who are in distress, and empathy is a feeling with others. Compassion closes the circle. It is not just a felt reaction to the pain or sorrow of a person, or community, but through love, care, and relational understanding it enables a virtuous response. It creates a proactive sense of togetherness; the very essence of what it means to be human and to flourish comes to the fore with actions to alleviate suffering.

Compassion is also very different from mindfulness; however, the art of mindfulness enables compassion to flourish. Being mindful belongs in the fabric of our shared humanity, stretching back millennia. The art of the ancient practice of mindfulness has been shared particularly through the work of leaders such as Jon Kabat-Zinn in medicine and Tsewang Namgyal in business. Jon Kabat-Zinn’s working definition of the art of mindfulness is “the awareness that emerges through paying

attention on purpose, in the present moment, and nonjudgmentally to the unfolding of experience moment by moment."<sup>2</sup> The practice of mindfulness is a portal to compassion, enabling attentiveness to suffering and the wisdom and presence to respond purposefully to alleviate suffering. Mindfulness creates the individual space that enables compassion, as a relational activity, to become embedded in life systems and processes.

### Compassion is a fundamental human drive

Compassion is a deep evolutionary adaptation; there is an evolutionary win in compassion. It is, as Dacher Keltner from University of California, Berkeley explains, "an evolved part of human nature, rooted in our brain and biology."<sup>3</sup> The psychologist Paul Ekman, writing in the *Journal of the American Medical Association*, explained how Charles Darwin, in his 1871 work *The Descent of Man, and Selection in Relation to Sex*, describes the significance of "sympathy," which today would be translated as compassion. Darwin wrote that "communities which included the greatest number of the most sympathetic members would flourish best, and rear the greatest number of offspring."<sup>4</sup> With compassion, societies thrive; without it, the survival and flourishing of our species would not have been guaranteed.<sup>5</sup>

The work of Paul Gilbert, a British sociologist, focuses on compassion as a motive, both internal and external, working in synergy. Compassion can give rise to a new sense of identity—the compassionate self, characterized by a desire to be of help to others without expecting something in return. However, in every society and in each community, organization, and individual, the motive of compassion has to compete with other motives—many of them positive, such as a desire to do well or to receive approval that may not in themselves be compassionate or enable

a compassionate culture to flourish. Moreover, Gilbert's research also shows that barriers exist to being compassionate. The greatest barriers are threefold: (a) fear of being overwhelmed by the distress of others, of being burnt out, or feeling inadequate to give anything of oneself; (b) environmental factors that make being compassionate difficult; and (c) resistance to being compassionate, for example, in situations in which those who suffer are not considered worthy of engagement or help.<sup>6</sup>

### Compassion is real and is understood well by science

At a reductionist level, compassion, like memory, can be understood as a pattern of cellular interactions in the brain. Memories define us and inform our interactions with the world and other people. Memories are formed, retained, and lost through a form of neuronal plasticity called long-term potentiation, which is the persistent strengthening of synapses based on recent patterns of activity. If a signal is repeated often enough, long-term memory is established—and plasticity is embedded into specific circuits of brain cells.

Neuroscience studies over the past ten years are showing that compassion must be similarly hardwired in our brains—the product of genetic predispositions, cultural exposure, and life experiences all coded in the complexity of billions of neuronal interactions. Work from animal studies conducted by Jaak Panksepp showed that the neurobiology of the "care" system is separate from other emotional–motivational systems including the "panic" system in our brain because the "care" system "relies on distinct brain structures and is mediated by distinct neurotransmitters comprising opioids, oxytocin and dopamine."<sup>7</sup>

Compassionate actions bring about detectable changes in the autonomic nervous system and vagus nerve; hormones such as oxytocin and vasopressin are released, and

there are changes in the circuits of the lower brain and the frontal cortex. Several studies trace the relationship between compassion and oxytocin. Oxytocin plays an important role in reproduction, in birth, in motherhood, and in relationships. Oxytocin produces surges of positive emotion when we meet those we like; it triggers labor and the release of breast milk. Both human and animal studies on the effects of oxytocin on mother-child bonding show that mothers with higher levels of oxytocin are more likely to engage in affectionate parenting behaviors. Neuro-imaging studies using functional magnetic resonance imaging (fMRI) have demonstrated the impact of administering oxytocin, resulting in increases in generosity toward others, feelings of trust, time spent gazing at the eyes of other people, and the ability to read accurately emotional states signaled by the facial expressions of other people.<sup>8</sup> Other findings include an increase in empathic concern for crime victims without increasing the desire to punish the offender.

### **Compassion is relational and essential for human society and human well-being**

Closer to your daily work life and the influence you have as a manager and leader, compassion helps a workforce become healthy and remain healthy. There are significant health benefits for both the givers and the recipients of compassion in whatever form.

Childhood development studies have shown that receiving compassionate care in early life is significant for epigenetic development (i.e., how your body reads and expresses your genetic information), the immune system, and the development of the brain and emotional regulation, as well as self-confidence and a sense of self-worth. Conversely, a lack of a compassionate environment in infancy can have a profound impact on functioning across the lifespan. Those exposed to early-life adversity

have altered behavioral and neural outcomes that lead to increased risk of and vulnerability to mental illness. Parenting interventions including increased displays of compassionate care—as simple as maternal stroking of infants—released oxytocin and created a bond, which reduced the epigenetic aberrations and the transmission of stress phenotypes.<sup>9</sup>

**Compassionate actions bring about detectable changes in the autonomic nervous system and vagus nerve; hormones such as oxytocin and vasopressin are released, and there are changes in the circuits of the lower brain and the frontal cortex.**

Compassion enables social connection, and the quality and quantity of social relations affect morbidity and mortality, with a 50% increased likelihood of survival for those who have stronger social relationships. Compassion draws us to one another and reduces loneliness, one of the major public health concerns of our time. Loneliness is as harmful to health as chronic diseases; being lonely increases the risks of heart attacks and strokes by almost one-third and is as much a health risk as obesity and smoking.<sup>10</sup>

Other significant health benefits of compassion include the reduction of stress. Chronic stress is particularly dangerous, especially if it results in long-term changes to the biological mechanisms that regulate stress and contributes to behaviors that reduce the ability to be in and enjoy company. Compassionate action releases oxytocin in the giver and receiver. Oxytocin reduces stress-related patterns of brain activation (i.e., activation of the amygdala) in response to socially threatening images and reduces cortisol and autonomic nervous system responses to social stressors. Those

who are unable to regulate stress responses effectively—either in response to social stressors or in response to the distress of others—are at increased risk of hard-heartedness with its corresponding sense of loneliness.

Scientists at the University of North Carolina at Chapel Hill found that people who were happy because they lived a purposeful or meaningful life—as opposed to being happy because of a hedonistic selfish life—had lower levels of systemic inflammation. Chronic inflammation is a trigger for heart disease, cancers, strokes, and arthritis.<sup>11</sup> Studies by positive psychologists Ed Diener, Martin Seligman, and colleagues have identified how meaningful social interaction brought about by caring improves mental and physical health and speeds recovery from disease.<sup>12, 13</sup> Compassionate actions encourage a positive sense of well-being and appear to directly trigger the release of serotonin required for wound healing; oxytocin, which reduces blood pressure; and endorphins, which are essential to reduce pain.

The authors of the book *Compassionomics* reviewed scientific evidence and concluded that in addition to improved patient outcomes noted above, compassionate care provides measurable benefits to healthcare workers and health systems.<sup>14</sup> The World Health Organization now explicitly recognizes compassion as essential for quality healthcare and is working with ministries of health to develop compassionate health systems. For example, the Federal Ministry of Health in Ethiopia established compassion as a central pillar of its Health Sector Transformation Plan,<sup>15</sup> and the Scottish government has compassion at the heart of the government's National Performance Framework,<sup>16</sup> which determines and measures all Scottish policy. Compassion is integral to the human system. It sustains life.

The science of compassion over the past 30 years has provided answers to many of the

challenges facing the world. The COVID-19 pandemic has vividly revealed compassion's critical importance: showing that suffering is universal; that no place, person, or system is immune; that tackling suffering requires collective action; and that resilience through compassion lies within human nature.

### **Is there an evidence base for compassion training?**

Few reject the notion that compassion is a good thing in and of itself. However, when it comes to engaging with compassion, using compassion to frame decision-making, or determining behaviors within organizations, it is more difficult to identify the responsible parties, as well as the consequences, risks, opportunities, and associated costs. Paul Gilbert's work showed that as motives can be tamed, channeled, developed, and honed, compassion can be learned and nurtured.

A key challenge faced by all companies is ascertaining the value of compassion to the organization. Research and analysis have been conducted in the United States, the United Kingdom, and Australia on the effectiveness of and approach to different types of compassion training. In the most extensive of these studies, one cohort of individuals was trained in empathy and the other in compassion; both cohorts were exposed to images of distress and suffering. Although the empathy and compassion training seemed similar, they altered brain activation in different ways.

Empathy training led to an increase of activation in the part of the brain called the anterior midcingulate cortex (aMCC) in the frontal lobe, which is crucial for processing negative affect, pain, and cognitive control. This activation was also associated with a wider network including other parts of the brain linked to social disconnectedness, a sense of paralysis in the face of suffering.



On the other hand, compassion training in this study increased activation in other brain networks associated with positive affect and reward, areas that have been shown to be activated through social connectedness. In addition, participants receiving compassion training who were negatively affected by the scenes of suffering rapidly returned to levels of brain activation experienced before exposure to these scenes. They had agency to be responsive to the suffering and to move beyond suffering.

Other studies indicate that actively acknowledging the suffering of others rather than suppressing it may be a prerequisite for the development of pro-social motivation and caring behaviors. In this context, the frequency of helping behaviors has been increased with short compassion training. The authors surmise that where other types of psychological support training increased negative affect and activation in associated brain circuits, compassion training reversed these effects by strengthening positive affect and activation in networks associated with affiliation and reward. The implication of this finding is that compassion presents “a very potent strategy for preventing burnout.”<sup>17</sup>

### **Why organizations should care about compassion**

Compassion is instrumental in societal well-being. Compassion and collaboration lead to better outcomes from the earliest stages—more babies and larger babies. The structure of our communities has evolved since Darwin’s insights into the evolutionary gains of alleviating suffering collectively, but the benefits of compassion and collaboration still hold.

Leaders who create compassionate cultures create the opportunity for better teamwork, and the evidence is compelling that this still leads to better outcomes. The gains are

amplified: A compassionate culture drives an inclusive culture, and an inclusive culture encourages openness, transparency, more positive risk-taking, and the opportunity to own agency. Diversity is strengthened as psychological safety is broadened. Compassionate action is intentional. By alleviating suffering, change and growth can happen. Those who receive compassion and those who give compassion benefit equally—and, surprisingly, so do colleagues who witness compassionate actions. This growth leads to a ripple effect, which benefits the whole organization by strengthening relationships between and among colleagues, reducing employee turnover, increasing organizational citizenship, and supporting a more diverse and inclusive culture.<sup>17</sup>

### **Organizational benefits of compassion are significant**

The lived experiences described in the following chapters show that an organization that is caring can foster capabilities that contribute to several aspects of organizational effectiveness, including innovation, service quality, staff retention and satisfaction, collaboration, and adaptability in crises. These benefits of compassion are increasingly well-documented (see table on next page).

Compassion that is embedded into company policy, practice, and culture leads to enhanced service. Employees are better equipped to handle customer and client issues, particularly complaints and conflict, and are more agile to customize appropriate, timely, and caring responses.<sup>18</sup> Kim Cameron and Emma Seppala postulate in the *Harvard Business Review* that organizations with compassion as a core value have a measurable increase in productivity and financial performance.<sup>19</sup> Compassion provides psychological safety, which is crucial to learning and innovation.

## WHAT IS COMPASSION?

COMPASSIONATE CULTURE	OUTCOMES
	Improves financial performance <sup>20</sup>
	Increases employee retention and loyalty <sup>21</sup>
	Improves customer relation experience and increases customer retention <sup>20</sup>
	Contributes to creativity and innovation, which, in turn, leads to a sustainable strategic advantage for businesses <sup>23</sup>
	Improves employees' compassion for others; employee perception of their organization's corporate social responsibility (CSR) as compassionate, termed by the study authors as "affective organizational commitment," was directly related to employee compassion <sup>21</sup>
	Employee perception of organizations as compassionate directly related to increased employee compassion <sup>22</sup>
	Builds the emotional resources needed for caring and reduces burnout <sup>23</sup>
COMPASSIONATE PRACTICES	
	Increase cooperation among teams <sup>24</sup>
	Increase information sharing <sup>25</sup>
COMPASSIONATE LEADERSHIP	
	Workers report positive commitment to their organization, improving reputational gains <sup>20</sup>
	Improved employee engagement and service-oriented and compassionate behavior toward clients; lower burnout <sup>26</sup>
	Improves attention to equity in decision-making <sup>25</sup>
	Increases awareness of the communal value of global and local engagement <sup>18</sup>

It's especially significant that compassion appears to build resilience in profitability during economic downturns because it is so strongly related to employee and client engagement.

### **All caring acts are not the same**

The benefits of compassion are significant, but one important data point is worth noting. Neurological research shows that when it comes to generous acts, our brains fire in different regions. This depends on whether the acts are undertaken without the expectation of an external reward (altruistic action) or with the desire for a reciprocal benefit (strategic giving). Our

brains detect what is behind our actions, even if it is only on a subconscious level. Research by Sara Konrath has shown that the intention behind compassionate action impacts the benefits that flow from care for others.<sup>27</sup>

Benefits will accrue when the intention is simply to help the other with no expectation of reciprocity; however, the benefits are not present if the caring acts are entered into with an interest in expecting something in return. While we don't know the exact mechanism behind this difference, if our brains are able to make this detection, then it is likely that this is a consciousness that will be visible in organizations.

## Compassion on the global stage

The importance of compassion is currently front and center on the global stage.

Compassion has become a tool to make sense of the world of crises such as the COVID-19 pandemic, escalating threats from climate change, growing and intensified racial injustice, and increased nationalism and authoritarian regime control.

## We need compassion

Compassion opens our eyes to see the suffering in the world and the people who

suffer. Compassion awakens our empathy, concern, and sense of justice. It connects us to others through a sequential response of noticing, understanding, feeling, and acting. It changes the way we understand global and local challenges by helping us recognize the part we play in causing them and therefore the part we must play in alleviating them. Compassion drives and enables us to take action to lessen suffering to build a better world. It is the glue that holds us together.

### Excerpt From an Interview With Jeff Walker

*Conducted on June 25, 2020*



*Jeff Walker*

*Retired Managing Partner  
JPMorgan Partners*

One of the arguments around mindful leadership is that it's a strong set of tools for you to be better at business. Better at life as well, obviously, but listening better gives you a strategic advantage in business. I always told my young associates: Your job is to not tell people what you know. You know what you know. You don't know what they know, so listening to them is going to be one of the most important things.

So, if you have the skill of being able to still your mind and to be able to have fewer thoughts and actually absorb what's going

on around you—that is an advantage in any kind of negotiating situation. We used tools and techniques like that in our own negotiations and discussions, and then these loving-kindness strategies enabled us to be better partners with our investors (whom we treated more like partners than as sources of capital), our managers, and our CEOs (whom we backed and supported) and to better our portfolios. There's a reason many of them came back and wanted to stay partners with us; it's because we thought the partner component was really critical and important.

I analogize it to a jazz ensemble—I'm a music freak—so that experience I have, that feeling of playing with others when I was young, is still what I try to look for today. It's listening to the others who are around you playing their own instruments, it's knowing that they're doing something different than you, but that when you come together, you're producing something you couldn't have done by yourself. It's identifying that sound or song, then creating this spiritual presence, which I felt in a more flow state. That if you remember there's an audience, there's an intention, there's a reason for you to be with these

people to connect to each other to produce something that you couldn't have done by yourself into an impact on the audience and to have a result.

And that flows through my meditations, my way of operating, and these ensembles for change that I've supported over the years and been a part of, and continue to find even new ones to work on. I think that's part of your team that you're working within your own institution and how you have a flow-state spiritual experience working as an ensemble on whatever problem you currently have ahead of you. Getting through times like today, where anxieties are stressing people, where being at home is a new experience, and working virtually amid the stress there, and with kids around and worrying about your job and worrying about food and your family and health, this is the stuff that mindfulness and the practice is made for.

I co-authored an article in the *Stanford Social Innovation Review* entitled "Self-Inquiry for Social Change," which goes

through the three layers of self-reflection, self-inquiry, and how it affects your organization and the outside world. We interviewed 30 individuals who were social entrepreneurs, system entrepreneurs, and philanthropists. During these interviews, we started finding out that everybody has a practice, and that's actually what saved them. Many of them talked about the burnout that they were going through and that having a practice enabled them to sustain themselves. As a professional, you should be asking yourself: (a) What does self-inquiry mean for you, and what does your practice look like? and then (b) How do you use those tools, and how could you use those tools in your own?

*Jeff Walker is the retired Managing Partner of JPMorgan Partners, retired Vice Chairman of JPMorgan Chase & Co., Chairman of New Profit, and Chairman of the University of Virginia Contemplative Science Center, and serves on the boards of numerous social change organizations.*

## Compassionate Leadership



*Michael J. Cooper, Founder  
Dream Group of Companies*

As a father, son, brother, businessman, and human, compassion grounds me

to have a holistic and global view. To me, compassionate leadership is about being an intentional and responsible global citizen, and real estate is an exciting and creative business that has a profound effect from providing the physical/emotional environment where individuals/identities are formed to building a community and being the engine of an economy. My approach to leadership and the development and operations of our communities reflects the most basic earliest teachings, **"treat others as you would want to be treated," "leave everything better than how you found**

it,” and “**we only have a short time on this planet – make it mean something.**”

I have always approached both my personal and professional life with these guiding principles but had not articulated them clearly within our organization until the world changed in March 2020.

As we lived through the extraordinary events of 2020, ranging from the devastating impact of the COVID-19 pandemic to powerful social movements around the world, it became clear that as a global community, we need to shift toward greener, more inclusive, and more resilient societies. As investors and developers of communities, we recognize the overlapping role that real estate has in addressing societal concerns like climate change, social justice, health, and food security. Through the development of private real estate, we can develop the physical built environment and social infrastructure, and through it achieve climate resilience, inclusivity, and resilience, where people have a sense of belonging in our communities and company, enabling us to achieve super-holistic and stable outcomes.

Particularly in the private sector, real estate can be a catalyst to re-center people and nature and contribute in an organized, systemic, and sustainable way with future generations in mind. This was the driving force that led to our formalizing and articulating our approach to both impact investing and creating a framework for describing our intentionality, goals, and process for measuring our impact. It also crystallized our focus on our three impact pillars that drive our business and decision-making: **resource management, affordable housing, and inclusivity.**

These three pillars have always driven me and my family and have led our company

to focus on creating a sense of belonging wherever we develop our communities. Ensuring that they are sustainable and prioritize truly integrated and inclusive communities that are mixed-income and mixed-use. In addition, our commitment to inclusivity led to the creation of the Dream Community Foundation, whose mandate is to provide programming in our communities that welcomes diversity and fosters inclusivity.

I trace the ethos of Dream to my youth growing up in Toronto. As the grandson of Central European Jews who moved to Canada to escape an increasingly dangerous Europe, I was a member of a family that was understandably wary of the outside world. I decided very early on that I was going to go out into the world and get involved. Often, everybody in my family disagreed with wanting to be part of the larger Canadian world, but I felt a deep sense of gratitude and a desire to thrive and contribute. That also led me to focus on making the best out of changing circumstances and to be grateful for what I had as well as to understand the transience of any situation.


Recognizing impermanence and our privilege, together with intentionality, agency, and courage, have all helped me and my colleagues define our company’s philosophy and approach. Collaborating with governments, not-for-profits, and financial institutions, we worked to increase the social safety net, bring much-needed affordable housing, protect and preserve our environment, and prioritize indigenous collaboration. Thus, we aimed to contribute to people believing that our collective community works best when it works for us all while ensuring economic sustainability.

Through our work at Dream, we recognize that to address climate change, affordability, and inclusivity we need scale and speed, and we cannot do it alone. Therefore, in order to scale our approach and increase our impact, we need to collaborate with partners and share our ideas. We believe that we are part of this ecosystem that is securing society and our company's future by ensuring that our work addresses the most important challenges facing the world today, making our communities and colleagues' lives more meaningful, all while achieving market returns.

Most importantly, compassionate leadership is about how we set up future generations for success—from protecting the environment to ensuring that all members of society have equal access to


opportunities and providing a safety net to protect the marginalized. As I remember my mother who passed away last year, whose resilience and love empowered me, I think about the well-being and future of my family and future generations, recognizing that all other parents want the same, and this drives me to provide meaningful social benefits to our communities while building a business that meets and exceeds all our stakeholders' expectations as well.

*Michael J. Cooper is the Founder of the Dream Group of Companies and the President and Chief Responsible Officer of Dream Unlimited Corp (TSX: DRM), an impact-driven asset management and development company with US\$17 billion of assets under management and a commitment to be CO2 net zero by 2035.*



Mindfulness and compassion are key self-leadership skills. Leading the self authentically is the first step to leading others.

Dr. Nika Gueci and Dr. Teri Pipe, Center for Mindfulness, Compassion, and Resilience at Arizona State University



## Compassion and Business

by Dr. Sogol Hodayoun

The practice of compassion in the workplace is not a new phenomenon. However, in recent decades, more studies have introduced “compassion” into management thought leadership within the context of capitalistic business organizations. The terms “compassion” and “capitalism” might appear contradictory, yet the interpretation of these terms has evolved over time. With roots in two Latin words—*passion* meaning “suffer” and *com* meaning “together”—the term compassion is “widely defined organizationally as the collective noticing, feeling, and responding to another’s suffering in order to provide ease.”<sup>1</sup>

Research has also linked “mindfulness to increased compassion toward self and others, or a greater awareness and acceptance of self that can serve to sharpen understanding of other people—their stressors, motivators, and reasons for their actions.”<sup>2</sup> This enhanced understanding of others may engender more explicit compassion within people. Tragedies can occur at the individual level, such as an employee losing a family member, or at a larger scale, such as a pandemic leaving millions of people fearing unemployment or sickness. At times like these, the managerial rule books can fail us, especially since people are looking for meaning, healing, and a reason to hope for the future.<sup>3</sup> Unleashing a compassionate organizational response can minimize employees’ pain<sup>3</sup> and preserve their personal dignity.<sup>4</sup>

### The expression of compassion in capitalistic organizations

Traditionally, organizations have maintained their propensity for rational capitalistic practices. An ideology of self-interest—namely, the promotion of individual career tracks<sup>5</sup> and short-term focus on maximizing shareholder value<sup>6</sup>—is said to be the root of these practices. When compassion is absent from the organization, we tend to see poor workplace conditions and job layoffs in the interests of squeezing costs,<sup>7</sup> as well as downsizing or restructuring even when there are no profit pressures,<sup>8</sup> while executive-level employees are often rewarded with hefty salaries and bonuses.<sup>9</sup> The outcome of such practices has led to growing inequalities within various types of organizations, especially in Western countries. During the 2014 World Economic Forum, Oxfam presented research showing that “the combined wealth of the richest 85 people across the globe is equivalent to the wealth of the poorest 3.5 billion.”<sup>10</sup> Over the past decade, this divide has not lessened.

With all of that said, some people question whether capitalistic organizations can be vehicles for expressing compassion. We believe the short answer is yes. Researchers such as Robert Solomon have challenged the notion that capitalistic organizations are solely calculating, competitive, self-interested, and purely profit-focused. Instead, he proposes that the stereotypical narrow-



minded views that employees, managers, and executives may embody are merely perceptions they have contrived to fit their roles, resulting in a self-fulfilling prophecy. Solomon argues that “capitalistic corporations—as communities—are places of humanity, where care and compassion are both an expectation and requirement of various employment positions.”<sup>11</sup> Other researchers concur that selfish practices are not inherent in capitalism but, rather, “the dissemination of pessimistic assumptions about the nature of individuals and organizational goals has contributed to the perpetuation of bad management practices.”<sup>12</sup>

### Redefining capitalism in the 21st century

The need to delineate that our view of capitalism has led to the term “conscious capitalism,” which refers to the fact that capitalism, when done correctly, is good, ethical, noble, and heroic.<sup>13</sup> “The *goodness* of conscious capitalism lies in its creation of value for stakeholders; its *ethicality* lies in its basis of free voluntary exchange; and its *noble heroism* lies in its power to elevate human existence by relieving poverty and driving prosperity.”<sup>14</sup>

The key principles of conscious capitalism are:

- (a) Doing business to realize good, true, beautiful, or heroic purposes beyond profits
- (b) Optimizing value creation for all stakeholders (customers, suppliers, investors, and society within the environment [not just shareholders]) using “win-win-win-win-win” strategies
- (c) Having conscious leadership that embodies a commitment to the organization’s higher purpose, rather than power or money, which motivates and inspires others

- (d) Having a conscious culture that tangibly exemplifies a set of values represented in the acronym TACTILE: Trust, Authenticity, Care, Transparency, Integrity, Learning, and Empowerment<sup>15</sup>

Since 2011, advocates of conscious capitalism have been arguing its potential as “the most effective system for improving well-being, knowledge, prosperity, and overall quality of life.”<sup>16</sup> Particularly, as the average age of an adult is currently around 40 years in the United States, society has become dominated by midlife values such as caring, nurturing relationships, and compassion, which, in turn, could act to transform the business landscape.<sup>17</sup> This suggests that the alleged conflict between capitalism and compassion may be more of a myth than a reality.

### Building capability for compassion in the workplace

Assessing the processes that connect everyday practices and a work unit’s capability for compassion can offer a view into the relational fundamentals of individual actions and interactions in the workplace. Based on analyses of everyday practices in an organizational department, researchers found that collective “compassion capability” was created through two relational conditions. These relational situations are composed of high-quality connections and a dynamic boundary-permeability norm, which is an understanding of when and how some spillover between work and non-work is acceptable depending on the situation. This compassion capability empowers employees of a department or unit to feel, notice, and respond to the suffering of other members. In this study, researchers identified seven best practices that serve as the foundation of an organization’s compassion capability<sup>18</sup>:

PRACTICES	RECURRENT ACTIVITIES
Acknowledging	<ul style="list-style-type: none"> <li>• Praise</li> <li>• Recognizing someone who is good at an element of the job</li> <li>• Attending to one another’s preferences or strengths</li> </ul>
Addressing problems directly	<ul style="list-style-type: none"> <li>• Approaching someone who disagrees, talking immediately about misunderstandings</li> <li>• Handling work errors</li> </ul>
Bounded playing	<ul style="list-style-type: none"> <li>• Use of humor, jesting, and banter</li> <li>• Personalizing cubicles</li> <li>• Sports fandom</li> </ul>
Celebrating	<ul style="list-style-type: none"> <li>• Monthly birthday parties</li> <li>• Baby showers</li> <li>• Wedding showers</li> <li>• Potlucks to recognize life events</li> <li>• Parties</li> </ul>
Collective decision-making	<ul style="list-style-type: none"> <li>• Daily meetings</li> <li>• Participatory hiring pod meetings</li> <li>• Discussions</li> </ul>
Offering help	<ul style="list-style-type: none"> <li>• Approaching others who appear to need aid</li> <li>• Monitoring conditions that may make help necessary</li> </ul>
Orienting	<ul style="list-style-type: none"> <li>• Orientation</li> <li>• Job rotation</li> <li>• Training and socialization</li> </ul>

Adapted Figure 1. from Lilius, J. M., Worline, M. C., Dutton, J. E., Kanov, J. M., and Maitlis, S. (2011). Understanding compassion capability. *Human Relations*, 64(7), p. 37.

Depending on the particular situation, the ability for compassion capability permeability is based on the need to be able to shift priorities, sometimes accentuating work and other times emphasizing one’s emotional state. This deepens our understanding of and possibilities with the capability for compassion in work units.

**Case study: Google and the perfect team**

In 2019, Google conducted a study designed to find the key characteristics of the “perfect team.” Among the 180 teams participating in the study, the only consistent variable that emerged was that the members felt safe. Two

main behaviors that informed this sense of safety were (a) providing equitable speaking time for each team member and (b) picking up on verbal and nonverbal cues indicating how other members were feeling. Together, these findings suggest that the compassionate micro-skills mentioned above play a key role in creating psychological safety for effective group work.<sup>19</sup>

The science behind these results involves the release of oxytocin when receiving or giving compassion; “this hormone essentially encourages social bonding and regulates the brain’s threat system.”<sup>20</sup> In addition to psychological safety, the study concluded that compassion improved “attention regulation—

our capacity to focus and concentrate on relevant information, choosing what to pay attention to and what to ignore.”<sup>11</sup> Three key cognitive processes that govern attention regulation are:

- Cognitive capacity: the ability to think flexibly
- Working memory: the ability to recall and apply information to the current situation
- Impulse inhibitory control: the ability to resist acting on impulse and choose an alternative behavior that is consistent with attaining goals<sup>21</sup>

All three cognitive processes act together in goal-oriented problem-solving and help instill compassion in group work and team-building.

## Conclusion

Compassion is a time-tested tool to help people notice, feel, and respond to another person’s suffering in order to provide comfort. Recent events and modern complexity have left millions of people feeling vulnerable and in search of meaning and hope. Previously, capitalistic organizations were labeled solely as self-interested, competitive, and focused on maximizing shareholder wealth. It is time to change this notion. Individuals within these organizations can change their stereotypical narrow-minded views to become more compassionate without sacrificing profits. In other words, capitalism, when put into practice differently, can be good, ethical, noble, and heroic.

“Conscious capitalism” can improve well-being, knowledge, prosperity, and overall quality of life. Especially as the average age of an adult is around 40 years

in the United States, midlife values such as nurturing relationships, compassion, and caring can and should transform the business landscape. Several leading organizations have implemented best practices, developed through pragmatism and science, to socially model how other organizations can enhance their compassion capability.

**Research and advocacy on conscious business have proven that the seeming conflict between “compassion” and “capitalism” is more of a myth than reality.**

Research and advocacy on conscious business have proven that the seeming conflict between “compassion” and “capitalism” is more of a myth than reality. To that extent, management practices fostered by capitalistic tendencies such as layoffs in the interest of squeezing costs are being challenged in many organizations. In 2019, a case study conducted by Google found that compassionate micro-skills improved attention regulation (cognitive capacity, working memory, and impulse inhibitory control) and created psychological safety for effective group work. They found that compassionate capabilities (a) promote team-building and (b) serve as building blocks for managing working relationships. Fostered by compassion at both the individual and entity level, these benefits have resulted in the increased introduction of compassion in management thought leadership within capitalistic business organizations.

## Compassion as a Powerful Business Practice: Case Study



*Lisette Cooper, Vice Chair –  
Fiduciary Trust International*

Compassion is a heartfelt wish for another person to be happy and content, free from pain and suffering. Compassion includes perspective-taking and empathy: The feeling often leads to a natural urge to relieve the suffering of others. Do we need to check if all compassion definitions are the same?

Within an organization, compassion helps create an environment of trust, which is necessary to enable individual growth that ultimately benefits employees and the entire organization. This growth is possible when both diversity of demographics and thought are welcomed and supported throughout the organization.

We can see that compassion and inclusion are related by simply looking at the opposite of inclusion—unfairness, lack of respect, and a sense of not belonging. A compassionate work environment seeks to correct the emotional suffering of those conditions and naturally leads to an inclusive workplace. Organizations that are both diverse and inclusive perform better on a wide range of key business metrics.<sup>1</sup> This is one important path to a high-performing team.

When I first spoke about compassion as a powerful business practice at the 2014 Wisdom 2.0 Business conference, I was the

CEO and founder of Athena Capital Advisors, an investment advisory firm that later merged with Fiduciary Trust International. In my time at Athena and now at Fiduciary Trust, we have focused on bringing the business practice of compassion into the workplace in an integrated way. We also explicitly introduced it into our investment process and client relationships.

For many years we have helped clients align their values with their investing, including incorporating diversity, equity, and inclusion (DEI) factors in their investments. We later began to incorporate these metrics into our due diligence process with third-party managers. As we progressed, we realized that to be authentic, compassion-practicing investors, we needed to take a hard look at ourselves and our organization. How could we effectively comment on another firm’s process regarding inclusion unless we were willing to employ it ourselves?

This insight drove compassionate action expressed as inclusion deeper into our organization. First, we updated our hiring practices to make our resume-review process blind to gender and race and incorporated gender-neutral language into our job postings. We also added opportunities for more junior staff to join our firm’s investment committee and contribute via anonymous voting. Hence, we could benefit from their true opinions, while they gained a sense of inclusion. Once we had trained the firm on DEI, we then modified the process for reviewing our external managers.

One of the most powerful client stories about compassion comes from our gender-lens investing practice. A client of ours wondered how she could use her wealth to genuinely help relieve the suffering of other women. We decided to start a conversation among a group of female investors, investment managers, academics, and board members. Many ideas were discussed, but shareholder

engagement—a way to use wealth to gain the attention of large corporations and drive change within their business practices—had the broadest appeal. We connected a variety of investors to engage in shareholder engagement initiatives through an affiliation with the Women’s Inclusion Project. In time, we learned how to be shareholder activists. This led to us lead-filing and co-filing shareholder resolutions focused on gender and racial pay gaps, diversity on corporate boards, and fighting online child sexual exploitation.

Initially, our group filed several proposals that sought gender pay gap information from two large multinational companies. Two resolutions were withdrawn once the company decided to address the issue itself. Another co-filed resolution resulted in a large pharmaceutical company agreeing to be only the second US corporation to provide data on its gender pay gap for its global businesses and data on its racial pay gap for its domestic operations. We subsequently expanded our shareholder engagement initiative to raise awareness of child sexual abuse online, resulting in two shareholder resolutions and productive engagement with the management

of multinational technology companies to address this issue.

A simple exercise to help one client with compassion soon spread to many others. The inspiration of a few clients who were eager to act in solidarity with the women of the #MeToo movement was amplified. These efforts, in turn, made a difference at several major public companies. In addition, our collective media efforts helped get the word out to parents to keep kids safe online. Perhaps in some small way this influenced a few tech giants to ensure that their platforms were safer for kids.

Compassion for our clients has only strengthened our relationships with them. This support has made their lives better and served as a lever for inspiring change through shareholder engagement. Compassion is unquestionably a powerful business practice, yielding a positive impact for both the bottom line and for the collective good.

*Lisette Cooper, PhD, CFA, is Vice Chair of Fiduciary Trust International and founder and former CEO of Athena Capital Advisors.*

## Gratitude and Compassion



*Patrick Finnerty – Investment Banker*

Compassion in the financial services industry is typically discussed as an antidote to confrontation brought on by short timelines and high stakes. This application of compassion is undoubtedly important, but too often it gives people the impression that compassion is a reactive tool that plays emotional defense rather than a proactive tool that promotes positivity and cohesion. A lesser discussed topic, but equally impactful application of compassion in the workplace, is the expression of

gratitude and appreciation for individual contributions. I believe that expressions of sincere gratitude in the workplace help to proactively dissolve the individualistic mindset of team members, resulting in a more empathetic community full of colleagues who are eager to go above and beyond for their co-workers.

To be clear, I am not referring to the impersonal and often-used general comments such as “good job” or “thanks!” The expressions of appreciation I am referring to are personal in nature and come in the form of acknowledgment emails or phone calls that make you take a step back and reflect on the empathy of the individual who was kind enough to give positive feedback.

Since my career in the financial industry began in 2015, there have been multiple times when I commonly let stress push compassion to the back seat. It’s easy to get lost in the task at hand and your personal to-do list. In a stress-induced, self-absorbed mindset, every piece of additional work can feel like an attack on your personal time. Obviously, this thought process and these feelings are not conducive to a collaborative team environment. So how can we take proactive steps to change the way our team feels about additional work and our teammates? Personally, my mindset shifted when my boss forwarded this email from a colleague:

I just wanted to send you a quick note to recognize Patrick’s great work and partnership in the transaction. We had an accelerated timeline, as you may recall, and had many hurdles to jump. This was my first time working with Patrick, and I thought he did a fantastic job in coordinating all the requirements between outside counsel and internal teams. He kept things moving along and ensured that we met our approval timeline. This partnership was clearly a good

example of how our two groups worked well and remained client-focused.

The colleague who wrote this note is a remarkably busy person. The fact that he took the time to write and send the email was a great display of compassion, gratitude, and selflessness. After reflecting on his gratitude, I began to think less about myself and more about helping my team. I wanted to give back to such a compassionate person. I was excited, not reluctant, to help with additional work for this individual. What I previously perceived as an attack on my personal time shifted to an opportunity to help a thoughtful team member. The phrase “happy to help” began to have more meaning behind it. To this day, I jump at the opportunity to go above and beyond for this colleague of mine.

After viewing teamwork from this perspective just once, it became easier to observe in all other group settings. I came to the realization that you feel better about your work when you know it is benefiting a compassionate and grateful group. I implore everyone to use this tool of gratitude proactively to bring out compassion in others. Look for things to appreciate<sup>1</sup> in every situation, no matter how difficult it may seem. I have noticed that the times when it may feel the hardest to practice gratitude and compassion are often the times when it is needed the most. Your gratitude will inevitably result in a compassionate community in which more work is done with less stress.

*Patrick Finnerty has over seven years of corporate and investment banking experience at one of the world’s largest financial institutions. He is passionate about his time with family and friends, learning the guitar, exercising, surfing, and tequila.*

## Compassion and Leadership



*Annemieke van der Werff, Global HR Executive*

Many books have been written about leadership, and there are some great ones that focus on what exemplifies what it takes to be a leader. Often these are focused on the impact of leaders on execution and performance. The focus of this chapter is about *becoming* and *being* a compassionate leader. I will use my experience as a business leader and also my perspective as a global HR executive in the financial industry, having seen the impact you can have as a leader on your team, peers, and the company as a whole. And as you set the example, new behavior is multiplied.

### How mindfulness meditation was my road to compassion

My journey into compassion started as I began practicing mindfulness meditation in 2010. I had just returned from a trip across India when I was diagnosed with breast cancer, knowing a rough road of treatments and recovery lay ahead of me. Entering the practice of mindfulness meditation made a huge difference. It helped me to have less stress, stay focused, be in the moment, and thus accept being in the here and now—facing reality rather than contemplating what was *possibly* around the corner. Little did I know that it would become a practice that guides me to this day; it has moved from a focus on me and my health to a focus on family, friends, colleagues, unknown others, and the community.

It also changed how I showed up as a leader. I became a better observer and listener, using a wider pallet of knowing and building bonds and coalitions that I couldn't see before. In complex hierarchical structures such as a global bank, that focus made a huge difference. Based on my experience, I would like to highlight how introspection and self-reflection can help make a change in becoming a compassionate leader.

### Introspection and self-reflection

From a leadership perspective, I've asked myself, as well as the executives and teams I've worked with, to develop and use a process of introspection and self-reflection. Introspection is the process of directly accessing one's own internal psychological processes, judgments, perceptions, or state of mind. Self-reflection is about the examination, contemplation, and analysis of one's thoughts, feelings, and actions.

Self-reflection is important as you enter the journey of leadership at any level. Think about it as questions you regularly ask yourself to learn and know more about yourself in becoming a compassionate leader. Without this deeper understanding, leading may become more like managing—in essence, "getting the job done." However, with a focus on compassion, I've seen and experienced that there's an impact on the well-being of the team, how they work together, how they overcome challenges, and reach results. Ultimately, this approach has an impact on the company as a whole, the interactions within and across teams, and across the organization. Finally, it has an impact on employee engagement, business results, innovation, personal growth, the customers, and the communities we serve.

## An exercise to get you started on the road to compassionate leadership

This list of sample questions is not exhaustive but rather a starting point, especially if you've not done this before. I've experienced that asking these types of questions not only helps you learn more about yourself, but it can also help reveal the essence of a problem and help identify solutions. Start with some obvious questions to get comfortable with challenging yourself; you will find that you will gain new insights about yourself as your journey progresses. Over time you will dig a little deeper and search for new areas of focus.

- *What experiences in life have shaped me? Think about this at a personal and business level.*
- *What motivates me?*
- *What concerns me?*
- *Whom do I look at as a leader, and what are their traits?*
- *How do I get to ideas to innovate and/or solve problems?*
- *Where does my resilience come from, and how do I use it?*

Turn to a situation you've encountered and consider what you could do differently, do more or less of, and what went well.

Where I've seen great leadership, it was not only about being a beacon in times of change and crisis but also in daily activities. Compassionate leadership is about being a source of strength at various emotional levels, being willing and able to act as a coach and mentor, and knowing how to apply stewardship as you progress in your career. It's a matter of being intentional and paying attention to what's being said versus what's being done. When I use the word "beacon," I mean a leader who provides clarity of direction, communicates clearly across all levels, makes herself available, authentically listens, and openly provides and receives

feedback. You can't expect others to open up if you remain a "closed book" yourself.

That said, I've learned over the years that leadership is especially about asking questions and, as a result, getting to know your team, customers, peers, and executives. Leading others is so much easier and fulfilling when you know your team, their drivers, their strengths, and their weaknesses. As a result, you will be able to create an inclusive culture that defines and strengthens the composition of your team, as well as the interactions within your team and across the organization.


It helps to remind ourselves that inclusion is an action—recognizing the value in a diverse workforce, empowering the growth of every team member and colleague, and leveraging their unique voices and perspectives to grow the business.

On the surface it may seem that all banks are similar, offering the same services and focusing on numbers. But for me, banking is a people business, and inclusion is the key to achieving shared objectives.

I've seen the results of compassionate leadership, not just on a person-to-person level. I've also seen how it helped shape teams to greater diversity, knowledge-sharing, trust, and confidence in one another and, as a result, being able to challenge the status quo while keeping communication open and driving innovation. Over time you will witness the strength of a team that is caring for, and collaborating with, each other. Some will *become* great and compassionate leaders, too.

*Annemieke van der Werff is a strategic global HR Executive with over 30 years of experience. She worked across geographies at ABN AMRO, HSBC, and MUFG. She currently is the US Director at "Triple Value Leadership," a newly established center dedicated to develop sustainable and compassionate leadership for next generation leaders.*





Compassion is a marvel of human nature,  
a precious inner resource, the foundation  
of our well-being and the harmony of our  
societies.

His Holiness the 14th Dalai Lama



# Compassion and Overcoming Obstacles

by Margaret Worrall

## Building a culture of compassion

No business environment exists without its fair share of obstacles, whether they be the everyday challenges of scheduling and interpersonal relationships or major negotiations and external conflict. A purpose-driven, compassionate approach can aid in both effectively addressing obstacles and creating a culture prepared to face difficult situations in productive, sustainable ways.

The key to compassion is the awareness of one's surroundings and the situations of those around us.<sup>1</sup> Leaders who practice compassion are more apt to pick up on subtle cues in their environment.<sup>2</sup> A culture of intentionality regarding this awareness will enable leaders to identify internal conflict in an organization more quickly and address problems directly before they can "fester, or become blown out of proportion."<sup>3</sup> A lack of compassion in the workplace can result in toxicity. Over time, small toxic elements left unaddressed will pool and spread, inevitably affecting profitability.<sup>4</sup>

## Why compassion gives businesses an edge in difficult times

Risk-mitigation strategies and best practices for dealing with major obstacles are a necessity for cross-sector operations. More and more, compassionate approaches are being included in enterprise risk management (ERM) playbooks and in the job requirements for Chief Risk Officer roles.<sup>5</sup> Particularly in light of "black swan" events including the global financial crisis of 2007–2008 and the COVID-19 pandemic, leaders need a framework for addressing obstacles that are difficult to plan for. A compassion model can inform that framework.<sup>6</sup>

Internally, a compassionate understanding of workplace interaction can better enable those in leadership to anticipate and prevent conflict. This inclusive approach helps individuals throughout the organization to discern the ways their co-workers operate and influence them. Not only does compassionate communication enable us to better process information in persuasive discussions, but it also prevents misunderstandings or miscommunications and improves overall efficiency. There are nine general communication styles a compassionate observer can effectively use:

1. *Rational explanation*: relying on facts and logical arguments
2. *Inspirational appeal*: appealing to values, ideals, or aspirations
3. *Consultation*: framing a request in terms of a shared, beneficial action plan
4. *Ingratiation*: ensuring that the other is in a favorable mood before making a request
5. *Exchange*: reciprocation offered or promised in the future
6. *Personal appeal*: asking for help based on a sense of friendship or loyalty

7. *Coalitions*: seeking aid in persuading a third party to do something
8. *Legitimization*: relying on institutional rules, procedures, policy, or traditions
9. *Pressure*: persistently remind or demand; this should only be used as a last resort and only in a situation with those whose communication style and disposition match no other option<sup>7</sup>

### The role of compassion in negotiations

Compassion is a social emotion (i.e., one that manifests as a result of interactions, real or imagined, with other people).<sup>8</sup> Individuals' appraisal of the events in their environment influences their emotions and affects the consequences of those emotions.<sup>9</sup> Fostering a culture that embraces compassion as a desired emotional response to both formal and informal negotiation situations is necessary. This creates a powerful action tendency, in other words, a "state of readiness for focused behavior that is appropriate for coping adaptively with emotion-arousing events."<sup>10</sup>

### Studies confirm that using compassion in negotiation leads to more favorable outcomes for those involved and increases the desire to work with one another again in the future.

Studies confirm that using compassion in negotiation leads to more favorable outcomes for those involved and increases the desire to work with one another again in the future.<sup>11</sup> However, the act of negotiating is frequently "an emotion-laden process whereby two or more parties who have incompatible interests need to work out a mutually acceptable solution."<sup>12</sup> Given this, there may be a concern that a compassionate negotiator is

more likely to compromise in favor of the other side, offer unnecessary concessions, or avoid confrontation. In reality, other research has revealed this assumption not to be the case. Compassion in negotiation has a significant effect only on the participants' tendency toward integrating or working to find a mutually beneficial solution.<sup>13</sup> When shared by both sides, the benefits of compassion in negotiation may even produce multiplier effects—further reason to adopt compassion as an industry best practice and invest in relationships with like-minded organizations.

Furthermore, given the increasing interconnectedness of global business operations, there is no guarantee that those on the opposite side of the table will share the same approach to negotiation processes. For decades, a major focus of intercultural communication research has been the study of intercultural conflict.<sup>14</sup> The intersection of cultural, situational, and individual factors has a substantial influence on conflict styles.<sup>15</sup> When engaged in negotiations with individuals or groups from differing cultural backgrounds, compassion is a powerful bridging tool. Some examples of the intercultural conflict compassion can assist in overcoming are as follows:

- Differing definitions of negotiation
- Differing selection of negotiator criteria
- Differing degrees of protocol
- Communication
- Differing views about time
- Differing risk propensities
- Differing emphasis of groups versus individuals
- Nature of agreements<sup>16</sup>

Being aware of these differences and respectfully overcoming them through compassion can do far more to build trust and create sustainable relationships than sticking to the traditional tactics or

playbooks. Awareness requires having an open mind, actively listening, and seeking an understanding of all parties and circumstances involved. A contemplative approach that includes self-reflection teaches us how this can be done in practice.

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**Strategic compassion, used intentionally and purposefully in formal situations, is a valuable asset for negotiators.**

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Strategic compassion, used intentionally and purposefully in formal situations, is a valuable asset for negotiators. The success or failure in negotiations rides on the preparation, planning, and research done ahead of time. Compassionate negotiators who apply their skills to put themselves into the shoes of their opponents develop more insight into the other side’s tangible and intangible motivations and priorities. Making negotiation preparation more holistic in this way—going beyond financial analysis and business environment assessments—will likely set the stage for better outcomes on both sides of the table.

**Interpersonal relationships with compassion and the effect on stress and difficulty**

Inevitably, workplace obstacles may lead to stress. Even a corporate environment with a culture of compassion will face instances of frustration and discord. Fortunately, fostering compassion is advantageous at all levels of the organization. Although some management structures instill professional distance between managers and their employees, compassion can mitigate this.

Even within formal power dynamics, empathy and compassion bring a sense of openness, enabling those involved to navigate challenging times with ingenuity and resilience.<sup>17, 18</sup>

An additional benefit to the overall organization is that an environment of compassion influences psychological well-being. In such surroundings, individuals who exhibit compassion are able to handle stressful situations better.<sup>19</sup> Compassionate leaders empowered by supportive organizational cultures are likely to enact a virtuous feedback loop that further drives compassion. In turn, this enables the organization to attract highly skilled and like-minded talent.

**Conclusion**

Building a culture of compassion in the organization grants management and employees greater awareness of their professional environment and helps them minimize workplace toxicity. When adopting a more compassionate risk-management playbook, leadership can anticipate and often mitigate conflict during difficult times. In the course of negotiations, the organization can suffer opportunity and relationship costs if they neglect compassion as a social emotion. Strategic acts of compassion can help negotiators walk in other stakeholders’ shoes, better relating to their motivations. Thus, these more holistic negotiations go beyond financial and business environment assessments. Enacting compassion can be challenging in the presence of rampant workplace stress. This is why it is imperative for leaders to model and promote psychological safety, especially in stressful situations and performance feedback discussions.

## Compassion and Negotiation



*Chris Simeone, Head of Project Finance, Eastern Region of an International Bank*

In relationships and in business, compassion is more than simply an altruistic value. When practiced meaningfully, compassion is a powerful tool that stakeholders can bring to the negotiating table and will often lay a foundation for optimal outcomes.

Compassion is probably not the first “tactic” that comes to mind prior to a negotiation. It is much simpler for most of us to envision the negotiating process as a zero-sum game, with each negotiating point destined to result in a clear winner and loser. Strategies focused on bullying and even apathy are common in negotiations; historically, these approaches have “worked” in business, love, and politics (okay—maybe not in love, but you never know). However, those who neglect compassion as a value and tool in negotiations more often set the stage for distressing and “impossible” challenges to arise. When a counterparty feels that their needs or concerns are not being considered, that person will likely counter the other side’s apathy or aggression with equal and opposite force. This can lead to a destruction of value for each party or even a total impasse.

The purpose of negotiation is to reach an agreement. Compassion can be a helpful starting point in negotiations as a means to facilitate purposeful and valid discussion and avoid an unproductive stalemate. When a counterparty feels listened to and understood—whether in terms of their

commercial concerns or psychological needs (and the two are often interdependent)—they will be more open to budging on negotiating points and will be more in tune with understanding the other side’s position.

As I reflect on this topic, I am reminded of a time when compassion was a critical element to a successful real-life negotiation. I was the chief banker for a large project financing that initially faced major roadblocks. My client intended to construct a solar power plant in a community that was opposed to the new energy project. The developer prepared to meet with the community’s largest landholder. Instead of turning the discussion into a battle between an ambitious contractor and a powerful property owner, the developer displayed an understanding of the nature of local opposition, the landowner demonstrated an openness to the concept of renewable power development, and I listened to both parties with an open mind. As a result of this emotionally intelligent negotiation, the developer and the landowner joined forces to co-own and co-operate the solar project on the landowner’s property, and my employer provided the construction financing for the newly combined team. This win-win-win situation was possible because all parties engaged with the power of compassion (and would have been inconceivable without this value-centered approach).

Successful negotiators aim to achieve their objectives and satisfy the other party. They are likely to listen to the counterparty’s side of the issue and empathize with their needs and concerns from a place of awareness. Bringing compassion to the table can reduce the potential for unproductive conflict and pave the way for win-win agreements. Compassion is a subtle yet powerful mechanism that enables us to expand our outlook to recognize both our own needs and the needs of those with whom we negotiate,

and to move beyond a limited focus based on fear and judgment. At the end of the day, people strive to have sustainable relationships based on mutual respect and understanding.

*Chris Simeone is a senior banker based in New York who has spent his career in structuring and arranging project finance solutions in the power, energy, and infrastructure sectors.*

## Turning the Tables



*Kurt Schreder, Managing Director and Head of Structured Finance Credit – MUFG Americas*

About five years ago I started a new job as the head of credit risk at MUFG. My team was responsible for reviewing and approving the bank's project finance transactions in the Americas.

The credit department is often one of the least-loved groups at any financial institution. While its fundamental role is to ensure that a bank's credit-risk appetite and policies are applied to new transactions, the credit department is often viewed by the business side as, at best, an inefficient headache and, at worst, an obstructionist, slow, uninformed, and bent on blocking anything but the most plain vanilla transactions. Bankers and credit officers often eye each other with mutual distrust.

After a few months on the job, there was a transaction in which an impasse had been reached between the credit and business divisions. The situation had been building for a while, and the senior banker had expressed a good deal of frustration and finally requested a one-on-one meeting with me. I did not yet know the individual well, and I remember feeling an

increasing level of agitation as the meeting approached.

Before the meeting, I sat at my desk reviewing my notes. Anticipating what could be a confrontation, I felt my agitation building. Then, a few minutes before leaving my office for the meeting, for some reason I was inspired to do something I had never intentionally done: I closed my eyes and actively tried to think about the situation from my counterpart's perspective. I thought about the fact that this was an accomplished individual who was simply trying to do his job, and who in all likelihood felt his position was perfectly reasonable. And I thought about the fact that he would probably much rather be doing something joyful in his life than having an unpleasant debate with me about a challenging transaction.

To my surprise, I became less agitated, and my thoughts cleared. Instead of entering the meeting with a confrontational mindset, I came into it with a focused and relaxed mind. As a result, we had a constructive, productive, and enjoyable (!) discussion. I found that I could actively listen and thoughtfully respond without being defensive. We began to understand each other's perspectives and started to build rapport. As we talked, we discovered there had been some miscommunication and misunderstanding on both sides, and we soon found a solution that enabled the deal to proceed.

That experience was a revelation. Since that time I have learned more about compassion

and seen evidence that a compassionate approach has valuable potential benefits for business. Compassion can create an atmosphere of trust, understanding, and mutual respect, which leads to more open communication, faster information flow, and better decision-making.

It can also create an environment in which people are genuinely happier and more committed to their work, their colleagues, and their organization. At my organization, it has helped us to streamline and speed

up the credit-approval process without compromising quality, enabling the business to grow in a safe and sound manner.

The strength of a compassionate approach is that it's consistent both with our fundamental humanity and with being more effective and productive in our professional and daily lives.

*Kurt Schreder is a Managing Director and Head of Structured Finance Credit in the Americas for MUFG.*

## Compassion and Overcoming Obstacles



*Mehmet Sengulen*

My story of compassion and how it helped me overcome an obstacle takes me back to January 2012 when I was a senior manager at one of the world's largest accounting firms.

During a stressful busy season, one of my most important senior associates approached me and told me that he was quitting...in the middle of our busy season! This senior associate was a key member of the team and in charge of effectively completing the audit in the next four weeks. Replacing him in the middle of our busy season was clearly not an option, and we had a tight deadline of four weeks.

I knew I had to do something, so I asked him to reconsider. But his mind was set; he explained that he had to quit for personal reasons. I told him that I would have expected better from him as the professional he was and that he was letting me down. Truthfully, I was in a panic, knowing this was going to be a huge mess and that I was going to have to put in long days and hours rolling up my own sleeves to clean it up. This senior associate went from being one of my favorites to persona non grata—in all of five minutes.

To blow off steam I took a walk around the building and remembered what my mentor always told me: *"We don't save lives here...we all get up and go home every night... so don't ever lose sight of what is important... people are important...treat people like human beings...everything else is noise."* I processed that a little bit as I took a deep breath.

My mentor was right: At the end of this, no one was going to die. We were all going to go our separate ways so the "right" thing to do, the "human" thing to do, was to put myself in the senior associate's shoes and have some empathy for his situation. Try to see things his way. This was not the first time

I had faced this type of situation (and I knew it wasn't going to be the last), but this was certainly the first time I had this epiphany.

So I swallowed my anger, went back to the senior associate, and told him that I understood and supported his decision. I also requested that he and I work closely together over the next two weeks so we could get our work done as much as we could, and he agreed.

Over the next two weeks, the senior associate worked with me and the rest of the team every night until 11 p.m., working double shifts. We had breakfast, lunch, and dinner virtually every day for two weeks straight. Instead of someone who "checked out" once he gave his notice, this senior associate hunkered down and got as much of his work done as possible. We became closer over those two weeks than we ever were. Our relationship could have (definitely would have) been damaged had I not approached the situation with empathy to his perspective, and I am thankful I did because he showed me his true colors. He delivered on all fronts over those two weeks, and we got to a place in which the majority of the work was done on time and on budget. The remaining transition was easily accomplished.

Then came his last day. I asked one of my senior partners to join us for the senior associate's going-away lunch but he declined, saying, *"I don't celebrate people leaving...I celebrate people who stay."* While I could appreciate his sentiment, I owed it to this senior associate to give him a proper send-off. I took the entire team out for a well-deserved dinner where we celebrated the senior associate and wished him well.

The story doesn't end there. A year later I was made a partner at another firm. Revenue generation was key to being successful in my new role. Three months into the new

position, that senior associate was one of the first people I connected with as I reached out to my network. He was ecstatic to hear from me, and we arranged to meet up for breakfast one day near his workplace. I will never forget: That breakfast cost me 23 dollars. It took an hour. We reconnected and within one week, he gave me a US\$21,000 engagement, which was officially the first "win" I got as a partner. I will never forget that win because it was my first.

Eight years later he is still a client—one of my biggest ones—with annual fees of just over US\$600,000 a year and combined billings over eight years of a bit over US\$4 million. What is more is that he also connected me to two other folks who were key in generating another US\$3 million in revenues. That senior associate remains the single most successful outcome of my revenue-generation efforts from my personal network. Most importantly, he remains, and will always remain, a close friend.

Nine years ago I faced an uncomfortable situation because of this senior associate. I could have done what my partner did and *"celebrate those who stay."* I chose to look at the situation differently and put myself in my senior associate's shoes, understand his perspectives, and do the "human" thing. It wasn't the easy thing to do but it was most certainly the right thing to do. Ever since then, virtually every time someone approaches me to give notice that they are leaving, I shake their hand, wish them the best of luck, and, if appropriate, tell them that the door is always open should they ever want to come back. I choose to do that because I remember that at the end of the day *"we are not saving lives... and we should all go home at night as friends."*

*Mehmet Sengulen is a Partner at UHY LLP and a Managing Director at UHY Advisors NY, Inc.*



## Compassion and Corporate Communications



*Andrew Rasanen, Former Director (Corporate Communications) – MUFG Americas*

Imagine this scenario. The traffic light has just turned in your favor, and you're about to step off the curb when you see someone on a bicycle barreling down the lane toward you, obviously not intending to stop. Perhaps it's a restaurant delivery worker with a large square package attached to the front of his bicycle or strapped to his back. The bicyclist intends to cross the intersection before traffic in the other direction starts to move. What do you do? Curse him as he speeds past? Step into the sidewalk in a reckless dare?

Or you're at the check-out register in a grocery store. You were brought up to engage with anyone who helps you by saying please and thank you, but the cash register clerk doesn't even acknowledge your existence as she rings up your purchases, instead carrying on a conversation with the clerk at the next register. Do you remind her that good customer service promotes return business? Do you say, "Excuse me, I'm the reason you have a job"? Or do you silently simmer with resentment and leave with your sense of entitlement unsatisfied?

Life, urban life especially, is filled with small moments of tension. Perhaps you encounter similar moments in the workplace, too, when stress from any

number of sources provokes a negative reaction on your part. Your emails go unanswered. A project participant misses the delivery date. Someone disrupts a meeting with irrelevant or incorrect comments. Yet another compliance training module is due by the end of the day, which means a late evening for you.

I regularly encounter such frustrations in any given day when people fail to follow the rules of Planet Andrew. One simple and effective—and humanizing—remedy that I learned from mindfulness is the phrase "I wish you well." It costs nothing, but this statement of loving-kindness takes me out of myself and reminds me that everything isn't all about me. Low-wage workers need to make their deliveries so they can put food on their own tables or find some social satisfaction among one another while serving an often-indifferent public. Our work colleagues are busy with multiple priorities. It's likely that we can mentor the recalcitrant project partner rather than condemn him for not being our idea of a team player or simply extend a little understanding of the pressures he may be under.

"I wish you well." I have compassion for your circumstances, even though I may never know what they are. I will not second-guess you or your motives for how you behave. I acknowledge that you have problems and pain and suffering, just as I do and as everyone does. It works beautifully in situations where there is no tension and for friends and loved ones, too.

Part of the genius of mindfulness for me is its simplicity, its accessibility. Once its concepts and approaches are understood and internalized, it's easy to apply. There are no rough roads in mindfulness itself, but it can help greatly to improve the rough patches we encounter in our work and personal lives.

Mindfulness has helped me to move beyond simply holding my private beliefs about decency and to consciously act upon them publicly, even in the littlest ways, without a selfish expectation of acknowledgment. Perfection is never possible, but to aspire toward perfection makes a great deal of difference in the lives of those I encounter and in my own life.

My work was in corporate communications at a major financial institution, mainly internal communications. Our team worked on projects ranging from local to global, from organizational announcements to sustainability issues to feel-good human-interest stories, and much else besides. We dealt with a never-ending variety and constant shifts and adjustments in content, timelines, players, and technology. This scenario, of course, has continued at my former workplace since my retirement.

### Spreading the word

Through all this, the communications team has a commitment to promote the company's culture principles and values whenever possible in the stories they publish. Mindfulness is connected to one of our values, *Respect*, represented most directly in the Mindfulness Group, an initiative that has a dedicated space on the intranet, chapters throughout the Americas, and hundreds of members.

The colleague who introduced mindfulness to the bank and founded the group periodically posts essays on our intranet home page about various aspects of the subject. Endorsement by senior management is also important for acceptance, for example through ex officio participation or unofficial sponsorship or executive blogs that

reaffirm a company's values through a lens of compassion.

Mindfulness Group chapters hold events, such as morning meditation sessions, and members publish their thoughts on the company intranet. Published topics by rank-and-file colleagues have included mindfulness and resilience, occupational stress, the connection between emotional intelligence and mindfulness, self-regulation and development through mindfulness, and mindfulness and the military.

Mindfulness training is included in our analyst program during the orientation that these new and essential colleagues receive before starting their jobs.

In addition, a recognition program enables colleagues to thank one another for embodying their corporate culture principles and values, all of which inform mindfulness: integrity, courtesy, respect, collaboration, teamwork, and so on. The program by its nature encourages a spirit of compassion in those who make the awards.

These initiatives are informed by an understanding that compassion improves both teamwork and business transactions with external and internal clients, and the communications team says so, providing examples in published stories including explicit examples of how compassion made a material difference in outcomes.

Other communications tactics are more technical but effective as part of employee engagement and core techniques in internal corporate communications.

In writing about the company, the words "we" and "our" replace "it" and "its" whenever possible, which is most of the time. References to "the bank" become "we." This conveys inclusivity and fosters a take-ownership attitude. All team members are caretakers of our communal success.

Once a story introduces colleagues with their full names in a story, podcast, or video, subsequent references to them are by first name only, from top executives to interns. Colleagues are all partners, whether located in New York, San Francisco, or São Paulo.

Unless a story is quoting verbatim a comment made at a past event, the present tense “says” replaces “said.” The present tense simulates a conversation as opposed to a report. It closes up the distance between the speaker and the reader.

Even something as simple as writing two separate sentences rather than connecting them by “and” helps each statement stand out more. Varying between short sentences and long sentences also provides relief—and a short sentence can add impact or highlight an important point.

Communications colleagues are mindful that their readers are busy, so the norm for stories is a standard 500- to 700-word limit (not always possible,

of course), and shorter paragraphs are favored over long paragraphs that create a psychologically wearying wall of text.

In other words, writers act with compassion toward their readers.

My hope is that the mindfulness you imbue into your communications, both in terms of content and approach, encourages your colleagues to “pay it forward,” to carry some of that same spirit into their work lives, their relations with other colleagues, and the business they conduct. I believe that a company with a culture of mindfulness has a more engaged and motivated workforce with greater job satisfaction—and that this gives any organization a better chance in contributing to a more peaceful and sustainable society.

I wish you well.

*Andrew Rasanen is a retired corporate communications director with a career that includes academic editing, publishing, and freelance journalism.*

### **Mindfulness in Analyst Training: Gaining Awareness at the Start of Your Career**



*Marguerita Courtney, Managing Director of  
Global Learning – MUFG*

I have experienced the evolution of training across the financial industry for more than 25 years. Although technology has brought great benefits and has enabled us to become more efficient, the volume of data that we read, assess, and respond to on a daily basis is at unprecedented levels. Today, more than ever, reflection is required not only to assess a problem but also to ground oneself in this fast-paced, challenging environment.

Mindfulness training is beneficial regardless of what career one chooses and can be of great value to both managers and individual contributors. I feel it is especially important to bring awareness of mindfulness to analysts at the beginning of their careers so they can learn to listen more intently, learn practical exercises to manage stress, and become more compassionate.

In the competitive world of finance, attention to detail, providing analytical insights, balancing risk and reward, and meeting time pressures are all part of a typical day. While trying to master these tasks, new analysts are learning how to navigate financial reports, make sense of numerous metrics, and understand movements in the markets. To build credibility, an analyst must consistently deliver a work product that is near perfect in order to earn the trust of their managers and the deal teams they support. Although the pressure is high, the ability to work alongside experienced bankers who are dedicated to helping their clients is an incredible learning opportunity.

Although it was 30 years ago, I still vividly remember my training days as a new analyst. The first in my family to graduate college, I was so excited to begin a career in the world of finance. I can still recall coming home to my parents and telling them how much I learned during my first week of training. The bank's analyst program provided me with the foundation to analyze a company's business, industry, and financials and to identify, quantify, and mitigate risk. I loved the job of analyzing companies and spent hours reading through industry reports and digging through footnotes.

Although the hours were long, I was determined to do a great job and earn the trust of my colleagues and managers. Along

the way, things sometimes became stressful, and I would occasionally step away from the desk and go for a walk or take some deep breaths. When I returned, the numbers would be clearer, and I could refocus. The pressure of balancing multiple priorities with urgent timelines was not something that was ever discussed. It was just a part of the job.

After several years, I became a relationship manager and managed a portfolio of clients spanning diversified industries. My career was progressing, and an opportunity came up to coach our new hires in the same training program I graduated from years earlier. The move from the business line to internal training was a great chance to give back and to help develop the next generation of bankers.

After more than a decade at a large US based banking institution, I was recruited to join a global bank headquartered in Japan. It was there that I worked on credit policy and later took on the role of Head of Talent & Learning for the Americas. We launched many new programs, including the bank's first analyst program, which incorporated all the necessary coursework to teach the technical skills analysts needed to succeed in their roles.

Around this time, a project finance banker who was a participant in one of our global programs introduced me to the concept of mindfulness. He explained how being compassionate could benefit individuals and our company. This would also have a positive impact on the outcome for our clients. Under his leadership, an employee group was formed and a mindfulness site on the bank's intranet was created to provide resources and to make employees aware of guided meditations.

Further support was provided by a group of six individuals participating in

our One River leadership development program who were tasked with identifying an area that they felt would benefit the bank's continuous improvement efforts. As part of their action-learning project, the group decided that their project would focus on improving employees' happiness as a foundation for business and employee success. The group's name was Team Happy, and the presentation was called Mindfulness at Work.

In their presentation, the group presented employee survey data, shared insights from interviews, summarized scientific studies, reviewed the success of mindfulness programs at other companies, and publicized the activities of the bank's new informal mindfulness employee group. Their presentation was compelling, and they were given executive approval to move forward with their recommendations. The quote from the presentation that really stuck with me was: *Avoid stress, achieve more, and enjoy life.*

A few months later, working with members of the mindfulness group, we organized a Lunch and Learn event that included suggestions for engaging in meditation. More than 1,000 employees attended. It was surprising to see the overwhelming response, and it was clear that there was tremendous interest in this topic. The bank was going through an integration at that time, and internal surveys revealed that employees were experiencing significant stress. The executive speaker was a cancer survivor who shared mindfulness techniques she learned in her Mindfulness Based Stress Reduction course while undergoing treatment at the Mayo Clinic. This created a more open discussion about the benefits of meditation and listening without judgment.

All these events led to discussions about incorporating mindfulness in our analyst program. Around this time there were several reports in the news about analysts experiencing stress on the job. It made me reflect on all the challenges that new analysts face when entering the workforce: the pressure to succeed, the competition, the complexity of the markets, and for some the first time they are living away from family and friends.

In 2017 we formally added mindfulness to our analyst program. In between content on markets, accounting, credit, financial modeling, and corporate valuation, the analysts took part in exercises to focus their attention and develop greater self-awareness. The bankers inside the organization shared how reflection, gratitude, and compassion helped them to be more effective in both their professional and personal lives.

Although many elements of the current analyst job are similar to when I was in the role, the availability of information as a result of technological enhancements, the rise of social media, and the expanded competitive landscape make today's analyst job more challenging than ever. The more information available, the more you are expected to know and incorporate into your decision-making. This requires tools that can help you to reflect, prioritize, and make choices.

More recently, we have expanded the analyst session to include insights on how to develop empathy and increase compassion. As part of the session, the analysts receive a copy of Janice Marturano's book, *Finding the Space to Lead*. This book is a wonderful guide, which includes exercises to help integrate the practice of mindfulness into everyday life. In her book, Janice notes the following: *"Compassion is a powerful force. When you open*

*yourself to it, it fuels your courage and informs your choices. It originates in your heart and is guided by your mind."*

Since we launched mindfulness in our entry program, several analysts have told us that they have incorporated these tools into their daily routine. Some have faced personal challenges and said how helpful it was to be aware of the mindfulness tools learned in the program. Personally, I continue my own mindfulness journey, which is not as disciplined as it should be. But as I reflect, I try to practice self-compassion and tell myself it is okay to try again.

In closing, I want to say thank you to that project finance banker who had the focus and compassion to follow his heart and the resilience to never give up. His leadership is truly inspiring, and we are all grateful for it.

*Marguerita Courtney is a Managing Director in Global Talent and Learning at MUFG. She is a banker and learning professional with over 25 years of experience. She began her career at Chemical Bank and spent over a decade at JPMorgan Chase.*

## Mission, Purpose, and Compassion in Life and Finance



*Howard Fischer- Founder and Chief Evangelist – Gratitude Railroad*

*We go through our days responding and reacting, but it's rare to really pause and ask: Is this thing I'm about to do consistent with what I believe? Or better: Is this the kind of thing the person I would like to be should do?*

*Ryan Holiday and Stephen Hanselman in The Daily Stoic reading for October 9*

Does this really have to be the norm? Why isn't our default to ask these two questions? Better yet, can one internalize these principles so the question does not even have to be asked?

Of course, what one does in their work life should be consistent with their values, but sometimes status, economic rewards, peer pressure, and business norms make that ideal elusive.

For me, at least for now, that is the only way. I never understood how corporate leaders of any kind could be cold-hearted and mean-spirited at work yet consider themselves pillars of society and family-centric solely based on how they lived, worshipped, volunteered, and donated outside the office. There is no authenticity or honesty in that.

This is also the frustration often present in impact-investing discussions. How can one invest in companies whose product or service is detrimental to the causes one cares about? Is profit maximization the only standard? Does it make sense to donate to the American Cancer Society while investing in cancer-causing products? One wipes out the other for a net-zero benefit on a systems level. Parsing, compartmentalizing, and reductionist thinking will not lead to the solutions we need for racial justice, environmental

conservation, poverty eradication, and good health for all.

This I believe holds true for all beliefs, including political ones. Values count. With whom you are associated has an impact. What you do at work every day is an important bit of how you can make the world better, safer, and fairer.

Doing this is hard, especially at an early stage of one's career. You may think it is easy for me to adhere to, 35 years in with a fat bank account. But for me, too, at times it seems unnatural and antithetical to everything I learned at school, in business practice, or from (the wrong?) peers and mentors. Sometimes after a confrontation or debate, I think to myself, "Who is that person?" and "Did I really just say that?" But the real question is how could I not be that person?

I believe every time I step out of that zone, drop that MBA face, and ignore norms and boundaries, the messaging is clear and powerful and teaches something to the witnesses. Maybe it frees them a bit to emulate in their own way. Thus, I have an obligation to be out there, a responsibility to all of you who are reading this and pondering what you can do.

To be fair, the Howard Fischer who wrote this essay is not the Howard Fischer that always was. I grew up in a middle-class Long Island town at the lower end of the local economic spectrum. My parents with their modest savings dabbled in the stock market, and I became awed by the potential for wealth acquisition from investing. There was a member of our synagogue who owned two Ferraris, a concept that was somewhat vague and unfathomable to me. I learned that he was an arbitrageur and sought him out. One of my first trips to the city alone was to spend a day in his office; many years later he would provide me

with my first Wall Street job (that's white privilege personified). My mother was a teacher, and my father's career success was in service to the Jewish community. I just wanted to get rich and was lucky enough to go to Wharton as an undergraduate, believing it was the best business school in the country and a key to achieving my wealth goals.

After a few off-track years in accounting (why not to Goldman or Drexel like so many of my classmates? I do not know), I read of a new hedge fund being formed by the aforementioned Ferrari owner and sought employment, which was granted. At the time I was a part-time student at the NYU business school and reading the book *Merger Mania* by Ivan Boesky. As the new firm was focused on merger and convertible securities arbitrage, that knowledge was highly valuable in me receiving an offer. *Merger Mania* was the first of many books that have changed and enhanced my life.

What followed for the next 25 years was a fairly typical hedge fund career with ups and downs. Great years and terrible years but net accumulating wealth as a core focus of my time and energy. Some charity, no volunteering, no board seats but lots of fancy clothes, five-star hotels, private jets, and a couple of big homes (one way larger than necessary but built with love and for sharing). I was not quite up to Gordon Gecko standards, lived well within the law, was honest and ethical in all my dealings and conversations but nonetheless driven to make more and more. I had survived and recovered from regular financial crises from the crash of '87 onward.

In 2008 business was booming, assets were coming in at US\$100 million per month with 75 on staff and offices in Connecticut, London, and Hong Kong.

Then, in an instant, it was over. Lehman happened, failed markets collapsed, I lost half my net worth and cried every day as staff dwindled to 20, and assets under management were down by 90%. I tried hard to do the right thing and rebuild the business, but it just wasn't happening. Somehow, I was drawn to meditation. Books, always books. *The Monk Who Sold His Ferrari* (a bit of irony there). *The Jew in the Lotus*. I was lost, unmotivated, failing, and seeking.

I read an ad for a course of study at Harvard, the Advanced Leadership Initiative. I wasn't quite sure what it was, mostly I saw an escape. Basso Capital was going away, and I was going back to school. Two semesters at one of the greatest educational institutions in the world. It was the most amazing, important, formative experience in my life.

So many stories to tell about this period. Two became three full semesters, and 25 classes later (Buddhist Scripture at the Divinity School, biomedical ethics at the Law School, environmental design, a hip-hop center lecture—only one class at Harvard Business School), I became a very different person, one that my wife and soulmate, whom I have been with since 1977, loved even more. It was this opening of my mind and heart that brought me here.

I went from center-right leaning to progressive in my politics. A large percentage of my active and engaged friends are from 2013 and later vintage. Much of that is due to the project work that the program required fellows to develop. In my case, that was the impact-investment group, Gratitude Railroad. We educate, inspire, and

catalyze investments that serve nature and people while being competitively profitable. In my role as Chief Evangelist, I seek others with traditional business and investment backgrounds to join us on this journey of reforming capitalism. We are a small but growing group of founders, managers, young people seeking roles, investors, philanthropists, and academics.


Despite what we all read and see in the news, there is hope. Together we can harness the power of capitalism to make the changes we wish to see and that are necessary for health, equality, fairness, and freedom.

Various life events have brought people to our community: 9/11 witnesses, the Global Financial Crisis, a big exit, simple retirement, and seeking their next act. We are united by our painful awareness of the climate crisis and a desire to end systemic racism and economic and social injustice.

But there is every reason not to wait, to bring expansion, passion, and empathy to what you do every day. It is the one true path.

*Howard Fischer was in the hedge fund business for almost 40 years last as the Founder and CEO of Basso Capital Management. Today as a private investor and Chief Evangelist at Gratitude Railroad, an impact investment business which educates, inspires and catalyzes individual investors, family offices and small RIAs to invest in companies whose service or product benefits the environment and/or social justice issues. He believes that with compassion and full stakeholder awareness businesses can responsibly and profitably provide the solutions to those greatest challenges of our time.*





The season of failure is the best time for  
sowing the seeds of success.

Paramahansa Yogananda



## Compassion and Failure

by Mally Hudson Smith and Dr. Sogol Homayoun

The Dow Jones Industrial Average dropped by 31.7% from February 12 to March 16, 2020.<sup>1</sup> The main reasons for the dramatic drop were the “unbridled global fears about the spread of the coronavirus, oil price drops, and the possibility of a 2020 recession.”<sup>1</sup> Global events like this have a ripple effect throughout society; some are predictable while others are not. For many, failure triggers a spiral of negative emotions. Feelings of shame, incompetence, self-doubt, anxiety, and stress often go hand in hand with failure.<sup>2</sup> Should failure be avoided at all costs? Can it really be avoided?

In the workplace, such suffering threatens the well-being of both the individual and the organization. Research has shown that workplace failure can lead to:

- An increase in employee suffering<sup>3</sup>
- A decrease in employee trust and commitment to the place of work<sup>4</sup>
- A tendency toward pessimism about subsequent projects<sup>5</sup>
- Risk-averse behaviors and attitudes<sup>6</sup>
- Lowered productivity<sup>7</sup>

Furthermore, these consequences interfere with the ability to learn from failure.<sup>8</sup> The more emotionally painful the experience, the less likely it is to be discussed; therefore, the opportunity for growth is often missed.<sup>9</sup> Indeed, failure damages both the human and the corporate psyche. The compassionate company knows that failure need not be avoided but rather embraced as an opportunity for growth.

### The transforming effect of compassion on failure

However, growth is not a given. Failure must be addressed so that it encourages learning, enabling growth to follow. Research suggests that compassion (for the self and others) is an effective tool to support learning from experiences of failure.<sup>10</sup> In turn, such learnings:

- Help organizations make better, smarter decisions<sup>11</sup>
- Enhance individual,<sup>12</sup> team,<sup>13</sup> and organizational performance<sup>14</sup>
- Inspire innovation<sup>15</sup>

In compassionate companies, failure is not only seen as an opportunity to perform better but also an opportunity to show up and care for those suffering within the organizational community. Compassion has been shown to be a powerful tool for alleviating workplace suffering.<sup>16</sup> As a necessary building block for success, compassion serves as the catalyst that transforms failure into an opportunity for growth. It allows for greater presence, sensitivity, and care for the suffering of others—*known and unknown to us*.

Compassion acts as a protector against the domino effect of negative emotions and consequences associated with failure. In particular, self-compassion has been found to be especially important when considering workplace failure. Self-compassion is made up of three components: self-kindness, common humanity, and mindfulness.<sup>17</sup> *Self-kindness* is exactly as it sounds—the care and understanding one offers to oneself in lieu of criticism and judgment.<sup>18</sup> *Common humanity* is a sense of belonging, the perception that one’s experiences are a “part of the larger human experience.”<sup>19</sup> *Mindfulness* refers to holding space for all emotions and thoughts in a balanced way, without attaching to or overidentifying with any one emotion.<sup>20</sup> In companies where self-compassion is encouraged, workplace failures can be reduced and their impacts more effectively managed.

It is the interplay of the components (i.e., self-kindness, a belief in common humanity, and mindfulness) that is imperative for leaders to embrace when responding to workplace failure.

[I]ndividuals that show caring to oneself in assessing project failure (*self-kindness*), place project failure in perspective with others (*common humanity*) and keep emotions in balance (*mindfulness*), generate less of a negative emotional reaction to project failure and are better able to use project failure as an opportunity to learn.<sup>21</sup>

Studies have shown that self-compassionate individuals hold more positive beliefs around failure as a learning opportunity.<sup>22</sup> Similarly, treating oneself with compassion after failure is linked to increased self-improvement motivation<sup>23</sup> and higher levels of resilience.<sup>24</sup> These adaptive attitudes and beliefs help to limit the negative impacts of failure.<sup>25</sup>

### Compassion and failure in practice

One example of a compassionate understanding of and response to failure can

be seen in Pixar Animation Studio’s cultural principles and organizational practices. A core principle of the Pixar culture is its understanding that failure is an inevitable element of the creative process.<sup>26</sup> Pixar’s leadership fosters a culture that embraces failure as a necessary, positive experience that everyone goes through. In this way, Pixar demonstrates organizational self-compassion by cultivating a sense of common humanity.

Another principle at the heart of Pixar’s culture is that failure is an opportunity for growth.<sup>27</sup> Pixar nurtures a culture that fosters competencies that enable the individual and the organization to learn from failures.<sup>28</sup> To achieve this culture, Pixar values and welcomes all voices and opinions. The giving and receiving of feedback is an ego- and judgment-free practice. Indeed, “it must be safe to tell the truth.”<sup>29</sup> In this way, Pixar encourages the self-kindness component of compassion to respond to failure without shame and judgment.

Enacting compassion principles, Pixar supports the above principles via two rituals known as *dailies* and *post-mortems*. *Dailies* are daily meetings that bring together a variety of individuals across multiple ranks and departments. In these meetings, individuals and teams show and discuss unfinished projects. The meetings offer a platform not only to practice courage and vulnerability when sharing incomplete work but also to give and receive constructive feedback. All voices and opinions are heard and valued.<sup>30</sup> *Post-mortems* are in-depth reviews done upon completion of a project. Working within a reflective model, *post-mortems* invite the participants to explore both the successes and failures of the project in equal measure.<sup>31</sup> Thus, success and failure are recognized as equally important experiences and opportunities for growth.

Compassion is both the heart and product of these organizational practices. Notably, this

compassion touches both the individual and the corporate psyche. Recognizing failure as an inherent part of the creative process as well as an opportunity for growth, Pixar’s practice of *dailies* and *post-mortems* encourages employees to view failure—their own, their peers’, and the organization’s—through a compassionate lens. Through this, the company nurtures creativity, collective resilience, and a strong sense of community.<sup>32</sup> Eluding the individual and organizational suffering that often accompanies failure, Pixar transforms the experience into one of opportunity and learning that goes beyond the individuals or teams directly involved.

A compassionate failure response requires an organization-wide effort supported by a compassionate infrastructure. Rituals, practices, and structures that reflect, model, and nurture compassion are essential. For example:

- Weekly check-in meetings (e.g., dailies)
- Debriefing after failures, centering trust, openness, honesty, and shame-free conversations (e.g., post-mortems)
- Meditation and/or mindfulness sessions to nurture the three components of self-compassion

Compassionate leadership and management support a culture of psychological safety, especially the modeling of compassion in response to failure. When employees observe the organization’s CEO and board members responding compassionately to failure, it serves as a guide, encouraging and empowering them to do the same. Organizations with compassion imbued in their values, norms, culture, and systems transform failure into opportunity.

### **Compassion and failure in finance**

Especially after failures, mindfulness and compassion are two skills that, once adopted, can improve efficiency, agility, and well-

being. As discussed above, mindfulness exhibits psychological benefits that decrease stress, boost working memory, and reduce depressive symptoms. Through compassion and mindfulness, furthering one’s ability to become more self-aware and attuned to intuitions and feelings, finance professionals may be better able to focus on flows of information and process information more contemplatively. One wonders, then, are mindfulness and compassion performance-enhancing tools?

**Relating this to the financial services industries, researchers have documented how mindfulness training programs benefit psychological well-being.**

Relating this to the financial services industries, researchers have documented how mindfulness training programs benefit psychological well-being. By reducing stress and boosting working memory to processing information expeditiously, financial professionals would appear to benefit greatly from this practice. Not everyone, however, has the amount of time required to develop a comprehensive mindfulness practice. Thus, overriding questions still remain about the effectiveness of being sufficiently self-aware and attuned to one’s intuition and feelings, while simultaneously concentrating on financial tasks.

Some research shows that these practices have proved helpful. In one study, 118 professional traders and ten senior executives from four investment banks in London were interviewed.<sup>33</sup> The least successful traders, whose average income was £100,000, ignored signs of worry and concern and continued to forge through with their initial decisions.

It can be inferred that by not listening to their compassion and mindfulness-based emotions, these less successful traders could not leverage intuition for interpreting and processing financial information.

On the other hand, successful traders, whose average income was £500,000, relied on intuition and feelings as well as analytical skills. They used a complete spectrum of emotions to interpret and place value on their intuition. When they lost money, they acknowledged their anxiety, became more cautious, and took fewer risks. Given that, mindfulness can be considered an effective performance-enhancing tool for financial professionals.

**Examples of compassionate leaders in the finance sector exist, although they are not often explicitly framed as such. Financial icon Warren Buffett exhibits a proven ability to build wealth and demonstrates a reputation for having personal and professional integrity.**

From a broader perspective, we can speculate about the possible benefits compassion and mindfulness could have had on decision-making during the ethical crises stemming from recent economic failures, most tangibly in the past two decades. Examples of compassionate leaders in the finance sector exist, although they are not often explicitly framed as such. Financial icon Warren Buffett exhibits a proven ability to build wealth and demonstrates a reputation for having personal and professional integrity. On numerous occasions, he is also known to have helped restore integrity in the financial system.

Others, such as Italian investment banker Fabrizio Cerina, personally paid back client fraud losses, according to his *Financial Times* interview.<sup>24</sup> Through his lifelong implicit development of compassion and mindfulness, he understood that difficult times (i.e., loss, failure) necessitated motivation beyond self-interest. He argues that in his role in the financial services industry, he must maintain accountability.<sup>34</sup> Accordingly, how one compassionately responds is as important as the failed action itself.

## Conclusion

In summary, failure is unavoidable, and it affects the well-being of the individual and organization. Compassionate companies embrace failure as an opportunity for growth and care for those experiencing difficulty within the organization. Self-compassion—which consists of three components: self-kindness, common humanity, and mindfulness—is particularly important when examining and deliberating workplace failure. Self-compassion increases motivation and resilience to limit the negative impacts of failure.

In practice, organizations such as Pixar have cultivated organizational practices such as *dailies* and *post-mortems* to support their compassionate principles. These meetings have brought people together to discuss constructive feedback in a trusted space. Finally, in the financial services industry, even basic mindfulness practices have helped professionals become more self-aware and attuned to their intuition and feelings to make better and more effective decisions. Modeled through the tone at the top, viewing failure in this manner encourages others to follow suit.

## Compassion and Mindfulness in Corporate Restructuring



*David S. Miller, Managing Director –  
Alvarez & Marsal*

In the world of corporate restructuring, compassion and mindfulness are essential tools for both advisors and business executives to create an optimal environment for transforming an organization and recasting its balance sheet.

For those not familiar with the detailed workings of a corporate restructuring transaction and thus the essential need for mindfulness and compassion to successfully navigate the potential roadblocks, here is a short overview of a hypothetical situation. (Note: The scenario highlights the key business issues that typically lead to a need for a company to restructure and is based upon actual historical situations.)

Corporate restructuring situation overview:

- Company X grew primarily by multiple transactions (funded with debt).
- The presence of an outspoken CEO, along with the absence of appropriate checks and balances at the board level, resulted in a lack of financial accountability.
- The company's margin for error continued to narrow as profits dwindled and leverage increased given the business's underperformance.

- Along with the mistakes made in expanding the business, the industry changed over time as competing technologies and new business models led to declining market share and reduced valuations.
- As a result, Company X had reached the "point of no return" whereby it was then primarily external forces driving the need to transform and restructure the business.

As one could imagine, the key stakeholders (executives, employees, creditors, and directors) of Company X would experience a variety of emotions ranging from denial to fear and even depression. Our job as restructuring advisors is to gather the facts regarding the situation while avoiding any finger-pointing or "Monday morning quarterbacking." It is critical during the initial "assessment" phase that we are extremely mindful of what each of the key stakeholders may be thinking and conduct our work in a way that is both non-accusatory and empathetic toward everyone involved.

In this assessment and analysis phase, sometimes the work must be done very quickly (days into weeks); at other times it could be months, typically driven by the size and complexity of the client company. Any material deviation from the compassion and mindfulness approach while gathering and analyzing the fact base will result in usually small, but sometimes potentially significant, setbacks. When dealing with stressed or distressed situations—perhaps before there is even recognition (really acceptance) of the need to restructure—a lot of stress has accumulated in the day-to-day lives of the people at the company. Therefore, anything that increases that level of stress has the potential to "blow up" and lead to less-than-optimal consequences, including (in

rare occasions) changes in advisory firms or people on the team.

There is also a need to engage with counterparties of the company, and this is another opportunity to employ our mindfulness and compassion skills. Before engaging with any counterparty, we first try to understand the following aspects:

- What is the business relationship, and how critical is the relationship to the company?
- How have they been impacted by the company's business underperformance?
- What is their role likely to be in the turnaround and restructuring of the business?

The answers to these questions impact how often and on what basis we engage with these parties. However, what will not change at any point in time is (a) being mindful of who they are and how they have been impacted, and (b) showing compassion for them consistent with how they have been impacted by the underperformance of the business.

If we fast-forward to the implementation of the restructuring and the resulting impacts on the key stakeholders, here is where our deployment of mindfulness and compassion is most valuable. During this time we can envision very emotional and contentious situations that really require "doubling down" on the use of mindfulness and compassion.

For example, let's say the business transformation requires what is known as a reduction in force (RIF). Other than the absolute winding up or closure of a business, there are few actions that come close to an RIF in terms of the necessity for mindfulness and compassion. As independent third-party advisors, we

may not be delivering the actual news to the impacted employees, but given the proximity we have to the leaders, we are entrusted with providing messages of support. Although these processes are initially disruptive to the company and potentially devastating to certain individuals, our experience using both mindfulness and compassion in these situations helps the affected parties understand that there is a future for both the individuals and the company, despite any despair they may be feeling.

Similarly, delivering the actual financial restructuring plans, which typically requires significant accommodations from the third-party creditors, must be tailored to each material stakeholder such that they understand: (a) the what and the why of the restructuring, (b) that the "asks" are driven by the facts at hand, and (c) that this is the best alternative going forward. As part of delivering that message, we are always mindful to listen and empathize with each stakeholder in a way that they have time to ask their questions and absorb the realities of the situation.

Many situations clearly can become quite heated and contentious, despite our best efforts to be mindful and compassionate. Especially in those situations, it is best to avoid emotional outbursts and instead focus on their factual position. At that time, we also try to help them accept the proposed solution, or even develop an alternative solution if that is more palatable to them, while still being feasible in the context of the overall restructuring.

While it is difficult to clearly imagine a stressful corporate restructuring scenario if you have never been involved in one, it is not difficult to imagine

how the successful deployment of both mindfulness and compassion in a high-stakes situation can improve the outcome. By acknowledging the implications of a disruptive event on both the individuals involved and the business itself, we become better practitioners of compassion and mindfulness ourselves.

*David Miller has been working in the fields of finance and corporate restructuring for more than 30 years and serves as an advisor to companies, creditor groups, boards of directors, and other parties who either require his expertise to navigate challenging situations or are trying to evolve their business through strategic growth initiatives.*

## Leading by Listening



*Nathan Romano, President of Atalaya Capital Management*

I don't think I would have gotten this far in my career (or handled the intensity for this long) without regularly practicing gratitude and mindfulness. Practicing mindfulness, feeling gratitude, and having a compassionate mindset not only enable me to reenergize and center myself (which is important in our industry) but also help me cultivate patience for myself, which, in turn, has led me to be more patient with others.

One of the most important things I have learned over the years is that it is okay to hold my tongue. This means that I hold my comments if I don't know the answer and take the time to think issues through without feeling that I have to have the answer at that particular moment. People in our industry need to realize that even as you

rise up the management chain, you don't always have to have the answer. You don't need to fill the quiet space in the room with what you think might be the right answer. You are better off to take it offline to really think it through.

A consequence of this approach is that you are opening up space for others to succeed. The only way to move forward—whether on a project or as a team or an organization—is to surround yourself with great people and allow them to fulfill their potential. If you are filling that “quiet gap” on a regular basis, then you are not letting others fulfill their potential. It is important to remind yourself on a daily basis that you want other people to succeed, and that by rooting for other people, you are not also wishing for your own demise; there is enough room for others at the top, and we are able to grow the pie and find success for everybody. When you're rooting for somebody and that person hears that you support their position or their idea, that can really open the door to strengthening your relationship with that person.

Opening up space for people to succeed also means that sometimes they will fail. When someone makes a mistake, I now have a lot more patience and tolerance for understanding where that person is coming



from, accepting the mistake, and figuring out ways to improve the outcome. My growth in this area not only comes from learning to be patient with myself but also from embracing self-compassion and self-acceptance. You should not beat yourself up at all moments and, in fact, you should beat yourself up as infrequently as possible. In our fast-paced and hectic industry, mistakes will happen. The best way to deal with them is to learn to act mindfully on things you

can influence and to learn to accept what you can't control, to let go, and then to move on.

*Nathan Romano, President of Atalaya Capital Management, has been practicing meditation, consistently and inconsistently, for more than 30 years since he was introduced to the practice in college by his tennis coach. He is grateful for the equanimity and perspective it has brought him and many others.*



Do your little bit of good where you are;  
it's those little bits of good put together  
that overwhelm the world.

Desmond Tutu



## Compassion and Good Governance

by Mally Hudson Smith and Dr. Liz Grant

### Compassion, corporate governance, and systemic compassionate change

Since the early 2000s, corporate culture has experienced a significant shift. The emergence of concepts such as “creative,”<sup>1</sup> “shared value,”<sup>2</sup> and “conscious capitalism,”<sup>3</sup> alongside increasing public awareness of corporate responsibility and the impact of consumer behaviors,<sup>4</sup> has led to a shift away from shareholder primacy toward the prioritization of social impact.<sup>5</sup> Since 2019, the World Economic Forum has called for corporations to look outside the boundaries of financial well-being and bring attention to rising challenges in mental health, sustainability, inequality, innovation, social isolation, and more.<sup>6</sup> This appeal for a more compassionate corporate landscape is relevant and timely.

The key to enacting effective compassionate change in the workplace is to extend efforts beyond the transformation of individual hearts and minds to embedding compassion in a more systemic way. Organizational structures, systems, practices, and principles are the framework upon which the compassionate workplace is built.<sup>7</sup> Corporate governance offers a blueprint for such a structure and can provide clear guidance through strategies and policies to communicate a (new) way forward that reinforces compassion.

In the financial industry, corporate governance is traditionally defined as the processes by which shareholders are ensured a return on investment.<sup>8</sup> A compassionate approach to corporate governance adopts a broader, more holistic understanding of the concept, drawing on what academic research defines as a stakeholder perspective.<sup>9</sup>

Compassionate corporate governance refers to the systems, protocols, norms, and principles by which an organization manages roles, power, accountability, decision-making, communication, and purpose. Particular attention is given to maintaining a balance between the interests and well-being of *all* stakeholders, including employees, suppliers, customers, community and environmental actors, *and* shareholders.

### Mechanisms of corporate governance

Corporate governance is enacted through mechanisms, systems, and protocols that are either formal or informal. Formal mechanisms tend to be strict and unmoving, informing what is legally permissible within an organization.<sup>10</sup> Informal mechanisms are the norms, values, and systems that focus on networks, relationship-building, communication, and decision-making.<sup>11</sup> Informal governance mechanisms are both rooted in and a reflection of corporate culture and values.<sup>12</sup>

While formal mechanisms are necessary, they are not the key driver of excellence in corporate governance. When making decisions in day-to-day activities, employees look not only to formal but especially also to informal mechanisms for guidance.<sup>13</sup> That is to say, they look to the company's organizational culture to inform their behavior and choices. In fact, research has shown that informal mechanisms and strong ethical values are essential determinants of effective corporate governance.<sup>14</sup>

When evaluating informal mechanisms, two benefits are notable. Informal governance mechanisms grounded in clear, strong values—in this case, compassionate values—act as “accountability forces,”<sup>15</sup> and they serve as a map for ethical decision-making and actions.<sup>16</sup> Particularly among the Gen Y and Z generations, lower-level employees relate to the overall mission by holding higher-level employees accountable for how they define the company's purpose. This bottom-up pressure provides an opportunity to rethink informal mechanisms.

Furthermore, when employees act in accordance with informal governance mechanisms that are rooted in such values, their actions serve as a positive feedback loop.<sup>17</sup> In other words, they reinforce the compassionate principles that guided their initial actions. One employee's compassionate decision-making can have a profound ripple effect within an organization, inspiring others and inviting open and honest conversation, as well as promoting balanced, compassionate care for all stakeholders.<sup>18</sup>

### **Importance of leadership in compassionate corporate governance**

To ensure effective compassionate governance, an organization's culture and values must be firmly planted in

a compassionate landscape. Instilling such values throughout an organization requires leadership buy-in.<sup>19</sup> By modeling compassion and acting in alignment with the organization's values, the board of directors and top management can demonstrate their commitment to these values, reinforce the informal governance mechanisms, and celebrate actions as well as outcomes. In doing so, a culture of trust is established in which employees feel safe to also act with compassion and celebrate successes.<sup>20</sup>

### **Research has shown a significant positive relationship between a diverse leadership team and financial performance.**

To achieve this, diversity within any board of directors is an essential element of good corporate governance. Research has shown a significant positive relationship between a diverse leadership team and financial performance.<sup>21</sup> Diversity enables a board to draw from a wide range of skills and consider multiple perspectives when making decisions and navigating challenges.<sup>22</sup> A diverse board is one that not only demonstrates a balance of skills and experience but also embraces diversity across gender, race, ability, and other factors.

However, the compassionate board does more than just select women, people of color, or other underrepresented persons to the entity. Compassion is the essential ingredient that transforms diversity on a board from a quota-driven endeavor to genuine inclusion, equity, and change. A compassionate board of directors holds space for open conversation and respectful debate; it encourages reflexivity and challenges members to embrace and learn from their mistakes. In this way, such a board

shapes strategies and cultural norms, models compassionate behavior, and guides decision-making throughout the organization.

Compassionate corporate governance is neither a checklist procedure nor a stagnant set of rules and regulations. Rather, it is an ongoing process that relies on clear, strong, compassionate cultural values woven into the fabric of an organization. Compassionate governance establishes a culture of trust through leadership modeling and compassionate decision-making, along with bringing together a diverse board of directors drawing from a wide range of expertise and perspectives. This process of compassionate corporate governance will then empower employees to prioritize the needs and well-being of all stakeholders. These inclusion standards could become the pillars by which the board measures organizational health.

### **Linking compassionate corporate governance with responsible organizations and sustainability**

Financial institutions such as State Street and BlackRock have been advocating for organizations to contribute more to society than just maximize shareholder profits.<sup>23</sup> According to *The New York Times*, the reason that leaders of these investment firms can make such a claim is because these firms manage extraordinary amounts of funding. For example, Laurence Fink, founder and CEO of BlackRock, oversees assets under management of more than US\$8.5 trillion, which gives him the gravitas to influence the selection of boards of directors and the focus of the market. These investments include exchange-traded funds, mutual funds, 401(k) plans, etc., making BlackRock the largest investor in the world.<sup>24</sup> Over the past few years, Mr. Fink has continued to encourage companies to more clearly define their purpose, with the intention of developing better strategy and culture as

a means to improve sustainable financial performance.<sup>25</sup>

To be a more compassionate financial services firm, Fink has highlighted that a company's ability to manage multiple stakeholder interests hinges on leadership's focus on sustainable growth and long-term prospects.<sup>26</sup> With this, Fink stresses the importance of environmental, social, and governance (ESG) issues in corporate valuations.<sup>27</sup> These issues are aligned with millennials and younger-generation stakeholders who are drawn to purpose-driven and compassion-focused tenets of financial investing. This is increasingly significant because younger generations will be the recipients of the largest wealth transfer (approximately US\$24 trillion) from baby boomers in the coming years.

Furthermore, other researchers have demonstrated a strong connection between a company's well-being strategy and its ESG or social responsibility strategies.<sup>28</sup> In 2022 BlackRock launched a Center for Stakeholder Capitalism to create a forum for research, dialogue, and debate regarding these topics. It will further explore the relationships between companies and their stakeholders and between stakeholder engagement and shareholder value.<sup>29</sup>

The above discussion has been empirically supported through applied practice. In 2008 researchers conducted a study of 520 firms in 17 countries, surveying the employees' perception of their CEOs' values, and determining if their CEO made decisions based on economic versus stakeholder values. The study revealed that CEOs who emphasized economic values when making decisions exhibited autocratic leadership, and subsequently the employees did not exert extra effort in their work that related to company performance. On the other hand, the CEOs who emphasized stakeholder values exhibited

visionary leadership, which, in turn, motivated employees to exert extra effort in their work, positively impacting the firms' performance.<sup>30</sup>

In a 2020 survey, as the world grappled with health and social unrest, a significant number of S&P 500 companies (40%, up 6% from the previous year) determined that the time was appropriate to discuss their diversity, equity, and inclusion (DEI) practices. During this tumultuous period, these companies chose to address these issues while at the same time, investors poured money into ESG funds. In the financial sector, well over half the companies surveyed talked about DEI in their second-quarter earnings calls. These companies announced "new DEI initiatives such as internal programs (training, hiring & development, increased [employee resource group] ERG investments) and external commitments (donations to racial justice groups, minority community investments, and diverse supplier spending)."<sup>31</sup> Most notably, research showed that companies in the financial services sector, among other sectors, "with higher ESG workforce scores (where DEI policies and track records are contributing inputs) outperformed those with lower scores within the United States over the past six years."<sup>32</sup>

Moreover, 2021 showed substantial changes in the composition of board members for the S&P 500 companies. Based on the Spencer Stuart Board Index, which tracks the latest trends and data related to board composition, in the S&P 500 companies, 30% of all directors were women. This was a new milestone. While only 3% of said companies

have reached gender parity (meaning they have an equal number of men and women), none of these are in the financial services sector, yet.<sup>33</sup>

## Conclusion

The financial services sector has revealed compelling data through its workforce's gender composition. With reports from Goldman Sachs showing that all-women and mixed-gender US fund teams outperformed all-male portfolio management teams, this raised fresh interest in the investment industry's progress in addressing its gender diversity issues.<sup>34</sup> Although there are challenges ahead, the past few years have shown that many US financial services companies experienced historic moments and promising movement. Along these lines, Citigroup introduced its first female CEO, who was the inaugural woman to lead a Wall Street bank.<sup>35</sup> What is more, Goldman Sachs has signaled an unprecedented interest in having a woman in the chief executive position.<sup>36</sup>

Many win-win situations come out of good governance. However, compassionate governance is not about hitting diversity numbers but rather creating inclusive environments for all stakeholders through better decision-making practices. A crucial criterion will be whether compassionate corporate governance shows a positive impact on companies' financial performance and if this empowers employees to appreciate DEI efforts.

## Encouraging Compassion and Mindfulness: One Banker, One Bank at a Time



*Olga Puntus, an Executive Director for Environmental and Social Risk Management at JPMC*

In the world of corporate restructuring, compassion and mindfulness are essential tools for both advisors and business executives to create an optimal environment for transforming an organization and recasting its balance sheet.

As head of Environmental and Social Risk Management (ESRM) at one of the world's largest banks, I lead a team whose mandate is to go beyond traditional banking due diligence criteria.

We look beyond the confines of legal compliance and financial risk when we analyze environmental and social (E&S) risk—and in many cases, the notions of empathy and compassion—putting ourselves in the shoes of impacted stakeholders as we connect the dots among the activities of our customers and their potential E&S effects.

What we have found is that bankers have become increasingly receptive to our positions and feedback. And they are increasingly seeking our counsel, even when

transactions do not automatically trigger E&S risk review. In addition to an uptick in consultations, ESRM professionals and recommendations are now included in senior-level decision-making for clients in many sensitive sectors, including oil and gas, power, agriculture, and consumer finance.

It is now clear to bankers, too: Nonfinancial performance is an important indicator of business success. And it is how we encourage compassion and mindfulness, one banker at a time.

While understanding that bankers need to focus on Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)<sup>1</sup> only considering our counsel, we are bringing a mindfulness lens to the work.

For example, in March 2017 we persuaded our senior leaders to adopt a global Free Prior Informed Consent (FPIC)<sup>2</sup> standard. Initially, we thought it would be impossible. After the Dakota Access Pipeline experience, we consulted with internal and external stakeholders and confirmed that it would be useful and practical to adopt FPIC and elevate our financing expectations around the engagement of Indigenous Peoples globally and in the United States in particular. It is a controversial and sensitive topic in the United States; but armed with unemotional facts, targeted and respectful communication, and being self-aware and fully present during the discussions, we have adopted the desired standard slightly more easily than we initially thought.

Mindfulness means many things to many people. For my work, I like the definition of the mindfulness guru Jon Kabat-Zinn: "Paying attention in a particular way, on purpose, in the present moment and not judgmentally." In practice, mindfulness in my profession has meant

three specific things:

- (a) Being an effective and honest yet respectful communicator
- (b) Being present and self-aware in everything I do, which means literally being authentic and being sincere
- (c) Finding positivity and a personal touch even in the toughest situations and negotiations

There is little alignment in applying the E&S risk approach in banking, never mind in the strategy of applying compassion. But at my company, we are trying to do the right

thing. And we have to keep spreading the word and integrating compassion, one bank at a time.

*Olga Puntus is a former senior vice president and Head of the Environmental and Social Risk Management team for Sustainability and Corporate Responsibility at Wells Fargo. She is based in New York. She holds a master's in environmental science and Sustainability Management from Columbia University in New York City.*

## Compassion and Corporate Governance



*Sebastian Zugman*

Historically, when setting corporate objectives, the Board of Directors and management have focused on equity holders as the main constituency. This narrow focus has broadened over time to evolve into a more tailored approach that considers the needs of multiple stakeholders—not only shareholders but also communities, clients, suppliers, employees, and regulatory agencies with which the corporation interacts. As more and more companies focus on stakeholder—vs. shareholder—engagement,

it is becoming apparent that such an approach is paramount to long-term success and viability.

### Long-term value creation

A corporate strategy focused on long-term value creation is linked clearly and inextricably to the development of products and services that are effective in addressing a customer's need and are produced and delivered efficiently within high-quality standards. In the medium and long term, such a strategy can be successfully achieved with a workforce that is committed to and actively engaged with the vision and values of the corporation. While employee engagement is a broad and multidimensional subject, research has shown a strong and positive correlation between a compassionate corporate culture and engagement in both private and public sector organizations.

A compassionate approach is defined here as an approach that evinces a genuine interest in the well-being and personal circumstances of the employee



of the corporation, along with concerted efforts to try to alleviate any difficult life circumstances the employee may be facing. Over the years and through extensive academic research, this compassionate approach toward employee relations has demonstrated superior and more rewarding levels of interaction between management and the workforce and has contributed toward reducing the levels of stress and burnout in employees, which, in turn, has contributed to reduced absenteeism, lower health costs, and, ultimately, enhanced productivity.

### **Strategic planning and risk management**

When confronted with making the necessary decisions to drive the strategy of the firm or government agencies, management is constantly required to evaluate the costs, risks, and potential benefits of any decisions taken. These decisions include product design; production methods; organizational structure, which includes employment practices, objective-setting, and compensation practices; and relationships with suppliers, taking into account ethical and environmental standards and the suppliers' employment practices, for example.

This planning process requires a full understanding of the competitive and operating environment in which the company conducts business. For instance, short- and long-term trends that drive customer preferences—and therefore product development cycles—are essential for the commercial viability and competitiveness of the products and services offered by the corporation.

More broadly, a deep understanding of the macroeconomic and employment

environments is also essential, as that environment is likely to have a significant effect on the company's ability to price products to be both profitable for the organization and affordable for consumers.

While translating these observations into strategic decisions is ultimately the responsibility of the leadership of the corporation, an environment that is open, inclusive, encouraging, and rewarding of two-way dialogue and feedback mechanisms becomes an essential component of a successful organizational structure. This structure does not mean that management will necessarily delegate decisions to the lower ranks, but it means that the organization as a whole will benefit greatly from an open and candid debate regarding the environment in which the organization operates, and the associated risks created by that environment. After all, employees—who are closer to the customers, to the suppliers, and to the production methods of the corporation—are the eyes and ears of management when it comes to producing the type of detailed observations that are essential in calibrating corporate strategy. They understand the pain points, risks, and opportunities better than anybody else does.

To create this type of open, respectful, and inclusive environment, senior management must set the tone from the top by making sure they act compassionately when dealing with mistakes and unforeseen circumstances and allow their employees to speak up and self-disclose the risks and opportunities for improvement they perceive. This approach helps the organization learn from its mistakes and prevent the recurrence of mistakes and accidents in the future.

## Board structure

The structure of the board needs to be strategically aligned with the operating environment and the objectives of the corporation. The board composition needs to reflect the society in which the firm operates, ensuring that the strategic objectives and “tone from the top” of the corporation fully reflect the diverse range of views and expectations of all stakeholders. A board that is not diverse and does not include a deep understanding and sensitivity of all stakeholders, including how their past experiences impact present and future expectations, could potentially be at a disadvantage in being able to challenge management in their quest to achieve a balanced set of outcomes in pursuit of their long-term strategic goals.

A board that is gender and ethnically diverse—and that is able to conceptually represent the aspirations, desires, and moral and ethical values of all stakeholders—will ultimately be in the best position to help the corporation achieve long-term success. In addition, board and management teams that fully reflect the ethnic and gender representation of the employee workforce are also likely to result in higher levels of employee engagement in those ethnic and gender segments. This level of sensitivity and awareness means not only being intellectually attuned to the needs and expectations of society at large but also being in a position to embody and fully reflect and represent those experiences and expectations in board discussions. That is the embodiment of compassionate leadership.

## Stakeholder impact

As most successful corporations have transitioned over the years to consider the impact of their actions on a more diverse set of stakeholders, most large corporations have adopted principles of corporate social responsibility in the way they conduct their affairs. A handful of examples include supporting social causes in the communities in which the corporations operate, introducing efforts to reduce their carbon footprint, and acquiring from suppliers that adhere to ethical standards in their production methods.

These commitments also have practical implications for corporations: They can reduce the cost of certain supplies, generate incremental market share gain or opportunities (as many customers prefer to buy from companies that engage ethically and responsibly with the community), and mitigate risk by helping the corporation better address regulatory or legal requirements.

An effective board and management team, through their broad range of experiences and perspectives, has to make sure they can establish fair and reciprocal relationships with the broadest possible representation of society, understanding that by building stronger and more resilient communities they build broader and more loyal customer bases that will ultimately benefit all.

*Sebastian Zugman is the Group General Auditor for Bank of America's Global Banking and Markets and global technology.*

## Compassionate Culture



*James Fisher, CEO – MUFG Investor Services*

A compassionate culture of trust and loyalty is not built through compensation practices, organizational hierarchies, or management training, but rather:

- It is built on and thrives where employees feel like they are all working toward the same goal, with the same intentions of how to achieve that goal.
- It is sustained by employees feeling like their colleagues and managers are considerate of their personal as well as professional needs and expectations.
- It requires self-awareness, mindfulness, and compassion for self as well as compassion for others. It is being mindful enough to notice that someone else is having a hard time or needs support, then reacting with kindness and understanding (not judgment) and being compassionate enough to take action in support of alleviating another individual's suffering.

Throughout my career, I have witnessed firsthand the positive impact of a compassionate culture, and I have witnessed, and been heavily impacted by, the negative and sometimes devastating personal and professional impacts of a culture that lacks compassion.

In the early 2000s, my manager and mentor (a senior executive at a large global

bank) worked with the principle that “all that matters is the result; it does not matter how you get there or what you have to do to be successful; it is the result that will be rewarded.” This approach was instilled in me through constant reinforcement: being rewarded, compensated, and promoted primarily through the *results* of my work with little care to any damage left in its wake. This philosophy permeated how I lived and worked in my early professional career and was endemic in the financial services industry throughout the 2000s (leading, in my opinion, to the various corporate scandals and economic crises of that decade).

Eventually, I began to question my own core values, due to a variety of personal reasons but mostly because I began to operate under a new manager who fostered a different approach. He demonstrated the benefits of being compassionate and thoughtful with a focus on family. He had a deep sense of the value of individuals. In doing so, he created a culture of respect, inclusion, and collaboration—emphasizing compassion not as a weakness but as a foundation of strength.

This shift in my core values and learnings was tested to the extreme following a promotion to a global management role, which occurred within a department and under a new boss who operated under the old tenets of aggression and winning at all costs. There was no compassion, respect, or sense of greater purpose. The focus was once again only on endgame results, with no thought given to the individuals who were meant to achieve those results.

After a year in this new role, an increasing intellectual and emotional conflict arose within me between these

two diametrically opposed mindsets and approaches to work. The chronic professional stressors took a significant toll on my physical and mental health and on the health and well-being of those who worked alongside me. Being under the constant strain of conflicting demands and priorities from different levels of management was proving to be incredibly destructive. The workplace was not a healthy culture to function in and eventually resulted in a number of people leaving the firm, including me.


This period of emotional trauma resulted in, among other things, prolonged deep personal self-reflection. The experience left me feeling empty. There was a profound need to repair my well-being and find a way to effectively devote myself again to my family and my profession. It took the compassion and love of family and friends to support me in finding self-belief and in accepting a new and more senior role at a different organization. At this new organization, I immediately responded to the positive corporate culture. This culture helped enable me to begin to rebuild and regain my confidence. Witnessing the respect of my colleagues for one another—along

with being given a chance to voice my professional opinions in an open and inclusive environment—enabled me to be successful once again.

For me, compassion is very real, and being on the receiving end feels like those around you have a genuine belief in you. When there is trust, there is a productive space in which to work with challenges and to think freely and innovatively. These freedoms encompass a focus on personal priorities as well as professional priorities and, most important for me, this environment helped me truly understand that the entire process matters, not only the end result.


Now I find myself in a privileged position in which I can continue my journey of emotional development while also trying to apply some of the core principles of compassion, inclusion, respect, integrity, and mindfulness in how I treat others at work. This positively affects how I manage my team, how I make decisions, how I challenge the decisions of my leaders, and how I treat myself and others in my personal life.

*James Fisher is the CEO of MUFG Investor Services, U.S.*



Intelligence and capability are not enough. There must be the joy of doing something beautiful.

Dr. Govindappa Venkataswamy  
Founder of Aravind Eye Hospitals



## The Compassion and the Profit Paradox

by Dr. Sogol Homayoun and Dr. Mary Sully de Luque

In our hyper-competitive and ever-changing economic environment, perpetual market pressure places focus on producing increased profits and growth, which can become all-consuming. Some leaders question whether they should care at all about supporting compassion in their organizations. If they have competent employees working for the business who can get the job done no matter what, why should they bother with compassion?

The answer lies within human beings' three primary drives: "self-interest, the need to care, and, increasingly, the need to live a life of meaning and purpose."<sup>1</sup> Notably, many societies have built market-based systems based on self-interest alone. However, by checking humanity at the door, organizations are paying a steep price if compassion is neglected, as this may lead to distress and suffering. Although very much underappreciated, "suffering at work is a hidden cost to human capability,"<sup>2</sup> and ample scientific evidence shows that extraordinary things happen when people care for one another. Leaders who recognize this issue, and want their organization to work at full human capacity, focus on awakening compassion as a strategic tool in their organizations.

### Compassion and the cost of suffering

Most employees will spend at least 100,000 hours of their lives at work. With so much of life spent in a place of employment, the environment in which people work impacts them greatly, both positively and negatively. Workplace stress already constitutes 80% of doctors' visits, and, in the United States, it can cost businesses over US\$300 billion a year (equivalent to US\$2,000 per employee).<sup>3</sup> Stress can lead to distress, which contributes to suffering. Given that suffering is a fundamental component of human experience, it is difficult to detach it from the time and energy expended at work.<sup>4</sup> Based on research in the science of compassion, directly addressing suffering in the workplace is one of the most important challenges for businesses today. The monitoring of *suffering* may not play prominently in a manager's agenda, but it should.

Each year, the reality is that grief-related and productivity losses cost organizations US\$75 billion; thus, there is still a lot of work to be done. Treating people like compassionless machines, business leaders may create fear, disengagement, rigidity, and illness—exactly the things that such leaders claim they want to avoid. This type of environment does not inspire people to work at their full potential, especially younger generations who do not trust organizations or leaders who do not care about them.<sup>5</sup> Movement is underway that challenges the tendency to disregard the value of compassionate practices by showing evidence of the benefits organizations reap when these practices are implemented.

## Compassion and the cost of employee engagement

Great organizations require great employees. By incorporating compassion into the recruitment and hiring process, companies acquire people who are a good cultural fit. Research demonstrates that giving, receiving, or even observing compassion at work is significantly related to employee commitment and retention.<sup>6</sup> Studies in the financial services industry support these findings. Over a two-year period, researchers examining the values of compassion on employee performance uncovered some significant results. In a sample of 40 business units in the financial services industry, team members realizing that compassion was part of their business unit's values exhibited better financial performance. Furthermore, executives perceived these units to be more effective, and this also showed higher employee and customer retention.<sup>7</sup>

**In a sample of 40 business units in the financial services industry, team members realizing that compassion was part of their business unit's values exhibited better financial performance. Furthermore, executives perceived these units to be more effective, and this also showed higher employee and customer retention.**

Research on employee engagement can serve as a beacon signaling organizational support and subsequent retention. Often defined as those who are highly involved in, enthusiastic about, and committed to their work and workplace, engaged employees can shed light on the topic of compassion. According to the April 2020 Gallup poll on the future of work, the percentage of engaged

employees in the United States reached 38%, which is the highest percentage since Gallup began tracking this metric in 2000.<sup>8</sup>

Once the pandemic took hold, the context changed. Changing business, political, and economic contexts require organizational cultural vigilance for compassion to be authentic. Consequently, with the resulting unemployment, passionate protests, and bumpy attempts to reopen businesses, the percentage of engaged employees dropped to 31% by June 2020<sup>9</sup> and hovered at this mark through early 2022.<sup>10</sup> Compassion has tangible performance and financial implications related to employee talent retention in organizations. Based on the aforementioned information, creating a compassionate employee environment is a continual process, not a plateau reached.

## The benefit of compassion through collaboration

Complex organizations, such as those in the financial services industry, require employees who can collaborate across boundaries, supply chains, geographies, time zones, and cultures, to name a few.<sup>11</sup> When employees know that compassion is part of their organization's value system, collaboration is energized. Collaboration is linked to strategic success and in turn, increased revenue.

Known as *relational coordination*, this notion of collaboration combines the human interactions and social processes that bring about the technical process of organizing complex work. The interdependence created between the tasks and the people who execute the tasks is of foremost concern, with collaboration and compassion proving highly beneficial. In applied research studies conducted in over a dozen countries and different industries, relational coordination is linked to better financial performance, efficiency,

quality, and safety.<sup>12</sup> Compassion truly breeds transformative collaboration.

### **The benefit of compassion through adaptability**

Change is the only constant. Sound familiar? Organizations are continually exposed to disruptions. Adapting to changes such as shifting regulatory landscapes, climate change, unprecedented technological advancements, and fluctuating markets is critical to sustaining competitive advantage. Change brings with it uncertainty, and uncertainty often evokes anguish and suffering.

Many organizational leaders understand that change requires adaptability, yet they do not acknowledge the pain and distress that commonly accompany change. While some leaders often patently ignore them, other leaders compassionately address the anguish and pain created by disruptive change. Although organizational change may present an opportunity to better understand suffering, “greeting change with compassion is an under-recognized strategy for enhancing an organization’s adaptability.”<sup>13</sup> Some companies, however, are following through.

In an earlier discussion, it was mentioned that an increasingly prevalent human drive is *the need to live a life of meaning and purpose*. In a 2019 *Harvard Business Review* article about the top 20 business transformations of the past decade, the authors attributed these companies’ success to “the decision to infuse a higher purpose into the culture, one that guides strategic decisions and gives clarity to everyday tasks.”<sup>14</sup> The list included companies from technology, climate, entertainment, health services, infrastructure, and security. Although the financial services industry was not represented among the list of top 20 companies, some in the financial industry are adapting. The financial service firms that

are prospering today are applying emerging technologies on empathetic designs in collaboration with their users, focusing on topics such as:

- Simplifying the consumer experience
- Streamlining the transfer of value
- Replacing intermediaries
- Adopting a sharing (vs. ownership) mindset
- Creating platforms (for aggregating capital or the application of capital)
- Personalizing offerings
- Automating advice, operations, and credit evaluation
- Tapping into nontraditional capital sources and customers<sup>15</sup>

### **Compassion benefiting well-being in organizations**

In the midst of the pandemic, the corporate well-being market, which is approximately US\$45 billion in size, exploded with growth.<sup>16</sup> More and more companies started embedding employee health, well-being, and safety in their corporate cultures. Health and well-being went from being a component of a benefits package to a central function in company strategy.

Moving forward, citizenship, trust, and social responsibility will play major roles in enhancing corporate culture.<sup>17</sup> Companies are expected to devise inclusive and socially oriented mission statements. For many, these are new themes in their business designed to show their audience that they are here to help society and employees, not only shareholders.<sup>18</sup> With the cost of suffering in the workplace in the billions annually, compassion benefiting organizational well-being makes sense. The following table demonstrates where various types of well-being strategies may be incorporated into the different levels of the organization and their respective value-add<sup>19</sup>:



**Level 4 Well-being for social good**

Value: Organizations as a force for good; sustainability, health, and value to the community.  
Focus on contribution to society outside of work, communities, localities, and political alignment.

**Level 3 Well-being for business performance**

Value: Reduce wasted time and energy at work, help people with schedules, travel, priorities, and train managers.  
Focus on performance sustainability, attention, focus, education, career, and total performance at work.

**Level 2 Well-being for personal improvement**

Value: Make work/life better, reduce stress, and help employees with personal and financial well-being.  
Focus on personal, family, and financial support, education, job, off-the-job tools, and support.

**Level 1 Well-being as a healthcare benefit**

Value: Reduced cost, reduced turnover, improved insurance expense.  
Focus on disease reduction, accident prevention, and overall health of the workplace.

Adapted table from Bersin, J. (2021, January 15). *HR Predictions for 2021*, p. 6.

**Conclusion**

All in all, the compassion and profit paradox as typically portrayed is incompatible. However, the next generations have expectations that largely exceed prior generations' and challenge the status quo organizations that are unwilling to care beyond maximizing profits. In the quest for talent, good companies incorporate compassionate practices in the workplace to attract and retain top employees. Research shows that market-driven systems benefit from incorporating the two extra pillars in the human drive (the need to care and the need to live a life of meaning and purpose) alongside self-interest for society to function harmoniously at the highest level. Companies that do not follow these practices risk lower numbers of actively engaged workers,

negatively impacting their bottom line.

Simply said, organizations that incorporate compassionate practices in the workplace are more likely to develop a culture of engagement that will help them adapt and survive in this volatile, uncertain, complex, and ambiguous marketplace.

Organizations incorporating compassion as a strategic element enable their employees to collaborate on multiple levels. Well-being is not only a recruitment benefit; it is a central company strategy that expands to business unit performance and community relationships. Simply said, organizations that incorporate compassionate practices in the workplace are more likely to develop a culture of engagement that will help them adapt and survive in this volatile, uncertain, complex, and ambiguous marketplace.

## The Tensions Between Profitability and Compassion



*Mimi Mengis, Board Member –  
Financial Women of San Francisco*

There is a belief that the pursuit of profitability is not compatible with compassion and that, in particular, businesses that pursue profit are solely focused on their shareholders and potentially exploiting their employees, customers, and communities. Contrary to this popular wisdom, there is clear evidence that the pursuit of profits for the benefit of a company's shareholders is aligned with compassion and the objective to do good for a company's communities, customers, and employees if (a) the company pursues a balanced approach that considers all stakeholders and (b) focuses on sustainable, long-term profitability.

The tension between profitability and compassion is connected to the concept of "shareholder capitalism," which implies that a corporation's primary responsibility is to generate returns for its shareholders. This concept contrasts with "stakeholder capitalism," a management theory dating back to the 1950s and '60s that focuses on the needs of all constituents and that has gained increasing attention since the 2008 financial crisis.<sup>1</sup> In either shareholder

or stakeholder capitalism, returns must be achieved through sustainable profitability.

To address whether the pursuit of profitability is compatible with compassion, we need to dissect what drives profitability and evaluate the broader stakeholder impacts of pursuing it.

What drives profitability? Profit equals revenues in excess of expenses, and profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. It is the key measure of financial health for a financial institution, reflected in its return on equity, return on assets, and net interest margin.

What do financial institutions do to maintain strong profitability? Four critical factors drive profitability: (a) relevance to customers, (b) strong talent and leadership, (c) efficient production/delivery of products, and (d) prudent risk management. Relevance to customers is the most fundamental driver, as we must ensure that our products and services are relevant to the changing needs of our target customers and that we are offering what customers want and need. It could be speed to market, competitive pricing, and attractive product characteristics, and it is the empowerment of our customers (e.g., digital access for retail customers and flexible financing for corporate customers). Second, there must be high-caliber talent and aligned team-based collaboration under strong leadership that sets clear objectives. Third is how efficient we are in producing/delivering our products and services. Do we have streamlined operations and sufficient automation? Fourth, but not least, there must be prudent, balanced risk

management to meet evolving regulatory requirements.

What are the broader stakeholder impacts of pursuing profitability? Deploying the above four key drivers of profitability, a healthy financial institution delivers sustainable profits and is able to meet the needs of all stakeholders, not only shareholders. If any one of these drivers is lacking, the firm is at risk of losing money, and then it cannot help any one of its stakeholders or meet its shareholders' expectations. The impacts are interconnected across all stakeholders. If the firm is underperforming, employees are challenged and less productive, and there is less opportunity for them to develop their skills and advance in their careers, thus affecting their local communities. In addition, investors (both individual and institutional) in the firm have fewer resources to invest in nonprofits of their choosing. If a company is not being socially responsible by actively helping the communities in which it operates, then the customers take notice and take their business elsewhere. If a company does not have strong risk management, it may have to redirect investment away from customers, which, in turn, would impact shareholder return.

Profitable organizations in all industries (not only financial institutions) have the resources to engage compassionately with their customers, employees, the communities where they operate, and society at large. As Adam Smith wrote, "No society can surely be flourishing

and happy, of which the far greater part of the members is poor and miserable." It is important for all of us to be in this together.

Stakeholder capitalism captures this objective, and it has been attracting increasing focus. In August 2019 the Business Roundtable released a new "Statement on the Purpose of a Corporation," signed by 181 CEOs of America's largest corporations, including many financial institutions. This statement overturned a 22-year-old policy that had defined a corporation's principal purpose as maximizing shareholder return and adopted a new statement that companies should not only serve their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers, and support the communities in which they operate.

It is clear that financial institutions, along with businesses in all industries, must take a balanced approach to ensure that the needs of all stakeholders are met. This approach includes treating employees with empathy, investing in communities to help them thrive, providing opportunities to disadvantaged individuals, fulfilling customer needs, and meeting shareholder expectations. In meeting the needs of all stakeholders, we contribute to a thriving society.

*Mimi Mengis has more than 30 years of experience in the financial industry and is currently focused on promoting women in finance in her role as a Board Member of Financial Women of San Francisco.*

## Compassion and Ethical Investing in Australia's Superannuation Industry



*Shenphen Ringpapontsang, Risk Executive, Superannuation*

A form of employer-funded pension, superannuation refers to the arrangements mandated by the Australian government to ensure that people accumulate savings to provide them with funds during retirement. In Australia, superannuation is compulsory and is further incentivized by generous tax concessions. The compulsory minimum employer contribution rate is 9.5% of an individual's annual salary (with plans to increase this gradually to 12% by 2025). Australians, through their employers, contributed around AUD\$120 billion to their superannuation funds in the 2020 financial year and held almost AUD\$3 trillion in assets through those funds.

Recent years have seen increasing customer interest in investing their superannuation funds ethically. A number of specialist ethical superannuation funds have emerged over the past decade (with one ethical fund emerging as the fastest-growing fund over the five years to 2019).<sup>1</sup> Meanwhile, traditional superannuation funds are beginning to offer ethical products in addition to their traditional investment offering, in an effort to halt the flight to these specialist ethical funds, particularly

by younger customers. The deregulation of the superannuation industry and moves by the Australian government to democratize information about fund performance have provided a unique opportunity to analyze and compare the investment performance of ethical funds and products to those that are ethically agnostic in their investment and operational approach (called "traditional" funds and products from here on).

### What do we mean by "ethical superannuation"?

Before we assess performance, we need to define what we mean by "ethical superannuation." Currently, there is very little (except perhaps misleading or false advertising laws) stopping a superannuation fund from calling itself or its products "ethical" or "green" or "compassionate." In the absence of a clear and universally accepted definition, accreditation by the Responsible Investment Association Australasia (RIAA), which involves a rigorous and comprehensive assessment process, provides a means for delineating "ethical superannuation" funds and products from traditional ones. Ethical funds or products typically employ negative screens to identify companies or industries in which they will not invest and positive screens that guide them toward opportunities where they will proactively seek to invest.

### How did ethical funds and products perform before 2019?

The Australian government mandates that superannuation funds provide customers with a default option (referred to in Australia as MySuper) into which their employer contributions are invested if they do not proactively select an alternative

investment product. These default options are required to be simple and cost-effective and typically invest around 70% in higher-risk growth assets and around 30% in lower-risk defensive assets. The risk/return profile remains at a medium-to-high level throughout the contributor’s working life.

A 2019 report by the RIAA compared the investment performance of default products for ethical superannuation funds to that of Australia’s top 50 largest superannuation funds. The analysis showed that ethical superannuation products, on average, outperformed traditional superannuation products over the one-, three-, and five-year periods to June 2019 (the end of the Australian financial year).

### Investment performance of default superannuation products for financial years to June 2019

SUPERANNUATION FUND TYPE	ONE YEAR	THREE YEARS	FIVE YEARS
Traditional	7.31%	8.65%	7.70%
Ethical	7.33%	9.06%	8.15%

### How did ethical funds and products perform in the volatility of 2020?

“Only when the tide goes out do you discover who’s been swimming naked,” observed Warren Buffet in his now-famous 2001 Berkshire Hathaway Chairman’s Letter. With the decade-long bull market from 2009 to 2019 lifting the tide high on almost all investments, some may argue that the strong returns posted by ethical superannuation funds and products during this unprecedented period of growth only provide a partial story. How would ethical products perform if this sustained growth were interrupted, such as by a worldwide

pandemic causing the largest health and economic crisis in recent history?

### Ethical superannuation performance during the most volatile period (March 2020 quarter)

As the health and economic impact of COVID-19 unfolded, Australia’s median superannuation default products saw losses of up to 12% over February and March. In this period of volatility and uncertainty, analysis shows that customers at ethical superannuation funds or invested in ethical products were on average 1% better off than those invested in traditional products. Indeed, in the 12-month period

to March 2020, four of the top five balanced investment products were ethical products.<sup>2</sup>

### Ethical superannuation performance over the 2019 – 2020 financial year as a whole

As the financial markets began to rally in April, May, and June 2020, superannuation funds in Australia clawed back much of their COVID-19-induced losses. By the end of the financial year in June 2020, the average superannuation default product posted a negative return of –0.9%. In the same 12-month period, ethical superannuation products significantly outperformed their less ethical traditional

peers and, on average, recorded a positive return of 0.3%.<sup>3</sup> Australia's largest specialist ethical superannuation fund had one of the best-performing default products of the year.


### Conclusion

So why have ethical superannuation products outperformed their traditional peers, and why was this outperformance amplified during the period of extreme volatility in 2020? Various theories have emerged, but the common themes explaining the success of ethical superannuation in 2020 include their avoidance of fossil fuels, experience in exogenous risk management, and a longer-term perspective on returns that is ingrained into ethical investment philosophy.

While it may be too early to draw a straight line between being ethical and greater investment returns, it appears that

ethical superannuation products have debunked the old paradigm that ethical investing comes with a "feel-good premium." The conversation has now rightly begun to shift to whether ethical considerations should become a more prominent consideration when making investment decisions. Looking at these results, I am reminded of a quote by His Holiness the Dalai Lama: "If you want *others* to be happy, practice love and compassion. If *you* want to be happy, practice love and compassion." Simplifying this profound philosophy to the financial industry, perhaps the Australian experience suggests that "if you want to do good for the world and others, invest ethically. If you want to do good for yourself, invest ethically."

*Shenphen Ringpapontsang is a Tibetan Australian and a risk executive in Australia's superannuation industry.*



Good and evil both increase at compound interest. That is why the little decisions you and I make every day are of such infinite importance.

C. S. Lewis



# Compassion and Decision-Making

by Dr. Sogol Homyoun and Dr. Mary Sully de Luque

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## Fundamentals of decision-making

**D**ecision-making is both an art and a science. When making decisions on hiring and firing employees, transacting stocks, or addressing compliance issues, leaders interpret information from a variety of sources such as statistics and data analytics, interests of stakeholders, and experienced insight. The most successful leaders are those who leverage a complete spectrum of intellect and perception, in order to translate and place value on their ability to analyze information and evoke intuition. Those leaders who learn from their mistakes are more circumspect and take fewer risks in their decision-making. Less successful leaders often ignore signs of caution, consternation, and concern and, by not listening to internal signals, make suboptimal decisions.<sup>1</sup>

Conventional wisdom assumes that of the many tools we have at our disposal to make decisions, we primarily rely on direct observation and experience. Information is processed and filtered by way of lenses such as our culture, upbringing, academic background, work experiences, personal strengths, and weaknesses.<sup>2</sup> Much credence is given to this information that is stored in the “black box” of our body—the brain. In actuality, scientists assert that our direct perception of reality is very limited, influenced by our memories and prior choices, and primarily reliant on the spectrum of physical senses.<sup>3</sup>

Nonetheless, verifiable observation has a vice-like grip as being “the only legitimized contributor to reason and sound judgment.”<sup>4</sup> This rationale has served as the foundation for scientific management theory, with many arguing that the less emotion one brings to judgment, the more objective one can be, and the better the decision. Yet, neuroscientists find that individuals have other qualities, such as emotions and feelings, that begin developing even before human cognition and rationality.<sup>5</sup> Contributing to decision-making, these qualities are part of our mental functioning.

## Complexity of decision-making and knowledge creation

Over time researchers have demonstrated that emotions and tacit knowledge—that is, knowledge gathered through adept personal experience—serve as essential elements in a more intuitive decision-making process for managers.<sup>6</sup> For example, managers are often faced with several alternatives when making a critical decision. Coupled with the managers’ existing verifiable observations, they also experience a subconscious emotional response surrounding the outcome. The subliminal feeling adds to the relevant points the managers focus on when making their



decisions. This response evokes an emotional instinct to make the right decision, commonly referred to as “intuition.”

Decision-making has become increasingly more complex with the expansion of the global marketplace. Now managers and their employees have to factor cross-cultural dimensions and technological resources into the decision-making mix as they maneuver through the Fourth Industrial Revolution. Managing and interpreting vast amounts of data, materiality, and various information require a certain skill set from “a new type of worker who can be more flexible to adjust to new environments and situations by presenting the capacity to learn and self-manage on a continuous basis.”<sup>7</sup> In such increasingly dynamic environments, organizations have to rely on the creative and innovative capacity of their employees to adapt and survive.

As knowledge creation has become an organization’s competitive advantage, business leaders have come to appreciate that “unlike information, knowledge is embedded in people...and that only human beings can take the central role in knowledge creation...not computers.”<sup>8</sup> Artificial intelligence augments and enhances many decision-making systems. Yet, it takes knowledgeable people to interact in the machine learning processes and then implement the practices stemming from their decision-making. Individuals are not just expected to recount facts and statistics, but to interpret and explain them. For optimal decision-making, employees must exercise adaptability and flexibility in their roles and be more innovative in their thinking.

### **Impact of decision-making on well-being in the organization**

This more adaptive, resourceful, and innovative employee may experience a weightier responsibility, which can generate

undue stress if left unchecked. For successful knowledge creation, employees need “to be in a state of balance, harmony, and well-being.”<sup>9</sup> Experts suggest that forward-thinking organization leaders would be wise to provide both specialty area training, as well as facilitate such activities as meditation and creativity exercises to assist employees in this process.<sup>10</sup>

Executives and leaders continually apply their decision-making skills in the workplace; however, this doesn’t necessarily mean they are also experts at addressing the well-being of people through times of personal and professional crises.<sup>11</sup> During the pandemic, managers did their best to lead entire teams through unexpected changes and extraordinary difficulties, even as the markets and labor forces continued to search for sturdy ground. In the aftermath, executives and CEOs realize that their organizations need to focus on employee wellness, which has been identified as an important future issue in the workplace.

### **Executives and CEOs realize that their organizations need to focus on employee wellness, which has been identified as an important future issue in the workplace.**

Research shows that frontline workers express the same concerns as those of executives and leaders when it comes to achieving top performance and making well-developed decisions. However, a majority of these employees believe that their employers underappreciate them and that they put too small a price on their needs.<sup>12</sup> This has led to calls for leaders to better comprehend the important force that well-being plays in the success of employees in organizations.

In 2022 Deloitte and Workplace Intelligence partnered to conduct research on employee

wellness to shed light on the magnitude of this topic. Across four countries—the United States, United Kingdom, Canada, and Australia—employees and C-level executives were surveyed on worker well-being.<sup>13</sup> Their findings uncovered some significant issues. Most notably, just over half the workforce (56%) believe that employee well-being is considered important by their company executives.<sup>14</sup> Yet, those in the C-suite have an alternative perspective. The majority of these executives (91%) are convinced that their employees think leaders care about them. This remarked disparity between these perceptions could serve as a motivator for company executives to incorporate well-being into their decision-making activities.

Throughout the decision-making process, employee well-being is found to affect “performance, retention, and ultimately, revenue.”<sup>15</sup> Nonetheless, understanding how compassionate decision-making reverberates across an organization is largely undervalued, especially involving its impact on the wellness of employees. Barriers endure in the workplace, with employees (83%) and executives (74%) alike reporting that they encounter job-related challenges to their wellness. Among the common barriers to well-being are oppressive workloads, demanding engagements, and working long hours.<sup>16</sup> As organizations improve the wellness of the workforce, they are strengthening one of their most essential resources: human capital. If they ignore these barriers, executives risk their leaders and top talent departing their roles due to burnout.

Executives who are “health-savvy” realize that decisions interrelated to well-being will be reinforced in the culture of the organization. These leaders are discovering approaches to guide “their organizations through extreme complexity and uncertainty, protect and support their workers’ and

stakeholders’ well-being, and bolster strategic outcomes in the process.”<sup>17</sup> Some of the ways the health-savvy leaders are addressing these issues are through wellness-focused employee benefits packages and more flexible work schedules, as well as stakeholder-focused, clearly defined business practices and compassionate decision-making.<sup>18</sup>

### **Decision-making effects on work environment stress and burnout**

Daily job demands in ever-changing work environments make it challenging to constantly stay creative and motivated. From the hourly employee up to those in leadership positions and executive roles, prioritizing the well-being of employees diminishes attrition and burnout. Time after time, however, one of the top drivers of burnout is found to be a lack of support or recognition from leadership, indicating the important role that leaders play in establishing the tone and setting the example.<sup>19</sup>

The quality of decision-making is influenced by stress in the work environment, which, if unchecked, often leads to burnout and turnover. It is estimated that the monetary loss to organizations due to burnout is anywhere between US\$125 to US\$190 billion in annual health-related expenses, making the true cost of business far greater than most executives assume.<sup>20</sup> The World Health Organization includes burnout in its International Classification of Diseases (ICD-11) as “an occupational phenomenon, ... reasons for which people contact health services but that are not classed as illnesses or health conditions.”<sup>21</sup> To be clear, the root causes of burnout are not employees themselves, but often the unmanageable, unreasonable, and unfair work environments and organizational cultures.<sup>22</sup> Using an analogy:

*They are healthy birds, singing away as they make their way into the cave. But, when they come*

*out full of soot and disease, no longer singing, can you imagine us asking why the canaries made themselves sick? No, because the answer would be obvious: the coal mine is making the birds sick.*<sup>23</sup>

A predominant number of professionals feel their employers are not doing enough to mitigate burnout within their organization. In a large-scale research study on workplace burnout, a majority of full-time employees said that they experienced burnout in their current jobs.<sup>24</sup> The survey also found that:

1. Although a vast majority of the employees expressed passion for their current jobs, many reported they frequently experienced stress. This runs counter to the belief that passionate employees are immune to stress or burnout.
2. Having an overwhelming amount of stress negatively impacts the quality of work, and the resulting burnout negatively impacts employee personal relationships.
3. Many companies may not be doing enough to minimize burnout. Nearly 70% of professionals feel their employers are not doing enough to prevent or alleviate burnout within their organization.
4. Companies should consider workplace culture, not just well-being programs. One in four professionals say they never or rarely take all their vacation days. The top driver of burnout cited in the survey is a lack of support or recognition from leadership, indicating the important role that leaders play in setting the tone.

With a shift to include wellness among organizational concerns, developing a broad understanding of stakeholders becomes foremost for decision-making processes. This means executives need to value stakeholders over immediate and short-range profits,

adapting a longer-term perspective to measuring outcomes, instead of concentrating exclusively on shorter-term profits and metrics.<sup>25</sup> This can positively affect everyone in the company, from leaders to their teams and employees to the many stakeholders outside their organizations. Enacting a longer-term perspective to achieving organizational outcomes provides time to concentrate on issues before they turn into burnout forces that lead to the exiting of top talent.<sup>26</sup>

## Conclusion

In summary, decision-making is at the heart of what a leader does on a daily basis. Leveraging emotions and valuing intuition, as well as comprehending vast amounts of information and interpreting data analytics, creates a decision-making palette that is both art and science. Society has placed much weight on empiricism and rational sensemaking. Intuitive decision-making stems from the leader's ability to access, receive, and process information from different sources (e.g., emotions, tacit knowledge, rational sensemaking) that benefits all stakeholders. By valuing emotions, we expand the opportunity to demonstrate compassion toward ourselves and others.

Tacit knowledge is an important component of seasoned decision-making. Developed through personal experience and embedded in the individual, tacit knowledge contributes to knowledge creation to adapt and innovate. However, knowledge creation is impaired if employees are stressed, burned out, or unwell; thus, the cost of burnout should be added to the true cost of doing business. The onus is on organizational leaders to help create a compassionate work environment for their employees. Developing a focus on well-being can better facilitate compassion in decision-making and alleviate employee burnout.

## How Compassion Makes a Difference



*Takuya Senoo, Executive Officer, Managing Director, Regional Head of India and Sri Lanka (formerly, Head of International Credit Division and Chief Credit Officer (APAC)) - MUFG Bank, Ltd.*

As one of the bank's credit heads, I interact every day with many professionals, internal clients, and other stakeholders on a broad range of transactions, policies, and initiatives. It always requires highly specialized skills and expertise, but I believe that compassion is as important as professional knowledge and skills to serve our stakeholders and to meet the goals of the overall organization.

The role of credit professionals in a financial institution is to approve or decline each proposed transaction based on risk, as well as to optimize the overall portfolio and allocation of risk capital. Due to the somewhat contentious nature of their role, credit professionals always try to convince themselves that they must be willing to accept hostility from the business line, or even be "determined to prove a villain" (Shakespeare, *Richard III*), whether they like it or not. However, this is not a productive approach.

Whenever there is an occasion, I share my thoughts with the members of the credit division as follows:

- It is our stakeholders who define the risk appetite of the bank. The credit division does not own the risk appetite per se.

- Our job is to comprehend, dictate, communicate, execute, and realize the risk appetite defined by our stakeholders (not by us) and achieve the risk/return mix that they (not we) want to achieve.

The key message here is that we are the agent but not the principal. Therefore, we should respect our stakeholders, have dialogues with them, and understand what they want. We should not be preoccupied with our own principles or set our goals based on our own interests because there is always a chance that it can be different from what our stakeholders want. Furthermore, we should be able to propose solutions that can work best for the explicit or implicit expectations of the stakeholders and address issues arising from two or more conflicting interests among them.

This is where compassion plays an important role because compassion is an attitude that enables us to understand divergent perspectives, feel for others, and engage with them to serve or help no matter how different they appear to be. This is particularly important if the situation is global because the credit professional needs to understand different practices, values, and norms in different regional markets while adhering to a consistent approach that can apply globally and is also in the interest of our stakeholders.

The immediate benefit of this approach is to try to listen to the voices of other stakeholders first, rather than shutting down communications when objections arise. The more you listen to other voices, the more options you have for possible solutions. A Richard III mentality not only hurts a practitioner's own reputation and breaks down healthy communications, but it also negates opportunities to explore solutions that can

work better for a broader group of stakeholders.

Some stakeholders are not always visible and cannot be reached directly. In particular, the credit department is not mandated to communicate with the bank's clients and other external stakeholders regularly, with some exceptions such as regulators. However, we can regard our dialogue partners as representing the interests of the stakeholders behind them. We can regard business lines as representatives of the client. We can regard executive management as representatives of shareholders. We can regard regulators as the representatives of taxpayers.

In addition to having open dialogues with direct counterparts, it is also important to imagine what the actual stakeholders behind them want us to do. Compassion plays an important role in enhancing our imagination and ability to look through to the broader context incorporating invisible stakeholders.

One of the techniques that I use for a compassionate approach is to try to analyze the meaning of the language that is not always well-spoken by my direct counterpart who has a different priority. It is similar to a doctor trying to understand the cause of pain by listening to a patient who does not provide the information that the doctor needs. I employ my professional skills and imagination to understand the background that my counterpart is representing, and then ask questions or explain in different words how I understand the conversation to make sure that we're both on the same page. By following this approach, I have more options that I can choose from to find a solution that works for the broader group of stakeholders.

Over the past centuries, capitalism has unified the world and accelerated the interdependence of nations. While the finance

industry is primarily an intermediary and a means for trade and capital investment, it is broadly recognized that finance itself can have a material impact on the global economy and industry due to its use of leverage and other risks taken in exchange for higher returns on investment. Regulatory frameworks have been designed to mitigate negative impacts that market mechanisms cannot address, but such written rules and regulations are not always perfect.

It is noteworthy that Adam Smith, who discovered the market mechanism, argued in *The Theory of Moral Sentiments* that we have a natural tendency to pursue our self-interest and, at the same time, are endowed with sympathy (what today we would call empathy), a key component of compassion. Just as self-interest, which is one part of human nature, has driven the globalization of the market economy and capitalism, compassion, another fundamental attribute of human beings, has a universal power to alleviate issues that market forces cannot address. Market forces and compassion are complementary to each other and should work together for a better world.

The credit function of a financial institution is a small piece of this larger picture but is in a good position to influence others through compassion due to its unique role of negotiating with second-party representatives and, ultimately, serving and balancing a wider community of various stakeholders.

*Takuya Senoo is an Executive Officer, Managing Director, Regional Head of India and Sri Lanka – MUFG Bank, Ltd. His contribution was written when he was the Head of the International Credit Division and Chief Credit Officer for Asia Pacific at MUFG Bank, Ltd.*

## Should Compassion Play a Role in the Financial Services Industry?



*John Worsoe, CFO – Apollo Asset Management*

The short answer is Yes. Compassion has the power to enrich all aspects of a well-lived life—including our life at work—which, of course, is important. We devote most of the waking hours of our working years to our careers, seeking financial freedom and intellectual satisfaction while hoping to live up to our potential. Regardless of what drives us—likely a combination of all three of those factors and more—compassion adds a fulfilling dimension, and it’s a matter of personal choice to bring it into our lives.

We can do so by trying to improve the conditions we find whenever we arrive at a job—or we can just buckle down and “get through it.” In my 35-year career in financial services, I’ve chosen the former over the latter. Your “compassionate self” can have a profound impact on a single colleague, on an entire team, and even—if you get a chance at the big prize—on the overall culture of your company. But that means *finding* your compassionate self, first of all. Then it takes confidence to put it to good use every waking moment, which is key because consistency matters.

Running any kind of business requires balancing stakeholders. Banks depend on this balance perhaps more than most other industries. We serve an important

intermediary role in society to keep the wheels in motion and facilitate capital flows that enable progress of all kinds. We leverage our capital by a factor of ten to 15 times every day. We accept hard-earned liquidity from our clients, in the form of individual savings or excess cash flow from companies. We then redeploy it to productive sources—such as investing in a mortgage, financing renewable energy, or providing working capital to the corporate world on a global basis.

To do this successfully—and do it right—we have to earn trust and deserve it. We keep a relatively small capital cushion that benefits greatly from the ten-to-15 leverages multiple if we get it right, or evaporates quickly if we don’t. In the competitive world of financial services, that leverage, along with its risk, creates a narrow fairway for a business to navigate. To stay on course and create sustainable value for our shareholders, we need (a) exceptionally talented and committed team members, (b) the insight to select clients whose well-being we can enhance in exchange for earned margins and loyalty, and (c) unswerving adherence to evolving societal rules administered by regulators.

Balancing all this leaves little room for error or noise of any kind. If we balance it well, we can create sustainable value. So how do we create that balance? This is where compassionate leadership willfully enters the stage.

Any senior leader in a multi-trillion-dollar global bank will face far-reaching decisions and moments that matter throughout every day—that’s a big part of my job. Where do I allocate resources: capital, liquidity, expense dollars, and human bandwidth? What call do I make on a new business initiative, a risk decision? Should certain members of my

team move to alternate work arrangements on a permanent basis? How can I lay off part of my staff and move the work to a lower-cost geography under the inexorable continuous improvement program? Regardless of the nature of these decisions, we must know this: For the people sitting across the table, these are moments that can matter hugely to them. Therefore, they should matter to you.

Your presence and ability to be in the moment with them—physically, intellectually, and emotionally—and how you manifest that presence matters. You can be grateful for the effort that went into their “ask” — whether your answer is a Yes or a No. You can show true appreciation for the contributions of a colleague you have to release due to budget cuts—and be honest about how the crossroads came to be. You can be humble, grateful, truthful, sincere, and deliver any message with compassion—but it will be authentic and credible only if

you feel it in your heart, and only you can determine that.

Running a bank on a narrow fairway is, in large part, about coaxing apex performance from people who did not know they had it in them. Compassionate leaders can create an environment in which no one lets each other down. There is an unspoken but palpable social contract among compatriots that has been proven, honored, and therefore established over time by consistently evidenced behavior. If it is truly consistent, you have a fighting chance at getting it into your company’s cultural DNA. And if you do, you will not only create quantifiable, sustainable value for your company and its stakeholders; you will also help create that intangible value called a *life worth living* for those souls who share your life’s work.

*Johns Worsoe is the CFO of Apollo Asset Management.*

## COVID-19 Magnifies the Need to Exercise Compassion in M&A Deals



*Rajeev Kapoor*

In many finance-based scenarios, mergers and acquisitions (M&A) are metaphorical to a tectonic adjustment in a company, meaning it literally shifts the ground beneath all its employees. Given the multitude of potholes that result from such a disruption, there is a heightened need to navigate, backfill, and smooth overall this fissured landscape. Repair work must inevitably follow such an occurrence in the form of an empathetic, powerful, and peacemaking force that keeps the acquired business running, keeps people feeling at home and valued, and returns the ecosystem to a happy equilibrium. I believe this underlying ingredient, this force, is compassion.

While it may not have been thought of in quite these terms, at no time in recent memory has compassion been so obviously necessary as it is, especially during the COVID-19 crisis. While many people were fortunate enough to have kept their jobs and businesses running during the pandemic, others have fought an uphill battle. New regulations caused a majority of businesses in the United States to shut down or assimilate to new procedures. A social distancing requirement

and lockdown for every small business globally created a ripple effect like nothing we've seen before. When you only have the computer through which to communicate, it becomes inherently difficult to read others' body language, energy, and sense of personal worth—let alone what those all add up to collectively. A compassionate approach to executing M&A deals will help mitigate this gap and is therefore more relevant now than ever.

As humans, we all have needs, emotions, and desires, something that has become more apparent in a post-COVID-19 world in that those human traits are what make us feel connected to one another. In order to be compassionate toward others, we must first be compassionate toward ourselves; another term for this is self-awareness. The better we are at deciphering our own emotions, which are largely an extension of our own reality, the more compassionate we can be toward others. This is exactly why an individual in a corporation is no different than individuals by themselves; there is an innate driving force that connects the two.

It is apparent that we have been wired to look at the corporate body through a traditional business lens; with terms such as collaboration, team bonding, and matching assets, no wonder most companies believe that a cookie-cutter approach equates to marginal growth. Good leaders are here to challenge that theory. As a collective, I strive to present a new theory—the thought that the global pandemic shutdown has wired empathetic neurological pathways in all of us and rewired us all in a way that we have yet to see all its consequences. The theory is that capitalism can directly correlate with compassion.

Unprecedentedly, many businesses are forced to seek merger deals in a bid to



survive, while stronger companies have the power to be selective enough about whom they acquire. I only say this because it has widely been an industry norm to focus on companies solely based on their business model and bottom line. But in recent years, there has been a shift in that leaders look for innovative role models that equate success not only to profit models but also to social and environmental impact.

There has been a tectonic shift toward a conscious way of living and working. It is collectively understood that in today's world, we need an altogether different approach. By actively exercising compassion, we can address the circumstances that govern the emotions of others and, in turn, drive their actions. If a collective group's actions are aligned, it is much easier to mitigate risk. And here is where I delve deeper into the concept of applying compassion to *risk, strategy, and implementation*.

In M&A deals, we can pull that term apart rather sequentially. *Risk* is what's at stake if we don't act to repair the ground that has shifted beneath people. *Strategy* is how we plan for worst-case scenario outcomes from an M&A that has a rough landing. The principle of win-win must permeate the transaction and penetrate all channels and vessels of the deal, and *implementation* is how we preempt and stave off what happens in so many deals so we can put a culture of compassion in place to enable sustainable success. Lastly, there is enough evidence that more and more deals are happening in sectors where an impact goal is playing a major role—hence, compassion will continue to be a seminal part of any company.

From a risk perspective, it's not only about risk mitigation but inherently

valuing the risk in terms of opportunity lost versus opportunity gained. If you were not aware of the other parties involved and their needs and wants, you would lose out on the value extracted from such a merger. A good example I can think of is a scenario in which I was involved in one of the large industry deals. It was clear that the acquirer would have to divest a smaller entity to meet a regulatory requirement. While the divestiture offered an opportunity for the new management team, it also meant a lot of work and needed extra caution and care to deal with. The acquirer had to be considerate of the thousands of people whose lives would be impacted by this action, and they needed to keep businesses running while the spin process was going on. The management team adopted a deliberate campaign to translate compassion into their daily workings. They arranged numerous employee-management forums and endless informational Zoom calls to disseminate more information and infuse a sense of confidence in their employees and other stakeholders.

One of the common risks I've encountered after an M&A is that teams can become desensitized to a need for compassion and can walk away after acquiring a company. I often see this scenario in the acquisition of digital assets when a large corporation acquires a smaller, nimbler digital asset. Smaller tech companies are particularly sensitized to compassion and caring for one another. People are more aware of the isolation that tech companies can cause so they are more inclined to appreciate meditation and self-awareness. These larger acquirers should be aware that right from the deal's inception, one can create the virtuous cycle that builds

trust and loyalty that will bring about the sustainable outcome everyone hopes for. Upon acquisition, a sense of awareness is heightened so once the acquired entity's employees have new leaders, they need to be treated with a compassionate set of principles. Remember: When you treat people with compassion, you're invested in them, and they are invested back in you.

Some of the things that happen when compassion is not present include low morale, people leaving the acquired company, diminished efficiency, and lack of purpose. A positive disposition toward another person creates the kind of resonance that builds trust and loyalty and makes interactions harmonious in business. It creates a sense of belonging; thus, the repairs that must be done post-merger can largely be predicted and anticipated.

By doing nothing to show that you care—or worse, by embodying unempathetic, abusive, or discriminatory behaviors—you create distrust, disharmony, and major dysfunction both at home and in business. There are multiple examples of value erosion in M&A deals in which a lack of compassion creates a disincentive to deliver value. Any M&A deal works on the premise of value creation and value extraction; to deliver on both these promises there is a need for both parties to work together. While there are some principles that both parties follow, the value extraction becomes greater when both parties take time to put themselves in each other's shoes.

Compassion in M&A follows three rules: acceptance, affirmation, and adoption.

- Acceptance: the awareness of what others need in the transaction must be considered
- Affirmation: self-discipline that puts into practice the principles of

compassion and understanding

- Adoption: displaying behavior that demonstrates an understanding and appreciation of the other party's point of view ("walk the talk")

Value extraction is all about shared needs. With the connection of shared needs comes the collective desire to do good. One of the principles of compassion is how an entity creates a need for the individuals to be heard or recognized. A smart M&A team is one in which individual members have the shared goal of value extraction, not by depletion but through accretion. The mission of working toward a common goal driven by purpose really bonds an entire company of members together, which especially requires a disciplined, deliberate, and collective approach.

Compassion is a mindset that follows a disciplined approach with few basic tenets. There is no line item in any M&A playbook that explicitly says, "Thou shall follow compassion." But it is an underlying principle that should permeate deal-making. Throughout the process of due diligence, negotiations, synergy calculation, and value creation, successful acquirers use compassion every step of the way. They never form their decisions based on an unbiased source of information. Successful value creators measure success not only by the financial impact but by people and cultural impact as well.

### **Lesson for leaders**

While there is no compassion index, there are several key success factors that measure the effectiveness of adopting a more compassionate culture in the world of M&A—employee retention and value extraction, as well as the successful share of power agreements between


competing CEOs of two companies. Together, these factors contribute to a culture that not only creates a sense of purpose but pushes the workforce to an amalgamation of success. To do this, as leaders we need to be able to accurately judge our own performance and behavior so we can respond appropriately to different situations.

I suggest that leaders should take time to be more self-aware; one's ego needs to be set aside to demonstrate this. The more aware we are of our emotions, the more we can be compassionate toward others. The reason for this insight is that self-awareness is directly related to emotional intelligence (or emotional quotient [EQ]). Research shows that having a higher EQ accounts for nearly 90% of what sets high performers apart from others with similar technical skills and knowledge. When you have a higher emotional intelligence, it gives you an advantage in business so you can assess all the needs of your team and lead them to work better together by addressing

the concerns. This approach always results in a more efficient workplace.

Compassion isn't a weakness. It's a strength that improves relationships because it fosters emotional connections between people, and it's the glue that keeps families—and extended families that form companies—together. When we can help people, we feel more fulfilled as leaders and, in return, are better at decision-making and communicating; it gives us a better understanding of all possible outcomes. Doing all of this affects the broader good. So why wait until the deal is done to exercise this approach? Why wait to be empathetic in an ever-changing business world?

*Rajeev Kapoor, (Raj), is an established executive with a career spanning over two decades. His experience is rooted in private equity, specifically due diligence, value creation, and the assessment of technology and software platforms.*



Human resources are like natural resources; they're often buried deep. You have to go looking for them, they're not just lying around on the surface. You have to create the circumstances where they show themselves.

Sir Ken Robinson



## Compassion and Innovation

by Margaret Worrall, Dr. Sogol Homayoun, and Dr. Mary Sully de Luque

### Interpreting compassion as a resource for innovation

The story of the blind men and the elephant is a well-known Indian parable often involving a trio of blind men who encounter something, an entity of sorts, that each explores differently. These men have never come across an elephant before and try to determine what it is by touching the animal, with each handling only one part. When discussing the design of the elephant, the blind men disagree on what it is. One man says, *“An elephant is like a wall.”* A second disagrees, claiming, *“Not true, an elephant is obviously like a rope.”* The last of the blind men says, *“You’re both wrong; it’s clear an elephant is like a heavy tapestry.”*

The three men, encountering the side, trunk, and ear of the elephant, respectively, all describe their own experience accurately. However, without the full context provided by the combined perspectives of one another, they are unable to grasp the larger picture of what an elephant is.

This parable illustrates a number of lessons related to perspective and dialogue. For the purposes here, it demonstrates that without considering diverse viewpoints, perceptions, and assessments when approaching change or endeavoring new ideas and innovations, our perspectives are constrained. The compassion-based workplace provides a less constricted discussion of ideas for addressing change and innovation. Compassion also facilitates effective identification, reaction, and resolution of potential conflicts. Contributing to a sense of belonging and purpose in the workplace, compassion enables the sharing of diverse viewpoints and expert ideas, which are the seeds of innovation.

### Business challenges to innovation

Analysts have forecasted that perhaps only 15% of Fortune 500 companies today will continue to be in existence in ten years.<sup>1</sup> This attrition may occur through mergers and acquisitions, poor leadership, and failure to adapt and innovate. The demand for change has been accelerating across all types of organizations, including the financial services sector. Volatile markets, challenging consumer demands, and technological disruptions due to global digital transformation and other factors involving Industry 4.0 are driving organizational adaptation, transformation, and even revolution.<sup>2</sup> Companies are striving to make their organizations more agile to foster innovation and shorten go-to-market cycles.<sup>3</sup> Two factors stand out that impede true agility: (1) *resistance to change* (psychological uncertainty, poor communication, and organizational politics) and (2) *overvaluing expertise* (applying expertise from before the digital age, when efficiency, not agility, was the objective).<sup>4</sup>

As companies grow, they tend to become more complex. This is indicative of the global financial industry, especially with competing cultures, changing regulatory issues, and the challenges of working for or leading in complex matrix structures. With growth, even innovation-led companies can become increasingly bureaucratic, ultimately driving away their innovative talent pipeline.<sup>5</sup> From employees' perspectives, many people have a "*status quo bias*," which means they refrain from proposing innovative ideas out of concerns about losing their job, not blending in, or experiencing rejection.<sup>6</sup> Companies such as SAS and Google realize that developing a culture of innovation involves committing to serve and care for their workforce—in this case, by providing psychological safety to all employees.<sup>7</sup>

### **Building a culture of innovation and compassion**

Many argue that innovating to meet society's needs *and* building a profitable enterprise represent the next competitive frontier for companies.<sup>8</sup> Creating shared value enables companies to embed a social purpose into their business models to solve social issues in a profitable way.<sup>9</sup> Organizations must define the social need, measure the shared value, create an optimal innovation structure, and co-create with external stakeholders.<sup>10</sup>

Increasingly, organizations are interested in engaging with social innovation initiatives related to products and services, creating shared value involving social issues. For example, Coca-Cola created the "Coletivo" initiative in Brazil that set out to increase the employability of its target customer segment, youth and young adults, and increase product sales by strengthening distribution channels and raising brand awareness. In this new venture, Coca-Cola partnered with local nongovernmental organizations (NGOs) to

run a two-month training program for young people in retailing, entrepreneurship, and business development.

By teaming up with local retailers and NGOs, the company could track and measure Coletivo's impact based on the number of youth job placements, assessments of confidence growth and improvement, added percentage of sales, and increased brand awareness. The results showed that more than 50,000 people were trained, over 30% were placed in jobs, and 10% started their own businesses. Within two years, this social innovation unit of Coca-Cola became profitable. Subsequently, the company expanded the initiative to 150 low-income cities in Brazil.<sup>11</sup>

Companies and organizations are gradually discovering that shared value can be created by aligning organizational strategy with social innovation initiatives. Another illustration of an organization fostering social innovation to address overwhelming social issues features compassion as part of the business strategy to create shared value. The case in point is Aravind Eye Hospital, which was founded in 1976 by Dr. Govindappa Venkataswamy with the mission of eliminating curable blindness.

In a country such as India, where 12 million blind people live off less than two dollars a day, Aravind Eye Hospital created a low-cost, high-quality model to treat one-third of its patients at zero cost.<sup>12</sup> The business model is set up so that clients who can pay are able to cover the costs for those who cannot pay; yet, Aravind still makes a significant profit based on volume generation. With deep-seated compassion at its core, this unconventional model revealed "the power of integrating innovation with empathy, business principles with service, and outer transformation with inner change."<sup>13</sup>

Featured as the most well-known business case on compassion and social

innovation, Aravind Eye Care System is one of the largest and most productive blindness-prevention organizations in existence.<sup>14</sup> This organization has garnered the attention of prominent people such as management icon Peter Drucker, Nobel laureate Muhammad Yunus, and Google co-founder Larry Page.<sup>15</sup> Demonstrating compassion for the poor who could not afford basic eye care, Dr. Venkataswamy created an innovative service delivery model that benefitted everyone—thus creating shared value. Ultimately, the value that is shared looks different for each stakeholder; for some, the value may be company revenue, for others mitigation of social challenges, and for still others something else important to them. This organizational example shows the power of integrating innovation with empathy, business principles with service, and outer transformation with inner change.<sup>16</sup>

**Researchers find that meditation can change how your brain absorbs information. When stress is minimized, it may result in more level-headed rationalization.**

### **Elements of compassion and their impact on innovation**

The strength of compassion practice can be fostered in organizations through meditation. Researchers find that meditation can change how your brain absorbs information. When stress is minimized, it may result in more level-headed rationalization. Meditation classes and meditation spaces in the workplace are not uncommon, especially in organizations seeking to manage the impacts of stress and anxiety on employees.<sup>17</sup>

Innovation that is compelling can be generated through a holistic approach toward enhancing mindfulness, with mindfulness enabling compassion to flourish. Beyond meditation instruction, some organizations are offering instruction in mindfulness methods. On an organizational level, mindfulness “reduces sick days, increases trust in leadership, and boosts employee engagement.”<sup>18</sup> At the individual level, research has revealed three benefits of mindfulness that assist people working in unpredictable environments:

1. *Staying calm and open-minded:* Breathing meditation helps decrease grey matter density in the amygdala, the region of the brain that initially responds to stress.
2. *Cognitive ability:* By improving short-term memory, and through complex cognitive tasks, people become more strategic in decision-making and collaboration.
3. *Focus and clarity of thinking:* Even with information overload, mindfulness can reduce mental wandering and distractibility, enabling one to be more present.<sup>19</sup>

As an example of training in mindfulness micro-practices, Elisha Goldstein’s STOP technique teaches participants to learn to stop, take a breath, observe their thoughts, feelings, and emotions, and then proceed. In addition, various organizations sponsor mindfulness coaching, which involves listening to co-workers with undivided attention to promote creative thinking.<sup>20</sup>

### **Merging the financial services industry and components of organizational compassion**

Advocating for a portfolio of activities focused on developing compassion and mindfulness, some in the financial services industry argue that this expands employees’ innovation, as well as promotes innovation throughout the organization. In 2020 *Fortune* magazine’s 100

Best Places to Work list highlighted two financial services companies in their top 10 list. One of these organizations, Edward Jones, is noted for its compassionate and supportive organizational culture. Among its many initiatives designed to retain both new and seasoned financial advisors, its comprehensive training programs include cultivating a mindset of compassion.

In the other financial services company ranked in the top 10 Best Places to Work, American Express is known for creating a culture that inspires its workforce to develop compassion for its various organizational stakeholders. The company encourages its employees to participate in ten-week consulting projects for nonprofit organizations. One of the goals of this employee experience is to extend their capacity to practice compassion.<sup>21</sup>

Determining what empathy is worth and how it can be leveraged are issues explored by organizations and consultants alike. The importance of empathy cannot be underestimated as a factor of organizational trust in the financial services industry. As such, many argue that empathy should be ensconced in day-to-day business operations instead of a more traditional human resources perspective.<sup>22</sup>

Trust is a core element, indeed a topmost concern, in the financial services industry. Once lost, it is difficult to recover. During 2008, Australian banks lost the trust of their customers, both domestically and internationally.<sup>22</sup> A premier strategy consulting firm, advocating the importance of empathy in organizations, stepped in to help Australian banks restore trust among their customers. Invoking empathy facilitated the reestablishment of confidence and trust in these organizations. Another such example is the Wells Fargo account fraud scandal that emerged in late 2016. In subsequent years, the company has actively strived to rebuild

trust with customers and other important stakeholders. Again, once trust is lost, the recovery can be challenging.

In efforts to regain trust in the financial services industry, the trust algorithm has been leveraged as a way to measure the empathy levels of organizations. Originally created by Larry Maccherone in the software engineering industry, the trust algorithm was developed to measure healthy collaboration and mutual trust in organizations. Through a combination of credibility, reliability, and empathy, with the factor of self-interest, the trust component can be determined.

$$\frac{\text{Credibility} + \text{Reliability} + \text{Empathy}}{\text{Apparent Self-Interest of the Organization or Person}} = \text{Trust}$$

The idea is to maximize the terms on top (Credibility, Reliability, Empathy) and minimize the terms on the bottom (Apparent Self-Interest of the Organization or Person). There is always some Apparent Self-Interest, so the bottom is never zero, but the point is to emphasize shared interest such as the company's stock price.<sup>23</sup> Defined below are each component of the trust algorithm.

*Credibility* = How well you actually know what you are talking about

*Reliability* = How often and quickly you do what you say

*Empathy* = How much you show that you care about someone else's interests

*Apparent Self-Interest* = How apparent it is that your words and actions are in your own interest

Improving empathy within organizations generates advantages through enhanced customer experience linked to financial benefits, and a greater ability to respond proactively to public opinion, criticism, and general feedback. Further, heightened empathy drives more engaged and motivated people within organizations, as well as in their



personal lives. These subsequent cultural and social benefits can translate into long-term financial benefits.<sup>24</sup>

In 2018 Microsoft CEO Satya Nadella was interviewed about the issue of empathy. As a component skill of compassion, he noted, empathy is “the wellspring for innovation, since innovation comes from one’s ability to grasp customers’ unmet, unarticulated needs.”<sup>25</sup> Related to this, mindfulness is shown to increase attention to and acceptance of enhanced compassion for oneself and others. This augmented sensitivity for others can foster outward compassion.<sup>26</sup> Compassion brings together relational understanding and care (empathy) with the emotional response to others’ sorrow (sympathy) to create principled responses (compassion). Increasingly, organizational trends focused on building compassionate and innovative business models can be seen emerging in the financial services industries.

## Conclusion

In summary, the elephant in the famous parable can arguably serve as a metaphor for any organization. A compassion-based organization seeks viewpoints from a variety of stakeholders to develop new ideas and innovations. In reality, however, the resistance to change and overvaluing of only technical expertise have slowed down organizations’ agility and innovation. That

is why some organizations have researched and learned that providing an environment for compassion to thrive among employees affords the optimal milieu for people to be innovative and creative.

On an individual level, proven practices such as mindfulness training enable people to stay calm, be open-minded, improve cognitive ability, and have clarity of thought for effective decision-making and collaboration. On an organizational level, companies such as Coca-Cola find that embedding a social purpose in their business model creates shared value among all stakeholders to care about and solve social issues in a profitable way. Other organizations such as Aravind Eye Hospitals have created compassionate business models enabling clients who can pay to cover the costs for those who cannot pay. Nonetheless, this organization still makes a significant profit based on volume generation.

More companies, especially in the financial services industry, are starting to implement compassionate practices in the workplace; however, there is still work to be done. This chapter serves as an invitation for organizations to reevaluate their business models and assess ways to include more compassionate practices in their workplace. With the expectation of continual innovation in most organizational settings, authentic support should be provided for employees’ creative development while maintaining their well-being.

## Seven Mindful Pathways Toward a Regenerative Business



*Jonathan Rose, Founder and CEO –  
Jonathan Rose Companies*

In this time of rising economic volatility, climate change, biodiversity loss, income inequality, racism, and social and political polarization, businesses are increasingly challenged to first recognize and then contribute solutions to these issues, rather than exacerbating them. These issues also generate stress on businesses and their employees, customers, and suppliers. And they create an extraordinarily uncertain environment in which to plan and operate.

It is time for businesses to reimagine their role in society, to conceive of a better future, and to model the transformation they seek. Mindfulness can help businesses make that transition because it helps us move from linear thinking to systems thinking.

Paul Hawken notes that after a natural disturbance such as an earthquake or fire, nature knows how to heal itself. That capacity is called regeneration. The businesses that are most likely to thrive in this era of complexity and uncertainty will cultivate regenerative capacities. These are regenerative businesses.

A mindful business approach must not only consider how a business functions

but also what it actually does. And it can't only take credit for a few good acts; its compassionate and regenerative commitments should be a frame for all its activities. For example, the financing of a high-speed rail line between Los Angeles and Las Vegas was recently pitched as a high-ESG investment. Is such a project truly regenerative if it takes cars off the road but increases lower-income people's spending on gambling?

Regenerative businesses balance purpose, products, processes, and profits, aiming to achieve Pareto optimality among all, rather than the maximization of one. Because there is no regenerative end state, a regenerative business is a verb, not a noun.

Regeneration is **adaptive** in that it doesn't only re-create what was there before the disturbance; it adapts to the changing environment that it is part of. It is a **contributing** process in which each element of growth not only advances its own health but also contributes to the health of the systems that it is part of. And it is **connecting**, thriving by connecting diverse parts, growing **coherency**.<sup>1</sup>

The Jonathan Rose Companies explored these concepts of being a regenerative business in our 2019 strategic plan. We concluded that self-organizing emergent behaviors are not sufficient; they need vision, intention, target setting, leadership, and collective buy-in. We call these activities **purpose**. We define a regenerative business as one whose purpose enhances the social and ecological commons and creates products and services that help regenerate the commons, using regenerative processes and regenerating its people. Its profit arises as a result of this purpose—profit alone is not its purpose.

Our firm was founded in 1989 to repair the fabric of communities by developing and acquiring affordable and mixed-income housing, making it green, and enhancing the social, health, and educational capacities of our communities through partnerships with others. We thus already had the DNA of regeneration in our three decades of work. As we set out to advance our regenerative business practices, we defined seven pathways to help us.

### The seven pathways toward a regenerative business

1. Establish the business's purpose, products, and processes to contribute to the regeneration of social and ecological planetary health at a local, regional, national, or global level.
2. Move toward a regenerative economic model vs. an extractive one.
3. Move toward circular material sourcing, usage, and disposal.
4. Grow a thriving company culture that gives its employees purpose, meaningful work, personal growth, and security.
5. Internally, establish clear regenerative goals, systems, data, and feedback to measure the company's progress.
6. Externally, report on the impact on the community and ecology to guide the growth of contribution to the common good.
7. Participate in an ecology of industry associations, research institutes, and nonprofits to help share lessons learned, nurture new ideas, and grow best practices for the fields that the company is part of.

A company's **purpose, product, and processes** are the soil from which its regenerative capacity grows.

A company should clearly state its *regenerative purpose*, have it affirmed by the board, be supported through clear and ongoing communication, and be understood by its employees, investors, partners, and suppliers. It should set explicit, long-range targets for regenerative goals within its plans. It's hard to be authentically regenerative if the company makes degenerative products. *Regenerative products* are designed to enhance the health of human and natural systems as well as the people and companies that make them. *Regenerative processes* incorporate systems thinking and continuous learning, evolving toward the optimization of production and service utilization of human, social, economic, and natural capital. Social capital includes the ability of a society to govern itself with increasing equality, justice, transparency, fairness, and integrity. This is an essential foundation for business success.

Regenerative companies move toward a **circular economy**. The Ellen MacArthur Foundation describes this as "economic activity builds and rebuilds overall system health.... It is based on three principles: design out waste and pollution, keep products and materials in use, and regenerate natural systems."<sup>2</sup> First steps include identifying your company's inputs and outputs and measuring their flows; sourcing renewable energy; using and recycling water with care; and sourcing materials that are non-toxic, have lower embodied energy, are recyclable, and are produced with fair wages and benefits. It seeks to replace mined technical materials, such as steel and concrete, with biological materials, such as wood.

A **thriving culture** grows from clear values that are used to evaluate every

company decision. Each company's values will vary, but integrity, compassion, mindfulness, and reciprocity will help. In the turbulent years of 2019 – 2020, companies that led with values put the protection of the employees from COVID-19 over costs; created a safe place for employees of all races, creeds, and colors; sought to understand anti-racism; and advanced more equitable compensation in light of income inequality.

**Operating excellence** better allocates staff time and material resources to properly achieve its mission and ensure sufficient financial resources to pay for it. Regenerative companies continuously improve their business intelligence infrastructure and use of data. These resources are applied to increasingly real-time feedback loops to understand and react to changing circumstances. At the same time, regenerative companies **measure their external environmental, social, and governance impacts**; report on them transparently; and adapt their products and processes to improve their performance.

Companies and their people should actively participate in **regenerating the fields** that they are part of by actively

engaging in professional networks, contributing lessons learned to help shape public policy and learning from others. The culture of business is shifting, with more leaders aspiring to make their businesses enter regenerative pathways. The number of investors seeking regenerative investments is also growing rapidly. They, too, need to learn to think more complexly and to integrate multiple objectives.

These ways of working require business leaders and investors to understand a greater level of complexity, shifting from linear ways of thinking to whole-system thinking. For example, regenerative production and processes require leaders to explore the sources and ways the materials in their supply chain are manufactured. Mindfulness has been shown to improve the ability of meditators to think more strategically and to better embrace complexity. It also might help leaders and investors better integrate compassion into ESG practices.

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## Using a Compassionate Mindset to Support Infrastructure and Renewable Energy Projects



*Giles Bicknell, Senior Vice President,  
Investments - Amber Infrastructure Group*

In infrastructure and renewable energy project finance, there are a multitude of established metrics, performance indicators, and guiding principles to monitor the performance of projects. Such standards not only monitor individual projects but try to encourage positive outcomes of such projects (and future projects) for various stakeholders. However, to truly gain the most out of such standards, they need to be approached within a paradigm of compassion.

Jennifer Goetz et al.'s foundational paper, "Compassion: An Evolutionary Analysis and Empirical Review," provides a widely accepted definition of "compassion" that resonates with me. Goetz describes compassion as "the feeling that arises when witnessing another's suffering and that motivates a subsequent desire to help." In effect, compassion covers not only an understanding of another's problems or challenges (i.e., empathy) but also responding with action targeted at resolving those identified problems or challenges. In other words, compassion goes beyond (passive) understanding to drive a positive reaction and ideally a solution.

With this understanding in mind, formulating and pursuing infrastructure and renewable energy development with compassion as one of the guiding principles will facilitate a more fulsome achievement of the overall project. While imposed corporate policies and checklists can seek to drive corporate activity to be procedurally more aligned with global standards (such as the United Nations Sustainable Development Goals), if underlying corporate objectives and incentives ultimately remain targeted toward individualized goals and objectives, there are enduring misalignments that will lead to suboptimal outcomes.

For example, narrowly focusing on the delivery of a project that is profitable for its owner—with a check-the-box exercise for sustainability—may deliver positive outcomes against those narrow objectives, but the effort will be focused on delivering profitability, not thinking creatively about opportunities to maximize community-wide benefits. In contrast, a compassionate mindset will encourage thinking beyond project specifics to identify key challenges facing key project stakeholders and, in particular, local communities and will challenge thinking to identify potential solutions to be incorporated into project design.

The development of infrastructure and renewable energy is a highly public and community-facing endeavor, and a broader, more community-minded approach may help unlock many challenging development efforts. This approach will not only deliver economically profitable projects but also provide more sustainable and durable projects over the long term with solutions that are more sympathetic to local community and environmental needs.

Project development is hard and faces many uncertainties; the more people in your corner, the better. Understanding local community challenges better—be they social, economic, or otherwise—and being more open-minded to providing opportunities for education, training, and shared economic development should reduce community pushback and increase development opportunities. This action can be as simple as providing landscaping assistance to offset direct project impacts or repairing local roads to improve site access or broader training, employment, and inclusion programs for local communities. Although to be clear, the former should be considered the low-hanging fruit here by incurring some incremental costs to support community engagement, the latter can achieve more transformational outcomes when positive community outcomes are interwoven into the entire lifecycle and fundamental structure of the project.

It would be naïve to say that a more transactional approach that seeks to strong-arm or lobby toward initial project success will not continue to succeed. But at the same time, there is an ever-growing number of cautionary tales of project developers ultimately failing after many years of effort and cost following development strategies based on such “sharp elbows” approaches. There are well-publicized examples across the United States covering a wide swathe of infrastructure segments from public transportation and highways to renewable energy and electric transmission.

To paraphrase the well-known saying: No infrastructure project is an island. Every individual project has a broad array of interactions with end users, local communities, pensions and insurance companies, government decision-making,

and private enterprise over the duration of a 30- to 50-year lifespan. The calculated project’s internal rate of return at the time of the final investment decision simply reflects a snapshot in time based on various assumptions about the future.

The reality of project construction and operation can be complex, and much can change over the multigenerational lifespan of an infrastructure project. Designing and structuring such community-facing assets with a much greater understanding and proactive support for key stakeholders—including education, community, environmental impact, and other potential negative externalities—will likely result in a project better able to cope with unanticipated vicissitudes as they occur. The future is not written in stone, and resiliency in the face of unexpected future events—be they impacts of economic crises, climate change, pandemics, or similar—will be far more likely to cause infrastructure and renewable assets to be considered essential community members.

In terms of tangible steps or areas in which a more compassionate mindset can be implemented, an effective starting point is the standard stakeholder mapping process undertaken for most development projects. Beyond simply mapping key stakeholders in terms of direct engagements necessary under contracts, permitting, and other approvals as the conventional process would dictate, a broader approach can be implemented here to consider a more expansive set of stakeholder groups and a broader set of objectives. This includes all the people and groups who will have long-running interactions with the asset, not only those with decision-making power.

In addition to direct economic benefits, taking upfront actions to identify broader

community needs and objectives—be they economic development, employment and training, inequality of opportunities, or environmental considerations—can be hugely beneficial. While any such direct actions need to be scaled to project resources being deployed—for example, a project team with a staff of five cannot hire 50—taking tangible steps to entrench broader benefits within communities will

not only support near-term success but also position a project for better long-term community trust, resilience, and viability.

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## Compassion and Change



*Lahna Harper, Chief Financial Officer - Glitterpill LLC*

My career in financial services started in 2014 with an internship that turned into a full-time position. When looking into internships for my final summer before graduation, I set my mind on three major cities: New York City, San Francisco, and Chicago. Although I was in business school, I knew the chances of landing an internship in a big city and in finance were slim at best. The competition is as real as it gets in this industry. I was a small-town girl from North Carolina looking to spread my wings, so I was determined to make it happen.

When I landed the finance internship in New York City, I didn't think twice about leaving my roots in North Carolina. In fact,

I had never even been to New York, but that did not stop me. After spending the summer there interning, I was certain I wanted to move to New York and work in finance as my career choice.

My peers who know me as someone who spends a lot of time doing volunteer work and partnering with nonprofits asked me if I was sure I wanted to be in this industry. At that time, I thought, *Why would they be asking me this?* Maybe I was naive, but it was not long before I realized what they meant: The financial industry is generally thought of as the last place where a topic such as compassion exists.

Many in my generation learned about the global financial crisis during high school or in college. To this day, I believe many of us are still trying to assess what happened or how individuals in the industry can ensure that the same thing does not happen again—often resulting in anxieties and fear around the lack of compassion that seems to exist globally in the financial services industry. Further, my generation and younger people have the highest level of student debt in US history. This leads many people to choose a career in this industry because of income potential

with the hopes of paying off student debt, earning enough to own a home or afford to rent a decent place, and providing a prosperous life for their families. We do not want our lingering student debt to be a hurdle to our children as they grow up.

Can we change this? Do we pledge to confront the legacy of prior generations and drive change in an industry that is not deeply rooted in the idea of linking profits and compassion? The answer to this question is a challenge, but we will never know what we can achieve unless we try.

In my limited time in this industry, I have seen the landscape of compassion and integrity become pressurized with a sense of urgency to drive change. It feels as though there is a paradigm shift occurring to rise to the occasion. Although tough to bring about, this shift is beautiful to observe. Business and commerce overall are mechanisms by which individuals have the power to create change, if not the most powerful mechanisms we have as human beings.

The phrase “If you can’t beat them, join them” frequently comes to mind when facing these challenges in the industry and in our society. Rather than capitulation, in this context, it means to me not only that we can work together in society, but also that we can refuse a world where compassion is not at the forefront of our actions. This approach takes an exceptional level of commitment from every one of us to demonstrate how compassion can be effective if understood properly.

One of the ways I have personally made the commitment to change is by taking a national leadership position with Next Generation Leaders. This is one of the industry’s affinity groups, also known as enterprise resource groups (ERGs).

The experience has enabled me to work directly with other NextGen members and colleagues on what is most important to them, in terms of what and how they want to make a difference in the workplace and the industry.

Oftentimes compassion is needed to integrate the issues that are top of mind in an environment where the list of areas on which we want to focus seems endless. This particular ERG is as committed to bridging past and present generations as it is to creating a better world for generations to come. Topics such as career development, community outreach, financial literacy, tuition reimbursement, remote working flexibilities, and green product offerings, as well as environmentalism and sustainability opportunities, are some of the ways in which we are trying to shed light on and open the realms of enabling change.

The Next Generation Leaders ERG has historically partnered with other financial institutions and business schools nationally to elevate training and practices that integrate mindfulness and compassion into the daily lives of the participants. The presence of these events and education about these practices has gained great traction, particularly in my generation as we carry the torch forward. Many corporations have ERGs or affinity groups that may be called different names but have many of the same goals. This is one of the ways employees can let their voices be heard. Also, it is a solid growing ground for next-generation leaders to learn, lead, and pass on their experiences to their peers and teams, influencing senior leadership.

Corporations are also partnering together to send employees to global conferences such as the One Young World.<sup>1</sup> Over the course of three to four days at this



conference, delegates and ambassadors from around the world meet to come up with solutions to the world's most pressing issues. In 2017 I was selected to attend my first conference and have since taken a leadership position with this nonprofit as a Coordinating Ambassador for the United States. Most recently, I accepted the role of Managing Ambassador of Canada and the United States, representing and supporting more than 1,800 Ambassadors. One Young World summarizes the importance of its movement with the following quote: "At the heart of every global threat is a failure of leadership. This new generation is the most informed, most educated, most connected generation in human history. One Young World identifies, promotes, and connects the world's most impactful young leaders to create a better world, with more responsible, more effective leadership."<sup>1</sup> I encourage anyone, working for themselves or for a corporation, to connect with nonprofits, ERGs, local volunteer projects, and governmental organizations to increase the impact of positive change globally.

Taking part in these initiatives is a form of balance that I believe will help create an environment in which compassion is at the heart of decision-making. It will take time for corporations to evolve, but if we as individuals maintain activism in our communities and in society, the two roads will inevitably merge. Thankfully, we are also seeing things such as the Long-Term Stock Exchange and sustainability-linked exchanges modernizing corporate valuations, although this will take time to become mainstream.

Advocating and embracing modernization of corporate valuation is something we can do individually, but that will also need to

be embraced by all levels of seniority within corporations. Bridging the unfamiliarity gap with respect to compassion in the financial sector through communication, action, leadership, or a simple conversation is a great place to start. The more we know, the better prepared we become for the actions required to drive change.

Looking back on my decision to enter the financial services industry, I am impelled more than ever to be a part of the change that exists now and will continue to grow in the future. If there were ever a time to become engaged, the time is now. Knowing we did what we could to make a difference is one of the most valuable sentiments we can hope to feel in our short time on Earth.

Overall, compassion is an expression of self-realization. What is most compelling is that compassion is an instinct within all of us—we are far more alike in our ability to support one another than we think. I have learned that when we work together to advance our goals in society and in the workplace, success is limitless for what we can achieve.

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## Mindfulness and Sustainability



*Gerold Koch, Head of Sustainable Investment Advice - Allianz Global Investors*

Until COVID-19 hit New York, I regularly brought fellow ESG and impact investors from the private equity, family office and asset management space into my office in midtown Manhattan to host guided meditation sessions at 7 o'clock in the morning that I called "Mindfulness and Impact". Given typical New York commute times, that meant people had to get up way before 6AM to attend. What got people out of the bed at that hour? Why does the Venn diagram for people who are involved in sustainable investing and mindfulness have such a big overlap? Is it because sustainable investors are insomniacs? Because meditators are tree huggers? Or is there a more scientific reason? And could that reason offer a solution to the environmental and social problems that humans and the planet are facing?

As a species, we consume too much. How much? Each year, the Global Footprint Network measures when humanity's resource consumption exceeds Earth's capacity to regenerate those resources. They mark that day in the calendar as "Earth Overshoot Day". In 1970, Earth Overshoot Day was December 29. Only half a century

later in 2020, that day was on August 22. This means that we are consuming 1.6 times more than is sustainable.

The costs of resource depletion are becoming more evident. Climate change — resulting in more frequent and more severe natural disasters such as flooding, wildfires and tropical storms — is the most obvious result. Other effects include: deforestation, species loss, fisheries collapse, monetary inflation and civil unrest.

So, why is that? Why do humans consume so much even when they know the negative impacts? Why do we think this excessive consumption will make us happy, trapping ourselves in an endless cycle of striving to make more and more money to pay for our increasing (perceived) need to consume?

One possible answer is that people simply don't know what will make them happy in the long term. Humans tend to overestimate how happy things or events will make them. They know the general direction (it's more fun to be stuck in Montauk than in an elevator) but typically get the amount wrong. We simply "can't get no satisfaction", as the Rolling Stones told us wisely.

For a species as developed as humans are, this phenomenon seems odd. Did something go wrong in our evolution? Maybe, but at least not when it comes to the points of consumption and status. To the contrary, evolution may be the explanation for overconsumption. Humanity got where they are because their ancestors were determined to get their genes into the next generation (and succeeded!). To achieve that, they had to do things such as find food, find mates, earn the esteem of other people and outdo

rivals. To maximize the chances of success, the human psyche has evolved in a way that we add a high value to the acquisition of things if we believe that these things will help us find food, procreate, impress others or fight off rivals. In most parts of the Western world, the food problem is solved (perhaps slightly too well, given rising obesity rates), as is procreation (c.f. the doubling world population in the last half century). Status, however, is by definition a relative measure and thus, for most, the need for status cannot be satisfied. Higher status has a perceived higher value. In the field of economics, this value is expressed in a utility function. Buying things that may increase our status are connected to a high personal utility.

When it comes to consumption and its impact on the Earth's resources, it matters when in time the consumption takes place. An item ordered and delivered today vs. buying that item in a few years means that the resources to produce that item are not needed today.

Economists express the perceived value of consumption decisions over time in intertemporal utility functions. Generally, humans attribute a much higher utility to consumption in the near term versus later. In a utility function, this is expressed in the shape of the curve over time (falling off steeply the farther out you get) and referred to as hyperbolic discounting. The perceived utility of an act of consumption in the future is discounted with a discount factor to give us a lower perceived value today.

This is where mindfulness can help us change course. A regular contemplative practice, such as regular meditation, can provide clarity into what is and is not important. Said another way, it can offer

"insight into the true nature of reality". This practice can help us to understand that we may be just as happy (or unhappy), if we buy that new car in a few years (or, perhaps, never). In the terms of an economist, meditation can flatten the utility curve by reducing the discount factor in the utility function. Put differently, it may mean that we don't care if we buy that car today or in the future, so we may as well just push out the purchase. If we're able to postpone a purchase, we do not need the resources today to produce the product.

Utility functions go both ways: actions can have negative utility as well. Negative utility may come from having to do something that we know is important but we don't want to because it's hard. In other terms: procrastination. Climate action falls into that category. If humans are operating with a hyperbolic discount curve, postponing actions to solve a complex problem – such as climate change – makes sense, even if it means that these actions may come too late for temperatures to stay below a sustainable increase.

A mindfulness practice may help here as well. It makes procrastination less enjoyable. Taking action today is just as painful or painless as taking action in a few years. That may make it more desirable to engage in climate action now.

Mindfulness may reduce the discount rate and flatten the utility curve. That, in turn, may slow down the urge to consume, ease the stress on the Earth's natural resources, flatten the curve of global warming and help us save money along the way.

It is no surprise then, that there is such a high overlap between meditators and people trying to take action towards

reducing the impact of consumption, climate change and social injustice. In addition to gaining insight into the true nature of reality, by meditating, we can help people and the planet.

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## Appendix – Mindfulness Exercises

### A. Meditation to develop our mental qualities

1. Remind yourself that for the next ten minutes you will focus on your practice.
2. Sit on a chair or on the floor, straighten your back.
3. Pay attention to your normal breathing three times.
4. Count backward from 25 to 1 by breathing in from your nose and out from your nose.
5. Think about someone close to you and simply wish happiness for that individual.
 

For example, in the workplace, you can pick a colleague or client.

The emotion that one generates as a result of this contemplation is described as love.

After a moment of wishing happiness, move to the next step.
6. Pick another colleague or client with whom you have a close affinity who is having difficulties.
 

Perhaps that individual is sick or is having a difficult time in their personal life or in business.

Make a wish to alleviate the challenges or suffering that the person faces, and stay silent for about 30 seconds.

The emotion that one produces as a result of genuinely wishing to alleviate the suffering of others is called compassion.
7. Reflect on the promotion of a colleague you like or your favorite client's success.
 

Rejoice.

Rejoicing the success of others is said to be a powerful antidote to the negative emotion of jealousy.
8. Now reflect on a colleague or client with whom you have a neutral affinity.
 

Put yourself in the shoes of a colleague or client with whom you may not care much about or even view as a competitor or dislike.

Just as you appreciate the love, compassion, and rejoicing of others, think how they, too, appreciate it. Pause.

The fourth part of the contemplation is considered the most critical and most difficult.

To help you develop it, understand the benefits of generating positive emotions for your own well-being.

Also, think about how negative emotions such as hatred and jealousy bring unhappiness to your own mind.

## Conclusion

These mental exercises help us develop equanimity toward others by reducing both attachment and aversion.

Equanimity is practiced at the end of this contemplation practice because it is difficult to genuinely open yourself to those to whom you are indifferent or view in a negative light. However, in reality, it is the foundation of the other three practices. If we take farming as an analogy, developing equanimity is like having prepared a field. Love is like taking out the stones. Compassion is planting the seeds, and rejoicing is the harvest.

## B. Meditation to develop concentration

1. Remind yourself that for the next ten minutes you will focus on your practice.
2. Sit on a chair or on the floor, straighten your back.
3. Pay attention to your normal breathing three times.
4. Count backward from 25 to 1 by breathing in from your nose and out from your nose.
5. Now think how fortunate you are to be born a human being by comparing yourselves to animals who do not have the opportunity to study and contemplate.
6. Choose an imaginary external object to meditate upon. It can be anything—a flower, a rock, a candle flame, a picture. Simply focus on it.
  - Visualize the object about an arm’s length away and at the height of your eyebrows.
  - Imagine the object as being the size of your fist.
  - The goal is to try to develop clarity and maintain focus on your object of meditation. Two obstacles to your attention will be (a) distractions and (b) lethargy.
    - a) If you are distracted by your visual sense when focusing on an imaginary external object, close your eyes. If you see red, it is because your eyes are still looking, even behind closed lids. You need to withdraw from your eye-consciousness into your mental consciousness.
      - ▶ Mental consciousness is separate from our physical senses. During sleep, for example, we naturally withdraw from our five senses to our mental consciousness.
      - ▶ Mental distractions will come up during this exercise, such as: “Why am I wasting my time?” You may find yourself thinking about past events or future things you need to do. Bring your mind back to the present moment, not by engaging with your thoughts but by simply letting them go.
      - ▶ If your mind is still distracted, imagine the object of meditation as something very heavy. The idea of weight emphasizes stability and helps your mental consciousness stay focused on your object of meditation for a longer period.
    - b) If your mind is lethargic or bored, a good technique is to open your eyes a little wider. Although you are not using your visual sense with the intent to “see,” opening your eyes helps give more energy to your mental consciousness.
      - ▶ Another technique to mitigate your lethargy is to visualize the imaginary object of your meditation as luminous. Light is energizing.
7. Stay in this state for a few minutes.

## Conclusion

Developing concentration also helps calm your mind as it reduces your thoughts and increases your awareness of the nature of your mind.

### C. Meditation using analysis

1. Remind yourself that for the next ten minutes you will focus on your practice.
2. Sit on a chair or on the floor, straighten your back.
3. Pay attention to your normal breathing three times.
4. Count backward from 25 to 1 by breathing in from your nose and out from your nose.
5. Now think of a person you love who is experiencing physical or mental difficulties.
  - Visualize inhaling that person's mental and physical suffering in the form of a dark cloud dissolving into the spaciousness in your heart.
  - After a little pause, imagine transforming the suffering into positive emotions such as love, compassion, and appreciative joy.
  - When you exhale, give your positive emotions in the form of golden light to the subject of your meditation.
  - Continue with this exercise until you are able to develop a genuine wish that you want to alleviate the suffering of the subject of meditation and give them your joyful state.

## Conclusion

A number of analytical mindfulness meditation techniques exist. These techniques are broadly divided into those that help generate positive emotions, such as compassion, and those that help us understand the reality of the nature of things, such as impermanence.

Here I have shared a simplified version of a practice that generates positive emotion, known in Tibetan as Tonglen. *Tong* means "to give," and *len* means "to take."

Tonglen is essentially a practice in which you exchange self with others to let out your compassion that is locked up by self-obsession.

After a few days or weeks, try this exercise with someone toward whom you have a neutral feeling and then toward someone you dislike.

### D. Meditation on impermanence

1. Remind yourself that for the next ten minutes you will focus on your practice.
2. Sit on a chair or on the floor, straighten your back.
3. Pay attention to your normal breathing three times.
4. Count backward from 25 to 1 by breathing in from your nose and out from your nose.
5. Now think how fortunate you are to be born a human being by comparing yourselves to animals who do not have the opportunity to study and contemplate.
6. Reflect with gratitude the kindness of your caretakers and teachers.
7. Pause for a minute with great joy and appreciation of your good fortune.
8. Now think of someone who was in circumstances similar to yours but has passed away.



9. Think of when that individual was healthy just like you when they were a baby, went to school and work, and so on like you, and now have passed away.
10. Reflect like the target of your contemplation; your death is also certain as a fact, although uncertain as to timing.
11. Pause for a minute to reflect on your impermanence and motivate yourself to make your precious life meaningful.

## **Conclusion**

Combining an initial appreciation of how fortunate you are in your current state and uncertainty about how long it will last can help you attain a more realistic view of the world.

This meditation, in turn, will help decrease the chance of destructive emotions such as hatred, attachment, jealousy, and pride from popping up.

The interesting thing about this contemplation is that it transforms you from being indifferent or filled with fear into a determined person to make your life meaningful and be of service to others.



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Preceding Thunderbird, Mary spent three years as a postdoctoral fellow at the Wharton School of Business at the University of Pennsylvania. She worked as an aide for two US Senators before finishing her education. This experience was very formative for her later interest in creating, developing, and working within business systems for the betterment of societies. Among her many board positions, she is CEO and Chair of the Board of Directors for the Global Leadership in Organizational Behavior Effectiveness (GLOBE) Foundation, an organization with the mission of researching leadership and culture globally.



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Annemieke van der Werff is a strategic human resources executive with deep global experience in the financial services industry. She currently is the US Director at “Triple Value Leadership,” a newly established center dedicated to develop sustainable and compassionate leadership for next generation leaders. Prior to this, Annemieke co-led the Compassionate Leadership in Finance (CLiF) program at the Garrison Institute in New York. She is the former Chief Human Resources Officer (CHRO) at MUFG for the Americas, and global head of talent management and talent acquisition functions for the Tokyo-based organization. Annemieke played a crucial role in driving the mindfulness movement within the bank, acting as a catalyst and executive sponsor. She was the global head of HR at HSBC Holdings Plc., leading the HR function for the global retail bank and global corporate functions. Her career began at ABN AMRO Bank, where she ultimately served as the CHRO for ABN AMRO North America and LaSalle Bank Corporation. With her experience living and working in the Netherlands, the United Kingdom, Latin America, and the United States, Annemieke brings a diverse perspective to her work.

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Todd is a lifelong seeker of "truth" and attempts to practice compassion in his daily life, especially in the workplace. Todd has also participated in the Juliet E. Shield Symposium on Compassion.



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#### **Encouraging Compassion and Mindfulness: One Banker, One Bank at a Time**

1. Earnings before Interest, Taxes, Depreciation and Amortization.
2. Free, Prior, and Informed Consent.

#### **Compassion and Corporate Governance**

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## Chapter 6 – Compassion and the Profit Paradox

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# The Endless Knot

The symbol in the book, often referred to as the endless knot, recognizes both our interdependence and the value of integrating compassion with wisdom to expand our financial service industry's ability to create a better world.

The symbol dates back earlier than 2,500 BC. It has been embraced by a number of different traditions.

The personal reflections and case studies in the book illustrate the value of contemplative practices to unlock both our compassion and wisdom and to integrate them into the world of finance.

The symbol also conveys our profound gratitude and appreciation of the value of our ancestors' insights in solving our modern challenges.