# Ethical Decision-Making and the Science of (Dis)Honesty

## Course Transcript

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| 4 | Welcome to Ethical Decision-Making and the Science of (Dis)Honesty. We're excited about this training program as it will help you enhance your decision-making skills and focus your attention on that top box of our Ethical Decision-Making tool - the E-D-M - which you learned about in an earlier Ethics and Integrity course.<br><br>E-D-M reminds us that blind spots and biases in how we think can disrupt our ethical decision-making and ethical action-taking. This program highlights – with evidence from behavioral economics research – the patterns in our decision-making that can lead us astray and the strategies we can use to stay on track.<br><br>As we become more aware of these human tendencies, we need to use heads up thinking to more intentionally act in line with the firm's Values. This course will give you the chance to practice heads up thinking and design strategies for success in living our commitment to ethics and integrity.<br><br>This training also helps us understand the tremendous value that comes with earning the trust of others. Trust is the cornerstone of our profession. We know that the trust of our clients and the capital markets we serve underpins the success of the firm, as well as our individual success. As a result, we need to continuously work to protect and strengthen social trust – with each other, within our teams, with clients and with other firm stakeholders – and this program shows us how.<br><br>Thank you for participating and thanks for all you do every day to ensure that KPMG is a firm where trust, ethics, and integrity are central to our work and to our success. |
| 5 | At KPMG, we start with our Values. We all have a responsibility to know what our Values mean and to live by them every day through our words and actions.<br><br>While this course focuses on honesty, which is part of our Value of Integrity, you will see connections to all of our Values.<br><br>Integrity sits at the heart of Ethical Decision-Making, and it means<br>• having a moral compass that does not waver in any situation, big or small,<br>• doing what we say and taking accountability when we don't,<br>• being honest and forthright, even when it's difficult,<br>• not being a bystander, but taking action in the moment to do what is right and speak up, and<br>• upholding both the letter and spirit of our ethical and professional standards, even when we are under pressure.<br>Our Value of Excellence touches on humility and learning from both success and failure, and inviting honest feedback and constructive challenge to build trust.<br>It takes our Value of Courage to openly question our own and others' actions that are inconsistent with our KPMG Values, even when it's not popular.<br>Our Value of Together means we trust and invite others in our community to help us avoid rationalizations and make more honest decisions. |

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| | And lastly, our Value For Better reminds us that small things we do every day impact whether we are trusted, whether others can depend on us and whether others want to work with us. It is the trust we build with our clients and one another that enables our success individually and as a firm. |
| 6 | Hello. My name is Yael Melamede and I am a filmmaker with the company I founded - SALTY Features. We aim to make films that, like salt, hopefully enhance the world.<br><br>Since 2012, I have been collaborating with social scientist and Duke Professor Dan Ariely, a renowned TED speaker and bestselling author, and a celebrated expert in behavioral economics and the topic of irrationality. Through a personal medical tragedy in his late teens, Dan became interested in the fact that we often and unintentionally make poor and even wrong decisions in our lives and that closer research into our decision making processes and habits might help us make better decisions that might also make us more successful and happier.<br><br>My work with Dan began with a film - called (Dis)Honesty – the Truth About Lies. It was inspired by Dan's research on irrationality as well as our desire to understand the financial crisis. Beyond the film, we went on to create the (Dis)Honesty Project – which is a multiplatform project. It includes the film, curricula for schools and universities and professional trainings, a video installation, and products to support all of those things. The (Dis)Honesty Project aims to make ethics more salient in our lives in a constructive way – at the office and at home and everywhere in between.<br><br>We are delighted to be bringing this ethics initiative to KPMG. We hope that our insights into human behavior can help strengthen ethical decision- making skills. These skills uphold and strengthen the firm's ability to deliver services to its clients and for KPMG to maintain the trust of the capital markets more generally.<br><br>During this course, you will be watching excerpts from our film. These include scientific research around dishonesty and the stories of real people whose lives unraveled as a result of their dishonesty.<br><br>Importantly, we'll also discuss the research around how we mitigate dishonesty and the rationalizations in how we think.<br><br>You'll finish this course with new strategies for making ethical decisions and living KPMG's and your own Values more consciously. We hope this work encourages you to view honesty and integrity in a new light and to actively contribute the firm's ethical culture. |
| 7 | DAN ARIELY: My name is Dan Ariely and I'm interested in human behavior. I'm interested in rationality and irrationality. I'm interested in the cases in which we make good decisions and the cases in which we make bad decisions.<br><br>Dan is a professor at Duke University where he founded the Center for Advanced Hindsight.<br><br>DAN ARIELY: Together with colleagues and students, we run hundreds of experiments to try and understand human behavior. And in the last few years we have been focusing on dishonesty. |

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| | COLLEGE FEMALE 1: I find myself, especially here at school, um, lying a lot about- I guess not really lying, but um, I guess you could . . . I don't know.<br><br>COLLEGE FEMALE 2: Oh, sometimes I like put on like fake accents. I've convinced several people that I'm from Russia.<br><br>COLLEGE MALE 1: Well I guess I've lied to my parents before. Like, I had a girlfriend and, you know, in high school it's hard to find time with your girlfriend. So, I've done that whole thing. You know, I think we all have a few times.<br><br>DAN ARIELY: My research falls within a field called Behavioral Economics. And behavioral economics challenges many of the assumptions of Standard Economics.<br><br>DAN ARIELY: In Standard Economics, we assume that people are perfect decision makers, that we can compare all the options, that we don't have any limitations of cognitive capacity. Behavioral Economics doesn't make any assumptions, instead what we do is we put people in different situations and we just see how they behave.<br><br>And what we see happening in those experiments is that often people don't think long-term. People are myopic and vindictive. We find that people are not able to consider all the options, and we also find that they don't always behave in a perfectly rational way. |
| 8 | DAN ARIELY: In order to study dishonesty, we need to be able to measure, hopefully precisely, the extent to which people are dishonest. So we have all kinds of methods, I'll describe one of them.<br><br>Thank you very much, we're going to start, and let's go to the lab.<br><br>EXPERIMENTER: You can just have a seat anywhere with a packet and a pen in front of it.<br><br>DAN ARIELY: We gave people twenty simple math problems.<br><br>EXPERIMENTER: Find the two numbers that add up to ten.<br><br>DAN ARIELY: These are problems that everybody could solve if they had enough time, but we don't give people enough time.<br><br>EXPERIMENTER: We are going to give you five minutes to solve as many as possible.<br><br>DAN ARIELY: At the end of the five minutes, please stop, put your pencil down, and count how many questions you got correctly. And now that you know how many questions you got correctly, take the sheet of paper, go to the front of the room, and shred it. People do that, they come to the front, they say they solved six problems, we pay them six dollars, they go home. What the people in the experiment don't know is that we played with the shredder. The shredder shreds the sides of the page, but the body of the page remains intact. And what do we find? On average, people solve four problems, and report to be solving six.<br><br>TEST SUBJECT 1: I solved six.<br><br>TEST SUBJECT 2: I don't know if this is embarrassing, or not, but I got six. |

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| | TEST SUBJECT 3: I believe I got seven right.<br><br>DAN ARIELY: We've run these experiments on 40,000 people. And so far, we've found about twenty big cheaters.<br><br>Those are people who cheated all the way, said they solved twenty problems. And they stole four hundred dollars from us. We also found about twenty-some thousand little cheaters. And they stole about fifty thousand dollars from us. And I think this is not a bad reflection of reality. Yes, there's some big cheaters out there, but they are very rare. And because of that their overall economic impact is relatively low. On the other hand, we have a ton of little cheaters. And because there are so many of us, the economic impact of small cheating is actually incredibly, incredibly high. |
| 9 | Welcome back – In this clip, we learn that:<br><br>Most of us are susceptible. The matrix experiment is very useful because it shows that most of us – about 70% of us in fact – are capable of bending the truth in our favor. And we often do it for very little financial gain – in the case of the matrix experiment, it's for a few extra dollars. So this isn't just about greed, but also about pride, ambition, insecurity, and many other human tendencies.<br><br>The other takeaway from the research that is important is that the impact of small cheating is incredibly high.<br><br>We'd like to think of big cheaters as the problem- in other words, if we could just identify the "bad apples" and get rid of them, the rest of us would be able to get on with our lives normally. And while of course, we should be worried about big cheaters, the truth is that the cumulative effect of 'little' cheating can be far more destructive to individuals, to organizations, and to societies, than individual big cheaters. |
| 11 | DAN ARIELY: How many people here have lied at least once since the beginning of the year? How many people here think of yourself, in general, as honest, wonderful people? The same group, how can it be? How can it be that at the same time we think of ourselves as honest and then we recognize that we're dishonest? It turns out it's all about rationalization. On one hand, we want to look in the mirror and think that we're good, honest, wonderful people. On the other hand, we want to benefit selfishly from being dishonest. As long as we cheat just a little bit, we don't have to pay any price in terms of the image and the way we view ourselves. And we call this the "fudge factor".<br><br>So this is the ability to misbehave and think of ourselves as good people. And you can think about all kinds of ways in which, in your own life, you have a fudge factor. The speed limit, maybe it says 55, but are you ok in driving 60? What about cheating a little bit on taxes? What about exaggerating your online dating profile?<br><br>Across many studies, we find that everything that changes the fudge factor also changes people's ability to be dishonest.<br><br>There are dozens of elements that can change the magnitude of the fudge factor. And we've been able to observe many of them in the lab. For example, if you can say to yourself, "everybody's doing it," it's easier for you to rationalize to yourself that this is actually an ok thing to do, and cheat to a higher degree. |

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| 12 | You've now been introduced to Dan's notion of 'fudge factors'. These are categories that make sense of how we can rationalize unethical behaviors, and still feel good about ourselves.<br>Dan's research has identified a number of fudge factors and this course will cover four:<br>• Everyone's doing it<br>• and a related factor - Social norms<br>• Self-deception – and<br>• and Conflicts of interest |
| 14 | JOE PAPP: My name is Joe Papp, I was born in Cleveland, Ohio and I was a professional cyclist. I was utterly crazy for cycling, loved it.<br><br>Ok, did you get that? Watch the tire compression.<br><br>I started bike racing my first year of high school.<br><br>MAN: Come on, Joe!<br><br>WOMAN: Come on, Joe!<br><br>JOE PAPP: I competed for the University of Pittsburgh's team when I was an undergraduate there. And then I took two-and-a-half years off to compete for the US National team, all over the world.<br><br>MALE VOICE OVER: And for the sprint for the bronze, (inaudible) in second, and it's Joe Papp.<br><br>JOE PAPP: I had a really successful season, and I went to the Olympic trials, actually. But then the academic year was starting in the fall, and there was a deadline to register for classes, and I felt the need to return to my studies. So I stayed in school through 2000, when I graduated with my undergraduate degree, but couldn't get rid of the bike bug and I went back to cycling. |
| 15 | JOE PAPP: So I start cycling again, full-time, at that point. And I'm not Lance Armstrong, but I had been successful at the professional level for five or six years before that, and when I got back into the races, things were different. Basically, the races were faster.<br><br>There was one race, in particular, that I remember in Massachusetts. It was an event that I would have typically thought that I had a chance of winning, and instead, it took everything I had just to be able to stay in the field. And that had never happened before. I remember crying, feeling like I was a failure, and how could this be? And, you know, it took a couple days to kind of process what had happened, really. And I remember talking to one of my teammates on the phone and I remember him, like, chuckling as if he was in on a joke that I didn't know about. And, that was the point when I learned about doping. |
| 16 | JOE PAPP: My teammate said, you should go see Dr. So-and-so; she'll take care of you. And I met with this doctor and I said, "I'm a cyclist, I can't match the performance of these other athletes." And, so she looked at my blood work and, she said, "Well, yea, we can prescribe you EPO." Which is a drug that is given to cancer patients who are going through chemotherapy, and it basically forces their kidneys to produce more red blood cells. But for an elite endurance athlete, once it manifests itself, it's phenomenal. It's like night and day the change. |

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| | I can tell you exactly how much this drug improved my performance, and it was upwards of twelve to thirteen percent. Which is a gargantuan improvement in a sport that is decided in terms of seconds.<br><br>Not only did I kind of move up a level in the sporting context, but the doping practices increased in their sophistication and, pervasiveness as well. 2006 is when I moved to an Italian team. And I remember many times, the team manager's brother coming to the hotel with a small stainless steel thermos and start parceling out to each rider their own ampule, or their own pre-filled syringe, or their own pills. And then the riders discussing between themselves what they were going to use when, for, how. Everyone was complicit in it. You all have a shared interest in keeping it quiet, and actually supporting one another in it.<br><br>CBS NEWSCASTER VOICE OVER: Professional cyclist, Joseph Papp said he felt he couldn't win without using performance-enhancing drugs because so many others were doping.<br><br>JOE PAPP: I never would have imagined myself doping. But, when you have the mindset, or when you think that everybody else is doing it, or 70% of the other people are doing it, even if you don't know that to be true, it makes it a lot easier to consider what you've done is legitimate. |
| 17 | 'Everyone is doing it' this is one of the most common reasons people lie – it happens in sports, schools companies.<br><br>When you feel like everyone around you is breaking the rules, it's very difficult to go against the current.<br><br>Joe's story has the added issue of authority figures. Joe's performance enhancing drug use was facilitated by a professional doctor. This was not some shady corner deal and in reality — though we didn't have time to include it in the film — his insurance covered it. There was a legitimization from the outside that made it seems ok.<br><br>When a person with authority fudges, it can have greater impact and can be seen as an accepted behavior. This is a really important lesson for leaders and managers to remember. |
| 18 | FRANCESCA GINO: In one project, Dan and Shahar Ayal and I decided to look at what's the influence of other's unethical behavior on our own decisions to cheat. So we designed an experiment with different types of conditions.<br><br>DAN ARIELY: So, imagine the same experiment I described to you before, but with one main difference—we hired an acting student, and thirty seconds into the experiment, he raised his hand.<br><br>MALE ACTING STUDENT: Yea, I got all of them. Can I...what do I do?<br><br>DAN ARIELY: - and they say, "I solved everything, what do I do next?"<br><br>EXPERIMENTER: Sure come up here. |

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| | DAN ARIELY: Now, this is thirty seconds into the experiment, you are still on question number 1. There is no question in your mind that that person's cheating and the experimenter said, "You finished everything, you are free to go."<br><br>EXPERIMENTER: Here you go. Thanks very much.<br><br>DAN ARIELY: And you see that person taking all the amount of money, and going home. What would happen to your own morality? Well, lots more people cheat. But there could be two explanations here. One explanation is, we just proved to people that in this experiment there's no downside for cheating. The second possibility is that it's not about the fact that they wouldn't catch you; it's about the fact that it's actually socially ok.<br><br>EXPERIMENTER: Thank you for participating<br><br>STUDENT: Thank you.<br><br>FRANCESCA GINO: And so we decided to study this by looking at whether the person cheating is somebody like us—somebody we feel similar to—or somebody who is very different from us.<br><br>DAN ARIELY: We ran this experiment at Carnegie Mellon. Everybody was a Carnegie Mellon student. The acting student was a Carnegie Mellon student, but we dressed the acting student in a University of Pittsburgh sweatshirt. Now, what happens if you're a University of Carnegie Mellon student, and the Pittsburgh student cheats?<br><br>You still know that you can get away with it, here's the proof that somebody goes home with all the money. But you don't think that people like you are doing it. And what happens now? Cheating goes down. So it's not about the probability of being caught, it's about the question of what is socially acceptable in our circle. |
| 19 | This experiment shows that when cheating is viewed as acceptable - like a social norm - it can be contagious.<br><br>But this experiment also shows that social norms can make a difference by discouraging unethical behaviors.<br><br>How you see yourself and what you understand to be acceptable and appropriate in your "group" – whether it's an engagement or project team, or your office or your firm - can make a difference. |
| 20 | Believing that it is acceptable for us to fudge a little bit because others are doing it is not uncommon. We might, for example, find ourselves speeding because we're 'just keeping up with traffic' and 'everyone's doing it.' But the rationalization that everyone's doing it or the assumption that you should go along because that is the norm can be a problem on the road, as well as, in the workplace.<br><br>At the same time, social norms can be positive forces and can empower us to make more ethical decisions. |
| 21 | We all play a role in shaping KPMG's culture and contributing to our social norms. When we lean into our Values, we establish social norms that support ethical decision-making and make KPMG's culture stronger. |

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| | One of the things that makes culture change hard is that it depends on each of us to do our part in improving social norms. Individually and as a firm, we sometimes face tensions between who we aspire to be and our everyday actions and decisions, which creates a 'say/do' gap.<br><br>At KPMG, we acknowledge the 'say/do' gap and are actively trying to narrow it. We need your help to elevate and improve positive social norms across the firm. Consider these strategies for creating and rewarding positive social norms.<br><br>Create positive social norms by:<br><br>•Sharing stories of the KPMG Values in Action or when KPMG Values were put to the test<br><br>•Sharing a personal improvement goal with your team, and asking them for relevant feedback at regular intervals in order to hold yourself accountable<br><br>•Articulating clear expectations and role modeling clear behaviors in areas where team members may experience pressure points<br><br>•Establishing a practice on conference calls that intentionally invites team members to challenge the status quo and introduce new perspectives<br><br>Reward positive social norms by:<br><br>•Including goals in your performance development plan<br><br>•Sending Values-based eCards in Encore to recognize colleagues for exemplifying the firm's Values<br><br>•Creating an informal recognition program to reward team members for Heads Up Thinking or ethical decision-making |
| 23 | DAN ARIELY: There's another version of the Fudge factor in which we convince ourselves of all kinds of things that are not perfectly true. For example, the vast majority of people believe that they are better drivers than the average. The vast majority of people believe that they have less chance of dying from a heart attack and cancer, and all kinds of things. We have these over-optimistic beliefs about ourselves, and we convince ourselves that this is actually the truth.<br><br>TALI SHAROT: Self-deception starts off as, we know we are lying to our self, or we are aware that we are engaging in rationalization, for example. And after a while, we just believe what it is that we're telling ourselves. So that is basically the optimism bias, and we see it in eighty percent of the population. Self-deception has both positive and negative consequences. I think, on average, the positive must have outweighed the negative for us to evolve to be able to self-deceive and do it quite a lot.<br><br>MIKE NORTON: So we have people take this test. And some people don't have the answers and we see how well they do. And these are hard questions, so they don't do very well. Other people, we give them the test, and we give them the answers at the bottom. We say, "Check them if you want. Up to you." They do terrific on the test, but we give them another test. So we say, "Here's some new questions, and by the way, there's |

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| | no answers at the bottom this time. How well do you think you're going to do?" And they don't correct at all. They just think that they're amazing test takers now. And we can even pay them, we say, "Look, if you guess how many you're going to get right, we'll give you a lot of money." No change at all. They just believe, they've deceived themselves into thinking, "I'm the greatest trivia test taker in the world." And we can't get them to stop doing it. This process of deceiving ourselves is so strong, and it happens to us so quickly, where we have a twinge of, "Maybe I cheated," and then, "No I didn't, I'm a genius." And then, "I'm a genius for the rest of my life." It's so powerful and so strong in us, this impulse. |
| 25 | MARILEE JONES: I can tell immediately when someone's not being honest with me. It made me an excellent admissions officer.<br><br>I expelled one person because he had somebody else take all of his SATs for him. And, it was pretty clear that that was true because he couldn't pass anything. What I see happening in the world is that children are more and more being encouraged to be something other than who they truly are. You know, in the college admissions process, this is definitely a big offender here. So, when I'd first applied for the job at MIT, I wrote down that I'd gone to this other school, where I was actually taking classes, instead of my college. I was taking classes at RPI in Troy, and I just sort of morphed that into, "Oh, I went there for undergraduate school," right? I just sort of morphed it.<br><br>I felt that at a place like MIT they wouldn't accept me if I'd come from a Catholic girls school. I kept getting promoted. And I got a call from someone from the American Academy of Pediatrics; would I join him in writing a book? Yea, absolutely. |
| 26 | MARILEE JONES: And I was on television, I was on the radio, I was in the newspapers, I was a lot of places.<br><br>I want us to start another revolution tonight, because I want us to be able to give our childhood back to our children.<br><br>Often, people, they will get a bio, and they'll introduce you a certain way. And you know, some people think I have a Masters, some people think a PhD, some people this, some people that, and, you know, whatever. You know, I thought for me it was just, "Ok, well they're doing what they're saying, what they're saying, I don't care. Here I am." They frequently called me Doctor, 'cause it's just how it was.<br><br>It seems that, you know, someone had said, "Oh, she was passing herself as a PhD." Well, then things began to unravel pretty hard.<br><br>BRIAN WILLIAMS: Marilee Jones resigned today as Dean of Admissions at MIT after twenty-eight years at that prestigious school. In a statement today she said, "I am deeply sorry for disappointing so many in the MIT community and beyond."<br><br>MARILEE JONES: I wasn't allowed to see any of my staff members. I was like a persona non grata on campus. And I kept thinking, "This is me." I kept saying to people, "It's me. It's me. You've known me for years, I'm the same person." And, you know, suddenly I was on the other side of the wall.<br><br>"What just happened to me? Who am I?"<br><br>It sent me right down, right down deep, where I had never really been. |

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| 27 | It's really important to know that Marilee Jones did great work as Director of Admissions at MIT. She was passionate about her job and in particular about encouraging high school students to be more true to who they really are in the college application process. And yet it was Marilee Jones herself who lied on her resume. She had a huge blind spot when it came to herself.<br><br>Marilee Jones says she wasn't aware that she was lying. She had gradually built up her story so that she felt it was true, which is what makes self-deception so difficult – we're not aware of it. We see it and can criticize it in others – we notice when other people inflate their resumes and credentials - but we don't often see it when we do it ourselves.<br><br>This is one of the most difficult factors to address.<br><br>It points to the importance of strategies to help us make better ethical decisions. In the case of self-deception, leveraging community and communication are key. They help to create checks and balances and environments that encourage people to question each other's and managers' behavior(s) constructively. |
| 28 | Self-deception can happen to the best of us. We might, for example, find ourselves believing we are better drivers than we actually are simply because we have not gotten into an accident. And self-deception can be a problem in the workplace. |
| 29 | Inviting feedback and constructive challenge from your community and engaging in candid communication with your colleagues can be effective strategies for leveraging heads up thinking and making more ethical decisions.<br>Examples of these strategies in action may include:<br>• Inviting team members to actively challenge you if they hear any rationalizations for making unethical decisions<br>• Reflecting on your words and tone as you send an email, treating others with respect and exercising empathy<br>• Sharing credit for any project that goes well and taking responsibility for any projects that do not |
| 31 | DAN ARIELY: On the computer screen, you will see a square, and it will be divided into two, there will be a right half, and a left half. We are going to flash some dots in this square, just for half a second.<br><br>MIKE NORTON: Your task, if you are a participant in the experiment, is just to tell me which side of the line has more dots. And it's usually pretty obvious which side—there's like a lot here and not very many here.<br><br>DAN ARIELY: Now there's one more thing, we're not going to pay you the same amount for the right and for the left. But, regardless of the amount, your task is to basically be as accurate and truthful as possible. Ready? Go!<br><br>DAN VOICE OVER: The dot task is a basic experiment in conflicts of interest. Very, very few people start by lying egregiously. But if the dots are kind of similar, just slightly more to the left, they would say right.<br><br>MIKE NORTON: Almost any moral conflict you can think of as, there's a line and you have to decide whether you are going to cross it or not. You kinda want to go to the other side, and you kinda know what the right side is. Maybe I'll go to the other side sometimes. |

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| 32 | TIM DONAGHY: My name is Tim Donaghy. I grew up in Havertown, Pennsylvania. My father was a college basketball official and because of that, and because of my love of sports, you know, I followed in his footsteps and pursued a career as an NBA basketball referee.<br><br>The NBA is a much different game, if you will, from high school and college, even though a lot of the rules are written the same, they're not enforced the same. I started to referee you know, based on the rules and how they're written in the rulebook.<br><br>NBA ANNOUNCER: Tim Donaghy, the rookie official, is calling it very tight here in the early going. A lot of offensive fouls and picks. So, they're calling it by the rulebook.<br><br>TIM DONAGHY: Unfortunately, I saw some people that were moving up a little bit quicker than me. I learned from the veterans that there's a certain craft and a certain way that you have to do things in order to advance. And, you know, they'll tell you—certain players are given the benefit of maybe traveling with the basketball, rather than other players. Certain players are getting the benefit of not having that critical foul called on them that would send them to the bench.<br><br>NBA ANNOUNCER: Rubio, gets a look, good if it goes!<br><br>ANOTHER ANNOUNCER: Oh my gosh, that's just a horrible call by Jason Phillips who did not have the courage to call that against Kobe Bryant. Just an awful no call.<br><br>TIM DONAGHY: It's probably about 50-50 when you look at calls that are enforced by the rulebook, and then calls that are made or not made based on star treatment, pressure from coaches at certain times.<br><br>REPORTER: What changed those last few minutes for you?<br><br>NBA COACH: The guys with the whistles.<br><br>TIM DONAGHY: I've never had conversations with the Commissioner about what to call on a game and what not to call on a game. But from the operations department they clearly dictate, through video, through emails, through meetings, what they want called and what they don't want called. And it always seems to revolve around the star players, or the big market teams. Kobe Bryant's a star in this league. He puts a lot of people in the stands, he sells a lot of sneakers and he sells a lot of jerseys. And the fans pay an enormous amount of money to sit in those courtside seats, and they want those types of players on the floor, that's who they came to see. Bottom line is, it's more of a form of entertainment than an actual athletic competition. |
| 33 | TIM DONAGHY: I don't think the officials feel that they're not doing something that's not right, because in their minds, they're being told what to do from the league office. And if they're going to continue to advance and get those big playoff bonus checks, you're going to do what the league wants.<br><br>NBA ANNOUNCER: And Reggie Miller, who has a ninety percent…<br><br>TIM DONAGHY: Being an NBA referee and being involved in the planning of how the game was going to be called that night, I knew certain teams were going to be at an advantage or a disadvantage. And it was just a situation where I crossed a line that I shouldn't have |

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| | been near. I'll never forget when the first situation arose. A friend of mine was looking at the lines in the NBA games and he just asked me to help him pick some winners. And I remember I was looking at the master schedule of referees that night, and I knew who was refereeing certain games and I picked some games for him, and the games did very well. And he called me the next day and, you know, we just had a frank conversation.<br><br>I knew a certain line was way off or I knew a certain referee was, you know, going to give special treatment to a certain owner, team, or individual player so I passed that information along to my buddy. And he was kind of shocked that I could predict the outcome of a game. We would discuss certain games that we both liked and because of my contract with the NBA, I wasn't allowed to place a bet of any kind. So he would contact the bookies and put everything under his name for both of us. It got to the point where we were gambling probably three or four games a week in the NBA. As time went on, I started to feel guilty about doing it and, you know, basically I wanted to stop. What I didn't realize is my good friend was passing this information along to people that were associated with organized crime.<br><br>And they were basically betting an enormous amount of money based on the information that I was giving him. They picked me up outside a hotel in Philadelphia, and basically took me for a ride in the car and made it known that they had been getting that information and picks were gonna continue to come. And if not, somebody would visit my wife and kids down in Florida. So my quick thoughts were to play ball with them a little bit and hopefully at the end of this coming season, they would release me from their grips and make enough money to where, you know, we could all just wash our hands of this and be done with it and never do it again. And I could continue to keep my job and just move in a different direction.<br><br>NBA ANNOUNCER: The San Antonio Spurs are NBA world champions.<br><br>TIM DONAGHY: What happens is, is the season ends, I'm back home in Sarasota, Florida, getting ready to play golf. And I get a call from a friend of mine who tells me that the FBI has been knocking on a lot of people's doors, and that the whole scheme was discovered over a Gambino wiretap. And that they were asking a lot of questions.<br><br>ARCHIVAL NEWS REPORTER: Today former NBA referee Tim Donaghy is expected to plead guilty in federal court in connection with allegations that he bet on games in which he officiated. |
| 35 | For a long time, the working title for our film was SLIPPERY SLOPES because that was the process that was so common to the many the people we interviewed in our research for the film. They started by lying a little bit and then they fell further and further down.<br><br>Tim says he started out by wanting to do the right thing but he also talks about how he felt the rules of the game weren't being consistently applied. Poor decision making all around him helped justify subsequent misbehaviors along the way.<br><br>Tim's story is extreme – it devolved over a long period and ended up with the mob. Most work place scenarios do not spiral out of control to such an extent, but there are issues around erosion of trust, contagion amongst teams with regards to bad behavior, and these can become damaging and have terrible consequences. |

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| 37 | Reminders of honesty and living KPMG's Values in the moment can be an effective strategy to leverage Heads Up Thinking and make more ethical decisions.<br><br>Reminders might include: Kicking off meetings with a discussion on how participants have lived our Values or have worked through difficult ethical dilemmas, and an invitation to put our Values to work during the course of the meeting.<br><br>Reviewing and applying KPMG's Ethical Decision-Making (EDM) tool when you are thinking through ethical dilemmas.<br><br>Committing our five Values to memory or saving the document "Our Values Explained" to your desktop so that you have the Values at hand when making decisions.<br><br>Setting or resetting clear intentions and expectations with your team, especially around likely pressure points, at the launch of an engagement or project.<br><br>Recognizing others in the moment, and in front of others, for making good decisions and for living our Values in both big and small ways. Or in other words, 'Spot the Walk'.<br><br>We will dive deeper into the research behind reminders in the next module. |
| 38 | NINA MAZAR: Many of the experiments that we've conducted are about trying to find ways to curb dishonesty.<br><br>DAN ARIELY: We went to UCLA and we asked about five hundred undergrads to try and recall the Ten Commandments.<br><br>NINA MAZAR: We asked people to write down as many of the Ten Commandments as they could remember. And then we put them in a situation where they could cheat with the matrix task.<br><br>DAN ARIELY: How many of them do you think recalled all Ten Commandments? Zero, that's right. By the way, they invented lots of interesting ones. What happened after people tried to recall the Ten Commandments, even if they were unsuccessful? Nobody cheated. It wasn't as if the people who remembered more commandments, the people who are presumably more religious, cheated less and the people who remembered almost none of them cheated more. Nobody cheated.<br><br>NINA MAZAR: It didn't matter what religion the participants had. You know what the Ten Commandments are about. They are about a moral code, they are about proper behavior, and just knowing that and being reminded of that decreases dishonesty.<br><br>DAN ARIELY: In fact, even when we take self-declared atheists and asked them to swear on the Bible they stopped cheating. It is not about heaven and hell and being caught, it's about reminding ourselves about our own moral fiber.<br><br>We found this result to be very promising. But we wanted to test it in a non-religious context, so we went to MIT and we did a similar experiment with Honor Codes.<br><br>So, we got students at MIT to sign the Honor Code: "I understand that this short study falls under the MIT Honor Code." They did it, shredded the piece of paper, what happened? No cheating whatsoever. And no cheating whatsoever despite the fact that MIT doesn't have an Honor Code. Then we replicated the experiment at Princeton. Princeton has a very strong honor code. In fact, the freshmen get the whole week of a crash course on morality. Lectures, discussion, the acapella group has a song on the honor code.<br><br>It's an awful song, by the way. But they- they have it. So we took the Princeton students signing the honor code and not signing the honor code, the MIT students signing the honor code and not. Was there any difference? No. When they did not sign the honor code, they both cheated to the same level. When they signed the honor code, none of them cheated. And I think this is kind of a mixture of good news and bad |

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| | news. The bad news is the crash course on morality, particularly the Princeton version, doesn't seem to have any effect two weeks down the road. The good news is that even without the crash course, reminding people about their own moral fiber does change how people behave. |
| 39 | Dan's research suggests there are many strategies we can try to disrupt dishonesty and empower ourselves to make more ethical decisions.<br><br>How can we use the concept of reminders to overcome challenges to our decision making?<br><br>How can we take advantage of communication and our teams and communities to help us avoid self-deception?<br><br>How can we reward ethical behavior in order to advance positive social norms?<br><br>And ultimately, how can we all create positive social norms to encourage virtuous ethical cycles and avoid slippery slopes that can lead us to make unethical decisions? |
| 40 | Now that you're aware of the fudge factors and the many circumstances that can take us off course, you will probably be very conscious of your behaviors in the short term. The challenge is how to keep reminding ourselves to uphold the values we believe in over time.<br><br>Thanks for the opportunity to share our research and stories with you. |
| 41 | Ensuring that our Values are reflected in your day-to-day decisions and actions is at the core of living with Integrity. Now that you understand some of the rationalizations that can get in the way of ethical decision-making and Heads Up Thinking, it is time to commit to making a change.<br><br>Consider how you will implement the strategies discussed in this course. The goal is to recognize our human tendencies to rationalize dishonesty so you feel empowered to recognize and disrupt unethical decision-making. We hope this understanding of human behavior will empower you to walk the talk in living our Values.<br><br>We challenge you to make at least one commitment to improve your decision-making and make a positive contribution to our culture and Values. This will help to ensure that the skills and knowledge you've gained in this course are put to good use in the future. |
| 42 | Congratulations! You have successfully completed this course. Select Exit to save and bookmark your progress and close this window. You will now need to return to Focus to launch the course exam and pass with a score of 70% or more in order to meet the firm’s completion requirement. |