

Testimony of
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Chairman Watt, Ranking Member Miller, and members of the Subcommittee, it is a great honor for me to be here this afternoon to share with you some of the work which we have done over the past five years at the Phoenix Foundation, especially as it relates to diversity training.

1. The Phoenix Foundation ("Foundation") – The Foundation is a twenty-year old private, non-profit operating foundation, endowed to pursue social science research and testing in bold initiatives pointing to progressive social change. Over the years it has worked with various levels of government, as well as a wide range of public entities including secondary schools, colleges and graduate schools in fashioning tools for the educational empowerment of citizens of all ages.

Among the Foundation's recent initiatives is the creation of an interactive, values-based leadership training program. It is (1) designed with the help of consultants from Wharton, Princeton and Bowdoin College, (2) being tested with participants in teams of diversity, e.g., racial, gender, age, cultural and experiential and (3) taught in a versatile curriculum that includes corporate ethics, diversity and financial literacy. I am happy to report that the program is meeting with overwhelming acceptance and success in our expanding number of venues in New England.

2. Synergethics – "Synergethics" is the name of the pedagogy developed by the Foundation to teach ethical leadership to teams of diversity. The name "synergethics" was chosen because it highlights our efforts to introduce synergy into ethical, or

values-based, decision making. It is a highly interactive, values-based pedagogy. Its success lies in the measurable extent to which it engages the participants' values, passion, commitment and creativity.

3. The Synergetics Model rests on three pillars, each eliciting participant engagement and encouraging participant investment:
 - a) Emotional investment requires participants to leave their "comfort zone" in order to embark on a voyage of collaborative decision-making.
 - b) Intellectual investment encourages participants to identify and share those personal values helpful in tackling ethical dilemmas presented in the seminar.
 - c) Behavioral investment calls the participants to a role play in a corporate/community context where ethics and expediency often intersect. The key to a successful role play is trust, full participation, effective team leadership and collaboration.

4. Response to the Program - We have been astonished by the success of the program as participants embrace values-based leadership. Regardless of the venue, it has been the participants' energy, encouragement and insight that have continuously propelled us on this journey. We were struck when one college senior campus leader reported to us, "...I kept on thinking throughout the seminar, "When I am successful, I want to take the time to share these same ideas with those young people who follow me."...

In response to the enthusiastic acceptance of the program by the participants over the past five years, the Foundation has increased its investment in the exploration of multicultural diversity training. To this end, our work continually reminds us that innovation is most often the product of properly trained and creatively engaged teams of diversity. We continue to find that the more diverse the team, the more creative their outcomes. These teams of diversity, properly trained, encourage a cross fertilization of ideas and an open sharing of knowledge, a conclusion independently verified in a series of experiments at Tufts University¹.

5. Typical Case Study - I include a typical case study and its varied resolutions by differing teams to underscore the importance of inclusive training as a platform for any diversity program. Attached as Exhibit A is the written version of "Special Store Managers"; the teaching team will sometimes add "facts" as the role play progresses, e.g. failures in retention have depleted the pool from which minority candidates may be drawn for promotion to more desirable assignments, etc.

The salient tensions in the case are:

- a) Profit maximization vs. even-handed diversity management;
- b) Bottom line thinking vs. stakeholder interests in the community;

¹ Sommers, S. R. (2006). On racial diversity and group decision-making: Identifying multiple effects of racial composition on jury deliberations. *Journal of Personality and Social Psychology*, 90, 597-612.

- c) Illegal discrimination vs. micro-unfairness of tacit discrimination, i.e. behavior that is not legally actionable; and,
- d) Recruitment vs. retention of minority employees.

Teaching teams have offered this case study in several different venues; e.g. (i) only gender diversity; (ii) gender and racial diversity; and, (iii) gender, racial and cultural diversity.

Over the years, we note the consensus resolution of this case study (and others like it) has clearly been dependent upon the diversity of the group and has ranged from exclusively economic outcomes to broader resolutions marking a deeper inclusivity within the corporation:

- a) One group, composed of coed white participants, adopted an orthodox economic approach. Here, the group favored a “bridge” bonus attached to the management of inner city stores, which might go part of the way in bridging the gap between high bonuses earned by managers of the upscale stores and the lower bonuses coming from stores in the inner city and minority neighborhoods. However, the bridge bonus, as proposed, would raise the level of compensation of the inner city and minority managers only on the condition that it not reduce the compensation of other managers. The consensus also vocalized a warning that failure to agree on the amount of such a bridge bonus might result in the closing of the less profitable stores, i.e., generally the stores in inner city and minority areas.
- b) In other sessions in which race was an element of team diversity, there was far more discussion of the impact of these stores on the economy of the surrounding

community. Here the analysis highlighted the unique role of Hispanic store managers in Hispanic neighborhoods, concerns over the health of the community as well as the narrowing of options available to the community should the stores close. The consensus focused on doing what was fair to the community as well as to the employees, especially those who were on the verge of promotion to district management. Consensus in this situation frequently pointed to rotational management designed to keep the employees motivated and the stores open.

- c) The most notable outcomes of all occurred in seminar sessions that included teams of both racial and gender as well as cultural diversity, i.e. with young adults raised in a foreign culture. The presence of this added layer of diversity stimulated the other participants to venture beyond conventional thought, leading the teams to collaborative decisions that honored personal values while advancing the interests of the corporation in new directions.

- 5. Conclusion – Properly understood, diversity should be viewed, not as an impediment, but rather an essential ingredient for organizational understanding and growth. In developing the Synergethics Model over the past five years, we at the Phoenix Foundation have learned that eliminating covert discrimination is difficult. However, when groups of individuals begin to truly understand each other and become emotionally and behaviorally

invested in the outcome, the power of diversity is unleashed.² Our experience suggests that this movement only happens when facilitated by a values-based leadership that respects the dignity, while engaging the commitment, of all.

Our five years of developing and testing the Synergethics Model lead us to conclude that:

- Institutional cultures of inclusion, respect and trust create an environment necessary for the collaborative problem solving that is the heart of teamwork and the soul of innovation.³
- Engaging the passion, commitment and creativity of team members is the critical prerequisite for empowering and leading teams of diversity.

We find increasing evidence that institutions embracing this model of leadership will uncover unforeseen opportunities for innovation in both local and global economies.

² It is our experience that a closely integrated mentoring program can both broaden the perspectives and expand the attitudes necessary for such an outcome.

³ Several years ago the European Commission reached a similar conclusion. European Commission (2005), The Business Case For Diversity, Good Practices in the Workplace, 7-8, 20-25.