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Hush Hush

Have instructions from the powers that be ever threatened your ethical integrity? By Sheryl Nance-Nash

It's starting to look a lot like the Wild, Wild West—the trouble is, it's actually corporate America.

With so many scandals, cheating and stealing, it's hard to tell the difference. The outlandish deeds of the few have unleashed reverberations so severe that they threaten to unravel the fabric that holds this nation together.

Greed and the lust for power weren't born yesterday. It would seem, though, that some of today's companies have carried those traits to new levels. "We've gotten greedier. Having wealth is more important than how it was obtained," says Anthony Paradiso, author of *The Management Mind Field: Avoiding the Pitfalls of Corporate Politics*. Then, too, with global competition, it's gotten a lot tougher to stay on top.

"Increased competition leads to a mindset where people mistakenly believe they have to compromise to succeed, that they have to shave corners, bend rules," says John Di Frances, managing partner of Di Frances & Associates consulting firm in Wales, Wis., and author of *Reclaiming the Ethical High Ground: Developing Organizations of Character*.

Quite frankly, the temptation can be just too much. The bull run of the 1990s led to irrational exuberance. "It was easy to keep going. It's like when you're drinking. It feels good, you know you should stop, but you don't until you're too far gone. To overcome temptation requires strength of character," says Dan Wueste, interim director of the Robert J. Rutland Center for Ethics at Clemson University in Clemson, SC.

Are the powers that be up to the moral challenge? "Mostly they are; it's just that some high-profile companies and individuals mired in scandals lost their footing," says Dov Seidman, CEO of Los Angeles-based LRN (Legal Knowledge Company), which helps many of the country's largest companies

teach their employees legal and ethical basics.

The statistics, however, would seem to say otherwise. According to a recent *CFO Magazine* survey of 141 CFOs of companies with revenues of more than \$1 billion, one-out-of-every-six respondents said he/she was pressured to mask the financial condition of the firm. About 17 percent of those interviewed said their CEOs pressed them to misrepresent results at least once in the past five years, and about 5 percent of the CFOs surveyed said they had violated Generally Accepted Accounting Principles in that time.

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Ethics in crisis Chances are, then, that employees, especially those in the financial services industry, at some point during their careers may find themselves in the position of being asked by a superior to carry out a task that is uncomfortably out of whack with their values. It's quite a dilemma: It takes guts to stand up like courageous whistleblowers Sherron Watkins at Enron and Cynthia Cooper at WorldCom. But buck the system and you could very well lose your job. The decision can be tougher when there's a family to support.

David Lee, senior consultant for Personnel Decisions International (PDI) in Minneapolis, offers a few questions, as outlined in PDI's *Successful Executive's Handbook*, to help settle the dilemma:

- What consequences will my decision have in the short term and the long term?
- Is the situation harmful or dangerous to others?
- If someone else came to me with this problem, what advice would I offer?
- How does this decision measure up against my personal standards and the organization's values?
- Are my needs, the needs of those I report to, or the needs of those I advise, preventing me from seeing the full problem?

Once you've decided on a course of action, ask yourself, "Will I be proud of my decision a year from now?" and "Am I able to look in the mirror and say that I am comfortable with this action? Would my family be comfortable with my actions if they were told about the situation or if it were reported in the media?"

Seek guidance from ethical and spiritual mentors. Consult with people in your organization who are known for making principled decisions during difficult times. Identify people from other organizations who have faced similar situations and ask them how they handled the problem.

Realize too, says Seidman, what you might jeopardize if you stay. You could have a false sense of security. You think that winking and looking the other way makes you a team player. Well, the whole team may be on its way down. Big firms have already exploded.

Furthermore, advises Tom Johnson, president of human resources and ethics awareness consulting firm Johnson Mallory Global in Charlotte, NC, know the company policy and legal constraints on the topic you are working on. "Although the accounting profession has a maze of laws and regulations, with more added

recently, it is the responsibility of accounting professionals to know what they are, or to at least have them close at hand," he says. Know the company code of ethics policy. Memorize a response that you can use that raises the issue in a non-confrontational manner. This could be as simple as, "I believe that shredding these documents would violate SEC regulations. Why don't we check with the Ethics Committee before we do it?" Johnson explains.

You also can band together with other employees. If you're right, it may not be hard to find others who agree. There's power and possibly safety in numbers. "As an accounting professional, the most valuable asset you have is your own personal integrity," says Johnson.

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Calm the storm So what can change the current corporate climate? For one thing, corporate boards need to wake up. "They have to provide the kind of oversight that is necessary to keep companies on the ethical track. They have to ask the right questions at the right time," says Di Frances.

Surprisingly, while experts think new laws and regulations will help calm the storm, they don't believe they'll make the problem disappear. Clearly, say some experts, the notion of doing the right thing has to start from the top. "The CEO must also be the chief ethical officer. He or she must communicate and live ethics. Doing so can be as simple as questioning discussions in executive-level meetings and asking whether the decision is in keeping with the company's ethics. Just raising the subject will perk everyone's attention. Top managers are likely to mimic the CEO, asking such questions in their meetings. This kind of thinking will trickle down until it becomes a part of the culture," Di Frances explains.

The company's code of ethics should be in writing and available to all employees. "When there's something in writing, an employee can say that what's being asked of them is in conflict with the company's stated policy," Di Frances adds. "It's better to lose a key person than to invite disaster in the marketplace. The company must think of the big picture."

Then, too, it's going to take a change in mindset. Companies will have to see that good ethics is good economics, Paradiso points out.

According to Marc Drizin, employee loyalty and ethics specialist at Walker Information in Indianapolis, research from a longitudinal study conducted between 1999 and 2001 shows that 1-in-11 employees quit their job because of the company's ethical environment. And even those who remained and are unhappy with the company's ethical practices will not act in ways that will benefit the company. In fact, these employees are the ones most likely to leak an ethical issue to the press.

"A company has to realize that it's worth more in the marketplace if it has a good reputation and is regarded as honest," says Seidman.

The reward system must be based on merit, not politics. Those who bend the rules and play the games should not be first in line for promotion. Companies likely will discover that, when there's less time spent on politics, productivity, morale and even profits climb.

If the time was ever ripe for change, it's now. Visibility on the issue is high; the powers that be are on the hot seat; the media is watching, as are average

investors. The current scandals are unique in that they have impacted a broad segment of society through everything from job losses to declining values in retirement funds.

The pressure for change is great. As Paradiso warns: "If we stay this course and ethics continue to deteriorate, this most powerful country will lose its leadership position. I don't see us going down like this." □

Moral Screening

If you think job applicants won't lie, think again. It's not unusual for more than 10 percent of applicants screened to have criminal records, and for around 30 to 40 percent of information screened to be verified as false.

A study by the Society for Human Resource Management in Alexandria, Va. showed that job candidates will lie about all sorts of things, including length of employment, past salaries, criminal records, former titles, former employers, driving records, degrees, credit, Social Security Numbers, or schools attended.

Doing background checks really isn't optional any more. These days, unprecedented vetting of candidates for top positions is common. According to a recent report in the *New York Times*, public companies are hiring accounting, security and investigative firms to look over court documents, search federal databases and interview long-lost college girlfriends, ex-husbands and former employers.

Hiring mistakes can be costly. Hire someone who is mentally unstable and harms other employees, and the company could be held responsible. Or get a bad egg that really spoils the culture, and the company risks losing other talent that's hard to replace. That damage can be significant.

Start with the end in mind, advises Gary Schneider, a spokesperson for American Background Information Services in Winchester, Va. "What do you want to accomplish with screening? Some screen because of their liability of employees interacting with the public, or some may have the goal of hiring the right people so that they can protect the corporate culture. Figure out what's most important first. What's the goal?" asks Schneider.

What's involved in a good background check? Much depends on the position, the industry and other such variables. But generally, says Jason Morris, president and CEO of BackGround Information Services in Beechwood, Ohio, you want an accurate Social Security Number, credit reports, a list of past addresses, verification of current and former employers over the last seven years, education history, professional licenses, driver's records and reference interviews.

While a lot of companies are still handling pre-employment background checks themselves, the trend is veering toward outsourcing, "We take the liability away from you; we have the

expertise and experience," says Morris. "When companies decide to purchase land, buildings, computers, etc., they do an extraordinary amount of due diligence. However, companies fail to do the due diligence where they are most vulnerable—their employees," he says.

Choose your provider with care, however. "Look for someone who will sit with you and discuss your industry, your business and past issues, and someone who grasps what you want to achieve. They should be able to advise you on what's most appropriate for your business," says Schneider.

Look at the money you spend as an investment. The cost of a background check depends on how many areas you need to research, but \$50-\$75 is typical. The sophisticated investigation necessary for perhaps a CEO or CFO can run much higher. "Companies sometimes make the mistake of limiting how many counties they search. Then they run the risk of missing critical information," says Morris.

Despite all the checking, people do slip through the cracks. For one thing, previous employers often are reluctant for legal reasons to give out any information regarding why the former employee is no longer with the organization. Secondly, says Morris, "It's a fact of life that background checking is not a perfect science. There is no 100-percent guaranteed way to screen someone, but using our methods will give you the most accurate perspective available."

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