

# Ethics & Leadership: More Than Slogans & Sayings

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COMPLIANCE & ETHICS INSTITUTE  
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## You might have an ethical problem if . . .

- You spent 70 days in a Hawaii hotel at taxpayers expense because your home in New Orleans was destroyed by a hurricane, but you never had a home in New Orleans.
- You collected \$3 million from the State of California for running bogus child care centers while you were in prison.
- You persuaded co-workers nationwide to donate 1,000 hours of their own paid vacation so you could take time off for fictitious cancer treatments.

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## You might have an ethical problem if . . .

- You received \$1.4 million in overtime pay during a 17-year period while claiming to have worked 90 hours a week, 52 weeks a year.
- Your retail store advertised one price on the shelves, but charged more at the register – a total of at least \$1.7 million more.
- As a church treasurer, you embezzled \$515,000 from the church by writing checks to yourself.

Would you commit a felony to pay for needed surgery for your child?

Would you commit a felony to pay for needed surgery for your spouse?

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## Key Takeaways

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1. How well did I live up to my values today?
2. What did I learn today that I didn't know yesterday?

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## Today's Focus

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- A Fraudster's Mindset
- Ethics IQ
- Leader or Pretender

## A Fraudster's Mindset

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“The guy is a con artist. He’s a liar.  
He’s been lying his way through  
most of his adult life.”

~Deputy Prosecutor

## Patrick Oki

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- Managing Partner, CPA Firm
- Certified Public Accountant & Certified Fraud Examiner
- Charges: theft, forgery, money laundering, and using a computer in the commission of a crime
- Amount of theft: \$440,000



## Patrick Oki

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“I’m sorry for what I did. I regret for making bad choices. If I should have -- if I could have handled things differently, I would have.”

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## “Mr. Smith,” A Convicted Felon

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“It’s a gold mine!”

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## “Mr. Smith Goes To Washington”

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- Electrical engineer
- Owner of Miami nightclub
- No experience or training in health care services
- Became a Medicare provider over the telephone

## “Mr. Smith Goes To Washington”

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- Primary business: provide nutritional milk to elderly
- Billed and paid an average of \$200,000 a month (one month over \$500,000)
- Received approximately \$32 million in fraudulent payments

## A Fraudster's Mindset

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- The need to conquer and show superiority
- Opportunistic
- Visible though not approachable

## A Fraudster's Mindset

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- Pathological liars
- Double standards
- Patterns of behavior

## Challenges We Face

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- Personalities
- Face Value
- Avoid Conflict

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## Ethics IQ

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## Ethical Dilemma

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## Ethics IQ

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1. I am always ethical.
2. I am mostly ethical.
3. I am somewhat ethical.
4. I am seldom ethical.
5. I am never ethical.

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## Unwilling to Face Reality

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- Everybody else does it, so it must be okay.
- If we don't do it, someone else will.
- This is the way it has always been done.
- It doesn't really hurt anyone.
- It's just a tiny breach of integrity.

## Situational Ethics

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- We do what's most convenient.
- We do what we must to win.
- We do what's right in the moment.

## We do what's most convenient

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\$130 of groceries  
and  
A pack of chewing gum

## We do what we must to win

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### 200 Olympians

1. Performance enhancing drug, no one will find out, no side affects, and win all races next 5 years
2. Performance enhancing drug, win all races next 5 years, then die from side affects, but no one will find out

“In the real world, successful people do what they have to do to win, even if others consider it cheating.”

## We do what's right in the moment

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- 84-year old Alice Christoff – legally blind and cannot walk.
- Ms. Christoff went shopping for new electric wheelchair.
- Came home with: 2 electric wheelchairs, hospital bed, and hydraulic bathroom lift (total cost to Medicare -- \$28,000).

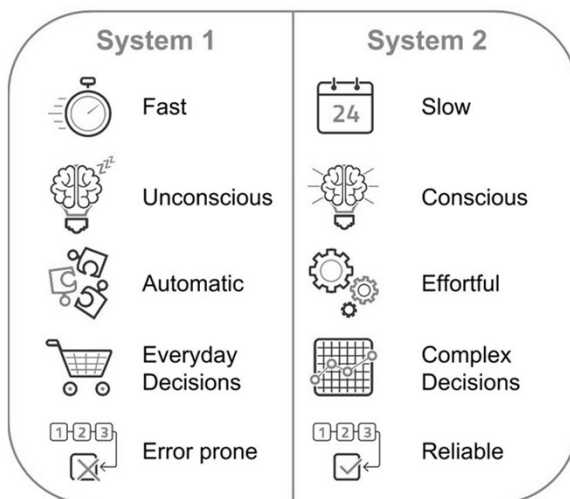




## Addressing Ethical Challenges

- Teach Remedial Ethics
- Ethical Flea Dip
- Rule of Law

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## Making Ethical Decisions

System 1 Thinking

or

System 2 Thinking

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## Ethics IQ

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You needed some help with a frustrating home computer problem, so you place a help-wanted ad on Craigslist. You received dozens of responses, but one stood out from the others. The man wrote an impressive email overflowing with details about how he could fix the issues you faced and why he was the best candidate for the job. You wrote him back and asked what he would charge for his services.

He responded, “You can pay me \$45/hour by check or \$35/hour in cash.

## Ethics IQ

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Your organization’s Audit committee requested an internal audit of executive travel. Your audit staff found that executives were spending \$1,000 to \$1,500 per person on dinner.

How do you handle these results?

## Ethics IQ

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Using data mining techniques, your audit staff learned that the organization's top salesperson approved payments to a relative for over \$200,000, with no supporting reason for the payments.

How do you handle these results?

## Ethics IQ

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You're grading a set of exams for a high school economics class. The school's star quarterback gets a 59, which brings his course average below the acceptable level of 60 that the school requires players must have to play in Friday's important game.

Do you round up his exam to 60, which pushes his course average to the acceptable level so he can play in the game or do you let the 59 stand?

## How Honest are You?



A person walks in your office, hands you a wallet saying it was lying on the street just outside your front door. You look inside the wallet – it contains a business card showing only a name and email address, a shopping list, a key, and **no cash**.

Would you email the apparent owner regarding the wallet?

## Should ethics drive business decisions?



## Martin Shkreli

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“I could have raised it higher and made more profits for our shareholders, which is my primary duty.”

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## Leader or Pretender

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## Public Confidence in Leaders

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- Education
- Financial Institutions
- Organized Religion
- Television
- Military
- Congress
- U.S. Supreme Court
- Press
- Federal Government
- Scientific Community
- Major Corporations
- Medicine

## Leader or Pretender?

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- Retirement of senior federal government official
- Senior executive authorized personnel from across the U.S. to attend the retirement party
- Many traveled on official government orders
- Purpose of trip???

## Leader or Pretender?

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1. Enron's CEO Key Lay
2. Walmart's CEO Lee Scott

## Am I a Leader or a Pretender?

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- Authenticity
- Humility
- Self-Discipline

# All In

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1. Start with Why
2. Share Everything
3. Root for Each Other
4. Establish Accountability

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# Consistency is the Key

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# Power

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## Today's Focus

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## Key Takeaways

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# Final Thought

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“You get what you reward and  
encourage what you allow.”

## Contact Information

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