Why Good People Do Bad Things

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Written articles and consulted on Ethics & Compliance
Definition of *stewardship* in English:

**STEWARDSHIP**

**NOUN**

[mass noun]

The job of supervising or taking care of something, such as an organization or property.

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**STEWARDSHIP**

**MILITARY**

GOD, COUNTRY, CORPS
DUTY & HONOR
LONG TERM
HOW DO I SERVE OTHERS

**MERCENARIES**

SELL SERVICES TO THE HIGHEST BIDDER
SHORT TERM VIEW
WHAT’S IN IT FOR ME?

Rakesh Khurana, Professor Harvard Business School, NPR Weekend Edition, 2/14/09
INTEGRITY

NOUN

(mass noun)

1. The quality of being honest and having strong moral principles.
INTEGRITY

Ethics is knowing the difference between what you have a right to do and what is right to do.

(Potter Stewart)

izquotes.com

INTEGRITY

Ethical behavior is doing the right thing when no one else is watching—even when doing the wrong thing is legal.

— Aldo Leopold —

January 11, 1887 – April 21, 1948) was an American author, philosopher, scientist, ecologist, forester, conservationist, and environmentalist. AzQuotes
INTEGRITY

The time is always right to do what is right.

Martin Luther King Jr

BRIAN DAVIS, 2010 HERITAGE RUNNER-UP
PENALTY COST HIM $400,000 - UP TO $2,000,000 IN ENDORSEMENTS

https://www.youtube.com/watch?v=-ZUs-_Vakp0
“Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don’t have the first, the other two will kill you. You think about it; it’s true. If you hire somebody without [integrity], you really want them to be dumb and lazy.”

https://www.youtube.com/watch?v=UZ9n1x9YjjY
IF THE CEO TAPPED AN EMPLOYEE ON THE SHOULDER, COULD THEY EXPLAIN THE MISSION?

DO THEY HIRE FOR MISSION?
PROMOTE FOR MISSION?
DISCIPLINE FOR MISSION VIOLATIONS?
CAN THEY SPELL THE WORD M-I-S-S-I-O-N?
IF THE CEO TAPPED AN EMPLOYEE ON THE SHOULDER, COULD THEY EXPLAIN THE MISSION?
THE VALUE OF VALUES

Mission, Vision & Values

FOUNDED-2018

"Known to all. Remembered by none."

REPUTATION

1. The beliefs or opinions that are generally held about someone or something.
If you lose money for the firm
I will be understanding. If you lose a shred of reputation
for the firm, I will be ruthless.

https://www.c-span.org/video/?c4627438/buffett-salomon-brothers-hearing

**GE 2000 Annual Report**

**Leadership**

And it's about the four "types" that represent the way we evaluate and deal with our existing leaders. Type I: shares our values; makes the numbers—sky's the limit! Type II: doesn't share the values; doesn't make the numbers—gone. Type III: shares the values; misses the numbers—typically, another chance, or two.

None of these three are tough calls, but Type IV is the toughest call of all: the manager who doesn't share the values, but delivers the numbers; the "go-to" manager, the hammer, who delivers the bacon but does it on the backs of people, often "kissing up and kicking down" during the process. This type is the toughest to part with because organizations always want to deliver—it's in the blood—and to let someone go who gets the job done is yet another unnatural act. But we have to remove these Type IVs because they have the power, by themselves, to destroy the open, informal, trust-based culture we need to win today and tomorrow.
PERCEPTION

Noun

1. the act or faculty of perceiving, or apprehending by means of the senses or of the mind; cognition; understanding.
SEE IT.
Trust your instincts if something doesn't look right.

SAY IT.
Notify Staff or the Police.

SORTED.
We'll take you seriously. And we'll sort it.
CAN TWO PEOPLE LOOK AT THE SAME THING, COME TO DIFFERENT CONCLUSIONS, AND BOTH BE RIGHT?
GREY AREAS

NOUN
An ill-defined situation or area of activity not readily conforming to a category or set of rules.

GREY ≠ O.K.
WHY GOOD PEOPLE DO BAD THINGS

QUESTIONS WE ASK WHEN SOMETHING GOES WRONG

• WHO DID THIS?
• WHAT WERE YOU THINKING?
• WHERE WILL THIS LEAD US?
• WHEN WILL IT EVER STOP?
• WHY DIDN’T I FIND OUT SOONER?
BETTER QUESTIONS

- WHO'S IN TROUBLE?
- WHAT CAN I DO TO HELP?
- WHERE DO YOU NEED ME?
- WHEN WILL WE HAVE THE TOOLS TO WIN WHILE FOLLOWING THE RULES
- WHY DIDN'T YOU TRUST ME?

BREAKING THE RULES

- STRICT CONSTRUCTIONIST
- ALTRUISTS
- PRISONER OF CIRCUMSTANCES
- SLIPPERY SLOPE
- PRESSURE/INCENTIVES
- GROUPTHINK/AUTHORITY
- RATIONALIZERS/JUSTICE
- GREED
Definition of strict construction in English:

**STRICT CONSTRUCTIONIST**

Syllabification: strict con-struc-tion

NOUN *Law*

- a literal interpretation of a statute or document by a court.
STRICT CONSTRUCTIONIST

The Titanic was designed and built to carry 64 wooden lifeboats. It was equipped by its operator with only 16, plus four small collapsible boats.

There should have been 4 boats provided for each of its 16 davits instead of just one. The lack of lifeboats was not a design failure, but the operator’s decision or intention.

https://www.youtube.com/watch?v=o7TUhfXGT8

STRICT CONSTRUCTIONIST

RICHARD BREEDEN, former Chair of the SEC
"Good people do not need laws to tell them to act responsibly, while bad people will find a way around the laws."

“Its an old adage of a FASB (Financial Accounting Standards Board) rule. It takes four years to write. It takes four minutes for an astute investment banker to get around it.”

- JUST SKIMMING THE SURFACE OF LEGAL COMPLIANCE DOESN’T LEAVE ROOM FOR ERROR
- IF LAWS ARE WHAT WE MUST DO, THEN ETHICS ARE WHAT WE OUGHT TO DO
BREAKING THE RULES

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ALTRUISTS

Syllabification: al-tru•ists
Pronunciation: /ˈɑltrɪst/ (Def 1)

**NOUN**

- The belief in or practice of disinterested and selfless concern for the well-being of others. (*some may choose to work with vulnerable elderly people out of altruism.*)

**Derivatives**

- **altruist**
  - NOUN

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ALTRUISTS

- HOW DO WE TREAT EMPLOYEES THAT ACT IMPROPERLY, BUT IT APPEARS TO BENEFIT THE COMPANY?
  - GOOD SOLDIER
  - STEALS FOR THE ORGANIZATION - NOT FROM IT
- LOYALTY
  - MISGUIDED

PROMETHEUS' PUNISHMENT

https://www.youtube.com/watch?v=U_u91SjrEOE
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PRISONER OF CIRCUMSTANCES

Definition of prisoner in English:

PRISONER OF CIRCUMSTANCES

Syllabification: pris-ON-er
Pronunciation / pris(ə)nər /

NOUN

1. a person legally held in prison as a punishment for crimes they have committed or while awaiting trial.

MORE EXAMPLE SENTENCES
SYNONYMS

1.1 a person captured and kept confined by an enemy, opponent, or criminal:

‘the heroine was being held prisoner in a cave’

‘200 rebels were taken prisoner’

MORE EXAMPLE SENTENCES
SYNONYMS

1.3 a person who is or feels confined or trapped by a situation or set of circumstances:

‘he’s become a prisoner of the publicity he’s generated’
PRISONER OF CIRCUMSTANCES
Minding My Business

- Forced to deal with problems caused by others
- It happened under my watch

SOMETHING BAD

PRISONER OF CIRCUMSTANCES
Your Problem Is My Business

- Human nature
  - No one will notice
  - Maybe I can hide it
  - Problem will go away
  - I'll go away
PRISONER OF CIRCUMSTANCES

ENCOURAGE OPEN COMMUNICATION & TRANSPARENCY

BUILD TRUST THROUGH TRANSPARENCY

8/24/89

BREAKING THE RULES

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https://www.youtube.com/watch?v=LnaEUCSFk38
In the fifth year, about the 10th of December, I began wondering, where is my ham?


My first Christmas as a commissioner - when I received the ham - I tried to return it. ... I did not, since no one at Forest Lawn seemed authorized to accept the ham... My guess is that not one of the many public servants who received the ham ever tried to return it.

((Righteous Indignation))

When I received another ham the next Christmas, I gave it to a worthy charity.

((Small Justification))

The next year, some worthy friends were having a party so I gave it to them.

((Defensible Explanation))

The next year, I had a party and we enjoyed the ham.

((Full Rationalization))

In the fifth year, about the 10th of December, I began wondering, where is my ham?

((Outright Entitlement))
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PRESSURE/INCENTIVES

- DOES NOT LIVE UP TO BOSSES EXPECTATIONS
- ARE THE EXPECTATIONS REALISTIC?
- CAN SET AGGRESSIVE GOALS
- MUST BE ABLE TO ACCOMPLISH WITH REASONABLE - ETHICAL EFFORTS, CONSISTENT WITH THE MISSION OF THE COMPANY
BREAKING THE RULES

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GROUPTHINK/AUTHORITY

the practice of thinking or making decisions as a group in a way that discourages creativity or individual responsibility.

https://www.youtube.com/watch?v=qA-gbpt7Ts8
• Be willing to stand out in a crowd

• Don’t just go with the group answer

• Your team may be stronger by having diverse perspectives

https://www.youtube.com/watch?v=BgRoiTWkBHU
MILGRAM EXPERIMENT

Prod 1: Please continue.
Prod 2: The experiment requires you to continue.
Prod 3: It is absolutely essential that you continue.
Prod 4: You have no other choice but to continue.

65% willing to shock up to 450 volts
GROUPTHINK/AUTHORITY

• RESPECTFULLY QUESTION AUTHORITY
• ASK FOR AN EXPLANATION
• “THAT’S HOW WE DO IT HERE”, OR “THAT’S HOW WE’VE ALWAYS DONE IT” ISN’T GOOD ENOUGH

SHEPARD FAIREY

BREAKING THE RULES

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• GREED
RATIONALIZERS/JUSTICE

Syllabification: ra·tio·nal·ize
Pronunciation: /ˌraSHəlaɪz, ˈraSHnaˌlaɪz/ /ˈraSHəˌlaɪz, ˈraSHnaˌlaɪz/ /ˌraSHəˌlaɪz, ˈraSHnaˌlaɪz/ /ˌraSHəˌlaɪz, ˈraSHnaˌlaɪz/

VERB

• attempt to explain or justify (one's own or another's behavior or attitude) with logical, plausible reasons, even if these are not true or appropriate:

  She could 'rationalize' her urge to return to the cottage.'

MORE EXAMPLE SENTENCES
SYNONYMS

RSA ANIMATE: The Truth About Dishonesty - https://www.youtube.com/watch?v=XBmJay_qdNc
JUSTICE
noun
1. just behavior or treatment. "a concern for justice, peace, and genuine respect for people" synonyms: fairness, justness, fair play, fair-mindedness, equity, evenhandedness, impartiality, objectivity, morality, disinterestedness, honesty, righteousness, morals, morality "I appealed to his sense of justice"

2. a judge or magistrate, in particular a judge of the supreme court of a country or state. synonyms: judge, magistrate, jurist "an order made by the justices"

RATIONALIZERS/JUSTICE
RATIONALIZERS/JUSTICE

• THEY’LL NEVER MISS IT
• THEY’LL NEVER FIND OUT
• EVERYONE IS DOING IT!

RATIONALIZERS/JUSTICE

• CONVINCE THEM YOU:
  • SHARE VALUES
  • SHARE CONCERNS
  • APPRECIATE THEIR WORTH
    • AS MUCH AS POSSIBLE
  • NOT “EVERYONE” IS DOING IT

Right is right even if everyone is against it.
Wrong is wrong, even if everyone is for it.
William Penn
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Definition of greed in English:

GREED

Pronunciation: /gred/ /

NOUN

Intense and selfish desire for something, especially wealth, power, or food.

MORE EXAMPLE SENTENCES

SYNONYMS
“Every company is just one bad decision or one bad employee away from scandal ... one scandal away from a salacious headline ... and one headline away from a flood of lawsuits.”

Bill Lytton - former EVP and General Counsel, Tyco International

“Only little people pay taxes.”

Ken Lay testimony

“Rules are important, but you don’t have to be a slave to rules either.”
Do You Remember the Nickname of the Work Camp?

How Bad is Federal Prison?

Martha Stewart was sentenced to 5 months in a West Virginia prison for obstruction of justice.

IMCLONE
She saved approximately $51,000 by selling on December 27, 2001

What Do White Collar Criminals Cherish?

Offenders serving Home Detention sentences must wear an electronic ankle bracelet at all times.
Madoff’s Jail Time

YEARS

71
+ 130 minimum
----
201

Due to losses caused by Bernie Madoff Auction

Original art by Peter Max, Dalí, Rockwell, Tarkay and many more. JEWELRY, ROLEX and other flashy items DULY Instructed by Millionaire’s estate as well as other prominent traders. Seized assets and liquidations will be auctioned off to the highest bidder REGARDLESS of COST or VALUE to recover losses from PONZI SCHEME.

Monday November 2
Auction-11:00 AM, Preview-10:30
Innisbrook Resort & Golf Club
Innisbrook, FL


Items available for auction did not belong to Bernie Madoff but are being offered by victims of the Ponzi scheme to recoup losses.
“When I look at myself, yeah, I am driven by money,” he said. “And when I live in this society, you know, you do get fairly materialistic, so I look at that. I am disappointed. I am probably more materialistic today than I was before, and I think money is very seductive.” He continued: “You have to watch out for it, because the more you have it, you get used to comforts, and you get used to, you know, big houses and vacation homes and going and doing whatever you want, and so it is very seductive. However much you say that you will not fall into the trap of it, you do fall into the trap of it.”
**GREED**

- DON’T THINK PHILANTHROPY WILL KEEP YOU OUT OF TROUBLE
  - “Mr Gupta is a good man”, said Judge Rakoff. “But the history of the country and the world is filled with good men who do bad things.” Rajat Gupta, “McKinsey, Goldman, jail”. 10/25/12 Economist.
  - Served time in federal prison from 6/18/14-1/5/16.
- BETTER BOARD OVERSIGHT & GOVERNANCE REGARDING SENIOR EXECUTIVES
- HIRE AND PROMOTE FOR MISSION
  - BETTER BACKGROUND CHECKS
- BETTER INTERNAL CONTROLS
- ADDITIONAL REPORTING MECHANISMS
  - PEERS VS. AUDITORS

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**SOME PEOPLE ARE JUST BAD**

“He is a man of splendid abilities but utterly corrupt. He shines and stinks like rotten mackerel by moonlight.”

Around 1800, John Randolph had this description of Representative Edward Livingston of New York
TAKE-AWAYS

DON’T

• SQUEAK BY LAWS WITH RAZOR THIN COMPLIANCE
• WISH PROBLEMS AWAY, EVEN IF YOU DIDN’T CAUSE THEM
• JUSTIFY CROSSING A LINE BY RATIONALIZING
  • ONCE YOU START DOWN THE SLIPPERY SLOPE, IT’S TOUGH TO REVERSE
• SET UNREALISTIC GOALS, WITHOUT GIVING EMPLOYEES THE RESOURCES TO ACHIEVE THEM
• ACCEPT RESULTS BECAUSE THE COMPANY SEEMS TO BENEFIT FROM IMPROPER BEHAVIOR
• ACCEPT ORDERS FROM A SUPERIOR OR TEAMMATES, BECAUSE THAT’S HOW THEY’VE ALWAYS DONE IT

DO

• ALWAYS GIVE YOURSELF AN ETHICAL BUFFER
• DEAL WITH PROBLEMS YOU’RE AWARE OF ON A TIMELY BASIS
• CONVINCE EMPLOYEES YOU VALUE THEM
  • NOT EVERYONE IS “DOING IT”
• EVALUATE YOUR INCENTIVE STRUCTURE AND TRY TO MINIMIZE THE PRESSURE EMPLOYEES FEEL TO CHEAT
• CONVINCE EMPLOYEES YOU DON’T WANT THEM TO STEAL “FOR” THE COMPANY
• RESPECTFULLY ASK FOR A BETTER EXPLANATION

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