



WHAT IS DIFFERENT ABOUT AGENCIES AND COMPANIES THAT STAY OUT OF THE HEADLINES?

Marianne M. Jennings
Emeritus Professor

WP Carey School of Business

Arizona State University

SOME OBSERVATIONS

ETHICAL LAPSES SINCE 2001

ABB Ltd.	Activision	Adelphia	ADM
AIG (3)	Airbnb	Allergan	Allianz
Alstom	Amazon	American Apparel	American Express
Apple	Apollo Group	Archehos	Arthur Andersen
AstraZeneca	AT&T	Autonomy	Avon
Balenciaga	Bally Total Fitness	Bank of America	Barclays (5)
Bayer	Baxter	BCBS	BCCI
BDO Seidman	BearStearns	Beechnut	Ben & Jerry's
Better.com	Beneficient	Biogen	Biovail
Bitcoin	Bittrex	Black Rock	Blue Bell
BNP Paribus	BNY	Body Shop	Boeing (5)
BP (3)	Bristol-Myers Squibb	CalPERS (2)	Cardinal Health
Caterpillar	CBS	Cendant	Centene
Charles Schwab (2)	Charter Comm.		

ETHICAL LAPSES SINCE 2001

Chase (3)	Chesapeake	Chipotle	Chiquita
Chrysler (2)	Cintas	Citigroup (?)	Circuit City
Coca-Cola	Columbia HCA	Comcast	ComEd
Computer Associates	Countrywide	Credit Suisse (5)	
CSFB	CVS (2)	CXS	Cypriot
Dana Corporation	Davis-Besse (FENOC)	DaVita Health	Deloitte-Touche
Delphi	Denny's	Deutsche Bank (3)	Dewey LeBeouf
Diamond Nuts	DirecTV	Disney	Downey S & L
Duke Energy	DuPont	E-Clinical	Edward Jones
Eli Lilly	Enron	Entergy	Equifax
Ernst & Young (EY)(2)	Evergrande		

ETHICAL LAPSES SINCE 2001

Exelon (ComEd)	ExxonMobil	Facebook (4)	Fannie Mae (2)
Fidelity Investments	FIFA	Fireman's Fund	FirstEnergy
First Republic Bank	Fox News	Foxconn	Freedom Industries
FTX	Galleon Hedge	Game Stop	
General Electric (3)	General RE	GlaxoSmithKline (4)	Glencore
Global Crossing	GoDaddy	Gol Linhas Aéreas Inteligentes	Google (4)
Greensill	GroupOn	Guidant	Hallmark Westland
Hasbro	HCA	HeadSpin	HealthSouth
Helig-Myers	Herbalife	Hitachi	Home Depot
HP	HR Block	HSCB	Huawei
Hyundai	IBM	Ikea	ImClone
IndyMac	Instagram	Insys	Insys

ETHICAL LAPSES SINCE 2001

Intel	Johnson & Johnson (3)	Juul	Kay Jewelers
Kellogg	Kia	Kindred Healthcare	Kmart
Kobe Steel	Kodak (2)	KPMG (6)	Kraft-Heinz
Krispy Kreme	Lehman Brothers	Lerner	Lifelock
Long Term Capital	Lordstown Motors		
Lucent	LuluLemon, Inc.	Madoff Investments	Marriott Int'l
Marsh & McLennan	Massey Energy	Mattel	McDonald's
McKinsey & Co. (3)	Medtronic	Merck	Merrill Lynch
Microsoft	Microstrategy		
MIT Media Lab	Mitsubishi	Mohawk Flooring	Moody's
Morgan Stanley	Movie Pass	Mylan	NatWest Markets
Navistar Int'l	Navient	NBC ("Nitely")(Lauer)	New Century

ETHICAL LAPSES SINCE 2001

New Eng. Patriots	New Era	New Orleans Saints	New Republic
New York Times	Nike		
Nikola	Nissan	Nortel	Novartis (2)
Och-Ziff	Olympic Committee	Olympus	
Options (200)	Oracle	Overstock	Ozy Media
Parmalat			
PCAOB	Peanut Corporation of America	Peloton	Penn State
Pepsi	Perdue Farms (2)	Peregrine	Pfizer
P&G	PGE	Pharma benefit companies	Pilot Flying J
Pimco	Pixar	Purdue	

ETHICAL LAPSES SINCE 2001

Putnam (2)	QuadrigaCX	Qualcomm	Qwest
PriceWaterhouseCoopers	Prudential	Radio Shack	Razorfish
RBS	Reebok	Refco	Rivian
Robinhood	Royal Ahold	Royal Shell	SAC Capital
Salesforce	Samsung	Satyam (India)	SCANA (Dominion)
Sears	Shaw Group	Siemens	Signature Bank
Silicon Valley Bank (SVB)			
Sloan Kettering	Snapchat	Société General	Social Finance (SoFi)
Sony	Sothebys	Southern Company	Southwest Airlines
SPACs	Stanford Investments	Standard & Poors	Stanford University
Starbucks	Stitch Fix	Student loan lenders	Sutter Health (2)
Swedish Academy			

Ethical Lapses Since 2001

Taco Bell	Taylor Beane	Takata	Temple University
Tenet (3)	Tesco	Tesla (2)	Teva
Theranos	TierOne Bank	Time Warner	Titan
Toshiba (2)	Toyota	Trinity Highway	Turing Pharma
Twitter	Tyco Int'l	Uber	UBS (2)
Under Armour	Unions	United	United Health (2)
Universities	Universities & Admissions	Universities & Sports	
Valeant	Volkswagen	Wachovia	Walmart
WaMu	Wells Fargo (5)	Weinstein Group	Westar
WeWork (We)(2)	Wirecard	World Bank	WorldCom
WPP	WWF	Wynn Co.	Xerox
Yahoo!	Zantac	Zenefits	Zynga

ETHICAL LAPSES BY FEDERAL AGENCIES: SEE DIRECTORY OF FEDERAL AGENCIES

- 25-year-old GSA employee convicted of taking \$118,000 in awarding GSA contracts
- Border Patrol officer filed false “cartel undercover sting operation” reports – lavish parties, sporting events, and various “extracurricular” activities. In his confession he said he was probably the “most corrupt DEA agent in history” but that “others were the masterminds. He is currently fighting to keep his pension while serving 12 years. Federal employees only lose their pensions if the crime they have committed involves “espionage, treason, sabotage, or [another] national security offense.”
- Over 100 Bureau of Prisons employees have been convicted of crimes since 2019
- Fraud convictions for construction contractors violating the 15% rule on awards to economically disadvantaged business owners

NOTHING ANY OF THE COMPANIES DID WERE CLOSE CALLS: CLEAR ETHICAL LAPSES

Conflicts of interest	False résumés	Lying to employees	Lying to investors and the public	Cozy regulatory relationships
Failures to investigate and failures in accountability	Misuse of funds or embezzlement	Falsification of invoices and records	Falsification of data for studies	<i>Quid pro quo</i>
Bid-rigging	Failure to disclose affiliations	Alteration of documents	False reports and stonewalling auditors	Regulatory violations
	Due process issues in misconduct cases	Failure to take action in misconduct cases	Certification of inspections	

**THOSE INVOLVED
REALIZED ETHICAL
ISSUES WERE AFOOT.**

THE ENGINEER WITH A CREATIVE DEFINITION OF “LOST WORK DAYS”

MCKINSEY & OPIOIDS: THEY KNEW

- McKinsey's advice to opioid company to escape detection of higher-than-allowed sales of opioids:

“1. Pass on inventory to customers: As DEA reviews inventory at hand before allotting quota, less inventory can help obtain additional quota over the annual limit.”

Chris Hamby and Michael Forsythe, McKinsey's Sway Pervaded the Opioid Industry,” New York Times, June 30, 2022, p.A1, at A12.

THE CONTRACTOR WHO FED 5,100 CHILDREN PER DAY

- 47 people charged with fraud involving the federal hunger program
- Billed the federal government for \$240 million in meals for children never given -- 125 million meals or 5,100 children per day
- One fed 5000 children in one day in a two-story apartment building
- They purchased 20 cars, 40 properties, cryptocurrency, and a Louis Vuitton duffel bag
- So brazen it was same children, same number every day – no one missed a meal, was gone, or sick
- Used the website listofrandomnames.com to generate the names of the children submitted
- Used a number generating site to plug in their ages randomly
- With pandemic, government no longer checked feeding sites in person

**WHAT IS DIFFERENT
ABOUT AGENCIES AND
BUSINESSES THAT STAY
OUT OF THE
HEADLINES?
OVERCOMING THAT
MISTAKEN ASSUMPTION,
“WE’RE OKAY HERE.”**

You cannot know what
the next ethical issue
will be . . .

Are you confident
employees will make
ethical choices?

Why did they think this
type of behavior was
acceptable at your
organization?

Are you certain
someone would speak
up if they saw the
conduct?

What is your culture?



A TALE OF FOUR UNIVERSITIES

	Penn State	Michigan State*	Ohio State	Columbia
Type of conduct	Child molestation by assistant coach Sandusky	Physician (Nassar) molestation of female gymnasts	Physician (Strauss) molestation of male student athletes	Gynecologist (Hadden) molested 301 female patients
Public disclosure	2011	2016	2019	2023
Initial report	1998	1997	1978	1994
Number of reports	11	32	177	
First date for action	2001 (talk with Sandusky) 2011 Paterno fired	2014 – Title IX Complaint– no external expert	1996 – physician permitted to leave	2012
Est. # of people who knew	31	205 + <i>Indianapolis Star</i>	>1,000	Nurses, staff, other doctors
Criminal actions	4	3; 4 loss of licenses	Statute of limitations	Sentenced to 20 years
Litigation	Victims (11) and grad student	55 lawsuits; 500 victims	17	Lawsuits by 527 women
Costs	\$67.3 million	\$500 million	????	Settled 226 suits for \$237 million

CULTURE: WHAT IS IT? WHAT DOES IT DO?

Culture is what leads when leadership is not around.

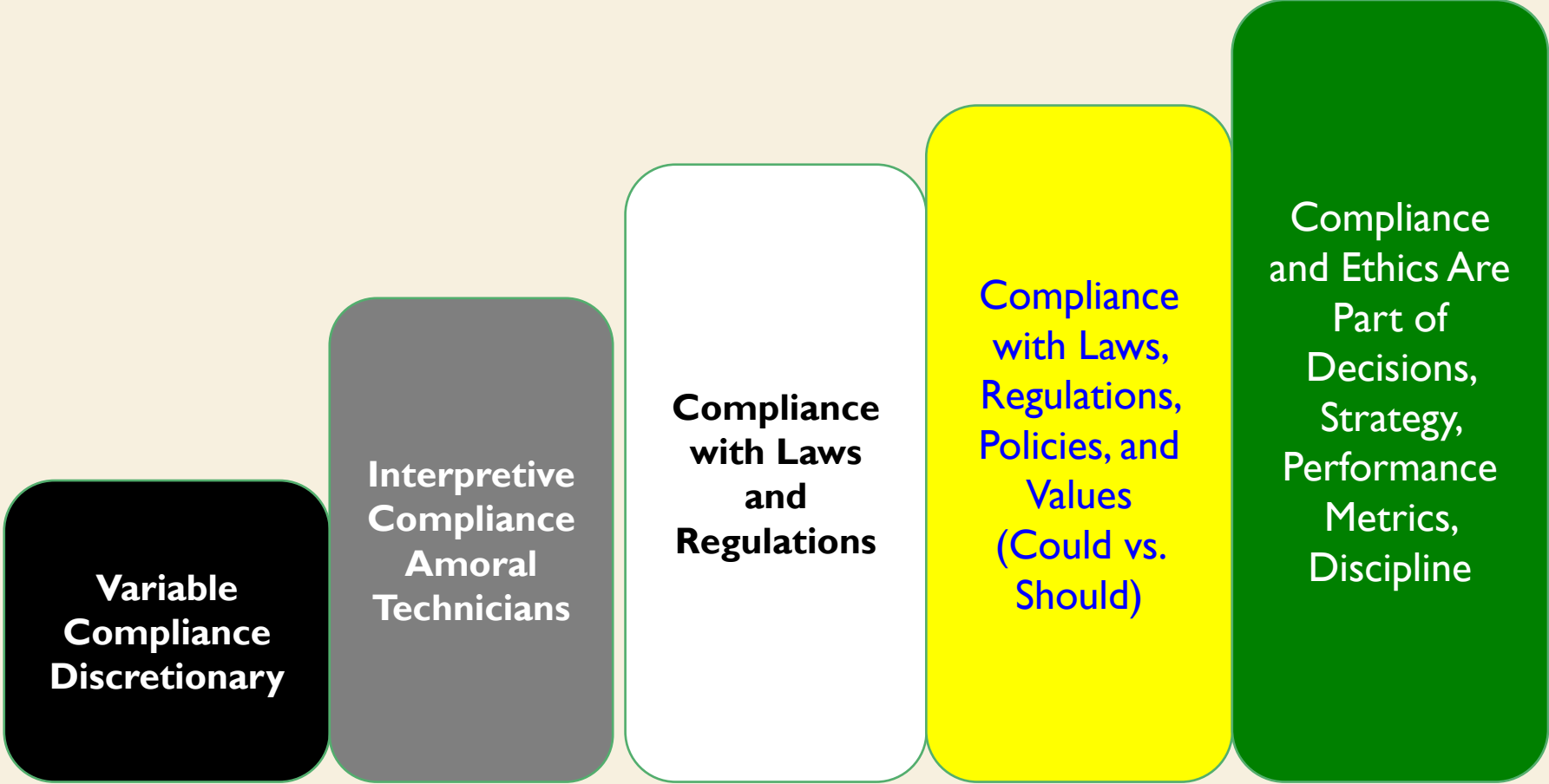
The way things are done around here.

While we are thinking that we are running the company well, ethical lapses are growing, feeding at the buffet of culture, and we miss all that until the headlines.

Michigan State: Mel Tucker -- Football coach fired for sexually harassing the sexual harassment trainer; Six presidents in six years

Culture trumps ethics, strategy, and HR.

SHADES OF COMPLIANCE AND ETHICS



WOMEN-OWNED SMALL BUSINESSES

Creative meanings of “ownership”

VACCINE GAMING

The Soulcycle instructor stepping to the front of the line depends on the meaning of “teacher”

ESPN AND THE EMMYS

Submitting on-air talent for Emmys under different names

AMORAL TECHNICIANS AT BOEING

Referring to a test pilot's problem trimming the MAX due to repetitive MCAS activations, a Boeing engineer asked:

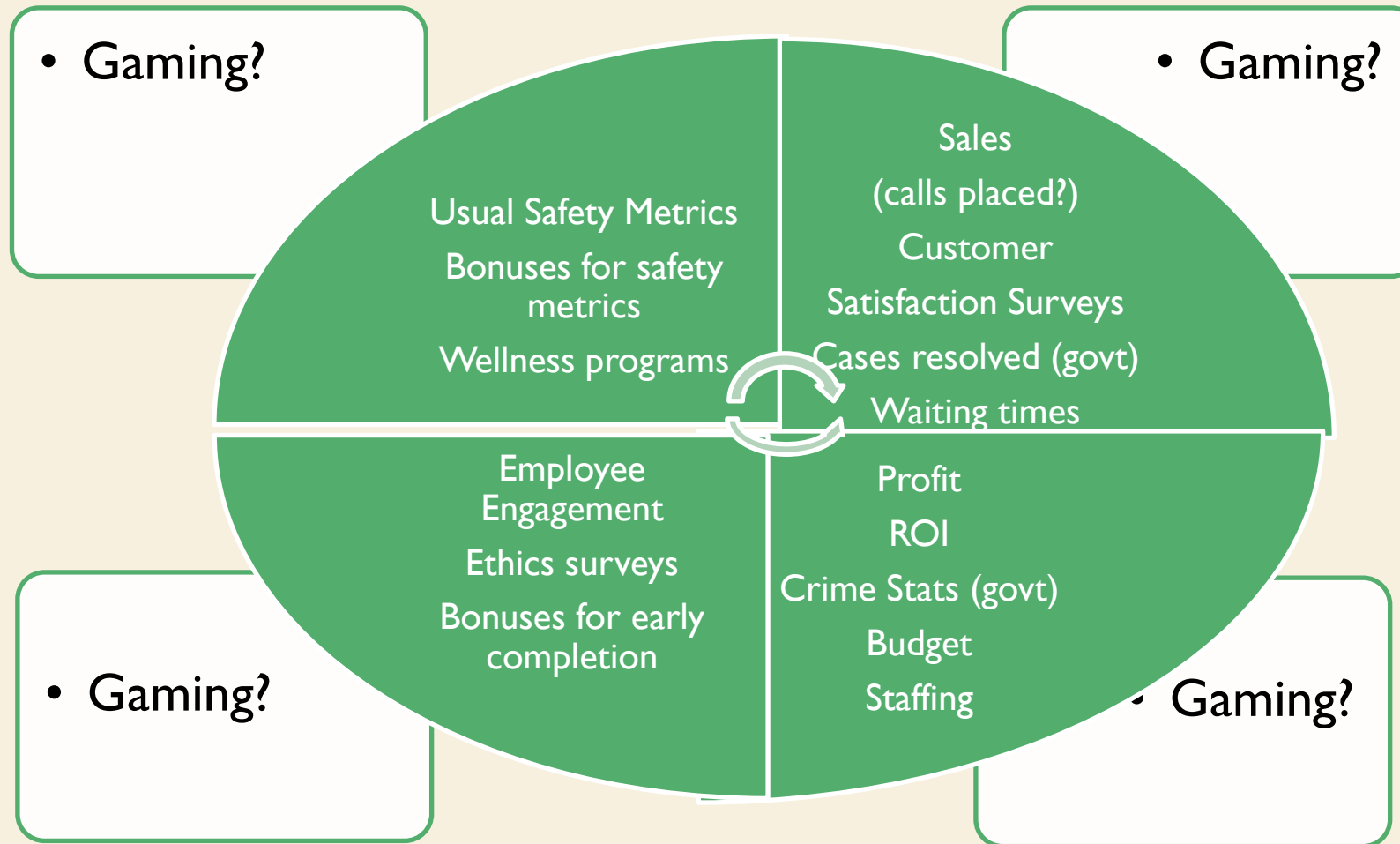
“Is this considered a safety or certification issue?”

A colleague responded:

“I don't think this is safety, other than the pilot could fight the MCAS input and over time find themselves in a large mistrim.”

On both 737 MAX crashes, the pilots could not fight the MCAS.

WHAT IS MEASURED: THE HUMAN RESPONSE



HOW DO WE GET FROM SPOTTY ETHICS TO INTEGRATED ETHICS?

#1. WATCH WHAT PRESSURE DOES!

Deadlines: Think time constraints!

Goals: Think fundraising! Think graduation rates!

Revenue: Think funding!

Budgets: Think tuition and costs!

Personal goals: Think mortgage!

Sunk costs: Think, “We’ve spent . . .

Rankings/ratings: Where will we sit?

Loss of _____. Think all of the above!

PRESSURE: PROBABILITY OF ETHICAL OUTCOMES FROM THE FINANCIAL ANALYSTS INSTITUTE

$$P = f(x)$$

P = probability of an ethical outcome

x = amount of money involved

- The runners
- Cooking the books: Earning make-believe profits

WHAT PRESSURE CAUSES

Diagnosis Bias

Flawed framing
of issues

Failure to factor
in reputational
risk

Failure to see
future costs

*“Sometimes desperate is the same
thing as stupid.”*

- Matt Dillon, *Gunsmoke*

“No exceptions. No excuses.” (Atlanta Public Schools)

“Failure is not an option.” (NASA)

“Sharpen your pencil!”

“The Power of Yes.”
Washington Mutual

“Find a way.”

“Do whatever it takes.”

“Go the extra mile.”

“100% results, all the time.”

“Extra effort, extraordinary results.”

“Staying at #1.”

“Margins matter.”

“Committed to deliver despite all obstacles.”
(CDDAO)

“On time, every time.” (Southwest Airlines)

“Achieve the edge.”

“70% Comfort. 100% Alignment”

“Never question success.”
Kidder Peabody

“Fire, Ready, Aim!”

“Go for Gr-eight!”
(6.1 products per customer vs. 2.7 industry)(Wells)

PRESSURES OF MOTIVATIONAL MANTRAS

PRESSURE ANTIDOTES: THE “WHY” BEHIND THE RULE

- Behind every law, rule, and policy, there is a wise reason.
- The stories that curb pressure
 - The Yale student in the lab

FOCUSING ON ETHICS WITH REGULARITY

- Leading ethics discussions: You can't get an ethical culture with one hour of training per year
 - How documents are signed
 - Reminders – before they sign
 - What does your signature mean?
- Examples of ethical dilemmas and resolutions: What is in the news about universities and colleges?
- Measurements: What discussions did you have throughout the year?

#2. ALIGN THOSE INCENTIVES, BONUSES, PERFORMANCE EVALUATIONS, ETC.

- *“I come not to deny that they work; I come only to warn that they can wreak havoc in an organization when they are wrong or misaligned.”*

M. M. Jennings

**“BIG, HAIRY, AUDACIOUS
GOALS”:
AKA PERFORMANCE GOALS
AND EVALUATIONS, RAISES,
BONUSES**

**“THEY WILL GET THERE; IT JUST
MIGHT NOT BE REAL.”**

M.M. JENNINGS

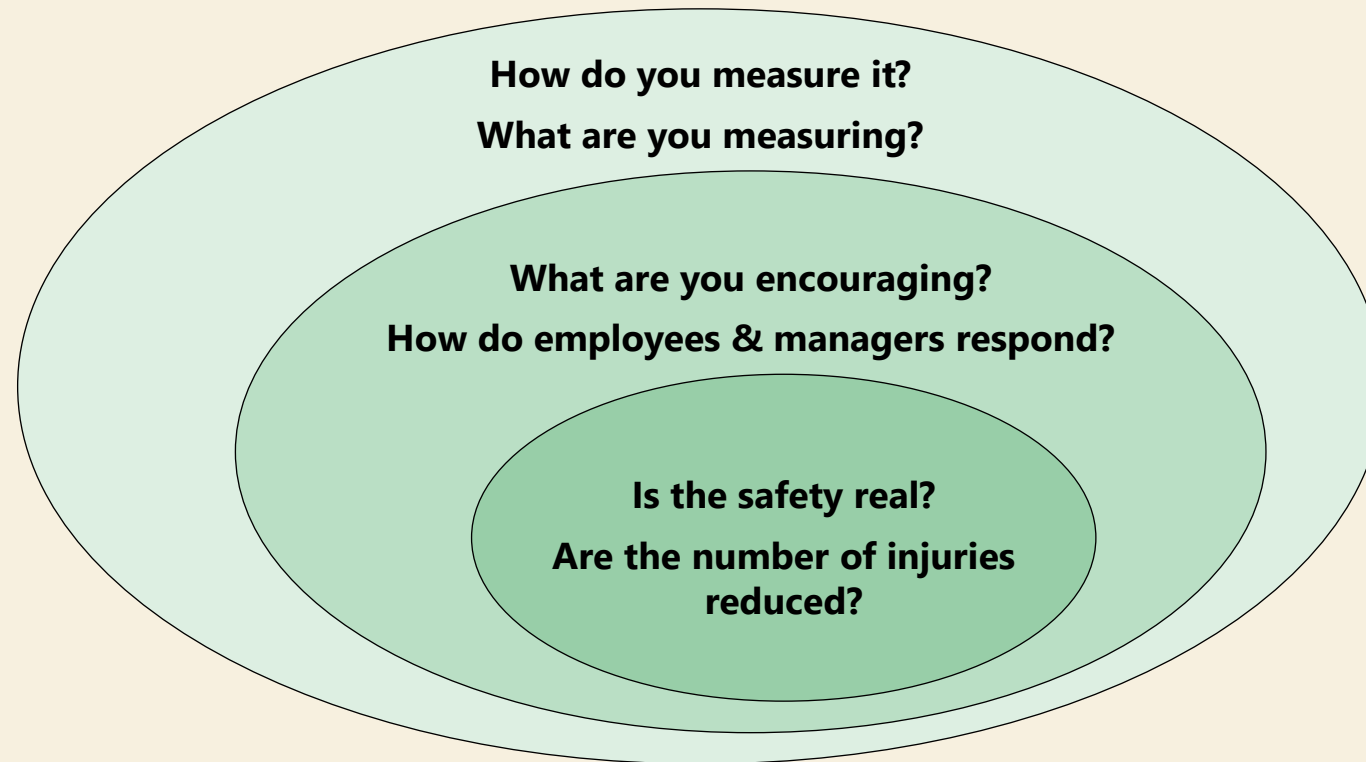
**SMART GOALS (SPECIFIC,
MOTIVATING, ATTAINABLE, RELEVANT,
TRACKABLE)**

ASSUME GAMING

“Every managerial program has a life span. Employees figure out how to game the program.”

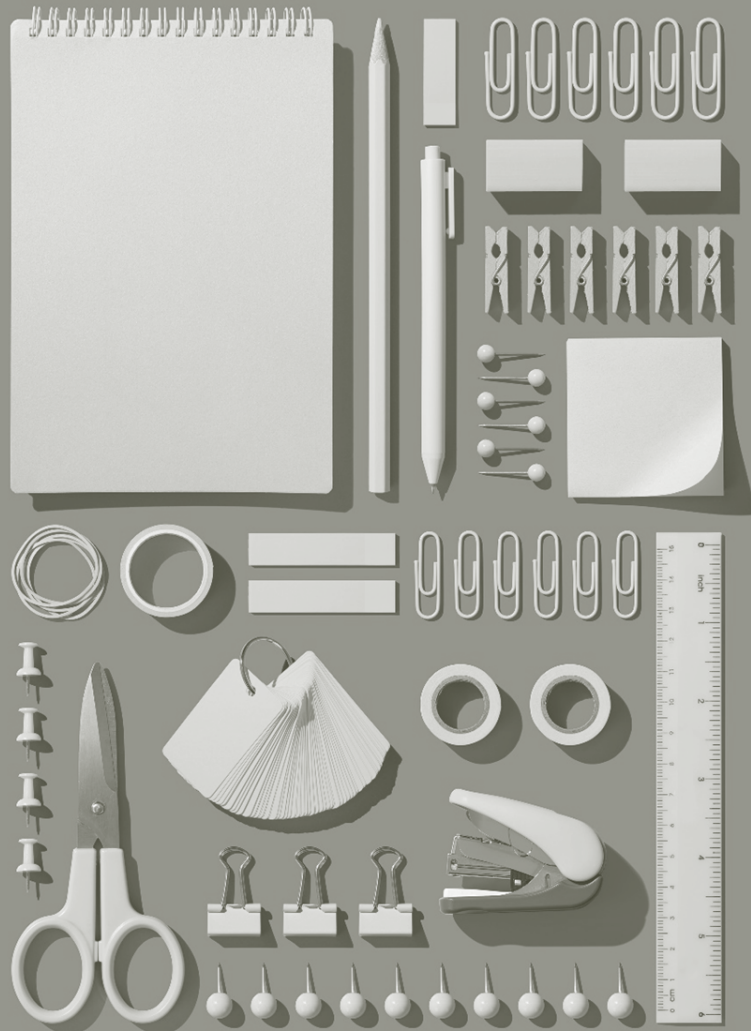
Geoff Calvin, “How Paul O’Neill Fought for Safety at Alcoa,” *Fortune*, June 15, 2017, 138 at 143.

INJURIES: WHAT IS THE GOAL? ALCOA AND PAUL O'NEILL



#3. CLEAR CORE VALUES AND DEFINITIVE LINES

- We assume that everyone has learned what good values are.
- We assume everyone knows ethics and integrity are important.
- We assume that we share the same background and experiences that shape values.



“No. 176: Do not steal more than \$3 worth of office supplies per quarter.”

Kelly Williams Brown, from her book “Adulting: How to Become a Grown-up in 468 Easy (ish) Steps”

“Or you could not steal at all.”

—*M. Jennings*

DETAILS ON COLLEGE CHEATING

- 54% said cheating is okay (necessary to compete)
- 60% cheat on online exams most of the time
- 30% have cheated at least once on an online exam
- 43% use Chat GPT (generative pre-trained transformer) on exams
- 26% work together on assignments when the instructor has asked for individual work
- 58% admit plagiarism
- 64% admit cheating on a test
- 95% admit to some form of cheating
- 97% of admitted cheaters say they have never been caught
- 42% purchased papers, thesis etc.
- 28% paid someone to take their online courses
- 72% used phones, tablets, and/or computers to cheat

– National Institutes of Health 2022





HR MANAGERS: WHAT IF APPLICANT MISREPRESENTS OR LIES?

FIXING CORE VALUES AND DRAWING LINES: THE CREDO

- The Organizational Credo
- The Personal Credo
- Deciding issues in advance so that resolution when pressure hits is more clear
- Helps ease pressure
- If you could draft a credo today, what would you include?

THE ROLE OF A CREDO

What lines would you
never cross to

?

**KEEPING CORE
VALUES:
ENFORCEMENT
IS ABSOLUTE,
UNEQUIVOCAL,
AND
EGALITARIAN**

- *“Enforcement is to organizations what integrity is to individuals.”*

M.M. Jennings

- Terminations in the world of government

**#4. AVOID THE FALSE COMFORTS
OF SOFT LANGUAGE AND
RATIONALIZATIONS**

COMFORT FROM “WARM” LABELS

The “way harsh” language	The “warm” language
“You lied”	“I misremembered” “I failed to live up to my duty of candor.”
“You lied”	“I misspoke” “I was just managing the optics.” “I told you versions of the truth.”
“You lied”	“I just managed expectations.” “I used incremental escalations of half-truths.” “I embellished a little bit.”
“You lied.”	“I didn’t lie to you. I withheld the truth.” “I gave the least untruthful answer I could.” “I was just managing optics.”

MORE WARM LANGUAGE

The “way harsh” language	The “warm” language
“You lied.”	“We have additional information that appears to be inconsistent with our previous response.”
“You lied.”	“We lost focus on the facts.”
“You lied.”	“Facts receded in memory or awareness.”
“You lied.”	“I short-circuited.”
“You lied.”	“I used imprecise communication.”
“You lied.”	“We had irregularities in communication.”

MORE WARM LANGUAGE

The “way harsh” language	The “warm” language
“You backdated documents.”	“I got the job done.” “I helped the client.”
“You changed the numbers”	“Got a second opinion” “ <i>Pro forma</i> adjustment”; “Deseasonalized the data”; “Followed what everyone in the industry is using.”
“Conflict of interest”	“It wasn’t so much a conflict of interest as it was a confluence of conflicting motives.”
“We don’t really know.”	“It’s just engineering judgment.”
“Bribes”	“Useful expenditures” “Success fees”
“Teachers changed test answers.”	“We had test clean-up parties.”
”That’s plagiarism.”	“That’s duplicative language without attribution.”
“That’s plagiarism.”	“That’s borrowing without quotes.” “It was a few instances of inadequate citations.”

MORE WARM LANGUAGE

The “way harsh” language	The “warm” language
“Cooking the books”	“Financial engineering”; “Getting results”; “Smoothing earnings”; “Managing earnings”
“You deleted those e-mails.”	“I chose not to keep those e-mails.”
“Covering up”	“Managing the optics”
“You stole from inventory.”	“Made allocation adjustments” “We were reallocating resources”
“Strip club”	“Adult entertainment venue” “Adult boutique”
“Hit man”	“Vigilante”
“Copyright infringement”	“Peer-to-peer file sharing”
“Manipulated the appraisal”	“Got a second opinion”
“You better get your bid price down.”	“We are going to give you a second look.”
Not doing your job; doing less work for full pay; leaving work early	Quiet quitting (sometimes nets “quiet firing”)

COMFORT FROM RATIONALIZATIONS

“Everybody else does it.”

What is right is right even if no one is doing it.

*What is wrong is wrong even if everyone is
doing it.*

- Source unknown



RATIONALIZING, NOT ANALYZING

- “If we don’t do it, someone else will.”
- “It doesn’t really hurt anyone.”
- “If you think this is bad, you should have seen ...”
- “That’s the way it’s always been done.”
- “That’s the way they do it at _____.”
- “It’s a gray area.”



SO, WE MAKE IT ALL GRAY!

- Why is it important that it be gray to you?
- Is it legally gray?
- Is it ethically gray?
- Is it a good-faith disagreement?
- What if it's not a gray area?
- Does everyone believe it's a gray area?
- Interpretation vs. loophole vs. nondisclosure of relevant information



Filming games to
study signals

Gathering live data

Adding live feed on
signals to
observation booth

Using runners to
take live
information from
booth to dugout

Using cell phones and
text messages with live
information from
booth to dugout

Using cell phones
from dugout to
booth seeking live
information

Communication of live
information to batters:
clapping, whistling,
yelling, and pounding
on the trash cans

First and little steps

Edging along to
interpretations

Wearing down resistance

THOSE ASTROS AND THEIR STEPS THROUGH THE GRAY

“Whatever he said and whatever we were doing, we had the chance to stop it as a team—everybody. Everybody had the chance to say something, and we didn’t.”

Mental comfort: Those Astros

The rationalizations the Astro players used to justify their cheating scam.

“It didn’t really make a difference in our games.”

“Who knew?”

“If someone had told us to stop, we would have stopped.”

“Everybody does it So, why have the rules?”

“Who’s to know?”

“It’s a gray area.”

“It’s information that is just out there. We just collected and distributed it.”

NUMBERS DON'T LIE . . . BUT

Nursing home staffing levels vs. actual wage-and-hour records

COVID death rates for nursing home residents and computation

Pension fund accounting – plenty of room for interpretation and variation

Baseball teams and injured list to keep more players.



#5. ETHICAL INFRASTRUCTURE: THE FLAT ORGANIZATION

COMPONENTS OF ETHICAL INFRASTRUCTURE

- Code of ethics (with input)
- Ceremony of adoption
- Training
- Quasi-external oversight
- Integration into strategy, planning, operations, sports, fundraising
- Reporting mechanisms

AN OBSERVATION

The first whale to the surface
always gets harpooned.

What does this phrase mean?

FLATTENING THE ORGANIZATION

- How do we respond to reports?
- How do we obtain candid feedback?
- What do we do when issues are raised?
- How do we react?
- MBWA – Management by Walking Around

CALVIN COOLIDGE— THE BATHSHEBA FACTOR

- Did not run for a second term despite wild popularity
- *“Eventually, surrounded by all ‘yes’ people you start to believe you are grander than you are; humility is gone.”*

#6. BEING COGNIZANT OF OUR DAY- TO-DAY CHOICES

- We are what we do.
- We are our choices.
- Little tests prepare us for the big challenges.

THE STANDARD IS THE SAME EVEN WHEN THE AMOUNTS CHANGE: AVOID SLIPPAGE PROFESSOR GEORGE LEFCOE AND THE HAM



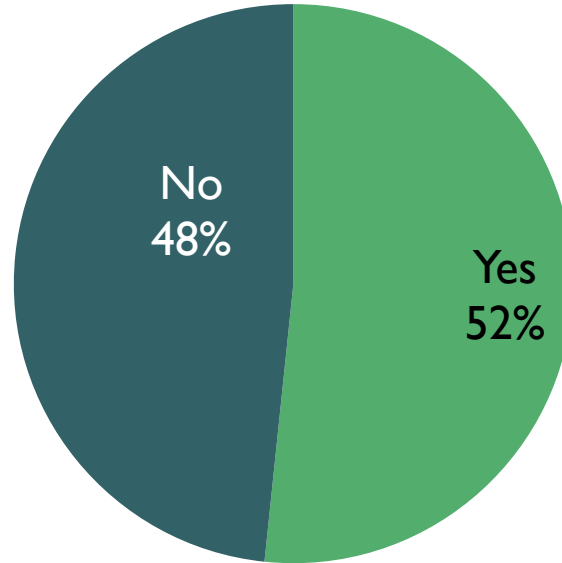
WHAT I DID IN THE PAST YEAR

“I claimed I had to work to get out of going to a party at my sister-in-law’s.”

“Was charged the wrong amount at a restaurant (less than I was supposed to be charged) and I let it slide.”

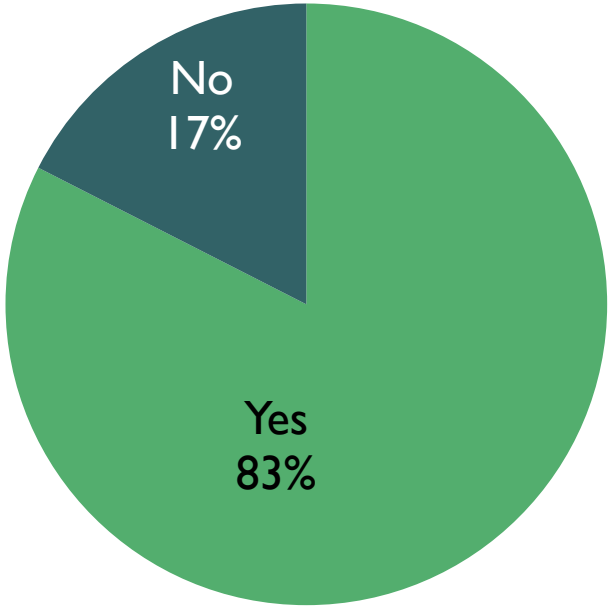
“While opening a car door I bumped the car next to me and did not let the driver know.”

“Had to complete an essay for my child for homework.”



**SAID I WAS SICK WHEN I WASN'T
TO GET OUT OF WORK**

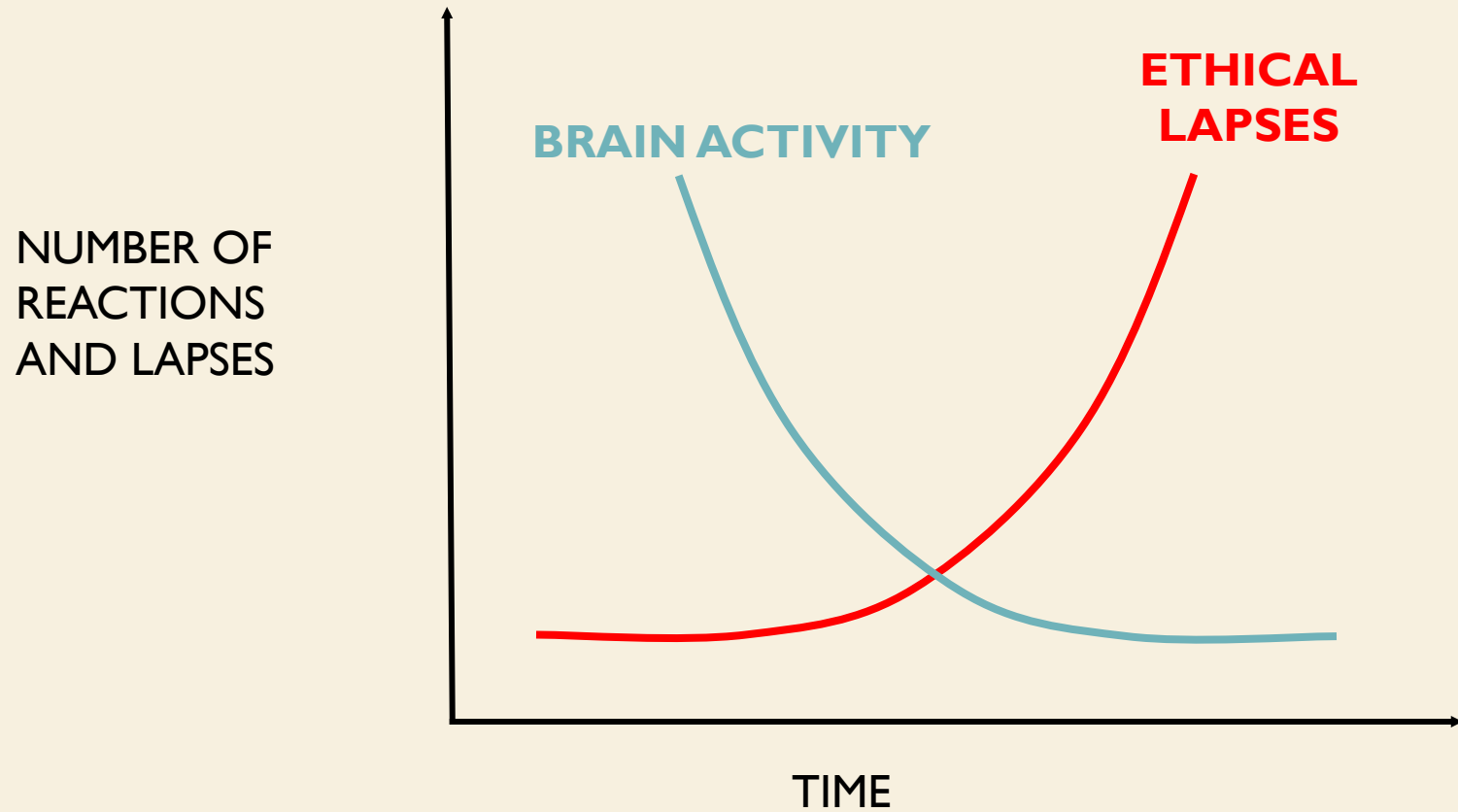
TOLD SOMEONE THAT THEY LOOKED OKAY WHEN THEY DID NOT



THE DANGERS OF THE “LITTLE WHITE LIE”

- That first step is not all that obvious
 - *"At first, even a little lie provokes a big response in brain regions associated with emotion, such as the amygdala and insula. The tenth time you lie, even if you lie the same amount, the response is not that high. So, while lying goes up over time, the response in your brain goes down."* Dr. Tali Sharot, University College of London
- The subsequent steps become less obvious
 - The mistaken use of the wrong credit card
 - The acceptance of little violations

ETHICAL LAPSES VS. BRAIN ACTIVITY



**#7 USE SIMPLE,
NOT
SOPHISTICATED,
ETHICAL
ANALYSIS.**

- **Categorical Imperative**

How would you want to be treated? Are you comfortable with a world with your standards?

- **Christian principle: The Golden Rule**

Do unto others as you would have them do unto you. Luke 6:29-38

Thou shalt love thy neighbor as thyself. Luke 10:27

- **Confucius:**

What you do not want done to yourself, do not do to others.

- **Aristotle:**

We should behave to our friends as we wish our friends to behave to us.

USE SIMPLE TESTS FOR RESOLVING ETHICAL DILEMMAS

- **Islam:** *No one of you is a believer until he loves for his brother what he loves for himself.*
- **Hinduism:** *Do nothing to thy neighbor which thou wouldst not have him do to thee.*
- **Sikhism:** *Treat others as you would be treated yourself.*
- **Plato:** *May I do to others as I would that they should do unto me.*
- **Judaism:** *What you hate, do not do to anyone.*
- **Buddhism:** *Hurt not others with that which pains thyself.*

SIMPLE TESTS FOR RESOLVING ETHICAL DILEMMAS

**Ken Blanchard &
Norman Vincent Peale:**

- a. Is it legal?
- b. Is it balanced?
- c. How does it make me feel?

Laura Nash:

Could I discuss my decision with my supervisor, co-workers, friends, and family?

**OTHER
SIMPLE
TESTS FOR
RESOLVING
ETHICAL
DILEMMAS**

Assuming the
outcome

Clint Walker's
interview with
Cecil B. DeMille

**FLAWS IN
LOGIC: DON'T
FALL INTO THE
EITHER/OR
CONUNDRUM**

**#8 RESPECT
TRUTH AND
ITS
PERCOLATING
QUALITY**

“It’s all coming out.”

JUST ASSUME . . .

Whatever
you are
writing

Whatever
you are saying

Whatever
you are
thinking

Will
emerge.

“Are the cameras running?”