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# introduction

*“Discussions on ethics must raise and reinforce the standards that encourage the betterment of our society.”*

—Vince Crew

**T**he life of today’s professional is mired by suspicion, scrutiny, and cynicism. Since the beginning of time, man has struggled with temptations to do harm.

Aside from the ultimate devastations of war, 2001’s corporate meltdown of utilities giant, Enron, culminated in a crime against customers, employees, communities, and others. Their greed and calculating abuse of power was devastating. As is the case in most criminal ventures, they didn’t act alone. Their complicit agents included respected financial giants: Arthur Anderson, Canadian Imperial Bank of Commerce, J.P. Morgan Chase, Citigroup, Merrill Lynch, and Credit Suisse Group.

All were destroyed or forever tainted by their association with the infamous scandal that boosted profits and hid debts totaling over \$1 billion by improperly using off-the-books partnerships, manipulating the Texas power market, bribing foreign governments to win contracts abroad, peddling influence in both major U.S. political parties, and manipulating the California energy market.

Their misdeeds resulted in Paul Sarbanes (D-Maryland) and Mike Oxley (R-Ohio) crafting a bill to create a regulatory outline for monitoring publicly held companies. On July 30, 2002, President George W. Bush signed the Sarbanes-Oxley Act into law.

Since then, professionals and executives have been nervous, cautious, and incensed. Legal and regulatory actions punish the honest with increased cost, time, and energy.

Despite the legal measures, there are everyday issues that simply come down to individual decisions and interpersonal conduct.

The financial professionals and those in positions of authoritative leadership and trust are especially vulnerable. Theirs is a challenge not to succumb to strong pressures and compromise values.

All philosophical and academic discourse aside, the basic tenets of ethics are to make right decisions that lead to acting in a right manner.

Ethical behavior is what upholds and holds together a civilization. As we enter the twenty-first century, our evaluation of ethical conduct must ultimately be based on raising the highest values that strengthen accountability, self-reliance, responsible freedom, and other values of our nation.

This guide is a result of my numerous keynotes, seminars, and individual executive coaching engagements over the years.

I'm not a CPA, an attorney, nor am I a philosophy professor. I'm just a businessman and trusted advisor on ethics and other leadership issues. Through my firm, REACH Development Services, I've assisted accountants, boards, executives, business owners, and other professionals since 1997.

My first serious inquiry into ethics, leadership, and responsibility was during my undergraduate studies in the era of Watergate and President Richard Nixon. That period in our history sparked a curiosity and pre-occupation with how people in authority can abuse their status by condoning, ignoring, or designing improper, often illegal, conduct.

Since then, I've witnessed numerous examples of a troubling reality of human behavior—power can corrupt. Through a diverse career path in sales, marketing, and management in a number of industries, I also came to

understand that abuse of power knows no singular environment—all sectors are fertile environs for bad people to do bad things.

Many would point to Enron as the “granddaddy of corporate greed and scandal,” however, there have been many since then: Adelphia, HealthSouth, ImClone Systems, Kmart, Martha Stewart Living, Merrill Lynch, Qwest, Salomon Smith Barney, Tyco, WorldCom, Global Crossing, and the list goes on.

Given this post-Enron list, does the law prevent or simply bring to the light of day those who violate our principles of right and wrong?

It is my sincere hope this guide provides commonsense tools to refer to time and time again, especially when faced with an ethical challenge.

I submit the following research, on Enron to emphasize the tentacles of devastation when people act badly. The numbers also indicate the number of people who had to turn their heads and close their eyes to what was going on in order for it to have succeeded.

#### THE ENRON SCANDAL BY THE NUMBERS

- Total shareholder value lost: \$63,101,519,000
- Number of employees: 20,600
- Percent of employee 401(k) assets in Enron stock: 62 percent in January 2001
- Number of outside partnerships it had: more than 3,000
- Partnerships based offshore: about 900
- Members of the board of directors: 15
- Directors on the board’s audit committee: 6
- Average 2001 compensation in stock and cash per director: nearly \$400,000
- Company created: in 1985
- Date of Chapter 11 filing: December 2, 2001

- Number of Aspen, Colorado, resort properties that CEO Kenneth Lay put up for sale just days before the bankruptcy filing: 3
- Year Arthur Andersen began auditing Enron: 1985
- Andersen partners/employees worldwide: about 4,700/84,000
- Earliest date reported that Enron concerns were raised at Andersen: February 6, 2001

Sources: USA TODAY research; Center for Responsive Politics;  
Thomson Financial, January 22, 2002