

Current Issues in Business Ethics

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Learning Objectives

- Understand attitudes of others related to ethics
- Understand and learn from current ethical violations
- Understand examples and benefits of ethical leadership



Ethical Attitudes

Gallup Poll – rate honesty and ethical standards “high” or “very high”

- Accountants
- Business executives
- Car Salespeople
- College Teachers
- Engineers
- Insurance Salespeople
- Lawyers
- Medical doctors
- Members of congress
- Nurses
- Psychiatrists

December 2016 – 1,000+ adults in the US (accountants
% from Dec 2015)

Gallup Poll – rate honesty and ethical standards “high” or “very high”

- 84%
- 65%
- 65%
- 47%
- 39%
- 38%
- 23%
- 18%
- 11%
- 9%
- 8%

December 2016 – 1,000+ adults in the US (accountants
% from Dec 2015)

Ethical Leadership Survey

- Which demographics are more sensitive to ethical issues:
- Men vs. women?
- Older vs. younger employees?
- Leaders vs. staff?
- Corporate employees vs. service providers?

Unethical Behavior

United Airlines Debacle

- Flight booked to capacity
- Additional crew members “needed” to fly
- United asked for volunteers / \$800 compensation
- No volunteers – Dept of Transportation guidelines allow passengers to be denied entry
- But...passenger was already on plane

United Airlines Debacle

Were United's actions legal? Still unclear...but possibly.

Were United's actions ethical?

Your thoughts?

Public reaction / impact on United's value

What alternatives did they have?

Pro's/con's

Case Study

- You are one of two vendors bidding on a lucrative new contract
- Your potential customer/client tells you about a somewhat material “gift” they received from the other vendor
- You feel that providing a similarly material “gift” to your customer/client will enhance your chances at winning the contract
- Profit on the contract will greatly exceed the cost of the “gift”
- What do you do?

Wal-Mart Mexico – Bribery Scandal



Wal-Mart Mexico – Bribery Scandal

- Began with Pulitzer Prize winning New York Times articles
- Allegations:
 - Wal-Mart Mexico paid \$24M in bribes
 - Began with a \$52,000 payment to re-zone a farmer's field
 - Corporate lawyers recommended an investigation
 - nothing came of it...
 - and Mexico leader became Vice Chairman of Wal-Mart Corp.
 - Internal auditor found it and upon reporting it was fired. Report was discarded.

Wal-Mart Mexico – Bribery Scandal

- Currently in a 4 year major federal investigation
 - Justice Department
 - Federal Bureau of Investigation
 - Securities and Exchange Commission
 - Internal Revenue Service's criminal investigations unit,
- Wal-Mart has spent over \$650M investigating the bribes and improving its policies
- Found that thousands of bribes were paid in India:
 - Move goods through customs
 - Real estate permits

Ethical decision making model

1. Identify the ethical issue(s) involved
2. Identify the two “clear” options
3. Consider how stakeholders would be affected by these two clear options
4. Use moral imagination to come up with “hybrid” options – usually the best result
 - Consider your ‘blind spots’ / Discuss with independent parties
5. Finalize and communicate decision
6. Change decision if needed

Case Study

- A co-worker has begun to live a lavish lifestyle
- No explanation for change
- You suspect co-worker or spouse may be doing something illegal
- Do you speak up?

Rita Crundwell



Rita Crundwell

- Began working for the city of Dixon in 1970
- Became the Comptroller in 1983
- 1990 – fraud began – created a new bank account with an official-sounding name
 - *Reserve Sewer Capital Development Account*
- Transferred funds into the account / withdrew them for personal purposes.

Rita Crundwell

- Fraud started at \$100k per year and eventually was over \$5M. Total of over \$50M over 20 years
- Bought cars, homes, horses, and always had a motorhome on hand worth nearly \$2M
- Constant budget cuts
- In 2011, was praised by a commissioner of the city, “She looks after every tax dollar as if it were her own.”
- What percent of the city’s budget at the end?
- Sentencing

Case Study

- You are in upper (but not top) management at your organization and you hope to continue to advance up the chain
- Your top manager, a superstar performer, has become increasingly “edgy”
 - Rough language
 - Jokes about employees of other genders, ethnicities, etc.
 - Comments of a sexual nature
- You have dropped some subtle hints that the manager should tone it down
- Their reply, “Maybe I should go somewhere I am more welcome.”
- This manager’s strong performance has greatly helped your own performance metrics and has you positioned for your next promotion
- What do you do?

Uber – Initial Success

- 2009 - Founded
- 2016 - \$4 billion revenue, \$69 billion valuation



The Infamous “Miami E-mail”

From: Travis Kalanick

Date: Friday, October 25, 2013

Subject: 九 Info: URGENT, URGENT - READ THIS NOW OR ELSE!!!!

To: Uber Team

Hey guys, I wanted to get some important information out there. I've put together a Q&A that we can use when other folks ask what we're doing here, and have some DOs and DON'Ts for our time here in Miami.

You better read this or I'll kick you're a**.

The Infamous “Miami E-mail”

- I have gotten a list of concerns from the legal department. I have translated these concerns into a clear set of common sense guidelines. I've also added a few items of my own.

The Infamous “Miami E-mail”

DON'T's

- 1) No lives should begin or end at 九
- 2) We do not have a budget to bail anyone out of jail. Don't be that guy. #CLM
- 3) Do not throw large kegs off of tall buildings. Please talk to Ryan McKillen and Amos Barreto for specific insights on this topic.
- 4) TBA
- 5) Drugs and narcotics will not be tolerated unless you have the appropriate medicinal licensing.
- 6) There will be a \$200 puke charge for any public displays on the Shore Club premises. Shore Club will be required to send pictures as proof.
- 7) DO NOT TALK TO PRESS. Send all press inquiries to Andrew - anoyes@uber.com
Additionally, stay vigilant about making sure people don't infiltrate our event. If and when you find yourself talking to a non-Uber (look for the wristband), keep confidential stuff confidential... no rev figures, driver figures, trip figures... don't talk about internal process, and don't talk about initiatives that have not already launched.

The Infamous “Miami E-mail”

DON'T's

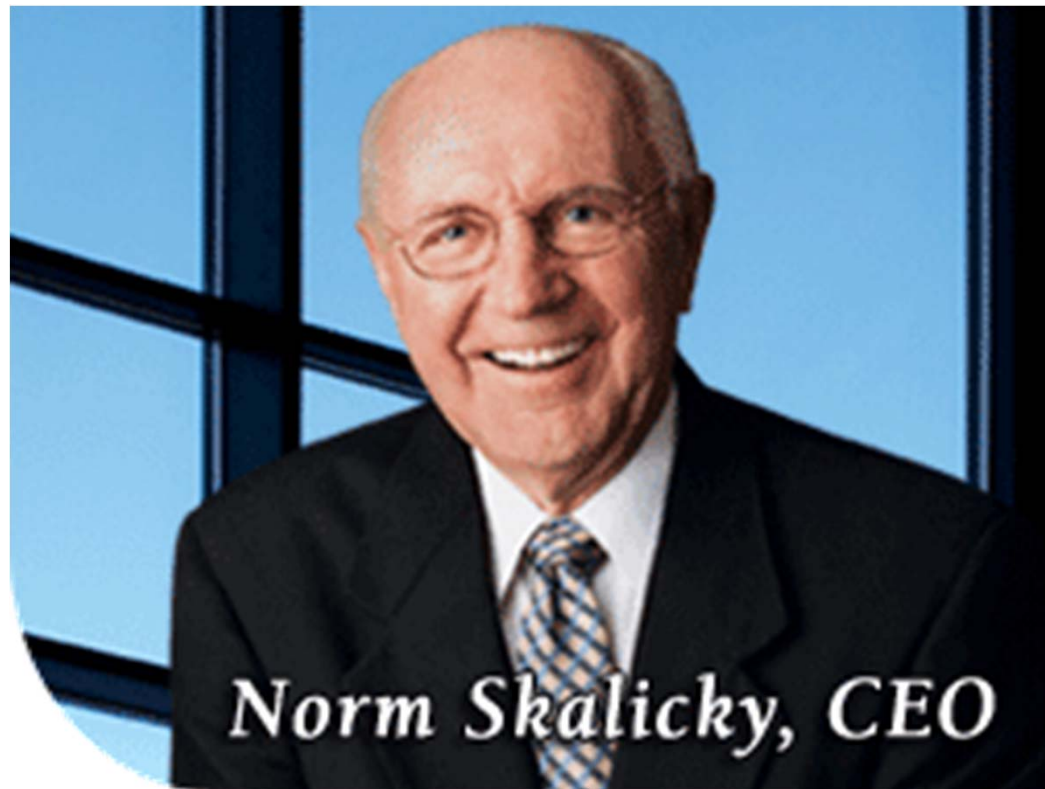
4) Do not have sex with another employee UNLESS a) you have asked that person for that privilege and they have responded with an emphatic "YES! I will have sex with you" AND b) the two (or more) of you do not work in the same chain of command. Yes, that means that Travis will be celibate on this trip. #CEOLife #FML

Uber – Recent Concerns

- Feb 19, 2017 – Blogpost discussing sexual harassment
 - Perhaps not taken seriously when reported to management
- Feb 28, 2017 – Dashcam video of CEO arguing with driver
- June 6, 2017 – Uber fires 20 employs when investigation reveals harassment
- June 8, 2017 – Miami E-mail surfaces (sent October 2013)
- June 20, 2017 – CEO resigns
- Investors cut valuations by 15%

Ethical Behavior

Norm Skalicky



Norm Skalicky

- CEO of Stearns Bank
- Owner for over 50 years
- \$2B assets
- Independent Community Bankers Association – Best of the Best
 - Banks with over \$1B in assets
 - Based on return on average assets
 - 1st place
- 20% ESOP
- Phone call rule

Benefits of Ethical Leadership

What do the following 19 companies have in common?

Aflac	Cummins Inc.
Deere & Company	Ecolab Inc.
Fluor Corporation	GE
International Paper Company	Jones Lang LaSalle Incorporated
Kao Corporation	Marriott International, Inc.
Milliken & Company	Premier, Inc.
PepsiCo, Inc.	Symantec Corporation
Starbucks	United Parcel Service
Texas Instruments	Waste Management
Xerox Corporation	

- 10 or 11 of the past 11 years



Investment returns

- 10 year compounded annual total growth of S&P 500 Index?
- Average 10 year compounded annual growth of “ethical” companies?



Questions to consider

- Is your direct supervisor very ethical?
- Is senior leadership at your organization very ethical?
- Do you love your job?
- Do you plan to stay at your company for a long time?
- Do you work hard for your company?

Survey Results - General

	Senior leadership is very ethical	Direct supervisor(s) is very ethical
Strongly disagree	2%	1%
Disagree	1%	0%
Neutral	4%	5%
Agree	36%	29%
Strongly agree	58%	65%

Survey Results - Details

Senior leadership is very ethical	I love my job	I plan to stay at my company for a long time	I work very hard for my company
Neutral, disagree, or strongly disagree	3.1	3.1	4.0
Agree	3.8	3.6	4.4
Strongly agree	4.4	4.3	4.7

Survey Results - Details

My direct supervisor(s) is very ethical	I love my job	I plan to stay at my company for a long time	I work very hard for my company
Neutral, disagree, or strongly disagree	3.4	2.9	3.9
Agree	3.6	3.6	4.4
Strongly agree	4.3	4.3	4.7

Indra Nooyi

Chair and CEO of PepsiCo



“Our approach is rooted in a few simple beliefs: We don’t just want to change the way we spend money. We want to change the way we make it. We don’t just want to be a great company. We want to be a good company. We don’t just want to succeed over the short term. We also want to succeed over the long term.”

Source: Proxy Statement

Indra Nooyi

- Born and raised in India
- Undergrad in India / Master's from Yale in 1980
- Joined PepsiCo in 1994 as a Senior VP of Strategic Planning
- Became CFO, then President, then Chair and CEO in 2006
- How many of the Fortune 500 CEO's are women?

Final Tips

- Discuss decisions with others
- Have a long-term view. STP = LTG
- Avoid financial and other pressures which can increase ethical pressures
- Assume your decision will be publicized
- Be willing to walk away from an unhealthy environment

