

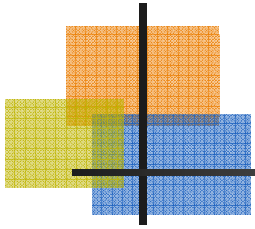


# 2009 Broker & Agent Training

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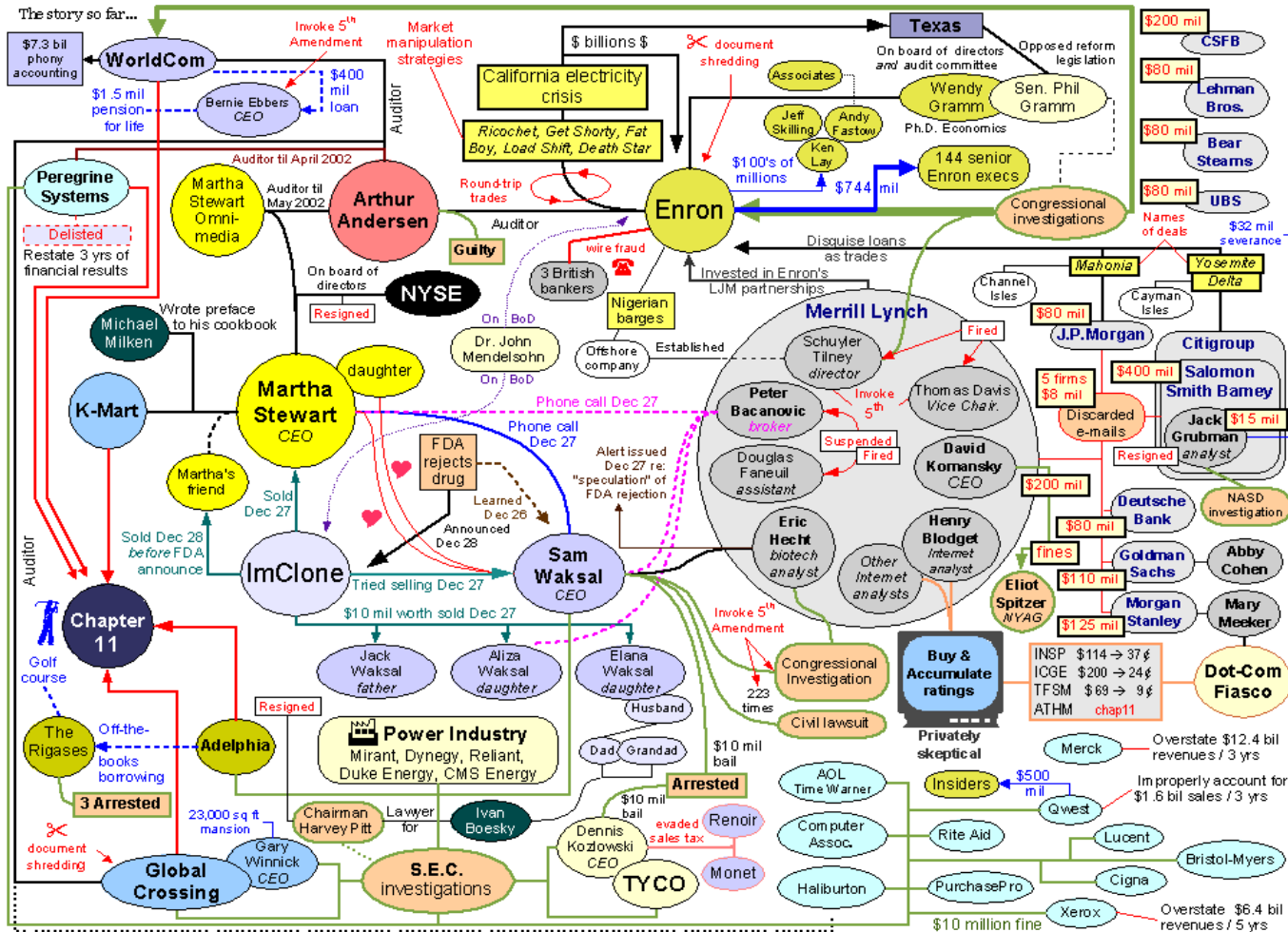
## Understanding and Preventing Ethical Failure

Harry Carstens  
Ethics and Compliance Officer  
Regence BlueShield

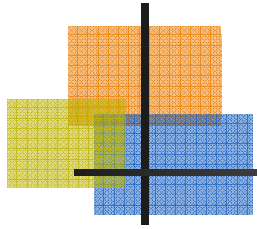


Is there a problem with ethics?

# 21<sup>st</sup> Century Ethics So Far



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## Some Leading Names

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- Adelphia
- Boeing
- Cendant
- Computer Associates
- Tyco International
- General Electric
- Global Crossing
- Merrill Lynch
- Enron
- Qwest
- WorldCom
- Royal Shell
- Nortel
- Krispy Kreme
- Merck
- UnitedHealth
- BP and pipelines and refineries
- Student lenders and colleges
- Fidelity and Jeffries
- AT&T
- Xerox
- Kmart
- Citicorp
- Lucent
- ImClone
- Arthur Andersen
- HealthSouth
- Royal Ahold
- Parmalat
- Apollo Group
- Fannie Mae
- Refco
- Options Crowd: Apple, Microsoft (153 companies)
- HP
- Tenet Healthcare



# What Do We Value Most?

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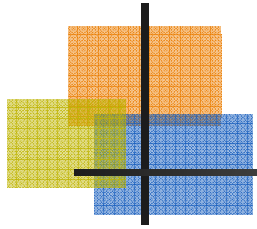
- 1999 – Andy Fastow of Enron named CFO of the year by CFO Magazine
- 2000 – Scott Sullivan of WorldCom named CFO of the year by CFO Magazine
- 2001– Mark Swartz of Tyco named CFO of the year by CFO Magazine
- 2000 – Enron named Most Innovative Company in America by Fortune Magazine
- 2001 – Enron named among 100 Best Companies to Work For by Fortune Magazine
- 2002 – Dennis Kozlowski named among Top 25 Managers of the Year by Business Week Magazine
- 2004 – Hewlett Packard named among 100 Best Corporate Citizens by Business Ethics Magazine also named among Most Trusted Companies for Privacy by TRUSTe, an internet watchdog group.
- 2004 – Fannie Mae named #1 Best Corporate Citizen by Business Ethics Magazine



# What Do We Value Most?

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- 2004 – Andy Fastow pleads guilty to two counts of fraud. Trades testimony for leniency. Sentenced to 10 years. (Spouse, Lea Fastow, sentenced to 1 year.)
- 2005 – Scott Sullivan pleads guilty to various fraud and conspiracy charges. Traded cooperation for leniency. Sentenced to 5 years.
- 2005 – Mark Swartz convicted of 22 counts of grand larceny. Sentenced 8 1/3 to 25 years. Out on \$10 million bail pending appeal.
- 2001 – Enron, restates last 5 years of accounting statements, files for bankruptcy protection and lays off 4,500 employees. 1,000 more laid off in January 2002.
- 2005 – Dennis Kozlowski convicted of 22 counts of grand larceny. Sentenced 8 1/3 to 25 years. \$204 million in fines and restitution.
- 2006 – HP, investigated by Congress for spying on its board members and various journalists. High-level resignations and indictments.
- 2004 – Fannie Mae CEO Franklin Raines (Seattle native) takes “early retirement.” Currently under investigation for accounting irregularities.



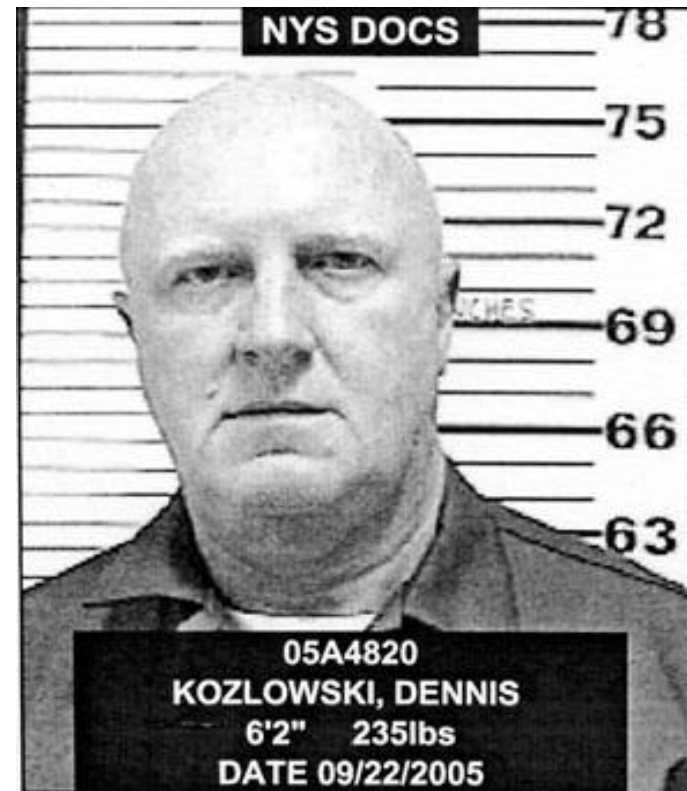
## Commencement Address

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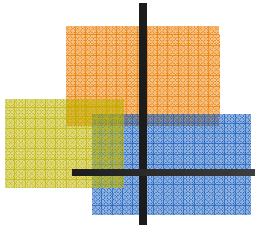
“As you go forward in life, you will be confronted with questions every day that test your morals. The questions will get tougher and the consequences will become more severe. Think carefully, and for your sake, do the right thing, not the easy thing.”

# Commencement Speaker

- Dennis Kozlowski
- St. Anselm's Commencement Speaker, May 2002.
- Indicted June 4, 2002
- Convicted June 17, 2005
- Sentenced September 19, 2005
- Eligible for Parole 2012







## Two Pictures are worth . . .

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“I have always maintained the highest ethical standards throughout my career and cannot truly explain my complete breakdown in judgment at this time.”

Brian Walski

Upon being fired from The L.A. Times  
For altering news photographs taken in Iraq

Reported on Poynteronline.org

April 2, 2003



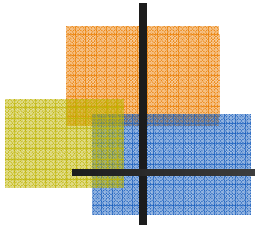








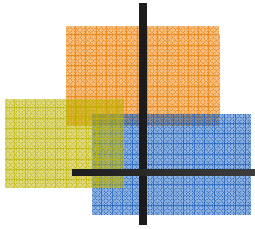




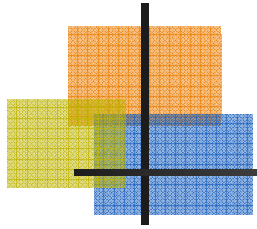
“I wasn't debating the ethics of it when I was doing it. I was looking for a better image. It was a 14 hour day and I was tired. It was probably ten at night. I was looking to make a picture. Why I chose this course is something I'll go over and over in my head for a long time. I certainly wasn't thinking of the ramifications.”

Brian Walski  
to Photo District News  
[www.pdonline.com](http://www.pdonline.com)  
May 7, 2003



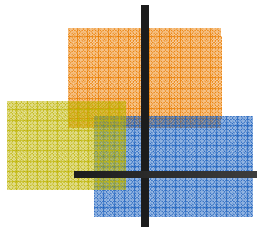


How did it get this way?



# Where Do We Learn Ethics?

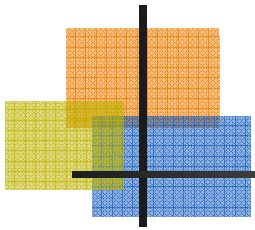
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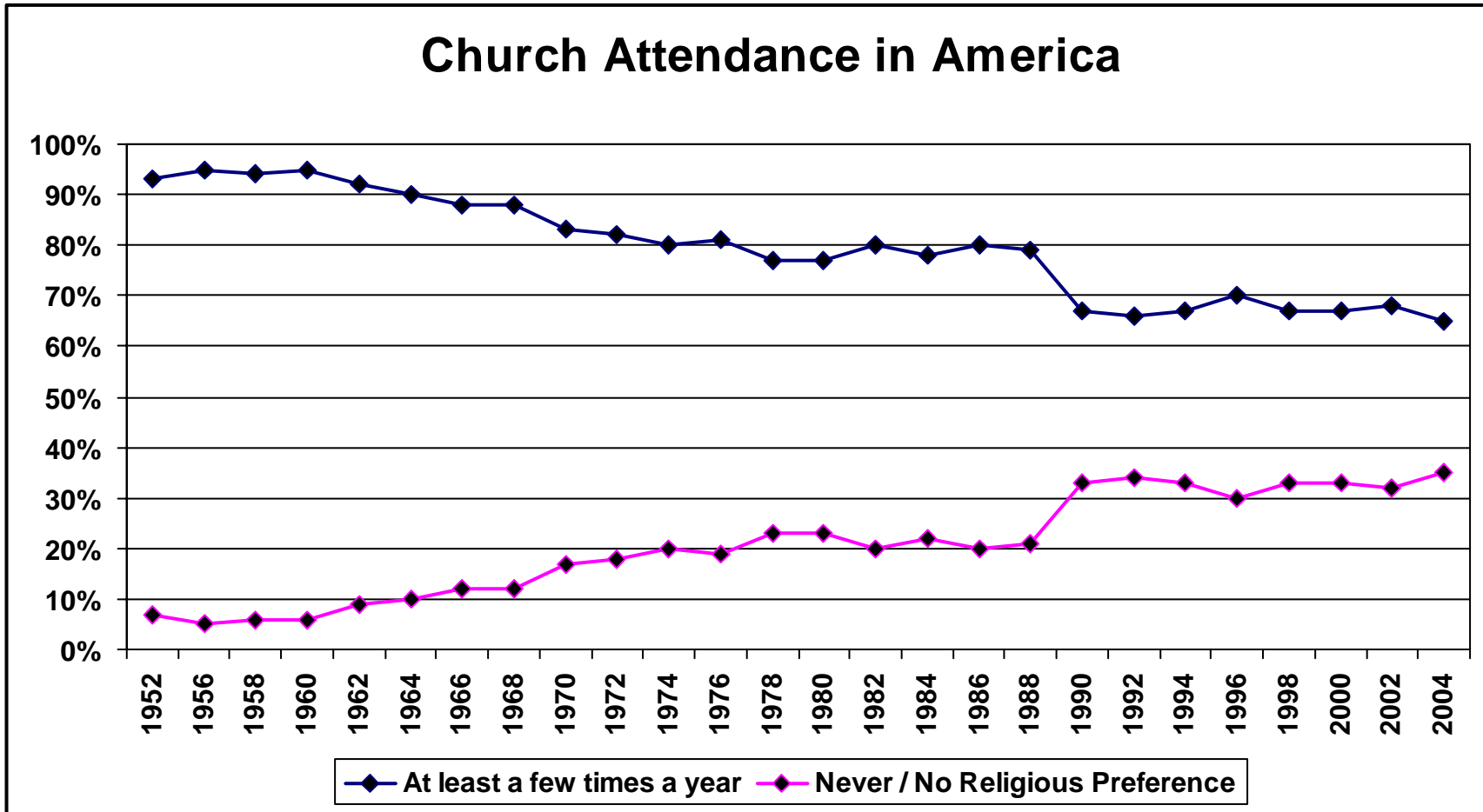
# Where Do We Learn Ethics?

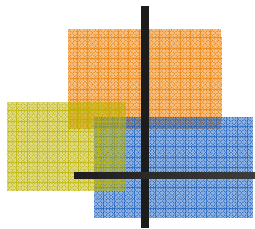
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- Churches
- School
- Home



# Do We Learn Ethics in Church?





# Do We Learn Ethics in School?

High School Ethics (2004)	At Least Once	2 or More Times
<b>I cheated on a test</b>	<b>62%</b>	<b>37%</b>
<b>I copied another's homework</b>	<b>83%</b>	<b>64%</b>
<b>I lied to a parent about something significant</b>	<b>82%</b>	<b>57%</b>
<b>I lied to a teacher about something significant</b>	<b>62%</b>	<b>35%</b>
<b>I stole something from a store</b>	<b>28%</b>	<b>14%</b>

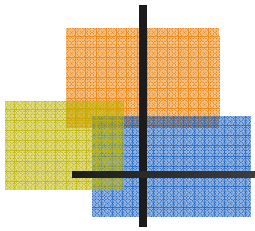
2004 Survey by The Josephson Institute  
[www.josephsoninstitute.org](http://www.josephsoninstitute.org)



# Do We Learn Ethics in School?

<b>Cheating in College</b>	<b>1963</b>	<b>1993</b>
<b>Copying from other students</b>	<b>26%</b>	<b>52%</b>
<b>Helping another student</b>	<b>23%</b>	<b>37%</b>
<b>Using crib notes</b>	<b>16%</b>	<b>27%</b>
<b>Collaborating</b>	<b>11%</b>	<b>49%</b>
<b>Cheating on written assignments</b>	<b>82%</b>	<b>84%</b>

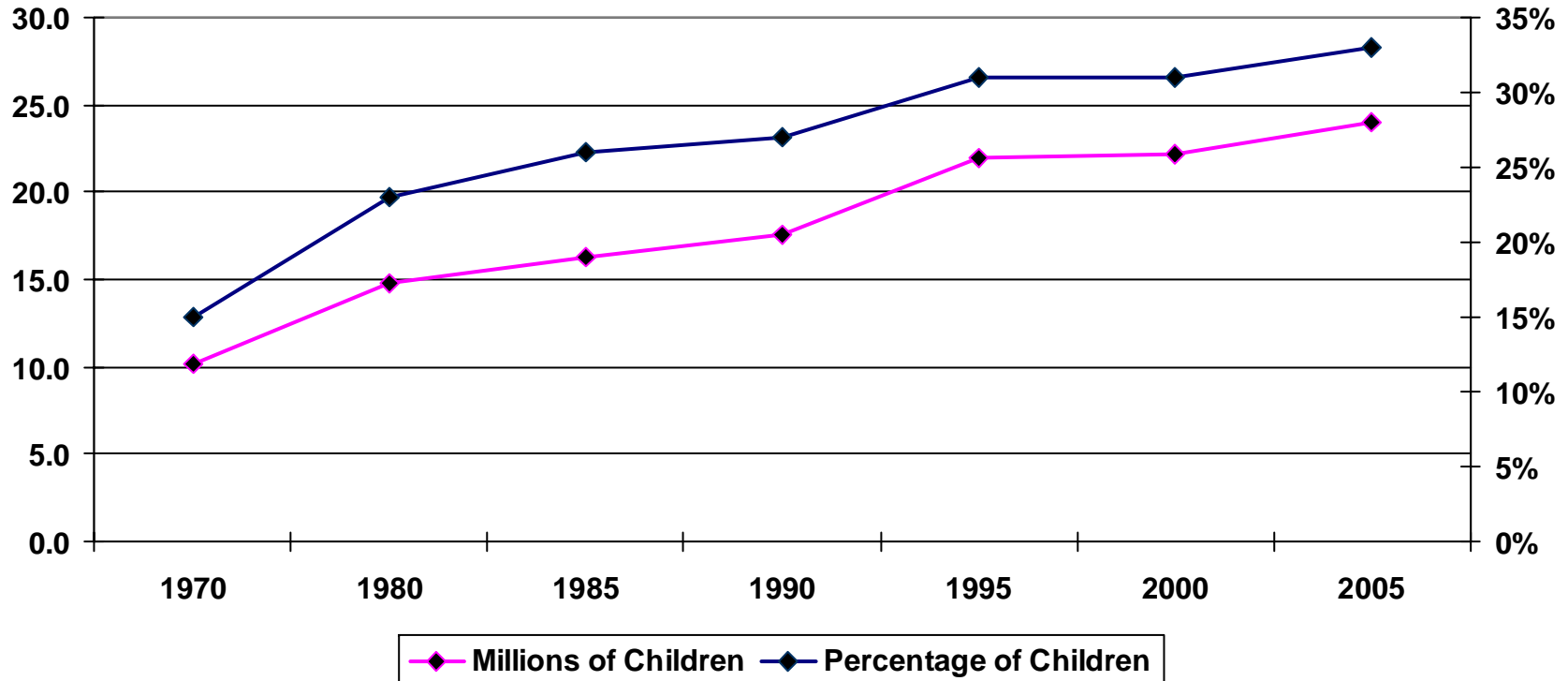
McCabe, D., Trevino, L., Butterfield, K., "Cheating in Academic Institutions: A Decade of Research", Ethics & Behavior (2001) 11. No.3 pp. 219-232

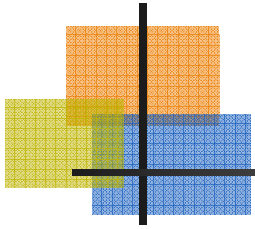


# Challenges at Home

## Children Living In Single-parent Households

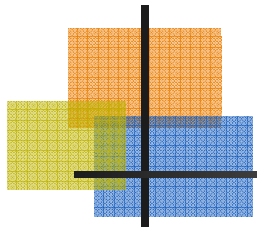
US Census Data





What do we do about it?

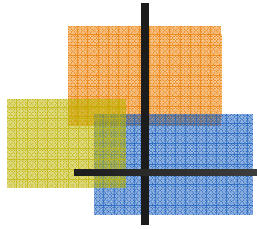




# Personal Power

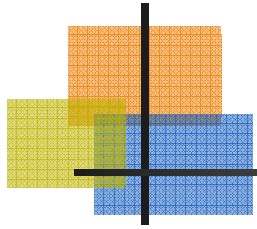
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- Self
- Others



# Know Your Personal Values

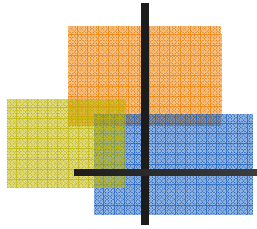
- First Barrier to Self-awareness:
  - We believe we don't have time
    - The truth is we have the time to do anything we choose . . . But we have to choose.
  - If we believe it is important, we will find the time.
  - Don't wait for a crisis to examine your values.
    - Kafka: "The meaning of life is that it ends."
    - Walski: "I cannot explain my complete breakdown in judgment at this time."



# Know Your Personal Values

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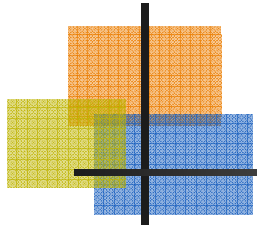
- Second Barrier to Self-awareness:
  - It's hard to do.
    - It's a lot easier to mess with other people.
  - Self-awareness requires an emotional risk.
  - Self-awareness creates vulnerability.



# Know Your Personal Values

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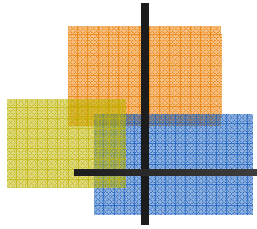
- Third Barrier to Self-awareness:
  - We're not always honest with ourselves.
    - Russian proverb:  
"The church is near, but the road is icy. The tavern is far away, but I will walk carefully."
  - Have to take a chance and be open and honest with oneself.



## Expect Ethics From Others

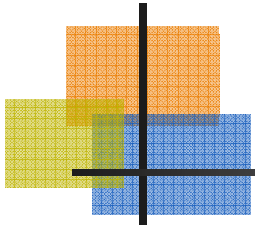
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- Discuss ethics at every appropriate time and place.
- Tell others that you expect them to deal with you in an ethical manner.
- Hold people accountable for their ethics.
- Acknowledge and reward ethics when you see it.



## Implications for Business People

- We get what we value most.
- The line between fame and notoriety is very thin.
- Traditional sources of ethics training are losing influence.
- A large percentage of the next generation of workers seems ethically challenged.
- Business has not only a right, but a strong imperative to teach ethics.



Questions?