

# **What Is Different About People, Agencies, Insurers, and Companies Who Stay Out of the Headlines?**

**Marianne M. Jennings**

**Professor Emeritus, Arizona State University**



# The Scary Slides:

**A State of the Union  
on Ethics**

# Moral Relativism

**It is now the universal standard.**

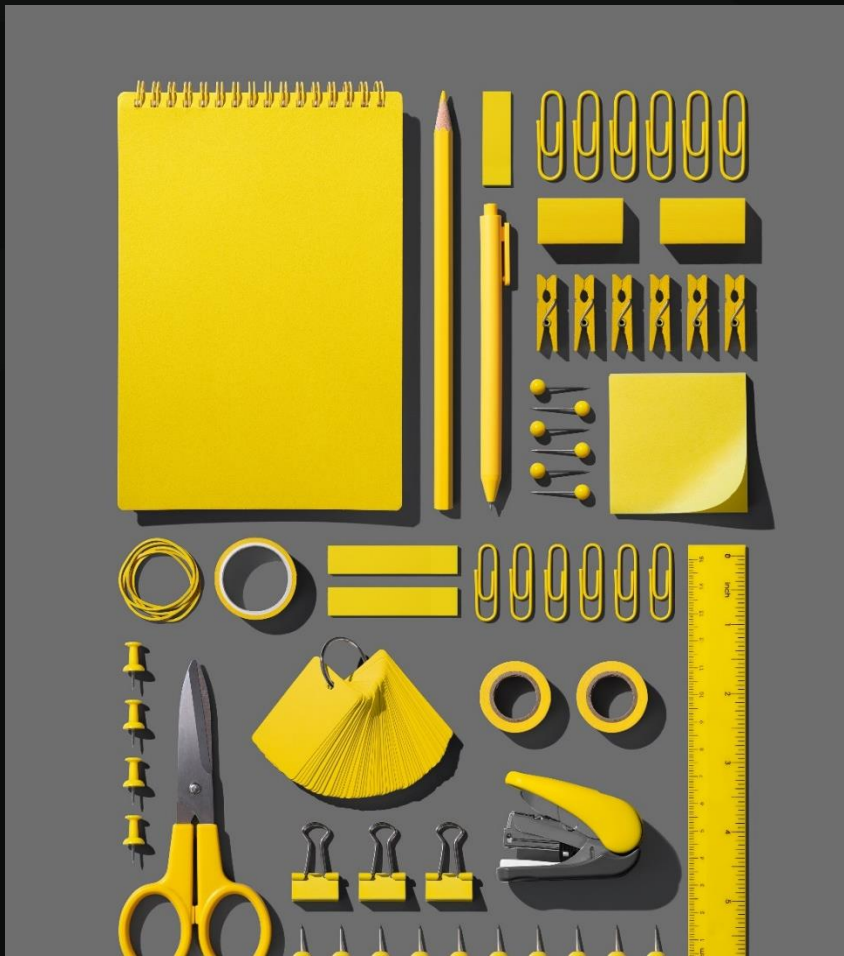
**It is a self-defining system.**

**You decide whether your conduct is ethical based on the circumstances, not on laws, norms, or ethical principles.**


**Moral Relativism: There are no universal rules  
Circumstances control choices and whether  
they are ethical.**

- *The system is unfair.*
- *What choice did I have?*
- *I was not being paid what I deserved, so I made up for it.*
- *I was trying to solve a problem that no one else could solve.*

# Moral Relativism: Only Amount Matters



- *“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 just not steal.”*
- *—M. Jennings*



# Details on high school cheating

**95% admit cheating in some way during high school**

**64% cheated on a test**

**58% plagiarized**

# 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 2023

# A recent résumé study (2020)

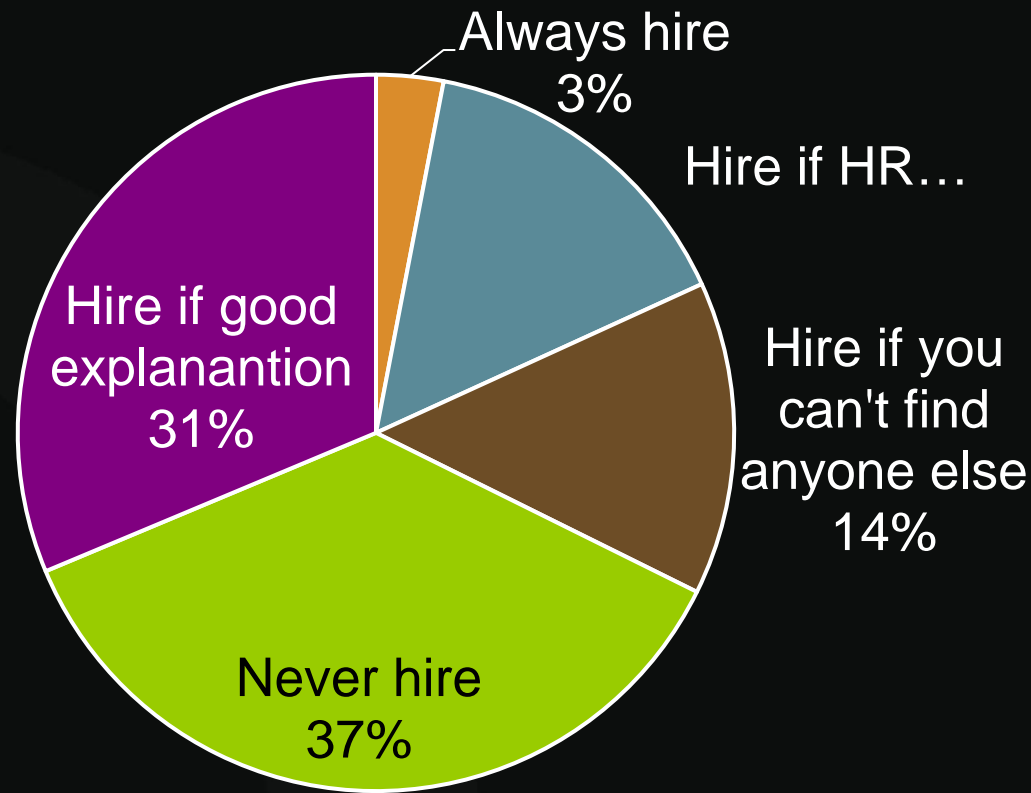
90% had false information

The false information was material:

- 42% fabricated relevant experience
- 45% lied about their reasons for leaving a previous job
- 39% lied about where their degrees were from (using the name of a prestigious university or college instead of their own)
- 41% lied about their level or title at their previous job, e.g., claimed “director” status when they had only reached “manager” level
- Pre-screening firm issues

Recent examples:

- Yahoo’s former CEO and Stonehill College Computer Science Degree from 1979
- Walmart VP of Communications (former)



## HR Managers: What if an applicant misrepresents or lies in seeking a job?

# Workplace: ECI 2023 Global Survey

- 29% felt pressure to compromise ethical standards (50% in Bolivia)
- 65% saw violations of laws or their organization's standards (85% Kenya)
- 72% of employees reported the violations they witnessed (India 90% reported)
- 46% reported retaliation for reporting (74% in India experienced retaliation)
- 87% reported that their organizations do not have a strong ethical culture
  - <https://www.ethics.org/gbes-2023/>

A photograph of a business meeting. A woman in a dark blazer is looking at a tablet held by another person. She has a hand to her mouth, suggesting concern or surprise. A coffee cup is on the table. The background is a bright office window.

# The Scary Slides:

**Businesses with ethical/legal lapses**

# Ethical Lapses Since 2001

ABB Ltd.	Abbott	Activision	Adelphia
Adidas	ADM (2)	AIG (3)	Airbnb
Airbus	Allergan	Allianz	Alstom
Amazon	AMC	American Apparel	American Express
Apple (?)	Apollo Group	Archehos	Arthur Andersen
AstraZeneca	AT&T (2)	AutoNation	Autonomy
Avon	Balenciaga	Bally Total Fitness	Bank of America
Barclays (5)	Bayer	Bausch & Lomb	Baxter
BCBS	BCCI	BDO Seidman	BearStearns
Bed Bath Beyond	Beechnut	Ben & Jerry's	Better.com
Beneficient	Biogen	Biovail	Bitcoin
Binance	Bittrex	BlackRock	Blockchain
Blue Bell	BNP Paribus	BNY	Body Shop
Boeing (5)	BP (3)	Bristol-Myers Squibb	Brooge Energy
CalPERS (2)			

# Ethical Lapses Since 2001

Cardinal Health	Caterpillar	CBS	Cendant
Charles Schwab (2)	Charter Comm.	Chase	Chrysler
Centene	Chipotle	Chiquita	Christie's
Cintas	Circuit City	Cisco Systems	Citigroup (?)
Cloopen Holding Group	Coca-Cola		
Columbia HCA	Comcast	ComEd	Computer Associates
Costco	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
Diamond Nuts	DirecTV	Disney	Downey S & L
Duke Energy	DuPont	E-Clinical	Edward Jones
Eli Lilly	Enron	Entergy	Equifax
Ernst & Young (EY)(2)	Evergrande	Exelon (ComEd)	ExxonMobil
Facebook (4)	Fannie Mae (2)		

# Ethical Lapses Since 2001

Fidelity Investments	FIFA	FINRA	Fireman's Fund
FirstEnergy	First Republic Bank	Fisher Investments	Fisker
Fluor	Fox News	Foxconn	Freedom Industries
FTX	Galleon Hedge	GameStop	General Electric (3)
General RE	Gildan Activewear		
GlaxoSmithKline (4)	Glencore	Global Crossing	GM
GoDaddy	Gol Linhas Aéreas Inteligentes	Goldman Sachs (4)	Greensill
Hallmark Westland	GroupOn	Gro Intelligence	Guidant
Hasbro	HCA	HeadSpin	HealthSouth
Helig-Myers	Herbalife	Hilton	Hitachi
Home Depot	HP	HR Block	HSCB
Huawei	Hyundai	IBM	Ikea
ImClone	IndyMac	Instagram	Insys

# Ethical Lapses Since 2001

Intel	Johnson & Johnson (3)	Juul	Kay Jewelers
Kellogg	Kia	Kidder Peabody	
Kindred Healthcare	Kmart	Kobe Steel	Kodak (2)
KPMG (6)	Kraft-Heinz	Krispy Kreme	Krollmorgen
Lenderbetter.com	Lehman Brothers	Lerner	Lifelock
Long Term Capital	Lordstown Motors	Lucent	
Lucid	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 (2)	Movie Pass
Mylan	NatWest Markets	Navistar	Navient
Nestlé	Netflix	NBC ("Nitely")(Lauer)	New Century

# Ethical Lapses Since 2001

New Eng. Patriots	New Era	New Orleans Saints	New Republic
New York Times	NYC Bank	NFL	Nike
Nikola	Nissan	Nortel	Novartis (2)
NutraCare		Och-Ziff	Olympic Committee
Olympus	Open AI	Oprah and WeightWatchers	Options (200)
Oracle	Overstock	Ozy Media	Parmalat
Payday Loans	PCAOB	Peanut Corporation of America	Peloton
Penn State	Pepsi	Penn State	Pepsi
Perdue Farms (2)	Peregrine	Petters Co.	Pfizer
PFX			
P&G	PGE	Pharma benefit companies	PharMor
Pilot Flying J			

# Ethical Lapses Since 2001

Pimco	Pixar	PPG	Prudential
PriceWaterhouse Coopers	Prudential	Purdue	
Putnam (2)	QuadrigaCX	Qualcomm	Qwest
Radio Shack	Razorfish	RBS	Reebok
Reddit	Refco	RiteAid	Rivian
Robinhood	Royal Ahold	Royal Dutch Shell	SAC Capital
Saks Fifth Avenue	Salesforce	Samsung	Satyam (India)
SCANA (Dominion)	Sealed Air	Sears	Sentinel
Shaw Group	Siemens	Signature Bank	Silicon Valley Bank (SVB)
Sloan Kettering	Snapchat	Société General	Social Finance (SoFi)
Soft Bank	Sorrell (S4)	Sony	Sothebys

# Ethical Lapses Since 2001

Southern Company	Southwest Airlines	SPACs	Stanford Investments
Standard & Poors	Stanford University	Starbucks	State Farm
Stitch Fix	Student loan lenders	Sutter Health (2)	Swedish Academy
Symantec	Taco Bell	Taylor Beane	Takata
Target	Taser	TD Bank	Temple University
Tenet (3)	Tesco	Tesla (3)	Teva
Texaco	Theranos	TierOne Bank	TikTok
Time Warner	Titan	T-Mobile	Toshiba (2)
Toyota	Trinity Highway	Turing Pharma	Twitter
Tyco Int'l	Tylenol (McNeil)	Uber	UBS (2)
Under Armour	Unilever	Unions (UAW)	United
	Universities	Universities & Admissions	Universities & Sports
Valeant	Verizon	Volkswagen	Wachovia

# Ethical Lapses Since 2001

Walmart	Westar	WeWork (We)(2)	Wirecard
Whole Foods	World Bank	WorldCom	WPP
WWF	Wynn Co.	Xerox	Yahoo!
Zantac	Zenefits	Zynga	

# More Scary Slides

**People in Farming and Insurance Who  
Made the Headlines**

# Crop Insurance Fraud – Types

1. Farmer intentionally plants a bad crop – minimal seed planted too deeply and spaced far apart – “It never came up!”; cheap investment and big returns
2. Farmer plants a good crop and hides it – gets paid for loss on that amount and then sells the hidden crop. Fraudsters obtain \$2 from insurance and then sell the hidden crop at a discount for another \$1 per pound –total of \$3 per pound.
3. Backdated policies
4. Shifting production – changing quantities across fields– overreport on one field to make claims on other fields
5. Straw farm operators
6. Fake weather crop damage
7. 5% of all crop insurance claims are fraudulent

- Insurance broker
- Insurance salesperson
- Combiners (harvest records)
- Adjusters
- Claims processors
- Farmer
- Warehouseman
- Check-cashing service
- Bankers
- Buyers for farm products
- Crop brokers
- Companies buying the products

# **What layers does it take for crop insurance fraud to take place? The Necessary Co-Conspirators**

# Some recent examples

Name	Date	Crop	State	Accused fraud	Penalties
Kent Pfaff	March 2024	Soybeans	North Dakota	Shifting yields	\$379,317 5-year debarment
Patrick Esch/Ed Dean Jagers	March 2024		Colorado	Rain gauge tampering	\$6.5 million 2 months/6 months
Darren Tronson	March 2024	Potatoes	North Dakota	Lied about following insurer guidance	\$272,365 + \$10,000 penalty 10-year debarment 1 yr. probation
Robert & Vikki Warren	March 2023	Tomatoes	North Carolina	Staged weather events	\$9,000,000 6 years each in prison

# Outcome of previous examples

					Amount
Gaylord "Butch" Lincoln	March 2022	Corn	Michigan	Straw farms cultivators	\$1.2 M
Clay's Tobacco House	April 2022	Tobacco	Kentucky	Sales of crops reported as failed	86 months for crop insurance adjuster
Warehouse employees, adjusters, agents, owners	April 2022	Tobacco	Kentucky	Sales of crops reported as failed	\$9 Million \$23 Million 6-36 months prison
Kevan Nelson	March 2022	Corn and soybeans	Minnesota	Fraudulent claim	\$548,695; loss of eligibility for federal programs

# Esch & Jager: How did they do it?

- Type of policy: Rainfall Index Annual Forage Insurance Plan (measuring rainfall instead of crop yield)
- Covered gauges with agricultural disc blades
- Filled gauges with silicone to prevent them from collecting moisture
- Cutting wires on the gauges
- Drilled holes through parts
- Covered gauges with pans and cake tins
- Detached and then tipped over the bucket that collected precipitation.
- Tampering created false records making it appear that less rain had fallen than was the case.

# Robert & Vikki Warren: How did they do it?

- Staged a hailstorm

*"The way we did it, we was down taking pictures, out this row, and then we just stood behind it and threwed the ice over the top. To me, it looked like a hailstorm."* – Bobby Chambers, manager for the Warrens – indicated that he bought the “cocktail ice” to use for the storm pictures

- Owned 26 farms in three states
- Problems with “drive-by adjusters”
- Bobby Chambers turned state’s evidence and got 2 years probation
- Insurance agent “coached” the Warrens on how to perpetrate the fraud, “It’s government money, not ours.”

# Gaylord “Butch” Lincoln

- Placed some of his farmlands under the names of four of his farmhands to receive federal crop insurance payments in excess of the maximum (straw men who had no insurable interest)
- "scheme to fraudulently obtain more federal farm benefit program payments than he was entitled to receive,"
- Insurer settled federal civil suit for \$500,000

- “Relators”  
(Whistleblowers)
  - Esch/Jager case  
– whistleblower’s  
estate received  
\$500,000)
- Storage facilities
- Plea-bargaining

**How did the  
Justice  
Department  
find out?**

# Why do they do it?

*“Crop insurance fraud cases often involve farmers that are failures from the start, but not so with the Warrens. They had an excellent product in their fields. They just loved money.”*

Richard Edwards , lead federal prosecutor

The background of the slide is a dark blue to black gradient. It features several wavy, glowing blue lines that resemble digital data or sound waves. These lines are composed of many small, bright blue dots or particles, creating a sense of motion and depth. The overall aesthetic is futuristic and technological.

# The Common Threads in Ethical Lapses

# 1. None of the events were close calls.

Falsified  
paperwork

Misleading  
regulators

Forged  
paperwork

False  
certification

Fake  
receipts

Falsified  
claims

Money  
laundering

Income tax  
evasion

Shell  
companies

**2. Those involved were  
aware of their ethical  
lapses.**

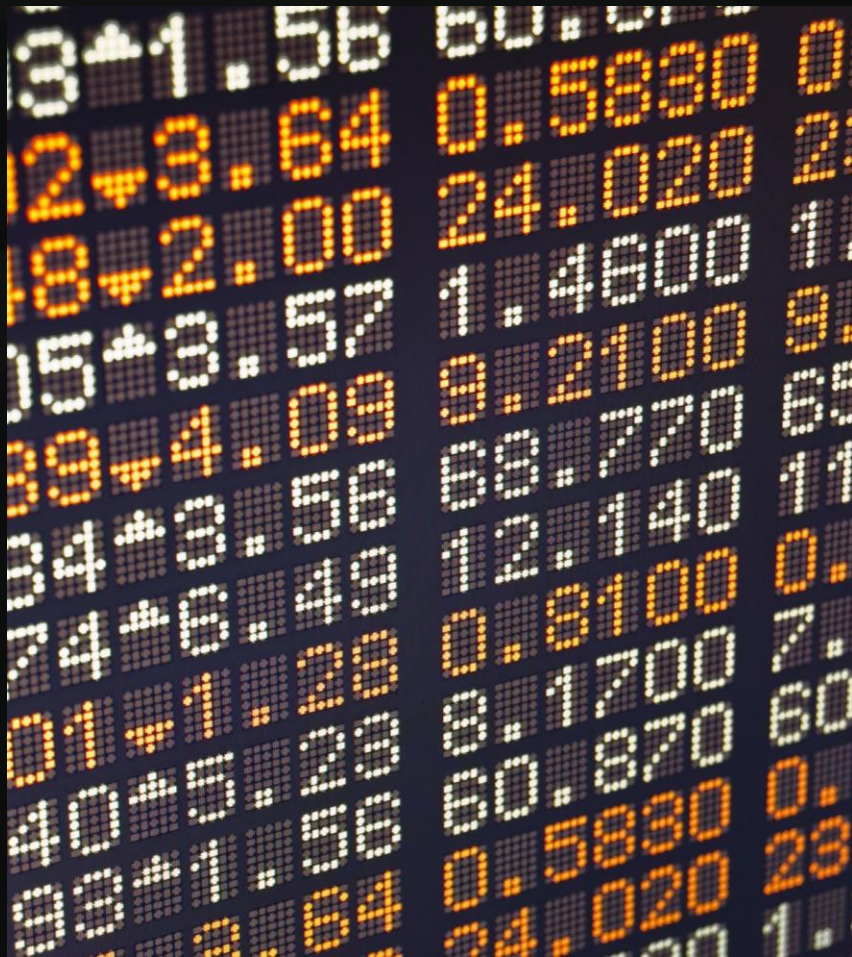
**They knew!**

# Robert Stokes

- *“I’m as guilty as can be.”*
- Insurance broker
- Decades-long crop fraud scam
- Agreed to pay \$16,582,215 in restitution
- 30 months in prison

# McKinsey & Opioids

## #They knew



McKinsey's advice to opioid company to escape detection of higher-than-allowed sales of opioids: "Pass on inventory to customers: As DEA review inventory at hand before allotting quota, less inventory can help obtain additional quota over the annual limit."

- In 2008, staffers at JPMorgan Chase flagged Epstein transactions
- Made payments to women while Epstein was in prison – compliance believed that the payments were for “fuel and landing fees.”
  - Khadeeja Safdar and David Benoit, “JPMorgan Staffers Flagged Epstein.” *Wall Street Journal*, April 13, 2023, p. B1.

# They knew

**No one spoke up until 2020  
– e-mails emerged in  
litigation in 2023**

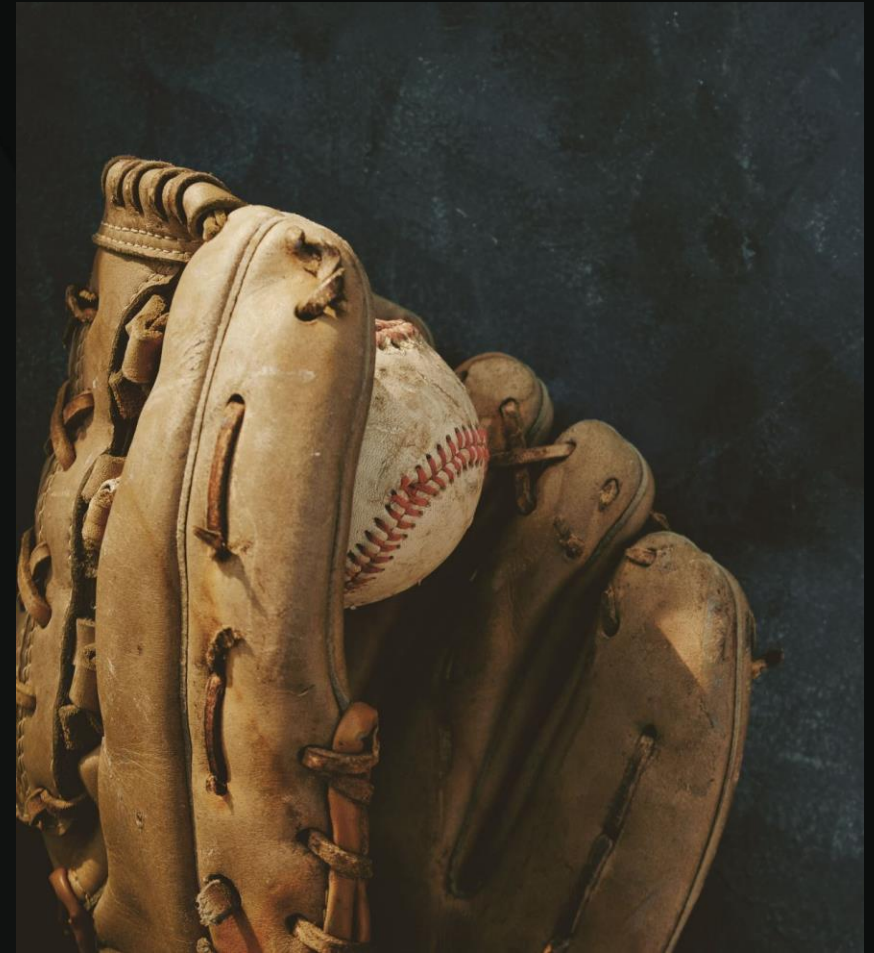
- In March 2018, the issue of high numbers of discrepancy reports on the MAX simulators was still a major issue:
- “It’s a bloody joke. They do not understand the liability we as a company are taking on.”


# A Boeing employee’s concerns in an e-mail

**Nowhere to turn**

# Baseball executive following cheating scandals: We all knew

- *“It’s no longer about how you pitch to a certain player. It’s a competition of espionage moves.”*
  - Tom Verducci, “Signs of the Times,” *Sports Illustrated*, December 2, 2019 p. 58
- *“It was common knowledge in our club. Other clubs were doing it in their home clubs, too.”*





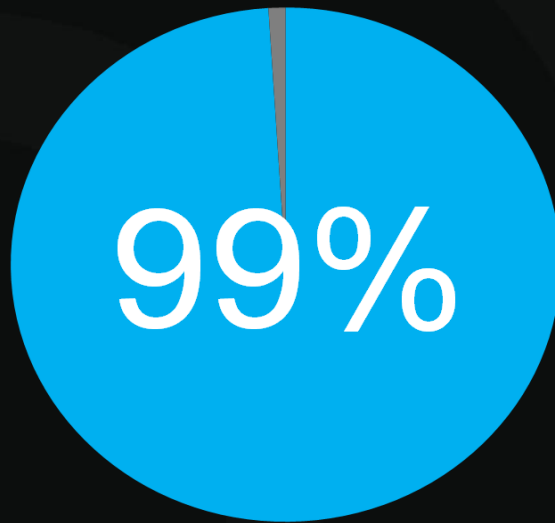
**If they are aware,  
what happens?  
How does this  
happen? What are  
the common threads  
and behaviors that  
we can watch for?**

**What can we do  
differently? What is  
different about those  
who avoid ethical  
lapses?**

# The Need for Self-Awareness

**Kevan Nelson – 35 character witnesses**

# Mistake #1 – “Are you talking to me? I am ethical!”



Percentage of  
respondents who  
believe they are  
more ethical than  
their peers.

—*Society of Human Resource  
Managers*

# Was there anything you did or were asked to do in the past year that bothered you? I Did in the Past Year

*“I bought an expensive dress, wore it once to a party and then returned it to the store for a refund.”*

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

*“I got COVID vaccine by claiming I was a teacher.”*

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

*“I said nothing when my fellow employees were submitting false expenses.”*

*“I bought a luggage set and used it for my trip. When I got back I was still within the 30-day return period so I sent it back and got a refund.”*

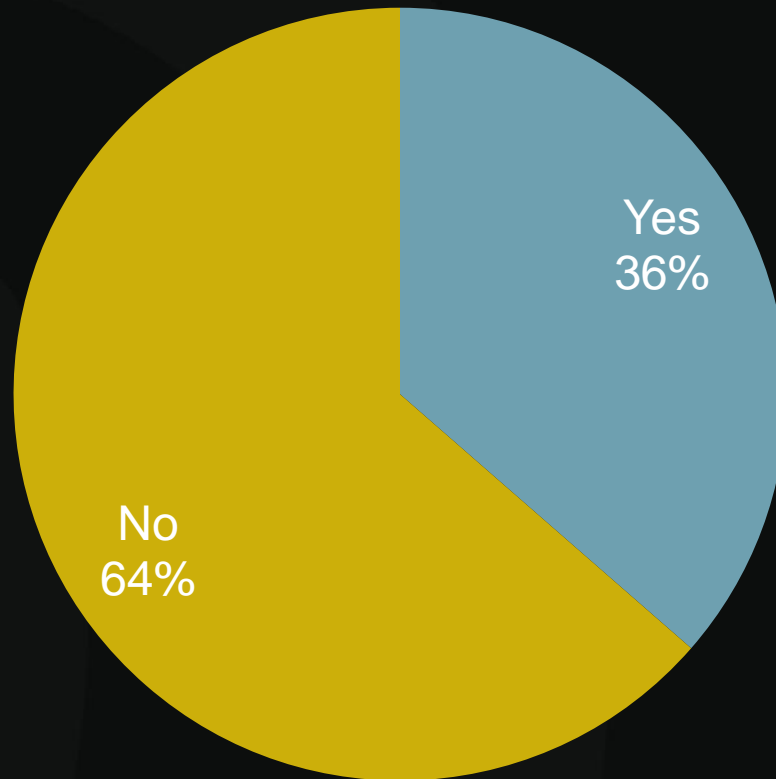
# Was there anything you did or were asked to do in the past year that bothered you? |

- *“Wrote off college ticket donation even though I later sold them for a profit.”*
- *“Allowed my spouse to re-use a Groupon Dinner Coupon three times”*
- *“We prohibit our students from using AI to do their papers. But the school purchased AI programs that grade their papers for us to use save time.”*
- *“I rented a car like mine for a day and switched its tires for mine.”*

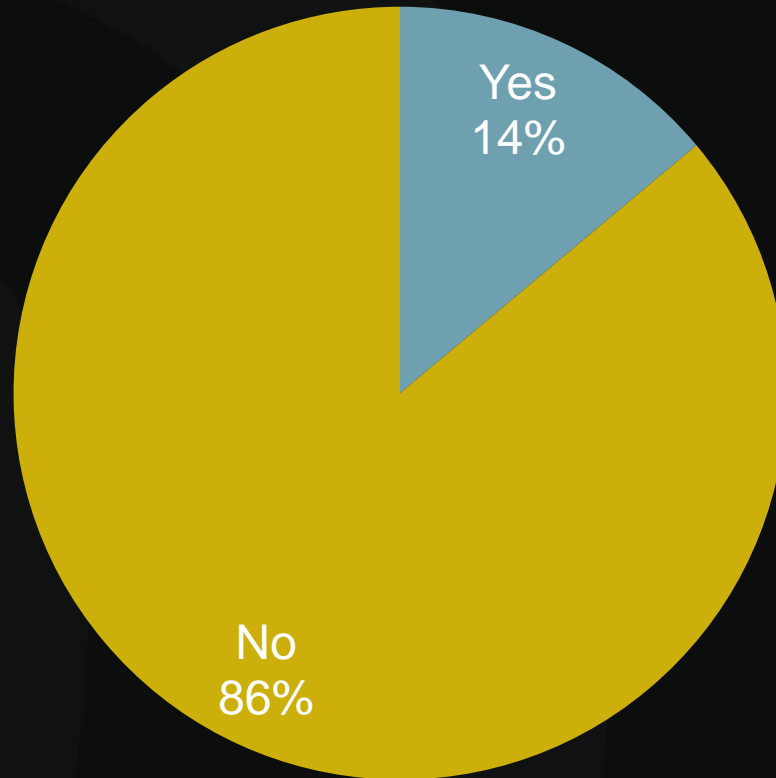
# Was there anything you did or were asked to do in the past year that bothered you?

- *“Studied geometry all over again for my kid.”*
- *“Submitted a recommendation for a teacher that didn’t deserve it (at my kid’s school)”*
- *“I stepped outside my marriage.”*
- *“Once at work my boss asked me to take her online driver’s course which she needed to take following a ticket.”*

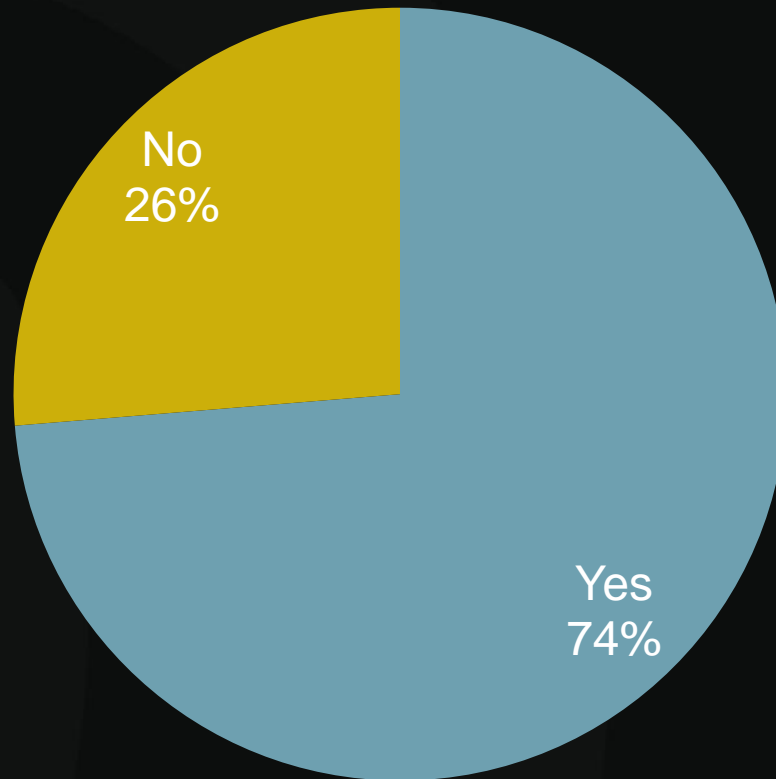
# Told Relatives We Would Not Be Home To Avoid a Visit



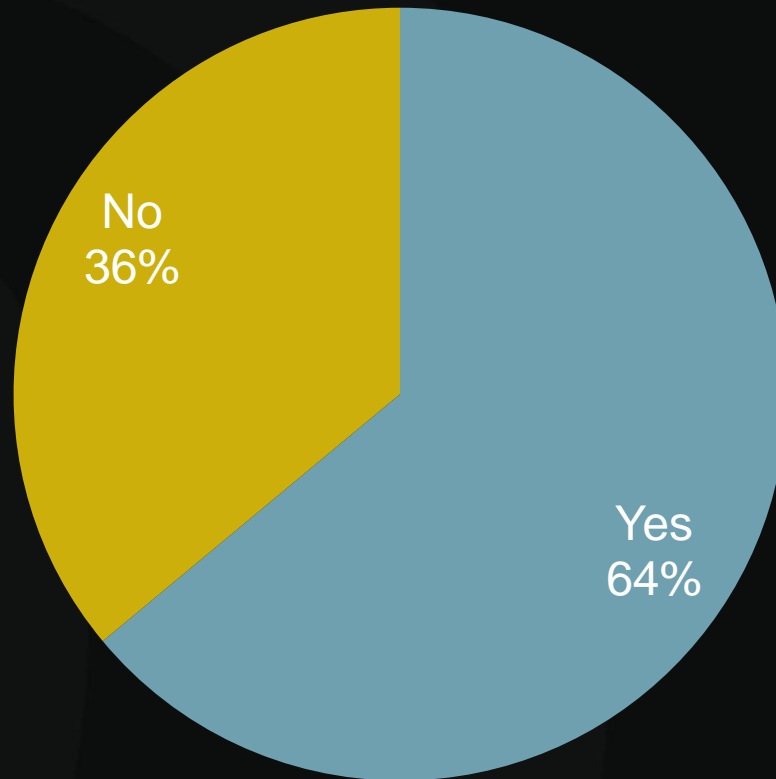
# Overstated Deductions



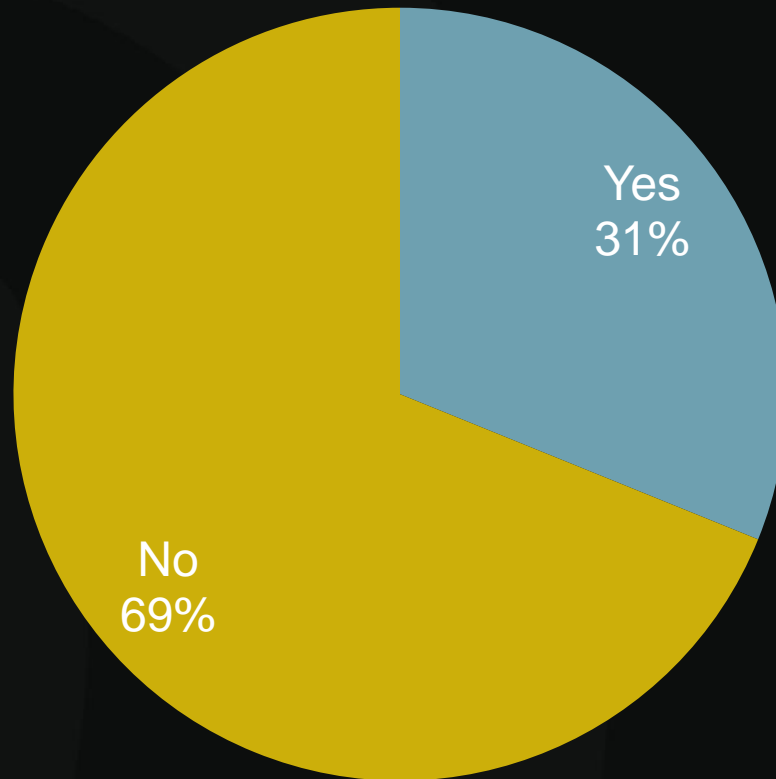
# Knowingly exceeded speed: Freeway

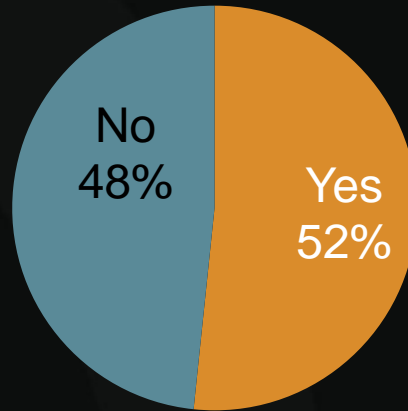


# Knowingly Exceeded Speed: Surface street



# Ran a red light

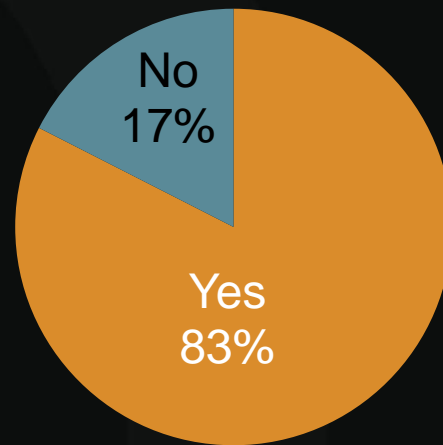




# Said I Was Sick When I Wasn't to Get Out of Work

Jennings 2024

# Told Someone That They Looked Okay When They Did Not



Jennings 2024

# Dangers of the “Little White Lie”

That first step is not  
all that obvious

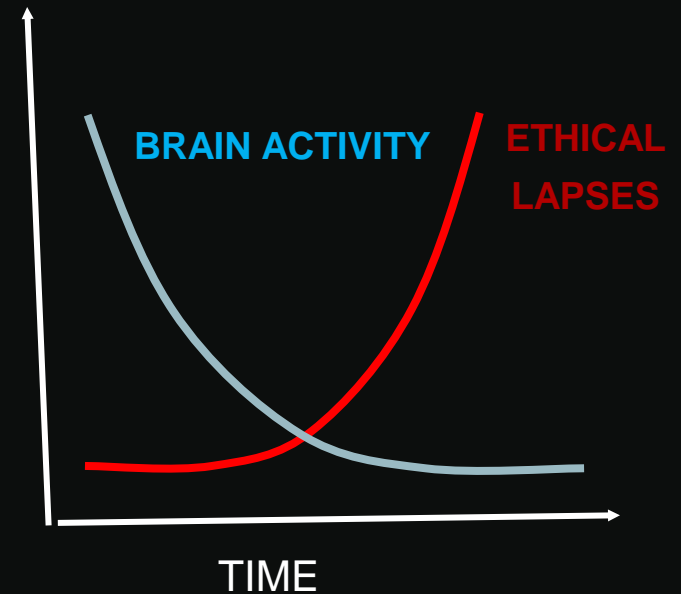
- *"At first, even a little lie provokes a big response in brain regions associated with emotion, such as the amygdala and insula. The tenth time you lie, even if you lie the same amount, the response is not that high. So, while lying goes up over time, the response in your brain goes down."*  
Dr. Tali Sharot, University College of London

The subsequent steps  
become less obvious

- The mistaken use of the wrong credit card
- The acceptance of little violations

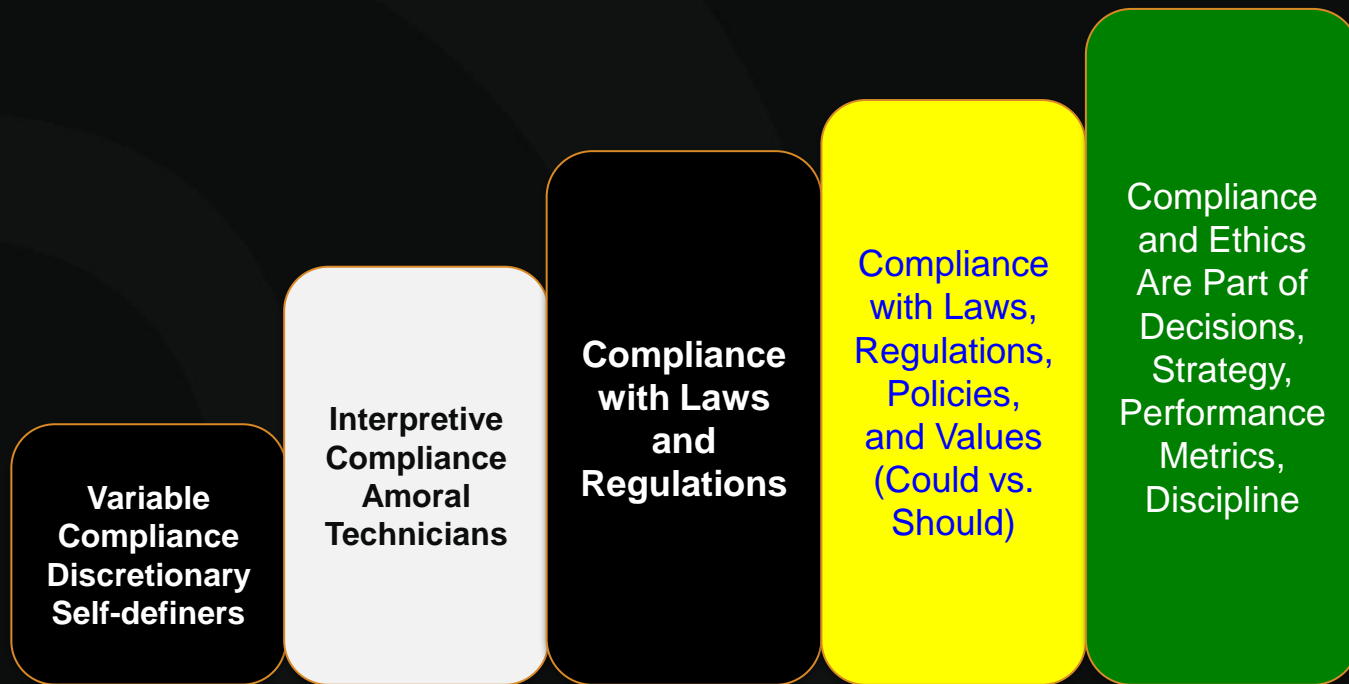
# NUMBER OF REACTIONS AND LAPSES: The Relationship Between the Two

Ethical Lapses vs.  
Brain Activity



**But are you ethical?  
A self-evaluation  
Are those with whom  
you do business  
ethical?**

# Levels of Compliance and Ethics



# The Common Behaviors and Threads

Pressure and Countermanding It

Psychological tools: “It’s a gray area.”

Ignoring the natural force that is truth

Don't forget the power of enforcement

Oversophisticated ethical analysis



# 1. Pressure

## Results!

$$P = f(X)$$

**What Pressure  
Causes  
Reaching a Point of  
Self-Sabotaging**

Diagnosis Bias

Flawed framing  
of issues

Failure to factor  
in reputational  
risk

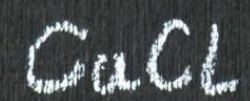
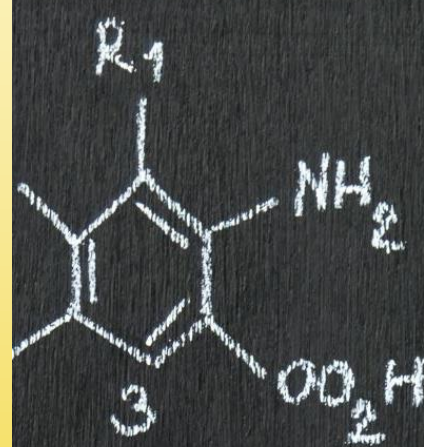
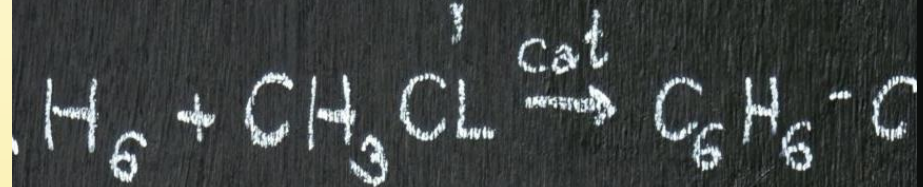
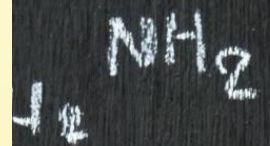
Failure to see  
future costs

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

• Matt Dillon, *Gunsmoke*

# The Runners

- 1904 Olympics Frederick Lorz – took a car 10 miles into the marathon- regained his strength and finished first
- Rose Ruiz and the Boston Marathon (1980)
- Kip Litton – 2000, 2003, 2006, 2009, under three-hour times until caught in the Missoula Marathon 2010
- Mexico City Marathon 2017 6,000 caught cheating
- Mexico City Marathon 2018 – 3,090 caught cheating
- Rob Sloan – 2018 finished third in Kielder Marathon but was caught catching a bus
- Runner's World editor caught cheating in 2023 London Marathon (denies cheating – said she stepped off the course and then rerouted her return to the race)



H -  
H -  
H -

$m = nM$

$$D = \sqrt{(x_2 - x_1)^2 + (y_2 - y_1)^2}$$

# The Mathematical Formula for Pressure and Ethics

**$P = f(x)$**

x = amount of money involved  
P = probability of an ethical outcome

# Vale Dam in Brazil

Mining firm needed certification from engineering firm that the dam was stable

Report concluded that the dam could be made stable through work on its tubes and channels

Vale, *"Is he going to sign the certification or not?"*

Engineer agreed to sign the certification if Vale promised to do the work

Vale did not do the work

Dam burst – 150 people killed

MBA program at Temple moved from 53<sup>rd</sup> in 2014 to #1 in 2015 and 2018

Temple paid \$17 million to former students, the U.S. Department of Education, and the Pennsylvania Attorney General's office.

Isaac Gottlieb, a business professor, and Marjorie O'Neill, then the school's finance and accounting manager, entered guilty pleas to charges of conspiracy to commit wire fraud as they helped to submit inflated metrics to *U.S. News & World Report* about Temple's MBA enrollment, test scores, and student work experience.

"NYU Students Were Failing Class. The Professor Lost His Job," *New York Times*, October 4, 2022, p A1.

"Former Temple U. Dean Found Guilty of Faking Data for National Rankings," *New York Times*, November 29, 2021, <https://www.nytimes.com/2021/11/29/us/temple-university-mosheporat-fraud.html>

# Some Academia Headlines



## Rankings and Ratings Pressures

# More Runners

- Mexico City marathon 2023– 11,000 of 30,000 cheated (vehicles, bikes, public transportation)
- 2023 – Scottish runner Joasia Zakrzewski– friend drove her part of the way– tracking showed she ran one mile in 100 seconds
- Study of why runners cheat: *“It all comes down to people’s morals and what they think they can get away with.”* *The Psychology of Cheating in Sports*, Aurora University, <https://online.aurora.edu/psychology-of-cheating-in-sports/>
- *“Ego orientation can predict lower moral functioning.”*

# Besides financial pressure

Hubris

Family pressures

Community pressures

# Binance's Chief Ethics & Compliance Officer



[Our compliance with money laundering regulations] amounts to email sending and no action . . . For media pickup... I guess you can say its [sic] “fo sho”.

“Like come on. They [their clients] are here for the crime.”

Commodities Futures Trading Commission v. Changpeng Zhao, Binance Holdings Limited, Binance Holdings (IE) Limited, Binance (Services) Holdings Limited, and Samuel Lim

<https://www.cftc.gov/PressRoom/PressReleases/8682-2>

# 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*

# Focusing on Ethics with Regularity




Jennings Ethical Culture 2024

- Ethics discussions: You can't get ethics 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 farming, insurance, and crop yields?
- Measurements: What discussions did you have throughout the year?

## 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.



## 2. Those Psychological Tools:

*“It’s a gray area.”*

**Ignoring definitive  
lines. Dipping back  
into moral relativism.**

# 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



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# 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



**When there are no  
consequences or  
enforcement . . .**

**Moral relativism as a standard for  
enforcement**

# Rationalizations on consequences



- “This is a good person.”
- “I stole to put food on the table.”
- “Insurance companies can afford the loss.”
- “It is a one-time thing.”
- “If he is fired for cause, it affects his pension.”

## **The ABN Amro Executive hired as CEO at Danske bank**

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Danske Bank was investigated in 2018 for money-laundering at its Estonia operation after ignoring warnings from authorities about large cash transactions

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Chris Vogelzang was an executive at ABN Amro when it faced money-laundering charges in 2019

---

However, Mr. Vogelzang was made CEO of Danske Bank in 2019 to shepherd Danske through its money-laundering investigations

---

In 2021, Mr. Vogelzang resigned as CEO of Danske when ABN Amro disclosed its settlement of the 2019 money-laundering charges for \$530 million.

---

Mr. Vogelzang resigned at the time of the ABN Amro settlement when it was also disclosed that he was considered a suspect by Dutch authorities in the ABN Amro investigation.

---

Mr. Vogelzang said he was “surprised.” As of 2024, he is an investment banking associate at Pjt, a London investment bank.

**4. Ignoring the natural force that is truth.**

The laws of probability do not apply when it comes to the surfacing of unethical or illegal conduct

*“If you try to cheat the rules or try to do something wrong, it’s going to come out eventually. It always does. The truth always comes out.” Aaron Judge*

*Three people can keep a secret if two are dead.*

- Hell’s Angels’ motto (courtesy B. Franklin)

*Lying is good. It’s the only way we ever get at the truth.*

- Dostoevsky

*Circumstances beyond your control will cause bad acts to be discovered.*

- Anonymous

- Don’t underestimate probability of truth coming out.
- Don’t overestimate your ability to manage the truth.

# Truth: Its Percolating Quality

## Wisdom of the ages

# Just assume . . .

- Whatever you are writing
- Whatever you are saying
- Whatever you are thinking

**Will emerge.**

**“Are the cameras running?”**

# **5. 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

## A universal test

- **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.*

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# Simple Tests for Resolving Ethical Dilemmas

**TREAT PEOPLE THE WAY YOU  
WANT THEM TO TREAT YOU.**

**Ken Blanchard & Norman  
Vincent Peale: *The Power of  
Ethical Management***


- 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**

**Reducing ethical issues  
to their simplest terms!**



# 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.**

Jennings Ethical Culture 2024

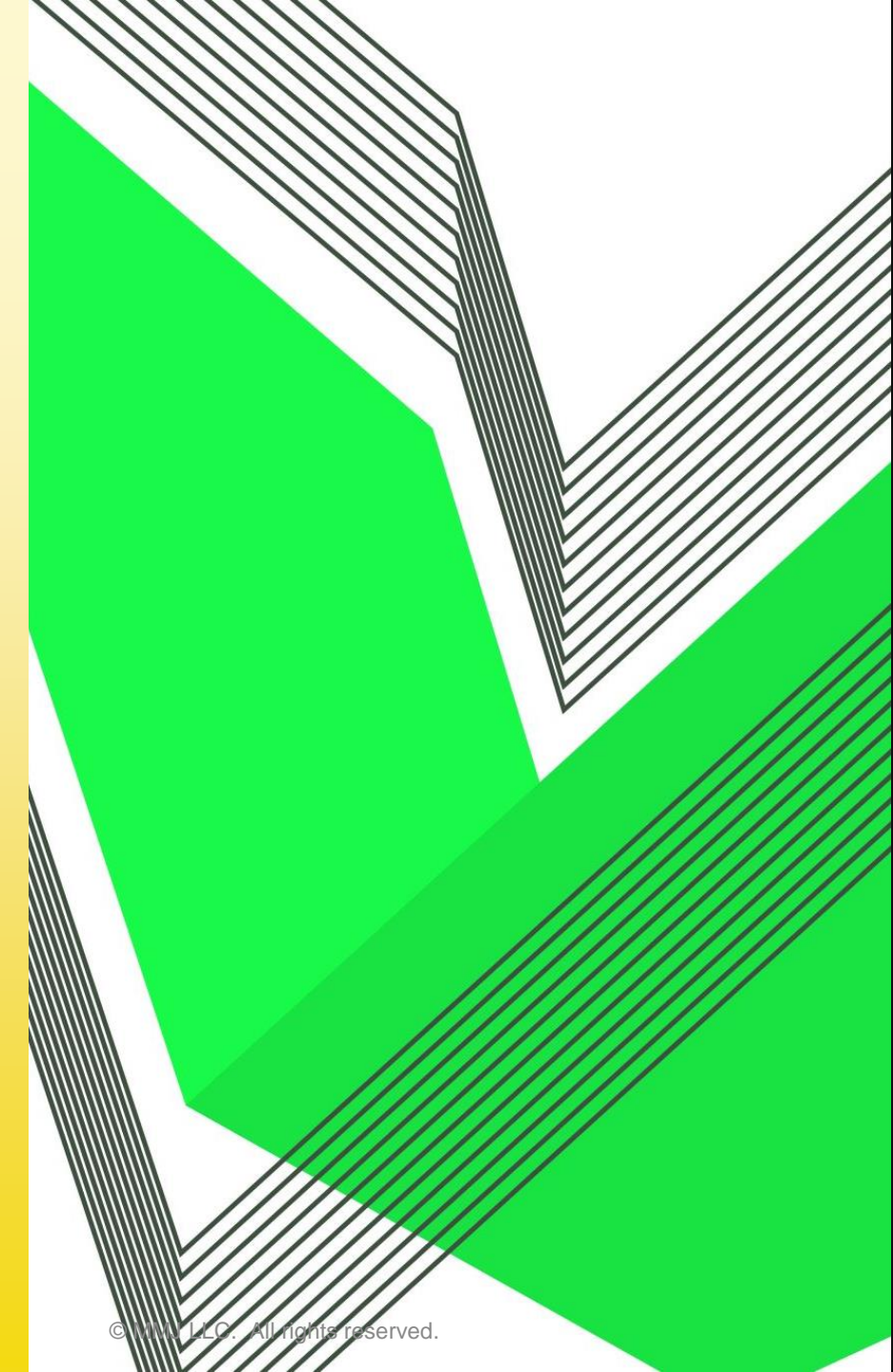
- Shrinkage is \$94.5 billion annually each year
- 1.4% of revenue
- Growth rate of 7% per year
- From 2020-2021 jumped to 11%
- *“When times get tough, shrink goes up.”*
  - Scott Settersten, Ulta Beauty CFO
- Locking up merchandise:
  - Toothpaste
  - Formula
  - Diapers
  - Tide
- Result is brick-and-mortar lose their advantage over online

# Remember Why Ethics Matter

**It costs everyone!**

# The Costs of Self-Check-Out

- Wegmans had to end self-checkout app
- SCAN
- Too many losses even though customers loved it
- Shrinkage rates in a low-profit margin industry are critical
- 4% loss rate for SCAN, double the loss rate in stores generally



# Living a higher law

**Striving for that green  
box on the continuum**

# Where does your culture fit?

**Variable  
Compliance  
Discretionary**

**Interpretive  
Compliance  
Amoral  
Technicians**

**Compliance  
with Laws  
and  
Regulation  
s**

**Compliance  
with Laws,  
Regulations,  
Policies, and  
Values  
(Could vs.  
Should)**

**Compliance  
and Ethics  
Are Part of  
Decisions,  
Strategy,  
Performance  
Metrics,  
Discipline**

# Variable Compliance: Rationalizations Fare Evaders in New York City Subways

- *"My Metro card was not working."*
- *"I don't feel like going all the way there (one block to a machine) to put money on my card."*
- *"Sometimes it's easier to use the door."*
- *"I'm sad that the Metro is losing money, but I'm more sad about what's happening to black people."*
- *"They don't fix the lights. They are not doing what they are supposed to do."*

# Mental comfort and Rationalizing: Those Astros

*“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.”*



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.”*

# Euphemisms Bring Comfort

Harsh Term	Soft Language
"That's plagiarism."	"That's duplicative language without attribution."
"That's plagiarism."	"That's borrowing without quotes."
"That's plagiarism."	"It was a few instances of inadequate citations."
"That's plagiarism."	"Those were just strong matches."
"That's plagiarism."	"That was just unattributed duplication."
"That's plagiarism."	"That was just borrowing ideas."
"That's plagiarism."	"It is just reduplication."
"That's plagiarism."	"I just reproduced words."

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.”
“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.”

*"We may not have done anything wrong, but did we ask ourselves what the negative consequences of the work we were doing, and how could it be minimized?"*

McKinsey consultant in internal firm debate as litigation and regulators closed in

**Could vs.  
Should:  
McKinsey**

**Raised concern, but  
no action**

# Exploring Could vs. Should

*“I suspect that my husband has dementia. Can I leave him before he gets worse?”*

- The “Can” Answer
- The “Should” Answer

- From “The Ethicist,” *New York Times*, June 23, 2024

# Wells And Strategy for Getting Out of Their Consent Decree

- *If any of the \$200MM [for customers injured due to unauthorized accounts] is left over, we promise to give it to charity--- only after the CFPB and the OCC let us out of the consent orders. If they do not, no donation. Put the onus back on them.*
- - Michael Loughlin Wells Fargo Chief Risk Officer p. 42. see e-mail from Tim Sloane p. 41

- Offers of money from corporations to include promotional materials when they sold cookies,

*“Although the money would have been helpful, having Girl Scouts deliver promotional material for a private company had nothing to do with our mission.”*

# Frances Hesselbein- Head of Girl Scouts for Decades

**Staying true to  
original values**

- Death rate at Rikers is high
- Instructions in e-mail from Louis A. Molina, commissioner of the NYC Department of Correction on prisoner who had suffered cardiac arrest and was on the brink of death:
- *“Make sure we do what we can to ensure the man was off the Department’s count.”*
- They transferred the prisoner to Bellevue and took him off life support and he died at Bellevue – need not be counted in Rikers Island death rate

# Rikers Island and Death Rate

## The Callousness of Numbers

# A Credo

Simple guidelines

- What you would always do
- What you would never do



Leader with a  
humble past

Dramatic and rapid  
rise to power

Strong skills

Charismatic  
personality

Strategic vision

Strong ethics

Called upon to lead

**Find someone  
to ground you!  
The Bathsheba  
Syndrome**

**Checks & Balances**

# Calvin Coolidge— 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.”*



# Life without Ethical- Lapse Minefields

**The Escaped Convict in Arizona**

**Almost 30 days on the lam**

**His relief upon being caught: "Too much stress."**