

## A new regard for ethics on the job

*Trust: Business scandals are prompting new laws, while companies and schools are paying more attention to ethical behavior.*

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ORIGINALLY PUBLISHED JULY 9, 2004

The high-profile legal entanglements of former Enron Chief Executive Officer Kenneth L. Lay, style guru Martha Stewart and other executives are prompting a major transformation in the way corporate America regards ethics, industry watchdogs say.

Business schools and corporations are scrambling to expand their programs, new associations are forming and new laws and rules are appearing on the books. And while the ultimate impact of photos and headlines of executive perp walks and trials is uncertain, those in the field are seizing the moment.

"Jail is scary and real," said Webster Hubbell, the former chief justice of the Arkansas Supreme Court who served a prison term in the 1990s as a result of the Clintons' Whitewater probe and now gives speeches on the need for a culture change.



Webster Hubbell

The cases of Lay, who pleaded not guilty yesterday to 11 criminal charges alleging a huge conspiracy; of Stewart, to be sentenced in a week for her part in a cover-up on an insider stock deal, and of John and Timothy Rigas, the father and son convicted yesterday of looting Adelphia Communications Corp., have stoked a sense of urgency, said R. Edward Freeman, academic director of the Business Roundtable Institute for Corporate Ethics.

The institute, a newly formed group of academics, executives and students at the University of Virginia's Darden School of Business, recently surveyed chief executives and found that restoring

public trust was the most important issue facing them today.

"They know businesses can't operate without public trust," Freeman said. "The legal problems and scandals all create a moment."

To be sure, business ethics is not a new discipline. Its practitioners credit the works of history's great philosophers for its start, and the field gained attention in the 1980s after a wave of fraud in the defense industry and on Wall Street. But the size and scope of recent cases, from the Wall Street-shaking bankruptcy of Enron to the lavish party videos of the Tyco trial, have become much more visible in a world of 24-hour news, and the damage to investors and employees more widely acknowledged. Some foresee an epochal shift in boardroom approach, much as equality for women and minorities in the workplace became pivotal crusades in earlier generations.

Hubbell, now 57, was once a law partner of U.S. senator and former first lady Hillary Rodham Clinton. He went to prison in 1995 for 16 months for embezzlement after reaching a plea bargain with independent counsel Kenneth W. Starr. The conviction resulted from an investigation into the role that Hubbell and Hillary Clinton played as attorneys in a failed land deal that contributed to the collapse of a savings and loan. Hubbell - who kept promising himself he'd pay back the money each time he dipped into his law firm's accounts - was ultimately caught.

The man who had been mayor of Little Rock, chief justice of the Arkansas Supreme Court and the No. 3 man at the U.S. Department of Justice said the pain and humiliation of prison wasn't the end.

He was banned from practicing law after his release. He's struggled to regain trust from those he knows and the public at large. Now he is working toward an insurance broker's license from his Washington office at The McLaughlin Co.

### Culture of support

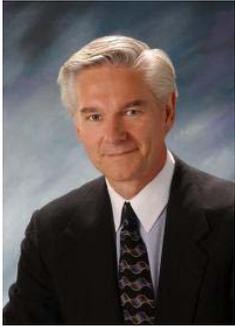
Hubbell, who has since written and lectured about his experience, now believes that it's possible to develop a support system and culture at work that emphasizes help rather than punishment for desperate low-level employees and even for stressed - or arrogant - chief executives. He also says sending white-collar criminals to prison is not the best way for offenders to repay society, although he acknowledges it gets society's attention quickly.

"It doesn't matter how much money or power you have, being in jail is a dreadful thing," said Donald Margotta, an associate professor of finance at Northeastern University in Boston, who also teaches business ethics. "A headline about Martha Stewart going to prison can say more to you than anything I can say about ethics."

The problem isn't understanding the difference between right and wrong,

Margotta said, it's creating an institutionalized ethical culture and understanding the repercussions of breaking from it.

"People down in the ranks see people at the top using the company as their own piggy bank and they think their behavior is OK," said ,



Gary Zeune Founder  
The Pros & The Cons

who runs a speakers' service in Columbus, Ohio, called The Pros & The Cons.

"There needs to be a code of conduct for everyone. It's not OK to spend four hours on the company long-distance talking to relatives, but it's OK to call home in an emergency. If you need a pad of paper, that's OK, but don't take a box. Set limits, tell people what's in bounds."

Zeune said the first thing ex-convicts-turned-lecturers have to do is admit to wrongdoing and take responsibility.

For most, it's not about the money. Few are actually earning a living on the lecture circuit anyway because supply outstrips demand. Some of the more famous and hardworking can earn up to \$100,000 a year, Zeune said. Speaking fees range from about \$500 to \$1,000 for a few hours up to \$3,000 to \$4,000 for a day.



Teri Lyn Norwood

Sometimes, Zeune said, bosses just need to treat workers humanely and provide help when problems arise.

A Zeune client, TeriLyn Norwood, said she consistently told herself that she'd pay back the money once her financial troubles ended. She was working as a bookkeeper for \$7.25 an hour at a small California company when her life began unraveling.

She was divorced and owed thousands for child support, for the funeral of her brother and for care for her sick father.

She said her company turned its back as she grew more desperate. Seeing her boss pay herself a \$5,000 Christmas bonus when she got \$100 helped Norwood justify taking money from company accounts.

In 1999, Norwood went to prison for embezzlement for 13 months, serving alongside drug offenders and others who made her feel terribly out of place.

Norwood, now 45, banned from her profession and in debt, finally found work loading boxes at a dairy and selling Avon beauty products, earning about \$1,600 a month. She tells her story, but rarely for money.

"I learned my lesson," she said. "What I did was wrong and I want to do something positive with it. I want employees to contemplate what they're about to do and stop. I want employers to treat people like humans. We have to deal with ethical lapses as a society. Don't glamorize it. Take responsibility."

Norwood said she fears the corporate and celebrity convicts who do not take personal responsibility, even brag of their escapades, undo any positive message she could send.

### Turning corner?

"We're at the corner of a more ethical world, but I don't know if we're turning it."

The Ethics Officer Association is a group of 1,100 businesses and groups, including about 80 percent of the Fortune 500 companies, that employ people solely to ensure that their workers behave. The association now arranges for some companies that have faced legal and ethical quandaries - Tyco, WorldCom, Adelphia - to participate in panel discussions with other businesses about what went wrong. Everyone from chief executives to lower-level workers participate.

"A couple of years ago when we first

started seeing the Enron and WorldCom scandals every time we picked up the paper, we realized we were focusing our ethics programs to the wrong audience," said Mary Zeinieh, manager of member services and operations for the association. "We were trying to make sure people down the line were not stealing and we were not paying attention to what the CEO was doing. Our focus quickly changed."

NOTE: Pictures included  
by Gary Zeune.