

**Presentation by Hank Boerner at Molloy College**  
Event: Open House – Start of Molloy MBA Program  
Thursday, January 22, 2004

***ON RESTORING TRUST AND CONFIDENCE --***

**WELCOME TO THE NEW ERA OF CORPORATE,  
INSTITUTIONAL AND INDIVIDUAL ACCOUNTABILITY!**

My congratulations and best wishes to each of you tonight as you begin your exiting journey toward the Masters' degree in business.

The leadership of Molloy College is to be congratulated for expanding this important field of study here in the Long Island community. You will find other similarly qualified MBAs graduating from an expanding number of schools across the nation who have received some -- or perhaps even more extensive -- training in ethics.

Your personal investment in your own continuing education will provide you with a strong foundation for leadership, whatever career path you may choose.

Having a strong foundation in ethics – as the Molloy curriculum emphasizes -- will be an important personal asset for you in the years ahead. I'm going to spend a few minutes talking about the practical "how" and "why" of that tonight. I'll share some examples of ethics in action. And, suggest the role you can play in your own organizations ... in terms of strategy-setting, business decision-making, personal conduct ... and in shaping the behavior and values of your organization.

Most of you have been in the workplace since finishing your undergrad work, some for a few years and some, for a number of years. You are for the most part seasoned professionals, much wiser about "the real world" than you were back on graduation day. I hope that you are not too jaded or discouraged by certain behaviors that you have seen or experienced in your career. The workplace *can* be a dog-eat-dog environment.

Recent developments in the worlds we live and work in – be it corporate, government, religion, non-profit, trade association, or the professions -- have made "ethics" a top-of-the-mind topic for senior managers, boards of directors and trustees, professionals ... and all the rest of the workforce. One of the trends we are monitoring today is the tectonic plate shift occurring between middle and upper managers and top leaders of the organization -- not good for the long-term for any institution, private, public or social.

Unconscionable levels of CEO pay are one of the tectonic plates, creating a divide between the top manager and the rank and file.

Make no mistake: Today, ethics questions and considerations are part of the real world – and will matter a great deal more in the months and years ahead.

Unethical behavior is and often will be the focus. Don't let that focus move *your* eye off the ball, even as you become fascinated with **Martha Stewart**'s trial, and the sagas of other corporate chieftains standing in the legal dock or being convicted in the daily press.

One operative word for all this is: **OUTRAGE!** If you have been made angry, enraged, seriously disappointed or at times, or even desperate because of the bad behavior of others – *well, you are not alone!*

When you hear the word “RAGE” – think: **R**esponsibility, **A**ccountability, **G**overnance and **E**thics! R-A-G-E. That is what many of us are feeling because of failures in each.

### **Ethics and Grad Schools**

In recent years, ethics has been either a miniscule element in management training – or mostly non-existent. B-Schools have avoided the topic. Maybe that's why so many things have gone wrong. Our higher education institutions focused on training future business leaders cannot deny any longer that ethics is an important building block of future corporate values. By addressing the importance of ethics, Molloy is a higher education trendsetter and important innovator in this regard, and finds itself in very good company.

It is now an important act of social responsibility for a school offering the Master's degree to put ethics within the DNA of the course offerings. Even if students – *you* -- are not yet demanding ethics training, you will be – your organizations will be – and therefore *you* are pioneers among the current class of MBA candidates in all colleges and universities.

In a recent survey of grad students, respondents going straight to the master's program from undergrad expressed more optimism about their ability to make things better as future business leaders than the more experienced grad student who worked for a time before returning to school. *They* seemed to be saying, “Yeah, just wait ‘till you're out there in the real world for a while ... then you'll see lacks of ethics in action!”

Well, what we've seen in recent days is seeing the cost to society of having *no ethics* or total lack of *values* in action! Thanks to widespread un-ethical and even immoral behavior, things went terribly wrong in the workplace. And at what cost to those of us who are affected! (Read: Every one of us.)

I would ask...

- Did things start going wrong with the collapse of the stock market in spring 2000?
- With news of outrageous financial shenanigans at public companies?
- With waves of endless corporate scandals?
- With the toppling of CEO heroes and heroines?

- With the corporate leaders' perp walks on the nightly TV news?
- Huge corporate bankruptcies (think: WorldCom)?
- Cover ups in trusted institutions, even in our churches and charities?
- With the "New Economy" we were promised "evaporating" in 2000?
- Along with seven trillion dollars of investor money and several million jobs?

**Let's look at the major stories of 2003:**

CEOs and CFOs in the headlines and then gone – Ken Lay, Andrew Fastow, Jeff Skilling, Jack Grubman, Bernie Ebbers, Gary Winnick, Dick Grasso, Sam Waksal, Martha Stewart.

Organizations in deep pain – **Enron, New York Stock Exchange, WorldCom, Global Crossing, ImClone, Roman Catholic Church.** Look what lack of leadership in ethics did to each of these institutions ... and to those of us who trusted them.

Each of these is an example of lapses of ethics and moral behavior! Enter, then the white hats.

Reaction to these events included aggressive New York State prosecution of Wall Street's most respected names; ongoing federal prosecutions; Congress passing the sweeping Sarbanes-Oxley laws; tough new SEC rules for public companies and mutual funds; new rules of the road for licensed auditors and accountants; new ethics rules for lawyers; an endless parade of shareowner lawsuits; the organization of new advocacies to challenge leaders and institutions; and *headlines, endless negative headlines.*

This litany of our leaders' real or alleged misbehaviors offended our personal values. Our trust was betrayed. And so – the major focus in our society now on ethics! Or lack thereof.

**The Big Picture: Putting All This in Context**

As an optimist, I believe that out of all the recent turmoil we will create a stronger society, and assure the long-term economic success of our great nation. Each of you has a role to play in making this happen. Especially when you begin your journey up the ladder after graduation.

What we are now experiencing today in our financial markets, in Corporate America, in the workplace, in government, healthcare, the professions, our religious and social sectors -- is a great **reforming** ... **a long-term process of reformation** ... all part of the continuing journey to perfection of the unique American Capitalist-based Democracy.

Our American values must continue to be based on fair play. Opportunity for all. Access for all. And ethical behavior by all!

So this “stuff” is both cosmic and macro as well as micro and serious stuff – with everyday application in the workplace – and important consequences for you as future leaders.

Increasingly you will hear out in the real world: **It’s all about ethics!**

### **Ethics: Not Easy, Not a Black & White Issue**

But matters concerning ethics are not always black and white issues – *oh, that life would be so simple.*

How many here have seen any or all of the trilogy films, “Lord of the Rings?”

The plot, such as can be followed, is somewhat clear, isn’t it – it’s good guys against bad guys. **King Aragorn** of Gandor against the evil **Sauron** – the master of the Ring. The wonderful Hobbits, **Frodo** and the loyal **Sam**, struggling against the bad ways of ugly **Gollum** to accomplish their mission of destroying the ring.

*Or is it this simple –*

What is the power of the Ring? How are the various beings enticed by its power? What happened to Gollum, once an ordinary human named **Smeagol**, murdering to steal the ring – is this a proxy for human greed? Why was it so easy to fall into evil ways to steal the golden ring?

What a tale – about good folks succumbing to temptation. Loss of personal values. Ethical compasses broken.

*We know it is not always easy to avoid becoming a slave of the ring.*

### **News From the Ethics Front**

Just this week **The Aspen Institute** and the **World Resources Institute** – two important think tanks – issued their annual report card on more than 100 business schools in 20 countries, based on each school’s coverage of environmental and social impacts in the training of tomorrow’s executives. (Which you are.) 68 schools were located here in the US.

The scholars called the report – “Beyond Grey Pinstripes – Preparing MBAs for Social and Environmental Stewardship.” Six leading schools, five in the US, actually offer four times as many courses on external impacts as other schools.

For your information, in case you run into competitors along the way, are

- **George Washington University’s** School of Business and Public Management.
- **University of Michigan**, B-School.

- **University North Carolina** – B-School.
- **Stanford** – Graduate B-school.
- **Yale’s** School of Management.]

The most innovative schools elevated the study of social impact management and environmental management from being separate disciplines, “upward” to a new field – sustainability. This will eventually include accounting, finance, marketing, operations, legal, political, and organizational behavior.

Sustainability is the critical intersection of social, environmental and financial factors. It has a foundation in ethics and ethical behavior.

Remember this buzzword -- **sustainability**. The importance of this for those involved in finance, accounting, capital markets and corporate management is just now emerging.

Example: **Toyota Prius** was just judged Car of the Year at the International Auto Show in Detroit. Question now being asked within the auto industry worldwide: How does the American automaker now meet the Toyota competitive threat?

Another term to watch is “triple bottom line.” This includes traditional bottom line data plus the environmental, social and long-term financial/economic viability of the organization, including sustainable corporate profitability. Think in concept terms: the focus on long-term corporate stewardship vs. managing short-term earnings to make Wall Street happy this week.

Some of you may have heard about total cost accounting. When all costs are considered, such as life cycles of your product, including disposal, what are the real costs and profits for the company? Many ethical decisions will be involved in this type of financial construct. You should become familiar with these types of concepts to be competitive in the marketplace. The issues are complex; but master them, and you may find yourself writing your own ticket in the corporate world.

For example, **United Parcel – UPS** – a global enterprise, is also very local; UPS just issued its first Corporate Sustainability Report – “Operating in Unison.” UPS used a range of indicators to look at its progress on sustainability issues – such as, fuel consumption for each package delivered and its employee retention rates. UPS will publish a report card each year on its progress.

On the other hand ... look at what happened at **Boeing**, with the **CEO Phil Condit** being forced to resign because of allegations of major ethical lapses.

**The Business Roundtable** – an association of 150 CEOs of the largest companies in America – just embraced an ethics platform, in working partnerships with leading universities. The first step is to map out the ethics landscape – what you are doing here at

Molloy – and create Best Practices and Policies to bring inside companies. What companies?

Well, **UPS** – and **ATT, Citigroup, Allstate, AutoZone, GM, Ford, DaimlerChrysler, Marsh & McLennan, FedX, Sprint, Verizon** ... and many many more. Perhaps *your* present or future employer ... customer ... supplier ... investment holding. Stay Tuned to the BR – visit [www.businessroundtable.org](http://www.businessroundtable.org).

### **Tune In To: Socially Responsible Investing**

Another term you will be hearing about – it's now mainstream, especially after the *Tech Wreck* on Wall Street in Spring 2000 – is **SRI: Socially Responsible Investing**. Also a topic that is really about corporate ethics. Estimates are that as much as \$1 of every \$8 is now invested in some type of socially responsible investment. Mutual funds are being created to cater to SRI customers. For ethically minded investors, if you will. And a great market developing for those of you in the financial world.

### **What Are SRI Issues?**

What are SRI concerns – issues? Well, ethical behavior – *doing the right thing* – is at the heart of most issues of concern to investors. This is important to corporations looking to attract long-term, patient capital, low cost financing, and happy shareholders.

Ever heard of ICCR – the **Interfaith Center for Corporate Responsibility**?

This group of 300 organizations -- faith-based denominations, orders, pension funds, publishing companies, and RC dioceses – leverages \$100 billion plus in combined assets, and doesn't mind throwing its weight around Wall Street and the nation's corporate suites and boardrooms on behalf of its issues portfolio.

As businesses become part of the global economy, ICCR adopted its **Principles for Global Corporate Responsibility**; encouraging companies it invests in to --

- Affirm the Universal Declaration of Human Rights;
- Adopt core labor standards of the UN's International Labor Organization (ILO);
- Monitor codes of conduct offshore to improve wages and workplace conditions in all factories in the global supply chain.

Are you hearing this, **Wal-Mart? Home Depot? Starbucks Coffee?** (You bet they are – each has tangled with the faith-based community.) Wal-Mart's ethics are important – think of the potential impact of ethics failure of this company that accounts for 10% of all Chinese exports to the US, or 15% of **Procter & Gamble**'s overall sales. When we hear allegations of locking employees in at night, or using illegal immigrant labor to clean stores – what are our thoughts about Wal-Mart ethics? Do these affect buying decisions?

The global faith-based network is moving in on business – in Australia, Canada, Latin America, East Asia, the United Kingdom, Europe, and the USA.

### **ICCR's Ethics -- US issues --**

- Workplace safety, equality, fairness, access, glass ceiling, and so on;
- Predatory lending practices by banks;
- Global warming and irresponsible corporate behavior;
- Genetically modified organisms – food, medicine, animals;
- Access to pharmaceuticals – ethics and access, prices;  
(Especially for today's pandemics - HIV / AIDS, TB, malaria)
- Eliminating domestic and foreign sweatshops, and child labor;
- Reducing and eliminating pollution;
- Prohibiting foreign military sales of weapons of mass destruction;
- No deployment of weapons in space.

Ethical questions underpin each of these issues. Should they matter to us? To business? Well, **Federated Department Stores** agreed to communicate with its suppliers of hand-knotted carpets and to encourage them to join an independent certification organization in India, Nepal and Pakistan; the objective is to stop using child labor in those countries. The difference will be felt in the neighborhood store near you, such as **Macy's Roosevelt Field**. Or at **Bloomingdale's**.

There are many other practical aspects to the ethical questions facing our institutions.

New rules for the **New York Stock Exchange** listed companies in the United States require that each board of directors adopt a formal ethics code. Every one of the roughly 2,000 US companies listed on the NYSE will be drilling ethics into their organization from the top down, into all levels of the companies.

The code of ethics or business practices is intended to cover board and senior management policies, practices and behaviors. There will be cross-checking against the ethics codes of organizations that the company does business with. It is not far-fetched to see a day when an important part of the framework for all corporate or institutional alliances, partnerships, and buyer-supplier or vendor relationships has an "ethics component."

Ethics will be driven into all of the DNA of all organizations. Think of another way to express this, one you hear a lot these days: Values.

The drive toward adopting ethical standards for institutions is not limited to the corporate world.

### **Medical Ethics**

The field of medical / healthcare ethics is expanding quite rapidly. Take a look at the work of **Dr. Arthur Kaplan** at the **University of Pennsylvania's Center for Bioethics and Department of Medical Ethics** to get a peek at the future for qualified ethicists. As technology advances, so, too must ethical standards keep pace – regarding organ transplants; cloning; end-of-life and beginning of life issues, medical resource allocating, and costs – each of these has an ethical consideration.

### **In the Non-Profit World**

Work for a non-profit? Be aware: NY **Attorney General Eliot Spitzer** has asked the New York State Legislature to take the important elements of federal **Sarbanes-Oxley** statutes and apply them to all non-profits that –

- Have a full-time employee; and / or
- Have budgets of \$250,000 or more.

Even without Sarbanes-Oxley type of laws, there is an expanding public focus on the activities of not-for-profit organizations.

### **And Lawyer Ethics**

In law, the members of the **American Bar Association** are struggling with important questions about the traditional relationship of client and attorney. Sarbanes-Oxley legislation is shaking up the profession; one could interpret the SOX to say that the ultimate client of the general counsel or outside law firm is the shareholder ... perhaps even stakeholders ... and not the CEO who is paying the bill for corporate work.

### **In Accounting**

In accounting, the new *Peek-a-Boo* – the **Public Company Accounting Oversight Board** – is re-writing the rules for auditors. Ethical lapses are going to be much more serious for CPAs – their licenses to do audits will really be at risk. Just this week we learned about strict censure for Grant Thornton, a rising star among accounting firms with offices right here on LI.

### **On Wall Street**

Speaking of mutual funds, just last week the SEC unveiled new rules that address ethics for fund managers – and especially real or perceived conflicts-of-interest.

Conflicts may be among the most vexing ethics questions you will face over and over.



## **Doing Ethics Right: The Johnson & Johnson Credo**

There are great examples of doing it right, of wonderful institutional ethical behavior. J&J, for example, stresses the importance of its *Credo* – written by its founder many years ago – to its success. Over decades, many investors have agreed – Johnson & Johnson has been a Blue Chip favorite. Demonstrated public ethical behavior has drawn the best of the best to work for J&J. Ethics has a clear top and bottom line importance!

## **The Media Has Ethics in Focus**

**Mortimer Zuckerman**, Publisher of *US News & World Report* recently commented in an editorial ... *Policing the Corporate Suites*

He writes (and asks): Have we saved capitalism from the capitalists?

This were the same important question asked and answered in 1930s by President Franklin Roosevelt as he suggested sweeping reforms to protect investors and the capital markets themselves.

Supposedly independent, trusted parties ... auditors/accountants, directors, stock market advisers, banks ... all have been tarnished by recent events. Rip-off artists rigged the system for the benefit of insiders and the rich and brought shame on themselves and their organizations. And, tarnished the reputations of others in their peer groups.

The idea that there are two tracks on the economy, one for the rich and the other for the rest of us, is utterly corrosive to our system.

In Corporate America, the good news is that **Ethics** has moved to the top of the agenda in many companies. **Ethics officers**, enforcing **codes of ethics**, are now prevalent in an increasing number of big companies.

We must not strangle the free economy in our reaction to wrongdoing. We must work to strengthen the great capital markets that helped build the America we know today. Now, while government goes after the wrongdoers, the rest of the business community must insist on and enforce a higher standard of ethics.

## **So -- What About Us?**

Let me return to the cosmic to underscore the importance of what you will be learning here at Molloy.

We are a society founded on the ideas and ideals of ... liberty and justice ... and equality ... for all. We want fairness in all things ... equal access ... the same opportunities as others enjoy.

We don't like taking orders from elite or over-privileged classes or a landed aristocracy. That is why people are enraged about the behavior and antics of the unethical – the Imperial CEOs and remote boards of directors.

Accountability will help us build a stronger nation. Greater accountability will translate into real social and economic justice. Ethical behavior underscores Accountability.

**You** can help instill accountability and ethics every day in your own organizations. Especially when you go from here Master's in hand to climb further up the corporate ladder. Your values will be instilled in the DNA of your department, your division, and your entire organization. Your ethical behavior will be a beacon for others who look up to you.

\* \* \*

Let me complete my comments with these observations from two great New Yorkers, one a Long Islander.

President **Theodore Roosevelt** of Oyster Bay just 100 years ago began the national public dialogue *on / for* fair play and social justice, and launched the great Progressive movement of the 20<sup>th</sup> Century. In his first message to Congress he said:

“Great corporations exist only because they are created and safeguarded by our institutions; it is our right and duty to see that they work in harmony with those institutions.” So began the “New Era” of guiding corporations and institutions toward doing the right thing. Toward ethical behavior ... especially the so-called “Robber Barons.”

Another Roosevelt – TR’s cousin – **Franklin Delano Roosevelt** spoke to the nation “over the radio” in very tough economic times (1937, in the Great Depression).

After looking over the recent reforms of the New Deal Era, including strict regulation of banks and corporations, he said ...

“... The American People wants no backward steps now...” and concluded,

“...I never forget that I live in a house owned by all the American People – and that I have been given their trust.”

Two important points worth emphasizing:

- The People want no backward steps ... in the oversight of, and rebuilding of trust in corporations and our social institutions, in government, and in our capital markets.
- And People understand more clearly they do own public corporations and the capital markets, and the institutions of our society.

So, as you begin your graduate studies, apply your newfound knowledge of ethics to every subject or course work that you do. It could be the best personal investment in your own future that you every made!

###

Copyright 2004 by H.L. Boerner – All Rights Reserved  
Permission granted to Molloy College to use