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**ACADEMIA AT ITS CROSSROADS:
ETHICAL ISSUES IN HIGHER EDUCATION**

Ethical Lapses

- Student loan lenders: Sallie Mae and 17 universities
- Adelphia
- Boeing
- Cendant
- Computer Associates
- Tyco International
- General Electric
- Global Crossing
- Merrill Lynch
- Global Research
- Oracle
- Johnson & Johnson
- Google
- Duke Energy
- Reebok
- Lehman Brothers
- Goldman Sachs
- Mellon Bank
- Novartis
- Biovail
- Merck
- Chiquita
- World Bank
- BP
- Madoff Investment Securities
- AT&T
- Titan
- Xerox
- Kmart
- Citigroup
- Lucent
- ImClone
- Arthur Andersen
- HealthSouth
- Royal Ahold
- Parmalat
- Apollo Group
- AIG (again)
- Lehman
- Google
- Olympus
- MF Global
- GlaxoSmithKline (2)
- Wells Fargo
- Stanford Investments
- Bank of America
- Galleon Hedge Fund
- New Century Financial
- Toyota
- Downey S & L
- WorldCom
- Royal Shell
- Nortel
- Krispy Kreme
- Refco
- UnitedHealth Group
- IndyMac
- WaMu
- Bear Stearns
- Citigroup
- Allergan
- Eli Lilly
- Cardinal Health
- McNeil (J&J)
- Penn State
- Chesapeake Energy
- Marsh & McLennan
- AIG (twice)
- Putnam)(Mercer)
- Fannie Mae (twice)
- KPMG (twice)
- GM
- Prudential
- Options scandals (200 companies)
- HP
- Universities and travel
- Siemens
- Countrywide Financial
- Société General
- Milberg Weiss
- Bear Stearns
- Satyam (India)
- Deloitte
- Pfizer
- Taylor Beane
- AstraZeneca
- Bristol-Myers Squibb
- Bayer

Government Issues

- Illinois – Gov. Ryan
- Illinois – Blago
- Nevada - Ensign
- Baltimore's mayor
- Detroit's mayor – Kwame Kilpatrick
- San Diego – \$1.1 billion pension fund deficit; skimming to meet city budget
- Connecticut – Gov. Rowland
- Chicago – Mayor's office and contracts
- Embezzlement – BLM
- Former Delay aides and guilty pleas
- Abramoff
- Duke Cunningham -- \$2.4 million from defense contractors
- State crime labs and scandals
- Tom DeLay
- Clark County Commissioner and the MyTai concession
- Philadelphia mayor and the pay-to-play contracting system
- Darlene Druyun and Boeing
- HR director of JeffCo County and the \$32,000 in personal expenses on county credit card that began at Starbucks
- USDA employees and the \$100K for visas
- Dept. of Interior and forged documents
- Graduation rate manipulation
- VECO and Alaska officials
- Ted Stevens, former senator, Alaska
- Prosecutors in Ted Stevens' case
- Ethics officer for U.S. Marshall
- Rep. Charles Rangel, taxes, donations
- Rep. Maxine Waters and access
- Timothy Geithner and the SS taxes
- VA spending
- VA docs and research \$\$
- Gov. Mark Sanford & hiking
- Oil for food UN scandal
- Post-Katrina corruption in contract awards
- Iraq contract awards
- Solyndra
- Fast and Furious
- Governors engaged in business relationships with those who receive state contracts
- Henry Cisneros
- Taser and law enforcement officials' conflicts
- Colorado and the \$1,500 office chairs
- Contributions for changing the no-touching rule at San Diego strip clubs
- Scottsdale School District and the bids
- New York assistant principal who gave his son the answers to 35 questions on the Regents' exam
- Kerik and employment of illegal immigrants
- New York officials and use of government funds for personal services
- SEC general counsel with interest in Madoff funds recommending distribution that benefited him
- SEC and destruction of documents
- SEC treatment of whistleblower
- SEC and failure to investigate difficult cases

Government Issues

- DMV employees who gave out licenses in exchange for cash
- William Jefferson and the cold cash
- New York Eliot Spitzer, former governor
- New York David Paterson Governor
- Justice Department and monitors' conflicts
- U.S. Postal Service and the Ruth's Chris dinners
- The docs, research, and drug firms
- Firing of an IG
- British MPs and expense accounts
- The stock sell-off and Rep. Durbin
- Maricopa County official who failed to disclose loans from nonprofit that was awarded county contracts
- University of Illinois and the donors' sons and daughters
- TSA nominee using records for personal info
- Blumenthal and Vietnam service
- Jan Brewer and father's WWII service
- Anthony Weiner
- BLM chief in Monterey doctoring invoices to embezzle
- US Attorney, Max Baucus, and affair
- Friends of Angelo at Fannie Mae
- SEC staffers and pornography
- MMS relationships with oil companies
- IRS employees using tax credits for fraudulent home purchases
- Samuel B. Kent –federal judge
- Rob Reiner using his favorite companies for California commission contracts and political purposes
- Arlen Specter's aide's spouse gets earmarked funds
- Arizona State treasurer investigation for conflicts: Maricopa County assessor and conviction: \$400 per low-income loan to seniors
- Mike Espy
- New Jersey
- Arizona and the selling of emissions passes
- SEC lawyer who traded in stock of companies he was investigating
- SEC employees surfing the net

Colleges and Universities

- Apollo and the University of Phoenix
 - DOE audit on recruiting and advising
 - Stock options back-dating investigation
 - The student loan scandals
- Student financial aid offices and the gifts and perks to staff
- Colorado State and the financial accounting questions
- University of Illinois and the two-track admissions
- Ohio State, the players' tattoos, and the coach's nondisclosure
- Falsified data by management scholar
- Poor safety culture in campus laboratories
- Fraud in online courses
- Increasing number of retractions of journal articles due to scientific misconduct
- Penn State and the failure-to-report issues
- Law school candor in recruiting and salary disclosures
- Manipulation of Title IX numbers
- Maricopa County Community College
 - Bond issue
 - Funding for campaign materials
 - Relationships with builders and others who stood to benefit from the approval
- Cornell and the research on lung cancer conflicts
- ASU and president's wife
- Harvard researchers and relationships with pharmas
- Academics' falsified research
- Heisman trophy winners
- 20 students arrested for ACT cheating
- Vaccine researcher accepting funding from anti-vaccine groups and nondisclosure of source
- Mistreatment of graduate students (co-authorship, threats)
- Professors allowing their names to appear on articles ghost-written by pharmaceutical firms.
- Questions about quality of instruction and quality of education

Colleges and Universities: Presidents

- Benjamin Ladner, former president American University
 - \$43,982 for dinners (13-course meals)
 - \$22,345 for first-class ticket to Nigeria
 - Personal chef \$220,000 (for 3 years)
 - Personal development trips for chef to Paris, Rome and London
 - \$100,000 for a social secretary
 - \$44,000 in alcohol
 - Furniture expenses
 - Engagement dinner for his son
 - \$54,000 for cars and drivers
 - \$5,000 lunch hosted by Mrs. Ladner for her garden club
 - \$500,000 of personal expenses in three years
- *“I do believe I have made mistakes, and I understand how the perception of the significance of these has been exaggerated in the media. In a few instances, I overlooked the fact that certain personal expenses were charged to the university. Because of my single-minded focus carrying out university business, I regret these accounting errors and have already reimbursed the university. In hindsight, I should have been more vigilant and precise. The amounts being leaked to the media are overblown and inaccurate, and will be shown to be wrong.”*

The Coaches

- Hiring coaches with NCAA violations at each of their previous schools
- Failure to discipline coaches for failure to report*
- Affairs
- Graduation rates
- Recruiting
- Player activities
- Interference with academic evaluation of student athletes

*Included as topic of discussion as of February 2011

Colleges and Universities: Areas of Ethical Challenges

- Cloning fraud
- Research conflicts of interest
- Funding conflicts of interest
- Relationships with students
- Admissions favoritism
- Athletic departments
- Double-dipping by faculty on pay systems
- Text book conflicts
- Grade inflation
- College athletics
- Construction and facilities
- Research misconduct
- Student cheating

Some Observations

These Were Not Close Calls: Clear Ethical Lapses

- ⦿ Conflicts of interest
- ⦿ Lying to employees
- ⦿ Lying to students and the public
- ⦿ Abusive behavior
- ⦿ Misuse of funds or embezzlement
- ⦿ Alteration of documents
- ⦿ False reports and stonewalling auditors

**Those involved realized
ethical issues were afoot**

The A-Rod Explanation

“I knew we weren’t taking Tic Tacs... I wanted to prove to everyone that I was worth, you know, and being one of the greatest baseball players of all time.”

Alex Rodriguez on his steroid use from 2001-2003

Gene Krantz, NASA Flight Director

“We were too gung-ho about the schedule and we locked out all of the problems we saw each day in our work. . . . Not one of us stood up and said, “Damn it, STOP!”

Addressing Mission Control following the launch pad fire that took the lives of Apollo 1 astronauts Gus Grissom, Ed White, and Roger Chaffee (January 30, 1967)

S & P Congressional Report

“Rating agencies continue to create [an] even bigger monster — the CDO market. Let’s hope we are all wealthy and retired by the time this house of cards falters.”

Standard & Poore’s analyst on mortgage-backed instruments and their ratings

A dean intervenes for a donor

“Given his father’s donor status I may be asking you to admit him. We are about to launch a huge campaign and we can’t be alienating big donors by rejecting their kids...”

Dean Sarah Mangelsdork, College of Liberal Arts and Sciences; applicant’s father was about to endow a professorship

The Board of Trustees and Pressure

“This came through [redacted] and the [redacted] kid’s parents are one of the owners of [redacted] -- Big money!!”

University Board of Trustee member (former) Thomas Lamont

Financial Aid and Gifts

"Larry loves tequila and wine. Since becoming director at UT Austin, he has not had to buy any tequila or wine. Lenders provide this to him on a regular basis."

Senate Report on Financial Aid Offices and Student Lender Relationships (UT Austin)

Knowing, but doing nothing.

- *A janitor reported what he saw the then-defensive coordinator doing to a 10-year-old boy in the showers, but no one investigated or even tried to identify the boys involved.*
 - Grand jury findings in the Penn State allegations

What makes good and smart people at great organizations, agencies, colleges, universities, and companies do really ethically dumb things?

Three Reasons

- ⦿ We've lost sight of why ethics matter.
- ⦿ We hate ethics.
- ⦿ We make ethics too complex.

II. We've lost sight of why ethics matter.

A. Ethics matter because ethical lapses cost, really cost.

What does trust get you?

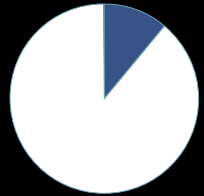
- ⦿ Good regulatory relationships
- ⦿ Happy and generous alums
- ⦿ Speed in transactions
- ⦿ Goodwill even if you make a mistake

**B. Ethics matter
because we're not
doing so well.**

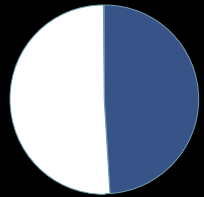
A Look At Your Future Work Force

- **64%** of high school students cheated on an exam in the last year at least once
- **62%** have lied to a teacher in the past year
- **82%** have copied another's homework
- **82%** have lied to their parents in the past year
- **42%** have lied to save money
- **30%** stole from a store in the past year
- **26%** admitted lying on their answers to the survey

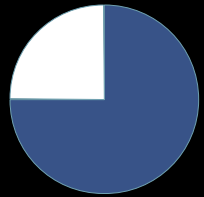
Cheating in College



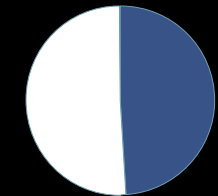
11% reported cheating in 1963



49% reported cheating in 1993

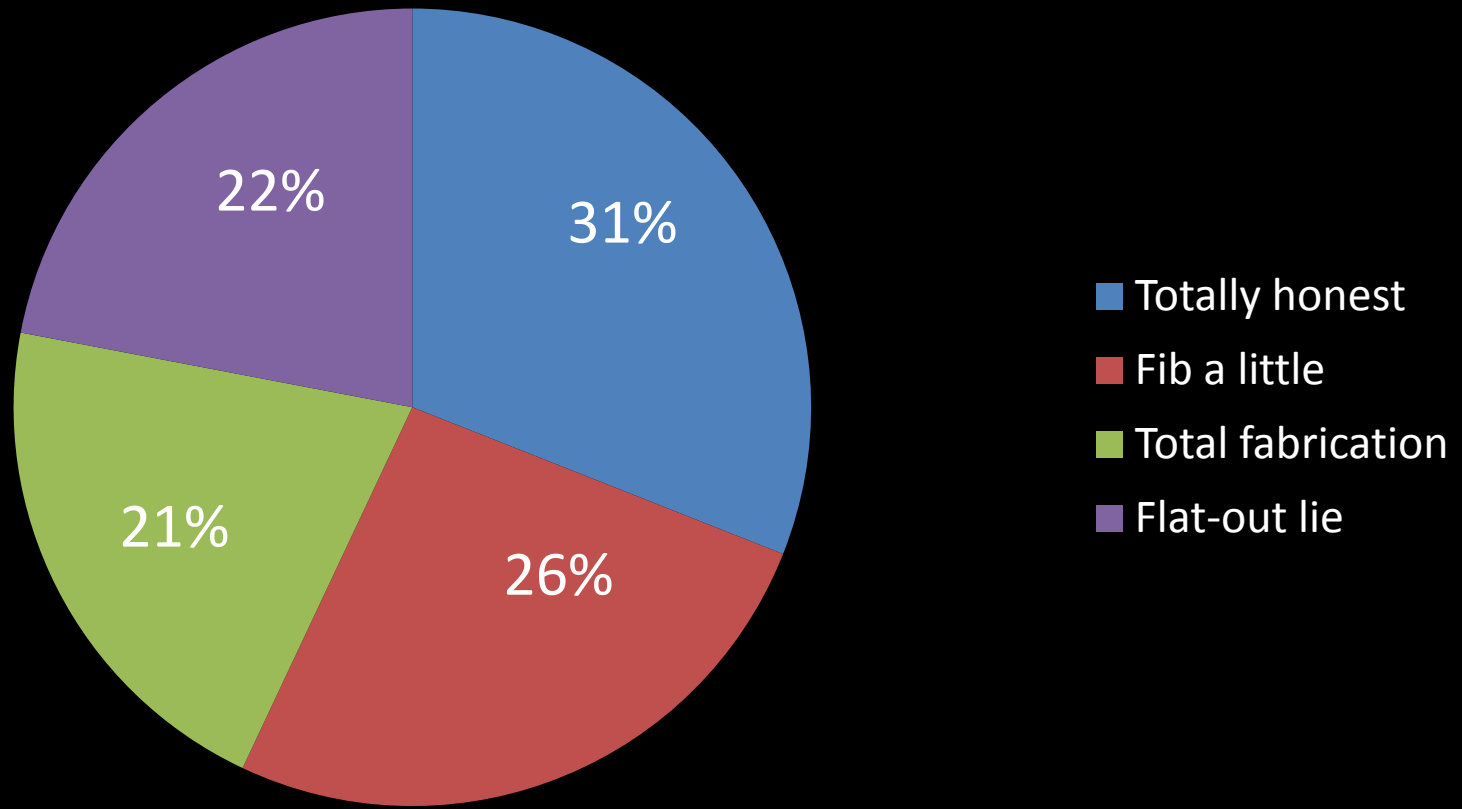


75% reported cheating in
2003/2005/2006



50% graduate students
reported cheating (2006)

Honesty in Social Networking



Work: A recent résumé study

- ◎ 50% had false information
- ◎ The false information was material:
degree; job title; previous employment
- ◎ Examples
 - Dean of Admissions at MIT and the 28-year-concealment
 - West Virginia University and the governor's daughter's MBA

Ethics at Work

KPMG 2000 Survey

- 76% of employees observed a high level of illegal or unethical conduct at work in the past 12 months
- 49% of employees observed misconduct that, if revealed, would cause their firms to “significantly lose public trust”

KPMG 2005 Survey

- 74% of employees observed a high level of illegal or unethical conduct at work in the past 12 months
- 50% of employees observed misconduct that, if revealed, would cause their firms to “significantly lose public trust”

KPMG 2008 Survey

- 74% of employees observed a high level of illegal or unethical conduct at work in the past 12 months
- 50% of employees observed misconduct that, if revealed, would cause their firms to “significantly lose public trust”
- 74% feel pressure to “do whatever it takes”

C. Ethics matter because ethical lapses interfere with organizational effectiveness.

If employees see the issue, then what happens?

- 65% DIDN'T REPORT (1999)
- 37% DIDN'T REPORT (2003)
- 41%-50% DIDN'T REPORT (2006)
- 50% DIDN'T REPORT (2007)
- 42% DIDN'T REPORT (2008) (ERC)

So, why didn't they report?

- 96% feared being accused of not being a team player (same 1999, 2003)
- 81% feared corrective action would not be taken (2005 data leaning toward this as #1)
- 68% feared retribution from their supervisors
- 57% feel pressure to do “whatever it takes” to meet business targets
- 49% believe they are rewarded for results, not the means by which they achieve them

(SHRM and industry surveys)

- One in 8 employees say they have experienced retaliation at work for reporting ethical issues (ERC)

High Ethical Self-Esteem

**D. Ethics Matter Because
Everyone Thinks They Are
Ethical**

We all think we are ethical.

- None thought their ethical standards were lower than those of their peers in their organization (1%)

Society of Human Resource Managers

What I Did in the Past Year

“I let someone else at work take the blame for something I did.”

“Vendor took a group of us and some of our kids to a major league baseball game where the dollar amount exceeded that allowed by the company.”

“I told my wife this seminar started earlier than it really did.”

What I Did in the Past Year

“I claimed I had to work to get out of going to a party at my sister-in-law’s.”

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

“While opening a car door I bumped the car next to me and did not let the driver know.”

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

What I Did in the Past Year

“I will admit, I stole a towel here and there from a hotel not thinking it was a big deal.”

“When my husband asks if something is new, I respond, ‘This? No, it’s old, had it forever.’”

“I lied to get reimbursement for items not really damaged in a lightning strike.”

Why do we all think we're the most ethical person in the room?

1. We are not talking about it with others.
2. We have rationalized, labeled, and defended ourselves into believing we are ethical.
3. We're doing so well that we equate performance with ethics.
4. We're doing so well that we are offended when ethical issues are raised.
5. The failure to internalize and reflect.

Guess Who Said It?

“I have done absolutely nothing wrong.”



**Rod R. Blagojevich,
former governor of Illinois**

“We have ethics here.”

"Appearance of impropriety is as important as impropriety itself."

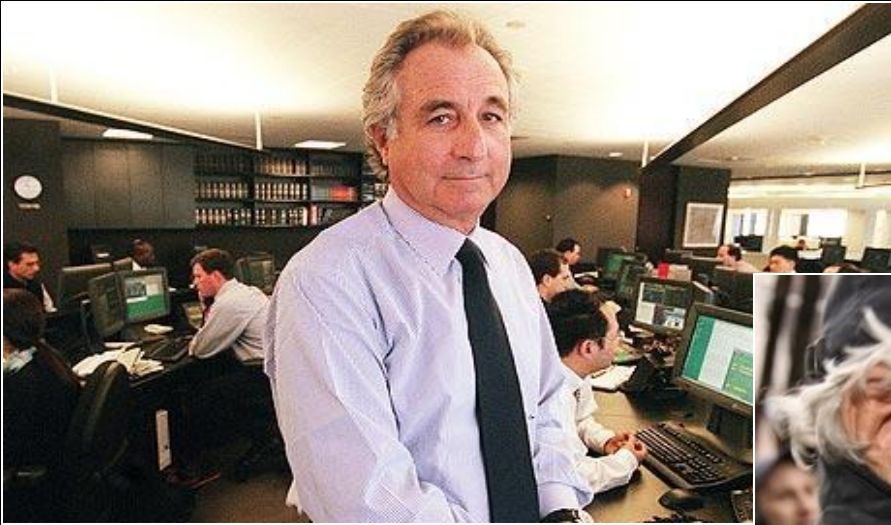
Ellen Frishberg

- Former head of student financial aid office at Johns Hopkins
- Accepted \$160,000 in consulting fees and tuition reimbursement from student lenders

Guess who said it!

“In today’s regulatory environment, it’s virtually impossible to violate the rules. It’s impossible for a violation to go undetected, certainly not for a considerable period of time.”

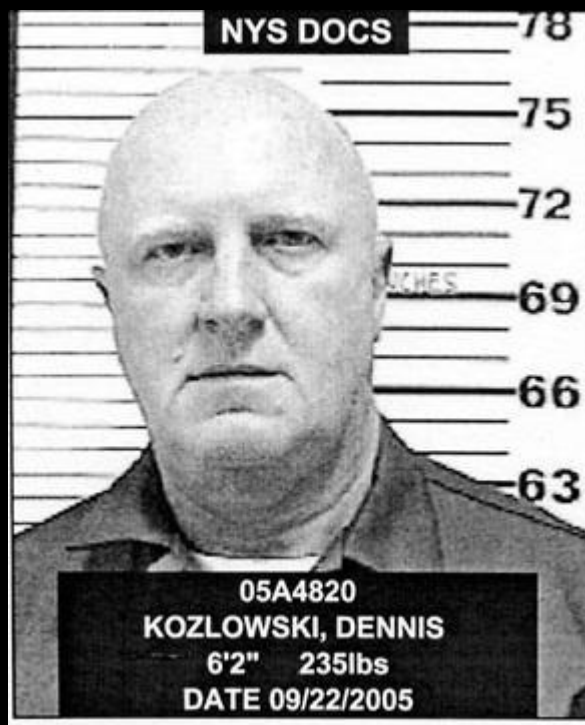
Bernie Madoff



Guess Who Said It!

“Embezzlement cannot be condoned in any manner. [n]ot only did he steal from the stockholders But he breached the fiduciary duty placed in him. Wrongdoing of this nature against society is considered a grave matter. . . . [h]e should receive the maximum sentence.”

**Dennis Kozlowski, former CEO of Tyco,
doing 15-25 for embezzlement.**



Another Quiz Question

What company had a 64-page, award-winning code of ethics?

ENRON

**E. Ethics Matter Because of
the Fish Bowl Existence of
Colleges, Universities, and
Public Institutions**

Truth and Its Percolating Quality

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

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.

Some Percolations

- ◎ The Chinese Gymnasts
- ◎ The Gulf Fishers and BP claims
- ◎ Student at the airport

II. Getting Over the Hatred and Awkwardness of Ethics

A. The “Lack of Enforcement”

*What you are thunders so loudly that I
cannot hear what you say to the
contrary.*

- Ralph Waldo Emerson

Enforcement is Absolute, Unequivocal, and Egalitarian

- *“If the janitor had taken the liquor, he would have been fired.”*

Student’s observation on discussion of tolerance for a manager who “borrowed” three bottles of vodka on a Friday night for her birthday party after work and brought in replacements on Monday morning

- *“Enforcement is to organizations what integrity is to individuals.”*

M.M. Jennings

B. Comfort from “warm” labels

The “way harsh” language	The “warm” language
“Cooking the books”	“Financial engineering”; “Getting results”; “Smoothing earnings”; “Managing earnings”
“Copyright infringement”	“Peer-to-peer file sharing”
“Manipulated the appraisal”	“Got a second opinion”
“Changed the numbers”	“Pro forma adjustment”; “Deseasonalized the data”
“Backdating options”	“Periodic look-backs”
“You lied”	“I misremembered” “I failed to live up to my duty of candor.”
“You lied”	“I misspoke” “I told you versions of the truth”
“You lied”	“I just managed expectations” “I used incremental escalations of half-truths.”

Comfort from warm language

The “way harsh” language	The “warm” language
“The employee stole from inventory.”	“The employee showed poor judgment.”
“That’s cheating!”	“That was creative thinking!”
“Suspended from school”	“Just restricted”
“Conflict of interest”	“It wasn’t so much a conflict of interest as it was a confluence of conflicting motives.”
“We don’t really know.”	“It’s just engineering judgment.”
“Bribes”	“Useful expenditures”
“Teachers changed test answers.”	“We had test clean-up parties.”

C. 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

Rationalizing, Not Analyzing

- ⦿ “If we don’t do it, someone else will.”
- ⦿ “It doesn’t really hurt anyone.”
- ⦿ “If you think this is bad, you should have seen”
- ⦿ “That’s the way it’s always been done.”
- ⦿ “That’s the way they do it at _____.”
- ⦿ “It’s a gray area.”

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

Racing and Gray Areas

- ◎ *Dan: If you could take a performance-enhancing drug and not get caught, would you do it if it allowed you to win Indy?*
Danica: Well then it's not cheating, is it? If nobody finds out?
Dan: So you would do it?
Danica: Yeah, it would be like finding a grey area. In motorsports we work in the grey areas a lot. You're trying to find where the holes are in the rule book
 - Danpatrick.com. www.sportillustrated.cnn.com.
June 2, 2009

D. The ethics thing IS difficult.

- Not difficult in concept
- Difficult in application
- Can only see losses; cannot see rewards or results
- Can't always quantify the effects of ethical choices
- Game Theory and Excel are not good prediction tools in this area
 - Need to observe
 - Need to interact

III. Making Ethics Less Complex

There Are Moral Absolutes: The Role of a Credo

The lines you would never cross to be
successful, to win, to gain a contract, to
meet the numbers . . .

Chicago Alderman Doherty's analysis of the Illinois governor's pay-to-play:

“This is not like a guy taking \$500 for a zoning change. This is selling a U.S. Senate seat.”

Chicago Alderman Brian Doherty

Judy Keen, “Blagojevich case is a blot on Chicagoans’ pride,” *USA Today*, December 11, 2008, p. 5A

The Parable of the Ham

The Story of the Pack of Gum

Watching Out for the Fog!