Is success a licence to cheat?

Teaching our students about values may be easy – getting them to apply them day to day is the tough part

MAK YUEN TEE

I teach a course in corporate governance and ethics at the university for senior accountancy students, and as part of this course, we discuss a number of actual cases and role-play scenarios regarding ethical behaviour.

Two recent interesting cases are those involving the resignation of Mr David Sokol, one of Warren Buffett’s potential successors at Berkshire Hathaway, and the resignation of the ex-HP CEO, Mr Mark Hurd.

Mr Sokol resigned from Berkshire Hathaway after it was discovered that he had bought US$10 million (S$12.7 million) of shares in a company called Lubrizol, in the months leading to Berkshire Hathaway buying the company for US$9 billion. Mr Sokol made US$3 million in profit from his personal investment. He was accused of insider trading and front running.

This episode was shocking because Mr Buffett, the CEO of Berkshire Hathaway, is renowned for putting integrity and reputation ahead of just making money. One of his famous sayings is: “Lose money for my firm and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless.” This episode has cast a shadow over Berkshire Hathaway and its CEO, Mr Buffett has been criticised for not publicly condemning Mr Sokol.

Mr Hurd’s case at HP was rather different. He resigned after it was discovered that he had falsified expense reports, allegedly to hide a personal relationship with a contractor.

Some students pointed that the punishment seems disproportionate to the “crime”, especially given the seniority of these people and their track record in business. Some wondered if they were deliberately pointing out that Mr Sokol did not need the US$3 million given his personal wealth, and that Mr Hurd could easily pay the expenses he had claimed out of his own pocket. Why would someone so wealthy do something wrong deliberately when they did not need the money?

I asked the students: “Have you not seen the Mercedes owner who would rather double park than pay 50 cents for parking?” The joke I have heard is that this is how the Mercedes owner became rich. Unfortunately, when it comes to money, rationality often seems to go out of the window.

What is somewhat disturbing is the idea that if someone is successful, acts of dishonesty are more likely to be due to oversight. The other disturbing thought is that if someone is successful or is very senior in the organisation, he should perhaps be treated differently for dishonesty.

In HP’s case, for example, Mr Hurd’s departure caused HP stock to immediately drop by 8 per cent and this caused some analysts to say that the HP board had made the wrong decision by forcing him to resign. Some seem to think that if the amount involved is small, then termination or resignation may not be necessary. So I asked the students: “If a senior person cheats over $1, wouldn’t that make it worse, because if he cheats over $1, wouldn’t you worry that he would cheat over larger amounts?”

I was, however, comforted somewhat by the fact that in both of these cases, most felt that it was right on balance for the companies to force the individuals to resign even if the companies suffer some short-term adverse consequences. Although I was also cognisant that some of the students might have been telling me what they thought I wanted to hear, especially in a course dealing with corporate governance and ethics.

I then asked the question: “What if it was not Mr Mark Hurd at HP, but Steve Jobs at Apple, who violated the code of conduct?” There were a couple of students who pointed out that Apple audits its suppliers for ethics, and certainly cannot do so credibly if they do not fire jobs for ethical violations.

But most of the students did not think that Apple could ask him to go, as the impact on the company would be catastrophic. So, it seems that the more successful a person is, the more he should be allowed to cheat.

Jobs himself was embroiled in a stock options backdating scandal a few years back but was cleared of any wrongdoing. If the allegations were proven to be true, the board of directors would have been put in a very difficult position.

BRIE OR JUST FACILITATION?

I also gave my students scenarios they may face in the course of their future careers and asked them what they would do. One scenario is that they are doing business in a market, and the market practice is that everyone who tenders for a project has to add a 10-per-cent “facilitation fee” to be paid personally to the procurement manager.

A second scenario is that they are asked to start a business in a market where corruption is rife. They have to make the business profitable within two years or lose their job. In order to get business, they have to pay bribes.

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The third scenario is that they have to pay journalists in a foreign market a fee in order for them to write favourable reports on the company. These are all real cases which I have become aware of.

For the first scenario, most say they will pay the facilitation fee because everyone is doing it. Some say they will get someone else to pay it for them — which is exactly what some businesses are doing.

I then asked what if they were asked to pay bribes. More now say that they would not; no wonder people use the word “facilitation fee” rather than “bribe”.

In the second scenario, most say they would not pay bribes. One rather cheekily said he would try to get it called a “facilitation fee”.

In the third case, many said they would pay. Some justified it on the basis that the journalists were probably poorly paid, so we are basically topping up their salaries. None were actually concerned about the impact on the journalists’ objectivity.

I am glad that the Ministry of Education is introducing values in the schools’ curriculum. But as the cases above suggest, we live in a complicated world.

Many of our youths (and even adults) today do not think twice about illegal downloads of music and movies or buying a pirated movie.

Teaching students about values may not be too difficult, but getting students to incorporate values into their everyday decisions is not going to be easy.

I believe that we need to get students to understand that success is not a licence to cheat nor is cheating a passport to success. They need role models of people who have achieved great success by upholding values: People who can demonstrate that values are the real passport to long-term success.

Mok Yuen Tee is an associate professor of accounting at the NUS Business School who specialises in corporate governance.