

Welcome

Thinking About Wrongdoing: Good and Bad Board Responses

Richard M. Biery
The BroadBaker Group
rmbiery@broadbaker.com
816-931-7750



DOONESBURY



UNIVERSAL PRESS SYNDICATE © 2004 G.B. Trudeau





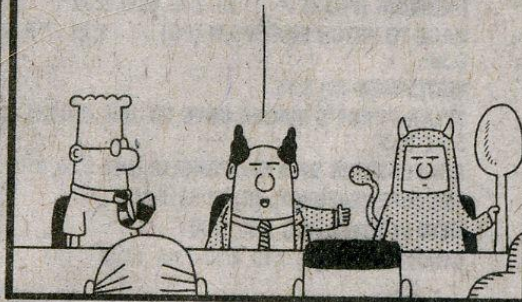
www.doonesbury.com



The BroadBaker Group, Ltd.

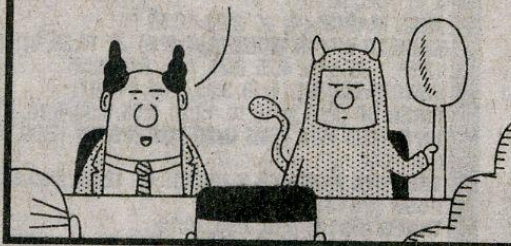
DILBERT

THIS IS PHIL, OUR
NEW VICE PRESIDENT
OF MARGINALLY
LEGAL ACTIVITIES.



www.dilbert.com scottadams@aol.com

HE'LL BE LEADING
THE EFFORT TO MAKE
OUR USER INTERFACES
SO CONFUSING THAT
PEOPLE HAVE TO PAY
US FOR TRAINING.



3-21-09 © 2009 Scott Adams, Inc./Dist. by UFS, Inc.

WE
ALREADY
DO THAT
UNINTEN-
TIONALLY.

SURE, BUT
WE CAN'T
ALWAYS
RELY ON
LUCK.



SCOTT ADAMS



The BroadBaker Group, Ltd.

Health South University of Mich.
Wells Fargo Dynergy Weinstein
HCA Equifax
WorldCom NY Times
Google Bank of America
Enron Alliance Capital
“Fortunately, as major public corporations
come under increased public scrutiny, massive
fraud on the scale of the Enron case is being
shown to be the exception and not the rule”
Uber Theranos Janus Capital
Nike Caremark Fleet Boston
Sprint Penn State Volkswagen
Wm. Droms, Finance and Accounting for Nonfinancial Managers
Arthur Anderson Facebook
School Districts
Olympic Committee KPMG



Root Causes

- Pride, narcissism, arrogance, etc. (Me above all) – Why is success & power (esp. unconstrained) so dangerous?
- Desire to be accepted – “binding and blinding,”
- Greed or Lust,
- Laziness,
- Fear,
- Conflicting commitments (loyalties)
- Jealousy or envy,
- Ignorance.



Conditions Conducive to Wrongdoing

Of which a board should be aware

- Unrealistic demands and/or disproportionately aligned rewards and punishments (e.g., Wells Fargo)
- No stated ethical and values org. standards
- Arrogance
- Secrecy
- No behavioral monitoring nor correction or consequences
- No access for whistleblowers



- Weak culture of behavioral integrity or caring (few examples for employees to see, nothing seen as normative)
- Parsimony and stinginess
- Placing people in conflict of interest situations, e.g., insiders on the board, nepotism, etc.



Issues to Understand

- Wrongdoing's poisonousness & spread
- Taking it with sufficient seriousness
- The iceberg reality – there is always more than meets the eye
- The possible range of wrongdoing (from questionable to gross crime) – the org. must detect early signs
- Our immense ability to rationalize our actions
- Importance of whistleblower access and protection



- Leadership's strong temptation to hide it and cover it (in the name of "protecting" the organization).
- Importance of the strength & clarity of the governance process policies dealing with behavior and threats to the good name.
- The quality and inclusiveness of the EL policies
 - Are they sufficient? Does the board understand their implications? Are they preventive, or are they reactive?



Board Responses

- Smelling smoke, “spotting the cockroach,” attentiveness & understanding the implications,
- Act sooner rather than later,
- Answering the question, “How much must a board (or investigator) know to draw a reasonable picture & conclusion?”
- Arranging a credible investigation under Policy Governance principles. – What values and policies are at stake? The monitoring choice?
- Deciding how much control to take.



- What if the wrongdoing is by a board member?
 - Board's reputation
 - How to investigate
 - Board must have a process for itself (&the law may have something to say re due process.)
- How can a board protect the org. culture to assure a culture that counters wrongdoing?



Some Notes & Observations

- Lying is an important indicator. It always has a reason!
- Humans are very good at detecting mendacity, hence, protect trust at all costs.
- Importance of transparency for protection and credibility.
- Importance of humility. Fight arrogance.
- Impact of a person's culture or the culture in which you are operating. (e.g., Is corruption a “normal” part of business?)



- Be aware of the love-hate (polarization), trust-distrust continua.
- Detect it early and stop it.
- Communicate, communicate, communicate.
- All slopes are slippery when we are leaders.
Beware.



Questions & Discussion

Contact

Richard M. Biery

The BroadBaker Group

rmbiery@broadbaker.com

816-931-7750



The BroadBaker Group, Ltd.