

# Law, threat of prison drive ethics growth

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Oxley and the U.S. sentencing guidelines. The debate has shifted from whether to be ethical to how to be ethical. Five years ago, the debate was theoretical. Now, corporate governance is an important part of the analysis on Wall Street."

Sarbanes-Oxley, the law passed by Congress in 2002 after the meltdowns at Enron and WorldCom, called for tighter internal financial controls at public companies. The law also led to revised sentencing guidelines for corporations and individuals involved in fraud. One year ago, the U.S. Sentencing Commission ruled that among the factors to be taken into consideration when a corporation was accused of wrongdoing was whether management had provided ethics training to its employees. If not, it could be held against a company whose employees had been found guilty of fraudulent behavior.

"We have seen an explosion of growth in professional service providers who help support ethical compliance programs," says Keith Darcy, executive director of the Ethics Officer Association. Darcy points out that his organization — consisting of executives in charge of corporate ethics and compliance programs — had 600 members in 2001. This year, his group's membership has exceeded 1,200.

Sarjay Anand, chairman of the Sarbanes-Oxley Institute, which trains accountants and other executives on how to comply with the new law, agrees that ethics has become big business. "We are going through what is referred to as an ethics boom," he says. "Sarbanes-Oxley has raised the bar on the pain that senior executives can suffer as a result of non-compliance with code of ethics. The fear of the expense of training is starting to fade. Companies are realizing ... it costs less to prevent than to cure."

Gary Zeune, who runs a speakers bureau of former white-collar criminals, says that since the law passed, people have "finally started to understand that good ethics is good business because customers will trust you."

## There's no teacher like experience

The focus on ethics has spawned a miniature boom in demand for corporate felons who have done their time. Mark Morze, the former CFO of ZZZZ Best carpet cleaning, served almost five years in prison for his role in one of the biggest frauds of the 1980s. Today, he's a popular public speaker on the subject of ethics. "The interest now is very, very piqued," he says. "A lot of it is piqued by the fear people are having of exposure."

Morze, who pleaded guilty to defrauding investors and banks out of about \$100 million, says he would often make \$1 million a week during the fraud. He says he now speaks up to 60 times a year to groups ranging from students to FBI agents or accountants, and charges as little as \$500 or as much as \$10,000 for a keynote speech.

"I've started telling people that (in the 1980s) when you did something wrong, you'd face civil action by the SEC," says Morze. "Now we've seen almost a complete flip-flop, and you might have to pay hundreds of millions in fines. Selfishly, it's good because it gets me



more work."

Frank Abagnale, whose early criminal career as a forger and impersonator was celebrated in the movie *Catch Me If You Can*, had a successful speaking career before the recent wave of accounting frauds. Now, he says, he has to turn business down: "Before fraud got a lot of attention, I used to give 35 talks a year. Now, it's over 100 lectures a year, sometimes four a week."

While Pavlo and Morze talk about the crimes they committed, and the circumstances that tempted them into breaking the law, Abagnale also shares his thoughts on the root causes of fraud in the USA.

"We are living in a society that has an extreme lack of ethics," he says. "We are not teaching ethics at home or in school. You can't find ethics in college. That's just amazing to me."

Exacerbating the situation, he says, is the view among most businesses that fraud and thievery are part of "the cost of doing business." Credit card companies, retailers and others

all make budget provisions for fraud. "If you just sit back and say it's related to cost, if you're not doing anything about it, you're helping it," Abagnale says.

If there's any lesson to be learned from the accounting frauds of recent years, it's that at Enron and WorldCom, there were only a few masterminds. Nevertheless, a much larger group of people adopted a "go-along/get-along" philosophy, and before they realized what happened, they were sucked into the vortex of a criminal conspiracy.

Oliver Halle, a former FBI agent who now makes presentations on white-collar crime to businesses and schools, says he couldn't understand how people who seemed to have every advantage in life would make bad decisions in the workplace that often ended up putting them in jail. To make an impression on his audience, he usually brings two white-collar criminals who served time in prison. "I was dealing with people that look like you, me and the neighbors," he says, referring to the real-life examples of corporate convicts. "They were getting into trouble. Why are these educated, upper-middle-class people getting into trouble?"

## Cover story



By Robin F. Holland

**Abagnale:** Has to refuse business.