

# Executives: Get out of the pro shop and onto the range

I frequently suffer humiliation and disappointment. I am a golfer. Ah, but I repeat myself.

It looks so easy. There, sitting perfectly still in front of you, is this little ball. All you need to do is hit it into a large grassy area that looks impossible to miss. Alas, for the average golfer, this illusion frequently vanishes (along with the ball) shortly after the first swing. This, of course, is why God created the pro shop.

In the pro shop, arrayed in all its varied splendor, is that classic virtue to which all golfers cling: hope. We hope that somewhere among the latest golf gizmos and technical innovations is the magic wand that will unleash hidden talents and consistently yield the great scores that older equipment stubbornly denies us.

Early in this century, many of the world's best businesses and their leaders found themselves in the "rough" and some were even kicked out of the "league" for their poor play. Like golfers, business executives flocked to the "pro shop" in search of the latest corporate governance gizmo to improve their score. In the years after Enron, WorldCom and Sarbanes-Oxley, company value statements, codes of conduct, compliance departments, financial controls, revamped audit committees, compliance hotlines, online and live compliance and ethics training programs, policies and procedures and many other new "clubs" appeared in corporate "golf bags."

Their new equipment in tow, corporate leaders strode onto the course with renewed confidence that they could better avoid the traps and improve their scores. As we now know, this is not what happened.

In 2008, the Association of Certified Fraud Examiners reported that occupational fraud had risen by \$300 billion since 2006 to a total of nearly \$1 trillion per year. In 2007, more than five years after Enron and other corporate scandals, the Ethics Resource Center reported that businesses of all sizes and types had made "little—if any—meaningful reduction in their enterprisewide risk of unethical behavior."

Summarizing its findings from the Na-



## BUSINESS ETHICS

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tional Business Ethics Survey, it stated: "The situation is ripe for another major corporate scandal. Despite new regulation and significant resources now dedicated to decreasing misconduct and increasing reporting of misconduct, *the ethics risk landscape in business is as treacherous as it was before implementation of the Sarbanes-Oxley Act of 2002.*"

Sadly for all of us, the center's prophetic statement was borne out and many of the world's greatest corporate "golfers" were in serious trouble again. AIG, Lehman Brothers, Merrill Lynch, Fannie Mae, Freddie Mac, Siemens, Societe General, Deutsche Telekom, Citibank, Merck, Pfizer, Eli Lilly and Countrywide Financial are just a few of those once accustomed to being on the leaderboard that have recently paid large penalties, have fallen significantly in the standings or are no longer in the game.

As in the past, business leaders and regulators have returned to the pro shop and are busy looking for the next new thing to put into their bags. There is nothing inherently wrong with this activity. Given the recent global economic calamity and a continuing stream of corporate scandals rooted in unethical business practices, it is wise for all concerned to search for new tools to prevent history from repeating itself. But while new, high-tech clubs may prove better than the old ones, we should know by now that business leaders must do much more to improve their game.

Of the many options available, I think the most important thing businesspeople should do is to get out of the pro shop and spend much more time on the range. Regardless of what new compliance and risk management systems may be devel-

oped and implemented, there is no substitute for lots of practice, both on and off the course.

In practical terms, this means that business professionals must invest time in careful study of others' mistakes and apply the lessons learned to alter their own behavior. They also must acquire the skills necessary to make sound ethical judgments, taking into account all relevant legal and ethical obligations, and to build and sustain strong ethical corporate cultures. Colleges and business schools must do their part by revamping curricula to prepare their students to play better when they get out onto the course.

Given the extraordinary complexity of business, changes in training programs must go beyond mere cognitive learning and provide the practice necessary to master the game. Much of this work should be done off the course with realistic case studies designed to help businesspeople consider the ethical as well as the financial dimensions of their craft. There is a big difference between having an intellectual appreciation of how to swing the club and consistently landing the ball in the fairway. The latter happens only as a consequence of continuous and focused practice.

Making such changes in educational programs and learning habits is always easier said than done. Our natural inclination in both our personal and professional lives is to live in denial or look for the quick fix and avoid making the sacrifices necessary to improve. But there is too much at stake to permit such irresponsible behavior to persist in the business world.

Business professionals and those who train them must come to grips with the fact that our current systems have produced the crop of "golfers" that recently led our nation and the world to the brink of economic collapse. This catastrophe, like many others before it, was not the fault of a few bad apples. It was the product of a whole cadre of business professionals, most of them conscientious and well meaning, who were simply unable to see and avoid major hazards on the course.

As in golf, more practice will never

guarantee straight drives and true putts. But until we recognize that it is the magician and not the wand that matters most, we will not see significant improvement. *Jim Nortz is compliance director at*

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