

# ***Keynote Address by Sophia Bekele***

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## ***Business Ethics and Public Policy Cases***

***Theme: The Market Has No Morality***

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**Good Evening Distinguished, Ladies and Gentlemen, MBA Candidates, Dean Of Bus School and Professors of Ethics. Thank you for inviting me.**

I have prepared this subject in such short notice on the order of my good friend, Dr, Fikre Tollossa, While he has asked me to share with you the **renown public policy related business ethics cases** I have **personally championed for my organizations**, I also thought it would be helpful if I also made some case and point about **general business ethics** as it related to business and corporations etc...based on my decade of practice in it.

**Congratulations first of all, on our choice of class – Business ethics - It is nice to see that such courses have mainstreamed in business collages nowadays, particularly in the wake of Entrepreneurship in the global economy as a credible alternative to the Brick & Mortar institutions as a means of career development or earning a living.**

Much of universities are also changing their curriculums to include Entrepreneurship and I am hoping to see **“business ethics”** as a **“must include”** in such cases, as people don't always know what it means unless they either go through formal training or learn the hard way through bad experiences.

Now, lesson in ethics as we know it, **is most valuable when we are young**. Most of our ethical behaviors is fashioned **based on the societies we come from, our moral teachings of what is right and wrong** and the collective values of the societies that then create the law of the land, which we have to follow, **should we chose to live on that land**.

### **Anchor point of ethics**

For me, the **anchor point of ethics** is simple; **it is between right and wrong**. I can attribute that to my moral teachings yes. But in business it gets more complex. It has

been often said, “**the market has no morality**”. **Most business people and Corporate Executives observation is that businesses exist to make money,** and this observation is usually allowed to go unchallenged. It is, however, a very **limited** statement about the purposes of business, particularly nowadays post industrial revolution, **where the customer is king** (rightfully so as there is no business without a customer) and customer demands more **ethical products** and **ethical messages** and **practices** from businesses.

Business ethics has always had distinct problems from those of other professions, such as **medicine, law, engineering, auditing,** which is governed by a **strict code of conduct** etc whereas Business ethics unless practiced can be vague and interpretable to the convenience of the person engaged.

## **My First Career**

As such, **from my first exposure and journey,** the formal introduction of “**ethics in business**” was in **my first career** as an IT Auditor fresh out of university. “Having the opportunity to work for the fortune **500 companies with no resource constraint**, as an audit professional we over-trained on the subject of ethics. Along with the daily experience of working, obviously, one becomes a master of the game. But it goes beyond just doing your job, you become part of it and you start looking at things where **an ordinary person does not bother to delve in.** In my experience, reconciling the two views, the **ethically trained vs. the ordinary person** is the most challenging with individuals or corporations, or doing business with those who have never taken this course like you. I assure you, you are part of the privileged few”. (laughter).

Most of my career **was based in the banking sector** and I used to manage audits in Capital Markets area of the bank which is **high risk high return,** including emerging products like “**Derivatives**” which were mostly “off Balance Sheet” instruments that what the industry called “Rough Traders” abused, risking the bank’s money and paying themselves large amount of money.

**Like the Mortgage Crisis in 2008,** I think you may **recall the “Derivatives” scandal** also lasted between 2005-2009 and notably when Barclays was fined £290m after derivatives traders were found to have attempted to rig this key interest rate ( **Libor & Euribor- eurozone's equivalent of Libor**). The scandal led to the resignation of both Barclays CEO and Chairman. **The misconduct was widespread,** involving staff in New York, London and Tokyo as well as external traders.

Basically, as Internal auditors in a highly regulated industry as Banking, where **External Auditors** and **Bank Examiners** and **Regulators** review the operations regularly, monitoring and compliance **relative to established policies and continuously creating**

**new policies is also norm.** Indeed, also was a **great job security for us**, Auditors right ;) Typically here you will see the ethics field merge with business operations and the conduct of **individuals** and companies.

Despite, in whatever **industry and business operation** you run Business applications have the **same three (3) basic risks** as any other business, which handles data and they are **confidentiality, integrity and availability.**

1. **Confidentiality:** from the point of view of a **data breach** or a **release of data in violation of legal regulations** such as the Federal Privacy Act or FERPA or HIPAA.
2. **Integrity:** from the point of view that the **data can be relied upon for accuracy** and
3. **Availability:** from the point of view that the **data is available when it is needed.**

## **Business in Africa**

In any case, by this time, I was in Africa doing independent business, and very successfully I might add, **in bringing in new technology to my Country Ethiopia and doing large scale government bids and introducing online services etc...** I was caught up with "business ethics issues", which were elevated to the **higher ideals of transparency, accountability, equity and due process.** This is because this matters are very significant in terms of participation in **public procurement processes** in government contract etc..

Mind you, **Africa being a young democracy and developing economy,** the infrastructure for **good governance** and **transparent and accountability over systems, processes and public policy development and implementation** as well as **rule of law governing this** is almost non existence and one has to **depend on people** and **no systems** like you see here in the west, **are in place** to get things done. I would say this of course for many other developing countries as well, Latin America, India etc

To share with you my notable experience, which was highly covered by local media while in Ethiopia is a bid with the **Ethiopian Parliament.** **Imagine now the Parliament is the highest institution and lawmaking body.** Most of such high profile cases seem always be an INSIDE job, just like the accounting scandals in the US. I have in my email signature. *"They stole without hiding because their father is the chief of police.*

So the case was case of **two bidders shortlisted**, SbCnet/NCR, the bid committee let NCR win. We knew **we had a stronger bid**, they did not even have the experience in that area, so we asked exactly where we had the lower score. (we requested for their score, did not accept it...I went to the **Ministry of Finance** to request the meaningful evaluation. (**Technical/Financial**), they told me bid never came to them. **That is where I cracked it.** All govt bids ere suppose to go to MOF. I went to the **General Auditor** of the country the only **"independent" institution** that can look into our case. Nine months

later, after a through investigation, they ruled o our favor. Parliament did not like it. They used to call them publicly **“Our Auditor”**. Did not even understand the process of independence.

**Then I came back to the US** after having heard of the accounting scandals, mid 2000, which continue to flow and make news, such as the **Enron, World Com, Tyco**. Companies going Bankrupt, **taking down their own Accounting firms with them AA**. The scandals uncovers an increasingly alarming and widely reported set of CEO ethics violations of our time, from **manipulating accounting rules**, masking **enormous losses** and liabilities, including **money laundering, bank fraud, insider trading** and **conspiracy, securities fraud, unauthorized bonuses, and mismanagement**, many of which landed **the heads of the Corporation in jail**.

In the aftermath were calls for enhanced corporate governance and risk management, with new law, regulation, and listing standards. The **SEC was clamoring on these companies** and the Fed Gov, came up with a legislation known as Sarbanes Oxley (SOX) Act to regulate the industry and **make corporate oversight and protection of shareholder rights by the board of directors a priority**.

Additionally, with all the **high-profile business scandals and failures** where investors, company personnel, and other stakeholders suffered tremendous loss, various frame works were being developed to mitigate Enterprise Risk, with most popular one called **COSO – “C framework”** to evaluate and improve their organizations’ **enterprise risk management**. It is sort of an **integrated framework of controls** designed to implement a common language and clear direction and guidance to ERM.

Therefore, you can see how US Companies were faced with an **overwhelming compliance and regulatory requirements** as well as financial burdens, particularly public companies, and startups going to IPO etc.. as most Corporate managers and BOD needed to turn to **a strict code of conduct** and learned the hard way that ethics needed to be sewn in the fabrics of the organization. **At the time, 82% of respondents to CFO survey claimed they used COSO’s framework for internal controls**.

**Then in 2008-9, the Mortgage ethics scandal** exposed business practices of companies like the AIG and Bernie Madoff, pyramid scheme and various key Banks. Some saved by their own perpetrators, the Fed as **‘Too big to fail’**. **In recent years**, we know **Scott Thompson – Yahoo’s CEO on deceptive resume, AIG, FIFA**. **The Bottom Line** CEOs have always been expected by **shareholders and investors to maintain high ethical standards**. Although it doesn't always happen, today's regulatory environment makes it easier to identify transgressions and bring violators to justice.

Other basics of Business ethics include conflict of interest, nepotism, public corruption, wrongful decisions, taking incentives (bribes) . My philosophy is – **simply don't do to others what u don't want others to do to you - Ethics is knowing the difference between what you have “a right to do” and what “is right to do”.** *Ethics is not definable, is not implementable, because it is not conscious; right?.....it involves not only our thinking, but also our feeling.*

*A lesson learned from all of this is:* The time to avoid the results of unethical behavior is **before it occurs, not after.** Most ethics professionals, learned a long time ago that **prevention is superior to inspection.** In no area might this be more important than business ethics.

**Finally, at the dawn of a new era,** the same, multinational [conglomerates](#) face a backlash against their [monopoly](#) power, as well the growing, worldwide demand for ethical and sustainable [business models](#).

**Conscious Consumers Are Changing Business** Therefore, corporations must evolve or **lose ground** to new, ethos-bases [entrepreneurial](#) models. **These ethos are demonstrated by** charitable giving [socially responsible](#) corporate campaigns, clothes manufactured under fair and safe working conditions, being committed to positive social and environmental impacts, investing in employees, financial disclosure, etc... Starbuk, wholefood etc...

**“Then of course you folks want to know about ICANN”,** what transpired at ICANN and the IRP. ICANN is a public institution and makes significant public policy decisions that affect us globally as user of the internet. **I am not the only one who has issues with ICANN, the global community does. It so happened that I am the one that did the whistleblowing to congress with accountability issues as well as perhaps filed the first IRP under the new public policy program.**

Indeed we prevailed, however with all its limitations. The point is ICANN **was found that it did not follow its own rules** that it sets out. Additionally, despite its irregularities, it continues to violate its rules under any measurable criteria of international bidding standard. I have written an article **comparing the recent FIFA scandal and ICANN** (google) just to highlight what could happen should an organization which makes public policy does not govern itself properly.

.....History Briefly: **Policy Advisor, Endorsement AU, UNECA, Vested Interest, Withdrawal, Objected the AUC at Dakar for reserve name**, We all applied at ICANN, then they **objected via GAC**, then we **went to IRP**, then we **won that GAC objection**, ICANN now wanted to fashion to their favor, so we are now **back to litigate**

**The ICANN case is an issue of Vested or Special Interest Group. It is well documented on the internet and is also very high profile case of ICANN. In my experience in challenging situations, especially where vested interest is involved, I gravitate toward the law.** I think, more times than not, because it's our best mechanism for legislating human behavior, and morality, and ethics, even though ethics however is more important than law.

History also shows that where **ethics and economics come in**, conflict, victory is always with economics. Vested interests have never been known to have **willingly divested themselves** unless there was sufficient force to compel them with. Therefore, we are back challenging ICANN under the law. **Will see what the future holds.**

Finally, as MBA students, you might then go off to be leaders of you organizations, or your business or even your family. Therefore, **if you look to lead, look fist into yourself as an individual to manage - your own ethics, character, principles, purpose, motivation, and conduct. Then the rest will follow.**

***Ethics and equity, and the principles of justice, do not change with the calendar.  
So stay the course and Lead by example.***

*Thank you*

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