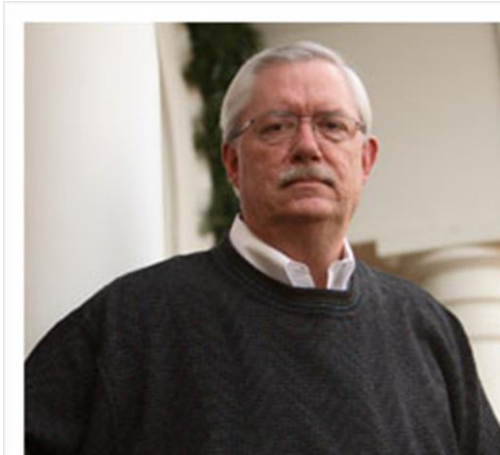




## What's at the Root of Your Ethics?

When faced with a dilemma, what truths do you turn to for guidance? What's at the root of your ethics?

These and other questions are what Jim Wanserski, Founder and Principal of Wanserski & Associates, raised for all to wrestle with at BELIEVES on July 11<sup>th</sup> when leading a discussion on "What's at the Root of Your Ethics."



Wanserski, the 2<sup>nd</sup> of 8 kids, was raised a "cradle Catholic" in central Missouri and later attended and graduated from Rockhurst University, a Jesuit university in Kansas City.

"Competition and big families prepare you for the business world," Wanserski told those in attendance.

Once he entered the business world, Wanserski spent 17-18 years with Sprint in both Kansas City and Atlanta, along with a number of other senior leadership roles with several other companies.

"Along the way, I've busted fraud about a dozen times. In doing so, you find out what you're made of in certain situations."

Wanserski, who made sure to tell the audience he was not an attorney, began to allude to a number of situations where he busted fraud, but then said there was one situation that was not on the list that he provided the audience, but the one that was actually most impactful to him.

"When I was a junior in college, I came home for Spring Break. At the time, my dad was the CFO for a \$300 million eyewear company," Wanserski said. "For four quarters in a row, he believed that Operations was coming in behind Finance and doctoring inventory counts. I asked my dad what he was going to do about it, and throughout that Spring Break weekend, we spent lots of time talking together about setting traps, audits, and more.

Wanserski said that ultimately his dad called the parent company to have an internal audit done.

"Then in the summer between my junior and senior year, I came home to find all the boxes were packed in my parents' home. My dad said the internal audit wasn't going to do anything."

He added, "Dad always gave three chances. In this situation, the last step was he decided to write a letter to Beatrice Foods' EVP, saying something needed to be done."

However, nothing was done, so Wanserski's dad resigned – even though he had 8 kids and a wife to support.

The next Spring Break during Wanserski's senior year, his dad called to tell him to meet him in Illinois.

"It turns out Beatrice Foods uncovered the fraud at the Charleston, SC division, as part of sale--due diligence efforts; the subsidiary was sold at a loss, as inventory had been grossly over-valued. Beatrice Foods did something about it, then called Larry to tell him he had been right and asked him to be CFO of their Midwest dairy division."

After sharing the story of the example his dad had shown him from his experience, Wanserski spoke of a situation he faced when working for Sprint-GTE.

“There was a guy at a subsidiary company named Glen Custer who at one point approached me and said his boss was going to accelerate revenue to hit numbers in the 4<sup>th</sup> quarter,” Wanserski retold.

Wanserski’s solution – to set a trap and design a special 4<sup>th</sup> quarter audit process to find transactions that’d be questionable.

“I told Glen to be sure not to sign for any of the questionable transactions, making sure that his boss would do it instead.”

In the end, the CEO and CFO got fired. Yet, there was one other lesson-learning along the way.

Prior to everything unfolding completely, Wanserski had to go into an audit committee meeting, knowing in confidence of the decision to fire the CEO and CFO, but unable to share it yet because it hadn’t been announced. In the meeting, the audit committee chair, also a Director for Sprint, asked Wanserski about what had been decided. Wanserski was stuck until after some tense moments, Bill Esrey, Sprint’s Chairman, stopped eating his breakfast during the meeting and said, “Charlie, what do you think we did? We fired the CEO and CFO. Now, can Jim go on?”

“The learning in that for me was never go into an internal audit meeting without being able to finish the story, to tell of the action that was taken.”



As Wanserski continued to encounter situations of fraud in his career, he said he was often frustrated that the guys who did the crime would do time in prison, but then would “make out like bandits (again)” on the speaker circuit, afterwards.

“This challenged me to wonder ‘Why do I approach and do things the way I do?’” Wanserski said.

One quote that he shared stuck with him in the ponderings was from Warren Buffett. Buffett said, “In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if they don’t have the first, the other two will kill you.”

Before beginning to wrap up his remarks, Wanserski took the audience more deeply into one other fraud situation he had to face – this time with MCI.

“When I was at MCI, I ran a 650-person billing and collections division. Ironically, on April 1, 1996, I was given responsibility for the carrier line of business and was told by my boss to enforce the contracts and clean things up.”

What Wanserski found was fraud in the neighborhood of \$55 million that later grew to \$142 million, at least according to media accounts.

Once everything was discovered, uncovered, and came into the light, Wanserski was deposed multiple times, including testifying in civil and criminal proceedings.

“The deposition was nasty and dirty. I had to find satisfaction elsewhere, and certainly not in the business press,” he said. “The only satisfaction I received ultimately came from the Beatitudes, God, and looking up concordance references to what was important to Him.”

Wanserski recalled that on the first day of the deposition, he was driving down Peachtree Street, and decided to pull into the Cathedral of Christ the King.

“I knew all the facts for the deposition, so I didn’t pray to God for help. I just sat in the back and prayed for clarity,” he stated.

The case went on for three years, and four people went to jail in the end. At one point in the process, MCI’s hired gun leading the company’s external investigation of white collar crime, David King, approached Wanserski, who was in charge of the internal investigation, and said he wasn’t sure the company’s management would “do right” by Wanserski, so he got legendary attorney, C.B. Rogers, to be Wanserski’s secondary counsel.

“David King is one of those heroes you meet along the way,” Wanserski said. “I remain convinced that my comfort in all this came through my own stubbornness, but ultimately influenced--if not directed, by the Holy Spirit.”

From his testifying experiences, Wanserski received four pieces of advice he shared with everyone:

1. Tell the truth
2. Let the other side finish asking their question, take a breath, then answer only the question you’ve been asked (nothing more)
3. Don’t know the facts – own them
4. Nothing’s personal

“The fourth of these pieces of advice is bogus though – in fact, it gets VERY personal, and that’s the toughest of the four to deal with.”



Since his corporate career path has led to consulting services, Wanserski has been invited to speak and lecture on ethics a number of times, including at the Naval War College in Newport, RI, and a host of other venues.

“What I was able to impart when lecturing at the Naval War College is that what happens in the military from an ethics perspective is much the same process as what I’d experienced in business. However, it’s incumbent to have an approach you follow.”

A guide Wanserski always gravitates back to in his lectures is Trevino's Ethical Framework, which is centered on answering "what is a reasonably good process to follow in pursuing an ethical decision?"

"The steps are pretty straightforward, and frankly, I learned many of them in the 5<sup>th</sup> grade," he said.

The six primary steps in Trevino's Framework are:

1. What are the facts of the situation?
2. Who are the stakeholders?
3. Is there a moral problem and why?
4. What does moral common sense tell us to do?
5. Apply critical thinking ... then ...
6. What is the best alternative based upon critical normative ethical analysis?

Wanserski added, "The answer to the question in the 6<sup>th</sup> step in the framework comes from insights from Rushworth Kidder, an ethicist I heard speak a number of times, in addition to two of his books."

Kidder wrote that a situation that requires moral courage is usually one that is devoid of values. For a decision to be "ethical," it must be reflective of all five of the following moral values: honest, responsible, respectful, fair, and compassionate.

Wanserski had one critique of Kidder's insights though.

"If there's one thing missing in what Kidder wrote, it is faith-based processing."

As he continues in his career now, Wanserski advised everyone to "go looking for things that make sense to you."

"At this point, I've done more reading to seek confluence between mercy, justice, and forgiveness than just about anything. Amidst all this I can worry about me, but I pray my behavior shows faith."

He then added one final reflection from reading Augustine's "City of God" to tie everything together.

"You have to be a good citizen of Greece, but above that be a good child of God."