Journal of Markets & Morality
Volume 11, Number 1 (Spring 2008): 77–91

Slippery When Wet: The Real Risk in Business

Surendra Arjoon
Department of Management Studies
The University of the West Indies

Why is it that so many well respected corporate leaders and top executives cross moral boundaries apparently without fear of disastrous consequences for their actions, especially when the right thing to do seems readily apparent? This article addresses the perennial issue, "Why do good people do bad things?" using a theoretical framework, the Continuum of Compromise (CoC). The CoC demonstrates the potential for radical deterioration of sociomoral inhibitions and a perceived sense of permissibility for deviant conduct (captured by the metaphor "slippery slope"). Specifically, this article strengthens the theoretical framework of the CoC by integrating three attitude profiles (the virtuous, the ordinary unethical behavior, and the egoist). Factors that contribute toward the gradual decline down the slippery slope are presented and fall under two types of rationalization: (1) rotten apples (a person succumbs to the temptations inherent in the work environment), and (2) rotten barrel (the work environment provides many opportunities to learn and develop patterns of deviant behavior). We discuss three examples that illustrate how a company can be transformed from a virtuous, well-respected entity, with a strong organizational culture, to a slippery-slope demise with dramatic and disastrous consequences. A strong corporate culture is a powerful influence that can signal what is or is not acceptable behavior. Recent research results have revealed that it is the collective attitude or tone at the top that is the most critical factor in shaping organizational culture. The core values of a strong corporate culture guide its strategy and business decisions; therefore, it turns out that culture is the leading risk factor in shaping or compromising ethical behavior of individuals in companies. We present a correlation between culture and attitude profiles, as well as the upside and downside of cultural risk environmental factors.

Surendra Arjoon

Why Good People Do Bad Things— The Continuum of Compromise

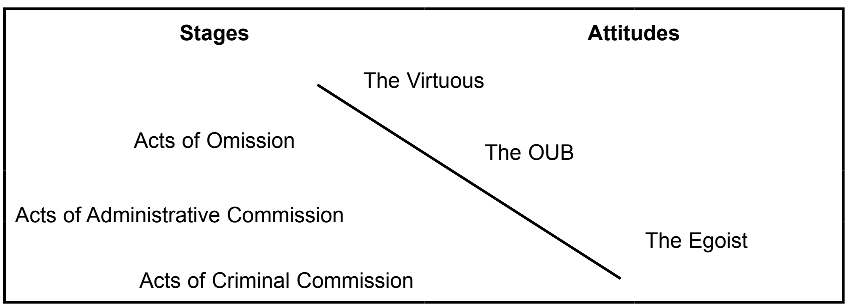
Recent studies on both sides of the Atlantic reveal that many people are currently unhappy with the ethical state of leaders in government and business. In spite of the current ethical state, many of us are still alarmed by unethical actions at major corporations, which include tax evasion, acting on insider information, lying, elaborate schemes that artificially inflate profits, and falsifying financial statements. On the one hand, why is it that so many well-respected corporate leaders and top executives cross moral boundaries, apparently without fear of disastrous consequences for their actions, especially when the right thing to do seems readily apparent? On the other hand, many of the actions of the majority of people who do not make headline news also cross moral boundaries: taking office stationary for personal use, accepting a gift from a client although it is against company policy, cutting corners to meet deadlines, lying to others, taking advantage of a customer's or client's ignorance, or turning a blind eye to a colleague's wrongdoings.

In effect, this article addresses the issue of why good people do bad things. As commonsense experience tells us, it is the small infractions that can lead to the larger ones. An organization that overlooks the small infractions of its employees creates a culture of acceptance that may lead to its own demise. This phenomenon is captured by the metaphor of the slippery slope. Many unethical acts occur without the conscience awareness of the person who engaged in the misconduct. Specifically, unethical behavior is most likely to follow the path of a slippery slope, defined as a gradual decline in which no one event makes one aware that he or she is acting unethically. The majority of unethical behaviors are unintentional and ordinary, thus affecting everyone and providing support for unethical behavior when people unconsciously lower the bar over time through small changes in their ethical behavior.[1]

The Continuum of Compromise[2] (CoC) provides a plausible explanation of the slippery-slope phenomenon. It explains how over a period of time mild job frustrations develop into a pathological, materialistic attitude and behavior that leads to devastating consequences. This phenomenon is also known by the metaphors "the thin edge of the wedge" and "the camel's nose" (once a camel has managed to place its nose within a tent, the rest of the camel inevitably follows). The CoC reflects a framework that demonstrates the potential for radical deterioration of sociomoral inhibitions and a perceived sense of permissibility for deviant conduct. In other words, if something relatively harmless is allowed or accepted, it may lead to a downward trend that ends with the unthinkable. In this article, we illustrate how the CoC provides a framework for understanding how the transition from a virtuous person to an egoist can occur. When combined with the corresponding attitude profiles, the CoC can be used as an analytical tool and a strategic framework for timely and proactive intervention in dealing with unethical conduct at the personal level. Figure 1 shows the CoC, which indicates three attitudes that characterize behaviors: the virtuous, the OUB (ordinary unethical behavior)[3] and the egoist along with three complementary stages (acts of omission, acts of administrative commission, and acts of criminal commission) that make up the continuum.

Figure 1

The Continuum of Compromise



This first stage—acts of omission—is characterized by doing just enough to get by; occurs relatively easily (e.g., telling a so-called white lie, coming to work a few minutes late or leaving a few minutes early, leaving out some details on a report, not making follow-up phone calls for customer service, not showing appreciation for others' efforts, not verifying information on a purchase order, or not using initiative or contributing ideas to implement projects). Employees at this stage routinely begin to omit job responsibilities, show a decrease in productivity, and passively resist organizational mandates.

The slide to the second stage—acts of administrative commission—is also not a difficult one. At this stage, employees commit administrative infractions such as using company property (stationery, pens, staples, folders, computer diskettes, and so forth) for personal use, accepting small gifts against company policy, unreasonably using the computer and the telephone for personal matters, inappropriately using the company's expense account, or falsely claiming expenses on trips. The good news is that for most people, this second stage is the extent of their personal journey down the CoC. However, it is important to know that when these violations of company rules and codes of conduct are violated, trust erodes.

The move toward the final stage—acts of criminal commission—is also deceptively gradual and initially may not appear to be different from acts of administrative commission. At this stage, loyalty to others becomes more important than integrity, the rules no longer apply, a more short-term outlook is adopted, and there is an insatiable drive to acquire wealth as the only thing that matters. From acts of embellishing overtime or payroll records and claims for services not rendered, the person now falsifies records and statements, does "off-the-books" accounting, abuses one's position and responsibilities, engages in insider trading, misrepresents earnings, turns in self-serving reports, and so forth.

At both extremes of the stages, we find attitudes of the virtuous and the egoist. Virtuous persons repeatedly demonstrate sound conduct that promotes and builds trust in the organization and are models of integrity. They show a capacity for making tough decisions, understanding events and people, and accepting their limitations. Virtuous people also understand the potential to go astray and make mistakes. When the matter requires it, they will know how to ask for subtle advice so that they can then arrive at a decision in which they take responsibility for their actions. Blind obedience to authority is not characteristic of the virtuous persons who would question directives they believe are unethical, morally questionable, or unreasonable. At the other extreme, we find the egoist. At this stage, many character flaws have taken root: disloyalty to the company, inability to keep promises, lack of empathy toward others, apathy about work, and greed to satisfy an insatiable drive for material comfort and well-being. Work becomes drudgery. The egoist is characterized by high-handed and arrogant behavior, obstinacy, opinionated vanity, and an unwillingness to correct errors, all signs of laxity, the inability to accept reversals or bear difficulties well, the fear of exertion, frequent complaints against setbacks and disappointments, and an exclusive search for material comfort.

The OUB may be thought of as the attitude that becomes the major part of the downward slope and leads further away from the virtuous life. It is a state of conscious and deliberate lack of zeal or fervor; a state of enduring and prolonged carelessness. OUB persons carry out their duties halfheartedly, lazily, and reluctantly while at the same time deliberately and shrewdly looking for some way of cutting down their duties. While isolated faults do not lead to OUB, its condition is always preceded by a series of small infractions characterized by carelessness—evident or expressed in the habitual neglect of little things, in lack of reflection or contrition for one's past mistakes, in failure to have specific aims for personal improvement, and in unwillingness to struggle to overcome personal defects. Almost without noticing, OUB persons allow a self-satisfied mediocrity to creep in to all aspects of their lives. They are content with not going too far—of staying just within the moral boundaries. They, however, become careless of both moral and legal minor infractions, and even consent to them without a struggle or resistance. Many OUB persons no longer put their hearts into their work and instead go through the motions of working out of routine or habit.

The OUB person can justify a halfhearted, easygoing, and undemanding attitude with all kinds of excuses related to efficiency, efficacy, expediency, personal health, empathy with others, and anything that will help them indulge in their small, disordered inclinations. Excuses help ease their pangs of conscience as they succumb to their whims, attachments, and comforts—self-described as subjective necessities. The course of the OUB is therefore brought about by means of repeated faults and omissions (failing to do what is right). Each fault weakens the will of OUB persons, and their resistance becomes weaker when they consent to it without struggle. They become increasingly sympathetic toward their own failings and love of comfort. One clear sign of OUB is the tendency to acquire more material comforts and create more needs in order to mitigate a sense of insecurity. In addition, in order to feel useful, OUB persons often engage in a plethora of activities that center around themselves, so motives that include personal reputation and approval from others become the focal point of their endeavors. As well as being devoid of strength to carry out their duties responsibly, they have a deep feeling of sadness and impoverishment. Table 1 summarizes the characteristics of the three attitudes.

Table 1—Attitudes and Characteristics Profiles

The Virtuous	The OUB	The Egoist
Builds trust, pro-organizational	Relatively good, attempts to stay out of trouble	Individualistic, opportunistic, self-serving
Accepts responsibility for actions	Devoid of strength to fulfill duties	Blames others for their wrongdoings
Consistently does what is right and not necessarily expedient	Repeatedly fails to do what is right	Materialistic outlook, driven by greed
Shows sincere concern for the well-being of others	Does not put effort into work	Does what is expedient and not necessarily what is right
Does not harbor resentment or speak ill of anyone	Tendency to take the easiest route	Unable to delay gratification

Wetting the Slope—Rationalizations

Initially, the lubricants that wet the slope come easily through:

1. scripts (rote behavior that replaces careful and active thinking and occurs when we encounter familiar situations);
2. desensitization (analogous to the metaphor or parable of the boiling frog: a frog that is dropped into boiling water will jump out, but a frog that is placed in cool water that is gradually heated, will unsuspectingly take no notice of the temperature change, only to be boiled);
3. distractions (not paying attention to small details that can result in ethical lapses);
4. moral exclusion (exclusion of people who are perceived to be at the periphery of the decision-making situation);
5. quid pro quo arrangements (putting oneself in a position to compromise one's integrity);
6. perceived victimization (some may feel that they are not appreciated or justly rewarded for their work, are not paid for overtime, are overlooked for promotion, are not consulted in an important decision even though they may be experts in that particular area, and experience favoritism);
7. fixation (focusing exclusively on a goal without regard for other important considerations);
8. sociocultural factors (a breakdown in values that make the social system tick and is symptomatic of the discontinuity in the value system and ethical commitments of key corporate stakeholders);
9. availability syndrome (corporate frauds occur where funds or resources are available and where conditions are conducive);
10. innate psychological imbalance (innate tendency to commit corporate frauds because of uncontrollable instincts; for example, a faulty ego or an underdeveloped conscience where the individual does not learn from experience, does not handle frustrations and insecurity, feels no remorse for wrongdoing, and has an inadequate perception of social reality that may predispose the person to acts of corporate frauds);[4] and
11. other factors (no vision or ambition, laziness, pride, irresponsibility).

Despite these early warning signals, the person enters into the first stage of the continuum by rationalizing or justifying behavior. Rationalizations fall into either one of two categories[5]—first, the rotten-apples argument in which a person succumbs to the temptations inherent in the work environment, and second, the rotten-barrel argument in which the work environment provides many opportunities to learn and develop patterns of corrupt behavior (see Table 2).

Table 2—Rationalizations

Rotten-Apple Arguments	Rotten-Barrel Arguments
If I did not do it, the company would have gotten someone else to do it.	Everybody else does it.
It is in my best interest.	If we do not do it, some other company will.
It is safe, no one will ever find out.	That is the way business has always been conducted.
I have no choice, although it goes against my beliefs.	It is necessary to take advantage of the opportunity.
I was just a cog in a big machine.	Performance and profits are what count, no matter what the cost.
I was not really involved.	Ethics and good business practice are separate.
No one will get hurt.	It is in the company's best interest.
It is me against them.	Profit is the only good.
The company owes it to me.	We will wait until our lawyers tell us it is wrong.
I have worked hard; I have it coming.	The playing field is not level.
I deserve it at my level in the company.	We have to keep up with the competition.
It is simply part of my job.	It is for a good cause.
I was only doing my job.	It is within reasonable legal limits.
Life is too short to worry about small things.	The company or my boss made me do it. I was told to do so.
It will not bankrupt the company.	If we cannot beat them, we will join them.
If it helps the company, the company will condone it.	We are just fighting fire with fire.
It is OK if I do not gain personally.	When in Rome, do as the Romans do.
It was only a "white" lie.	It is not our problem or our responsibility.
My boss does it.	It is not part of our business function.
There are worse things.	Some other organization will probably help.
It was not my fault; the suppliers made an error.	The code did not explicitly prohibit it.
	You have to take the front, before the front takes you.

Examples of the Slippery Slope

In this section, we present three examples[6] to illustrate how a company goes from being a virtuous, well-respected entity to its demise—with dramatic and disastrous consequences. The transformation can take place over a number of years (the Andersen story), in a matter of weeks (Barings), or even in days (Martha Stewart). The examples reflect not only a lack of internal checks and balances, poor supervision of employees, and the lack of a clear reporting line but also graphically demonstrate the effects of the rotten-apple and rotten-barrel culture.

The Andersen Story: Profits Versus Ethics

The Andersen case is a classic example of the slippery slope of unethical practices that triggered the indictment and collapse of this legendary accounting firm. A young Arthur Andersen, twenty-eight years of age, refused to approve the books of a railway company whose executive had threatened him with a loss of business. Arthur Andersen stuck to his decision and came to be known as a firm one could trust where integrity mattered more than business fees. Andersen is reported to have been instrumental in restoring the trust of U.S. investors in companies based on its integrity and high professional values, especially during the depression of the late 1920s. Andersen stressed ethical values, insisted on honest accounting, and tried to eliminate conflicts of interest. Andersen developed its own set of business standards, which created the concept of "one firm." This concept ensured that all Arthur Andersen's clients received the same quality of work and highly trained professionals, regardless of where the firm conducted business. By the early 1950s, the culture of ethics and integrity was so widely recognized that the firm was elected to the Ohio State University Accounting Hall of Fame in 1953.

What initiated the slippery-slide was the conflict of culture standards between the firm's consulting arm (which generated increasing profits) and its auditing business. Unfortunately, consulting fees and profits were gradually put ahead of integrity and trust. From acts of administrative omission and commission (forego-ing training sessions for new consultants, rewards for delayed projects, padding prices, and doubling estimates for consulting), the company moved unwittingly to acts of criminal commission (in early 2002, Andersen was indicted on federal charges of knowingly, intentionally, and corruptly persuading employees to destroy documents to keep them out of regulatory proceedings). Although on June 1, 2005, the U.S. Supreme Court overturned Anderson's conviction for destroying documents related to its Enron account (apparently not based on guilt or innocence but based on a technicality in the judge's instruction to the jury that the destruction of documents in and of itself can be a reasonable and innocuous act), the results of the demise of the firm were disastrous as eighty-five thousand employees lost their jobs.

Baring It All: Turning a Blind Eye

The second example of a slippery slope is the collapse of Barings, Britain's oldest merchant bank, which went from apparent strength to bankruptcy in February 1995. This highly regarded bank, in existence for 233 years, had financed the Napoleonic wars, the Louisiana Purchase, and the Erie Canal. A twenty-eight-year-old trader, Nick Leeson, ran up more than $1.3 billion of liabilities through unauthorized trading—more than the bank's entire capital of $900 million. Barings allowed Leeson to remain as chief trader while leaving him responsible for settling his trades, in spite of a 1993 internal memo warning the London headquarters about allowing Leeson to be both trader and settlement officer, jobs that understandably should be separate. The bank's turning a blind eye allowed Leeson to hide his personal mounting losses more easily.[7] Over a three-month period, Leeson had bought more than twenty thousand future contracts worth about $180,000 each. These losses were hidden in an error account—apparently created to cover a mistake made by an inexperienced team member and that had led to a loss of □20,000. By December 1994, debt hidden in this error account amounted to □512 million. Barings believed that it was not exposed to any losses because Leeson claimed that he was executing purchase orders on behalf of a client, even though in January 1995, the Singapore Monetary Exchange (SIMEX) expressed concern about Leeson's dealings. The bank, however, still wired him $1 billion to continue his trading. Leeson pleaded guilty to forging documents and two counts of deceiving and cheating SIMEX. A report into the collapse by Singapore authorities, expressed disbelief that executives at Barings, who were all consequently forced to resign or were fired, were not aware of the error account. Not only did the bank's twelve hundred employees lose their jobs, but investors' savings were wiped out.

Martha, Martha: Turning a $200k Gain into a $300m Loss

On October 31, 2001, Imclone Systems requested the government to review Erbitux, the company's new cancer drug. Imclone founder, Samuel D. Waksal, was tipped on December 26, 2001, that the government would reject Erbitux's application. Waksal then alerted his daughter Alisa to sell her Imclone stocks and attempted to sell his own shares worth millions of dollars. On December 27, 2001, Martha Stewart, Chairperson and CEO of Martha Stewart Living Omnimedia Inc., sold 3,928 shares of Imclone at about $58.43 per share for a total of $228,000. The following day, the U.S. Food and Drug Administration made public the negative ruling about Erbitux, and, on December 31, 2001, the first trading day after the news about the negative ruling, Imclone's stock fell 18 percent. On January 7, 2002, Peter Bacanovic, former broker at Merrill Lynch, reportedly said that he and Stewart had agreed on December 20, 2001, to sell Imclone stocks if it fell below $60. On February 4, 2002, Stewart gave the same account to the Securities and Exchange Commission, Federal prosecutors, and the FBI. Both were indicted on June 4, 2003, and both pleaded innocent. However, Stewart was charged with conspiracy, obstruction of justice, and lying.

The prosecutors charged that Stewart sold 3,928 shares of Imclone on December 27, 2001, a day before the negative ruling on Imclone's application for an experimental cancer drug, because she was tipped off by her friend and Imclone founder, Samuel Waksal. Douglas Faneuil, former assistant to Bacanovic at Merrrill Lynch, told investigators that Bacanovic ordered him to tell Stewart that Waksal was selling his shares. He also testified that Bacanovic, without explicitly asking him to lie, repeatedly pressured him to back up the assertion that Stewart and Bacanovic had decided in early December 2001 to sell Imclone shares if the stock fell below $60. Faneuil was subsequently fired from Merrill Lynch after pleading guilty to taking a payoff to keep his mouth shut about Stewart's stock trading.

Prosecutors said there was ample evidence of Stewart's guilt, including testimony that her next call after selling her stock was to the office of Imclone CEO, Samuel Waksal. They also alleged that Bacanovic and Stewart communicated to concoct a cover story to hide the reason for her stock sale. Records included e-mail messages from Stewart's laptop computer and telephone records from her company, Martha Stewart Living Omnimedia Inc. Investigators noted that a major problem was the number of pages that had information blacked out. Stewart allegedly opened a phone log in her office assistant's computer, temporarily changing a potentially incriminating message from her broker, Bacanovic. These allegations reveal Stewart's intentions to cover her tracks and to lie to investigators.

On March 5, 2004, the U.S. District Court convicted Martha Stewart of lying to Federal investigators about her sale of 3,928 shares of Imclone System stock on December 27, 2001. She was sentenced in July 2004 to five months in prison and five months of house arrest—the minimum penalty under U.S. Federal guidelines—and was also fined $30,000 and given two years of supervised probation.

Waksal also pleaded guilty to six criminal counts in the Imclone scandal including securities fraud, bank fraud, conspiracy to obstruct justice, and perjury.

Because the investigations into Stewart's sale of Imclone, which netted $228,000 became public by June 2003, she saw her 30 million shares of Martha Stewart Living Omnimedia lose more than $286.6 million or over 50 percent of its value. In 1999, share prices of the company closed at over $35 and by March 2004 fell to just under $11. There was also a bigger than expected loss of $20 million for the first quarter of 2004. On October 2, Stewart resigned from the board of the New York Stock Exchange. On June 4, 2003, Stewart resigned as chairperson and CEO of her company. In 2003, advertising pages for her company's flagship magazine, Martha Stewart Living, were down 35 percent. Traffic at the company's website declined to 1.12 million visitors in January 2004 from 1.54 million in 2002. In March 2004, WCBC in New York announced that it would cease airing Stewart's show after it had been moved to less desirable time slots and viewership had declined. Martha Stewart was released from prison in March 2005.

Moving up the Slope: Organizational Culture

Because corporate reputation and the value of that reputation have become more critical in light of the recent business scandals, companies are now focusing on building strong ethical cultures. The tone at the top has been the most critical factor in shaping organizational culture. In cultures that are in trouble, strong egos lead to fear, blame, power, and an overall environment that is characterized by a lack of trust. Strong and effective cultures are characterized by decisions based on integrity (that is, the core values are the shared values), respect and value for employees, as well as open and authentic communication that encourages constructive and critical feedback among all levels. There is a clear, positive correlation between the egoist attitude and troubled organizations and the virtuous attitude and aspirational-benchmark cultures as demonstrated in Table 3.

Table 3—Culture and Attitudes

Cultures in Trouble	Characteristics of the Egoist	Strong Culture	Characteristics of the Virtuous
Strong ego leads to information hoarding and empire building	Individualistic, opportunistic, self-serving	Values the importance of people	Shows sincere concern for the well-being of others
Blames others for their wrongdoings	Lack of trust reflected through values such as fear, blame, power	Builds trust, pro-organizational	Decisions based on integrity
Appearance more important than substance	Does what is expedient and not necessarily what is right	Has a widely shared philosophy	Consistently does what is right and not necessarily expedient
		Has open and authentic communication	Accepts responsibility for their actions

The DNA of a corporate culture is considered to be the social life of the organization, which comprises collective values and behaviors. Simply stated, it is the way things are done. A strong corporate culture is a powerful influence that can signal what is or is not acceptable behavior. It can therefore put pressure on an employee to do what is right or encourage an employee to do what is wrong. In strong cultures, the guiding values are communicated more visibly. The core values of a strong corporate culture guide its strategy and business decisions; therefore, culture is the leading factor both in shaping or in compromising individual ethical behavior. Table 4 compares the upside and downside of cultural risk factors. A company's guiding values are shaped by the collective tone at the top and flow down through the organization to all levels. It is therefore important to understand the organizational culture in order to develop or strengthen the ethical culture so as to better align shared values and core guiding values. Many boards are now taking direct responsibility for building organizational culture. Corporate performance ultimately depends on the consistent application of core values and principles in order to build trust and strengthen relationships.

Table 4—Cultural Risk Environmental Factors: Upside Versus Downside

Upside: Effective Corporate Culture	Downside: Ineffective Corporate Culture
Monitors and targets activities that pose the greatest potential risk	Employees are afraid to raise issues or challenge management
Has open lines of communication	Management does not listen to employees
Reduces the risk of exposure along with the resulting legal costs and loss of reputation or brand	Leaders may hesitate to participate because of inadequate training, fear, or blame
Puts mechanisms in place to provide early warnings of deviations	May lessen focus on legal compliance
Creates or expands a culture of trust, enthusiasm, and integrity	Inclusion of ethics may be seen as superfluous
Encourages different and opposing opinions	Failure to integrate ethics may be a lost opportunity
	May lose the capacity to anticipate changes
	Much time and energy spent on corporate politics to solidify one's position to advance
	Monitors only those areas that are easiest to review rather than concentrating on those areas representing significant risk

Recommendations

While it appears that there are a relatively small percentage of people who can be described as truly virtuous, what really puts us at risk, especially in morally dangerous situations, is our overconfidence or distortion in judgment of our ability to always do the right thing at the right time in the right way. At the level of the organizational environment, it is important to build a culture of integrity and accountability through (1) incentives (rewards for ethical behavior and consistent enforcement of appropriate disciplinary mechanisms for ethical violations), (2) systems to ensure the right ethical attitudes at the top and board involvement in ethics and compliance programs, and (3) attention to the cultural dynamics that adhere to overarching principles, including principles-driven codes.

In particular, organizations can facilitate ethical behavior through ethical briefs for executives, whistle-blowing mechanisms for anonymous reporting, assistance and procedures for airing grievances, and ethics training in applying virtues to concrete situations. At the individual level,[8] employees, managers, and executives can (1) emulate the behavior of moral exemplars, (2) seek advice from someone who has consistently demonstrated good practical wisdom or judgment, (3) avoid morally dangerous situations and seek situations conducive to ethically desirable conduct, (4) if possible, avoid high-pressure decision situations or decisions in situations where one can deliberate and reflect on personal and corporate values, and (5) actively engage in moral reflection and imagination to ensure "accurate calibration of their moral compass or conscience" (in the final analysis, the level of morality in business lies in the formation of the individual's conscience). Ethical behavior depends on the individual's ability to recognize ethical issues and dilemmas, which is both a function of the organizational culture and of the individual's stable character traits and dispositions.

Notes

1. F. Gino and M. Bazerman, "Slippery Slopes and Misconduct: The Effect of Gradual Degradation on the Failure to Notice Unethical Behavior," working paper #06-017, Harvard Business School, August 2005, http://papers.ssm.com/sol3/papers.cfm?abstract_id=785987.
2. K. Gilmartin and J. Harris, "Law Enforcement Ethics … The Ethics of Compromise," *Police Chief Magazine* (January 1998).
3. The Ordinary Unethical Behavior (OUB) is coined from Gino and Bazerman (2005).
4. The factors given in (8), (9), and (10) are brief overviews of some key behavioral-linked perspectives in understanding and managing corporate frauds; current behavioral analyses point to a combination of personal, cultural, situational, and experiential factors according to Akin-Ogundeji, O., "Understanding Corporate Frauds: A Psychologist's Perspective," *EthicsWorld*, January 4, 2007.
5. There is also a third category of rationalizations that can be called the "rotten core" argument that reflects the general business environment. The market has shown itself to be an important behavioral modification factor, as there appears to be a positive correlation between unethical behavior and the rise in market indexes.

Slippery When Wet:
The Real Risk in Business

6. Sources for the examples are (1) B. Toffler and J. Reingold, *Financial Accounting: Ambition, Greed and the Fall of Arthur Andersen* (New York: Random House Inc., 2004), (2) www.bbc.co.uk/crime/caseclosed/ricklesson.shtml, and (3) www.baltimoresun.com/features.

7. Rogue traders seem to be more susceptible to falling into a crazy web of deceit, covering up losses while losing, and getting more in a desperate effort to recoup debts, driven by a poisonous cocktail of ambition and fear. Leeson is quoted to have said "… it had started off so small, but had rapidly seized hold and was now all across me like a cancer" (http:// business.guardian.co.uk/story/0,3604,818620.00.html). Other examples of rogue traders and their losses to companies are Peter Young of Morgan Grenfell ($600m), Toshihide Iguchi of Daiwa Bank ($1.1b), and John Rusnak of Allfirst Bank ($691m).

8. J. Doris, "Persons, Situations, and Virtue Ethics," *Nous* 33, no. 4 (1998): 517.