

November 2000

TO: Executive Addressed

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RE: Eleven Ways Companies Get Into Big Trouble (Even Go to Jail)

Corporate behavior patterns that predict trouble are easily recognized but often ignored. Focused analysis of a company's approaches to regulated activity can easily detect operational facts and behaviors that reveal either the existence of or potential for troublesome, perhaps criminal corporate behavior.

Here's a checklist of those behaviors found all too often in today's competitive business environment (they also show up in indictments). Use this list to carefully examine your company's regulated operations to assure yourself that the predicate behaviors, which can lead to serious embarrassment, even prosecution, do not exist, cannot occur, can be deterred or detected and promptly dealt with.

1. Lax controls - no tough, appropriate, centralized compliance and regulatory administrative oversight.
2. Under-reporting or failure to report crucial infractions - "they really were quite minor . . . isolated incidents . . ."
3. Leadership that encourages or ignores supervisors who overlook bad behavior.
4. Individuals are encouraged or permitted to experiment with or "test unapproved new methods."
5. A "do whatever it takes" mentality.
6. Minimize, denigrate, or belittle oversight and compliance processes.
7. Pretend to be an ethically driven, principled organization.
8. Incentives structured to force safety, public health, or product integrity compromises.
9. Shortcuts and unapproved procedural changes overlooked
10. Protection of "blue chip producers" who ignore the rules but get the sales.
11. Participation in activities that are legal in one jurisdiction or culture but are prohibited or illegal in another jurisdiction or culture.

Trust me on this, you want to avoid the criminal justice system at all costs. Don't let any employee or executive get away with these bad behaviors. Once you've been arrested, strip-searched, finger printed, arraigned, and bailed out, your life, reputation, family, finances, and mental health will never be the same again.

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