Case study of business ethics at worldcom; should ebbers have gone to jail? assig...

[Art & Culture]

Abstract Ethical decision making is becoming increasingly more important in the information and conscience-focused business world. WorldCom became one of the world's largest long-distance telephone services. With Bernard Ebbers at the helm, the corporate giant went from Wall Street Darling to Wall Street Pariah because of unethical decisions. Ebber denied involvement and was rightfully sentenced to 25 years in jail. The need for ethical decision making has become increasingly evident in today's fast-paced business environment.

In the case of WorldCom, a national company that would provide long-distance telephone services, it is hard to determine where the problem begins. Financial reports were falsely created, improper accounting practices were found, and securities fraud was prevalent throughout the corporation's top executives. CEOs have to take responsibility for their actions. They need to show some backbone and demonstrate long-range vision for their actions impact more than just themselves. It seems most CEOs main defense is the I-don't-know-anything defense.

Total ignorance and being accused of incompetence is better than jails time. " If you're seen as simply incompetent, you might escape prison time," Knapp said. " You go to jail for being a crook. " (Lazarus, D. 2005). The antics of for WorldCom Chief Executive Officer Bernard Ebbers highlight the downward spiral of America's economic, cultural and political mores and the need to make business decisions with an awareness of ethical ramifications. It seems that WorldCom used a liberal interpretation of generally accepted accounting practices when preparing financial statements. In an effort to make it appear that profits were increasing, WorldCom would write down in

one quarter millions of dollars in assets it acquired while, at the same time, it " included in this charge against earnings the cost of company expenses expected in the future" (Mober, D & Romar, E. 2002). The results of these practices were seemingly " bigger losses in the current quarter but smaller ones in future quarters, so that its profit picture would seem to be improving" (Mober, D & Romar, E. 2002).

The CEO of an organization bears the responsibility to accurately report the activities of the organizations and is obligated to truthfully inform the shareholders. WorldCom executives had managers modify assumptions about accounts receivable or the amount of money customers owe the company. " For a considerable time period, management chose to ignore credit department lists of customers who had not paid their bills and were unlikely to do so" (Mober, D & Romar, E. 2002). This lowered the amount of accounts receivable and made WorldCom's accounts appear more attractive and drove stock prices up.

Again, it is the CEO's duty to provide oversight and accountability for proper accounting and reporting. Securities fraud, particularly in the form of authorizing loans, was another illustration of unethical decisions at WorldCom. For example, the "$341 million loan the board granted Mr. Ebbers is the largest amount any publicly traded company has lent to one of its officers in recent memory" (Mober, D & Romar, E. 2002). The ethics of such loan should be questioned. " A large loan to a senior executive epitomizes concerns about conflict of interest and breach of fiduciary duty" (Mober, D & Romar, E. 002). These decisions at WorldCom illustrate the need for ethical

decision making at the executive level. The first step to making a moral decision, take the time to think of everyone that might be hurt or helped by the action. Utilitarianism suggests that an action is right if it maximizes happiness for the greatest number of people over the long term, given that everyone's happiness is of equal value. In other words, when we make a moral choice, the common denominator is human happiness.

Simply stated, an action is good if it creates more happiness than unhappiness. There should be concern for everyone who might be involved and each person's welfare must be considered equally. Everyday, decisions are made within a company that could potentially affect other people. CEO's seem to have forgotten utilitarianism considerations. Bernard Ebbers' actions lead one to believe that he made decisions in the name of WorldCom from a selfish perspective and did not take time to think of everyone that may be hurt by his actions. Ebbers appeared to be an indifferent executive who " paid scant attention to the details of operations" (Mober, D & Romar, E. 2002). The second step to ethical decision making is the deontological aspect of the decision. Here we assess the rights people have and what duties might go along with them without consideration given to consequences. Ebbers ignored the rights of the shareholders to hear the truth about the financial situation at WorldCom in order to drive the price of stock up and in the process " ruined thousands of careers and financial futures" (Jones, D. 005). The hardest step in the ethical decision making process could be to simply make a decision and stick by it. It was in this step that Ebbers truly failed. He orchestrated " one of the most extravagant feats of dishonesty Corporate America has ever experienced" (Jones, D. 2005).

Then when the pressure mounted, he did not own up to his actions, but played ignorant, a defense no one subscribed too. “ The I-don’t-know-anything defense seems dumb from the get-go,” said Duane Windsor, a professor of management at Rice University who specializes in business ethics. It’s like the captain of the Titanic saying he wasn’t responsible because he was busy with something else when the ship hit an iceberg. ” (Lazarus, D. 2005). WorldCom’s CEO Bernard Ebbers deserved his sentence. “ He was responsible for creating one of the nation’s largest telecom companies, virtually from the ground up” (Lazarus, H. 2005), but he was not responsible for his own actions. He failed miserable at ethical decision making. He looked at his options from a purely self-indulgent perspective and when caught he tried to play dumb. Yet he knew enough before WorldCom’s 2002 bankruptcy to amass a personal fortune of about $1. 4 billion and to receive millions in annual compensation” (Lazarus, H. 2005). CEO’s are the head of their respective companies and with this prestige come responsibilities. Even if Ebbers spoke the truth, he must remember that “ it’s not the fault of companies when WorldCom or Enron collapse from massive fraud, it’s the fault of those who ran the companies” (Jones, D. 2005).

Thankfully, in most cases the judicial system make up for the ethical shortfalls of chief executives. “ When it comes to issues of fraud committed by chief executive officers, judges are very emphatic in trying to set a harsh tone” (Crawford, K. 2005). Maybe the example set by Bernard Ebbers and others like him will ignite an ethical revolution in the business industry.

Works Cited Crawford, K. (2005, September 23). Ebbers gets 25 years:

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