Ethics in the Portfolio Management: How Financial Educators Can Encourage the Ethical Behavior of Undergraduate Finance Students

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ABSTRACT

Sound ethical behavior should go beyond the textbook examples to practical application to real ethical situations confronted by financial managers and corporate leaders on a daily basis. The focus of our paper is on the pedagogical process of integrating ethics subjects and coverage in an undergraduate course in portfolio management. Our course is unique in that our students actively manage an equity portfolio as part of a regional competition sponsored by a Federal agency. As part of their professional responsibilities in the course, students are required to manage the client’s funds prudently and must act as fiduciaries. Within this background of current ethical issues in investment management and corporate governance, our paper highlights, describes, and assesses the strengths and weaknesses of the methods that have been used to integrate ethics into our portfolio management program.

INTRODUCTION

Professional ethics has become an increasingly prominent issue in corporate America. Ethics is commonly described as a set of moral principles and values. Most individuals identify these moral principles as a lofty philosophical ideal, which has little significance in our daily lives. In recent years, we have seen what an ethical scandal can do to a business, in general, and investments (e.g., mutual funds) in particular [see Jennings (2005) for a detailed discussion of the ethics scandals in portfolio management and corporate governance]. As a result of these recent scandals, companies and financial institutions are exploring different ways to communicate the importance of ethical behavior to their employees. Many colleges have begun to incorporate ethics classes into their curriculum, at least partly at the encouragement of the AACSB International. In 2004, the AACSB Ethics Task Force recommended a “renaissance” in ethics education (AACSB 2004); and since then, the agency has modified its standards to require ethics coverage in business programs.

Additionally, many business entities are requiring their employees to complete annual ethics review courses. The Institute of Management and Administration (Security Director’s Report, 2006) showed that 70% of employees go through an ethics training program, which is 13% more than in 2003. It also revealed that 2% of employees say that they observed at least one type of misconduct in the year 2004, a percentage that is higher than 2003. Tyler (2005) noted that companies are moving away from the notion of
having ‘ethics programs’ and focusing on encouraging a culture committed to ethics and compliance, in which ethics is part of almost every business discussion. In a recent article (The Tennessean, March 23, 2007, p. 10A) it was reported that churches are beginning to address issues of workplace ethics with their congregations. As the current literature on the subject reveals, companies have been attempting to resolve ethical issues in evolving methods. Business educators need to seize the opportunity to teach their students the importance of moral/ethical behavior in class using a variety of methods which apply business practical applications.

The focus of our paper is on the pedagogical process of integrating ethics subjects and coverage in an undergraduate course in portfolio management. Our course is unique in that our students actively manage an equity portfolio as part of a regional competition sponsored by a Federal agency. As part of their professional responsibilities in the course, students are required to manage the client’s funds prudently and must act as fiduciaries. Because of the nature of the management of an equity portfolio, students are more directly exposed to the potential conflicts of interest that portfolio managers face in performing their professional activities. Within this background of current ethical issues in investment management and corporate governance, our paper will highlight, describe, and assess the strengths and weaknesses of the methods that have been used to integrate ethics into our portfolio management program. It is of greater lasting benefit to students to apply ethical decision-making in their daily trading and security analysis activities than simply reading or hearing about the same situation in a case study or in the news media. It makes sense to encourage students to behave properly through practical corporate culture as opposed to a ‘Code of Ethics’ which students may learn in an ethics course. As educators of financial managers, we need to encourage our students to become ethical corporate managers, business leaders, and responsible citizens. Our course attempts to foster ethical behavior through involvement and dialogue.

NATURE OF THE EQUITY PORTFOLIO MANAGEMENT COURSE

Our senior level portfolio management course primarily involves the active management of an equity portfolio created by the Tennessee Valley Authority (TVA), the federal corporation charged with the responsibility to provide electric power to the Tennessee valley area which includes not only Tennessee, but also southern Kentucky, western North Carolina, northern Mississippi and northern Alabama. The TVA program is unique in several respects. It was established in the spring of 1998 as a program to bring not only the opportunity to manage a stock portfolio to undergraduate and graduate students (primarily finance majors, but not exclusively), but also to simulate the client/professional portfolio manager environment. The program is also a competitive program that includes 25 public and private universities in the service area of the TVA and provides annual financial awards for those programs which earn returns superior to S&P 500 indices.

The basic charge for each school is to out-perform the selected benchmark (which can be the S&P 500 Composite Index, the S&P Barra Value Index, or the S&P Barra Growth Index) by actively managing the portfolio. In managing the portfolio, the student managers are required to achieve their task subject to a set of contractually agreed-upon client guidelines. The guidelines (to be discussed in more detail in the next section)
specify the responsibilities of the university managers, the transactions that are permitted, and those that are prohibited. The guidelines mirror those the TVA requires its professional money managers to follow, with a bit of slack to provide the student managers more flexibility in managing the TVA’s funds. All trades are executed through a broker specified by the TVA, and program and transactions are monitored by a trustee selected by the TVA. For reasons of compliance, the trustee monitors transactions and orders executed through the broker to ensure that the guidelines are followed and that there is an audit trail for the TVA to follow, if necessary. The TVA produces a monthly newsletter distributed to all the participating universities which contains a discussion of the recent historical performance of the portfolios and provides a coded ranking of the individual participants’ performance for the current month, year-to-date, and for a rolling three-year period. The annual awards are based on the spread between an individual portfolio’s return for a calendar year and that of the benchmark followed by the participant. In establishing the program, each university agreed to and signed a management contract with the guidelines as part of the contractual obligation assumed by each participating university. Those who are permitted to execute trades are formally specified by the university managers (which are the faculty in charge of the individual programs), and only those individuals can execute trades through the broker.

The TVA left the specific management and course organization to each university to structure as they deem appropriate to their finance curricula. Program structures vary among the universities; most schools have formal courses, as we do, where students enroll for credit. Our course is an undergraduate level course usually taken by students in their senior year. Other universities only allow graduate students to manage their portfolio for credit, while others have used student organizations to manage the portfolio or have both undergraduate and graduate students manage their portfolio. We currently have a graduate student involved as an assistant and mentor to our class who has been actively involved in the TVA program since enrolling in our undergraduate course. The student managers, after an introductory period to cover the client requirements, course requirements, review fundamental and technical analysis, make all the investment decisions for the portfolio. The course work also includes writing an economic forecast for the classes’ management period, creating an investment policy statement the class will follow during the semester, analyzing individual sectors, and making final oral presentation before our advisory board composed of finance faculty and investment professionals. As part of the TVA’s requirements, the funds are to be allocated among the ten S&P 500 sectors following the allocations specified in the S&P index. The class is divided into teams of two with each team responsible for managing and rebalancing stocks within their chosen sectors. In essence, each student and team becomes a sector analyst, security analyst, and portfolio manager for one semester.

ETHICS ISSUES IN PORTFOLIO MANAGEMENT

In addition to the students’ responsibility to actively management our TVA portfolio to achieve superior returns to the S&P 500 Index, we cover topics in investment ethics and corporate governance. Our portfolio management course lends itself to coverage of material that has been emphasized by the AACSB ethics task force in regard
to the emphasis on ethics and corporate government. The specific issues that are related to the work of our student managers are:

- Managers’ fiduciary and prudent investor responsibilities to the client,
- Financial reporting, management of corporate earnings, and corporate accounting,
- Personal trading, churning, insider trading, and security analyst conflicts of interest for sell side analysts,
- Corporate governance issues such as executive compensation, roles of board of directors particularly related to the financial goal of stock price maximization,
- Sarbanes-Oxley Act and implications for portfolio managers. This topic was specifically cited in the task force report as an important area that should be covered in business courses [AACSB (2004)].

The following sections of the paper discuss the issues stated above as they are related to and/or presented in our portfolio management course along with resources that can be used as part of the coverage of corporate governance and ethics in portfolio management. We have included a bibliography of published resources related to the topics discussed in our paper.

Role of Fiduciaries in Portfolio Management

One of the first topics covered in the portfolio management course is a discussion of the client guidelines set by the TVA to be followed by the student-managers. There are two main purposes in this discussion. The first, and obvious one, is that the managers’ actions are constrained by the guidelines established by the TVA. All of the funds managed by professional money managers hired by the TVA are required to follow a strict set of investment rules; the TVA runs the program to simulate, as closely as possible, the environment their hired managers must work in. The second purpose is to emphasize the ethical and legal responsibilities of our student-managers. They are told that by enrolling in the course, they have been “hired” by the TVA to manage the portfolio in the best interest of the client and are responsible for prudently managing the funds while achieving the primary financial objective of the client, which is to earn returns that are greater than that of the S&P 500 Composite Index. There are approximately twelve, the most relevant are:

- Cash cannot exceed 5% of the current value of the portfolio,
- There must be at least 20 stocks in the portfolio to maintain adequate diversification,
- The funds are to be allocated following the sector weightings in the S&P index,
- At purchase, no single stock issue can exceed 5% of the value of the portfolio, and if, after purchase, the value of a stock position exceeds 8% of the portfolio value the position must be reduced to 8% or less (managers must rebalance the portfolio),
- No more than 35% of the portfolio can be in small capitalization stocks (with market caps below $1 billion),
- The minimum market cap at purchase is $250 million,
- Stocks of foreign companies (traded on U.S. exchanges) can comprise 15% of the portfolio value,
• The managers cannot short sell, trade options, nor are they allowed to buy stocks
  on margin.
One of the first lessons to be learned by the students is that they must manage the
client’s portfolio as specified, even though the managers would prefer to do
otherwise. Duska (2006) describes six rules to prevent ethical collapses that apply to
our student managers as they perform their duties.
• Constrain self-interest.
• Don’t be greedy.
• Keep worthwhile goals in mind.
• Avoid hubris.
• Don’t misplace loyalty.
• Be professional.
The students are taught that even though they would enjoy trading options, short
selling in declining markets, or to sell much of the portfolio and invest in cash during
corrections or bear markets, it is their professional duty to abide by the guidelines which
prohibit these activities. In essence, our students are taught to practice the six rules
advocated by Duska. As Duska (2006) states, even Adam Smith felt that individuals
may pursue their self interest as long as the actions do not violate standards of justice
(ethical behavior). There are limits to the pursuit of profit which are not only laws
governing actions for the benefit of society, but also ethical standards that an individual
should follow.

The TVA monitors university manager adherence to the guidelines, particularly
the limited amount of cash allowed, limiting the exposure to individual stocks, adequate
diversification, and emphasis on large cap stocks. Violations of the guidelines,
particularly the investment in cash, rebalancing the portfolio, diversification, and
minimum market cap, are monitored by the TVA; and the offending university will be
notified with instructions to correct the violation immediately. Unlike the TVA’s
professional managers, our student-managers will not be fired. However, a university
that violates the guidelines may be prohibited from receiving an award for beating the
index. From our experience we have found that our students take their responsibilities
seriously and follow the guidelines. Our students have consistently acted professionally
and in the best interests of their client.

Financial Reporting, Managing Earnings, and Corporate Accounting

Jennings (2005) describes the corporate accounting, security analyst, and
investment banking abuses that occurred in the 1990’s stock market in detail. One of the
first assignments given in our course is for the managers to conduct an analysis of each
company whose stock is contained in the portfolio. This includes the usual review of
financial statements with emphasis on the cash flow statement, evaluation of the financial
ratios, evaluating footnotes to statements, and estimates of the stocks’ intrinsic value.
The students are also required to compare and contrast the annual report with the SEC
filings, particularly the most recent 10Q statements and 10K statements, for possible
anomalies. That is, each manager is responsible for conducting due diligence into the
quality of the management, evaluation of the risks of the business, and any current or
potential legal liabilities the firm may have. The students are specifically instructed to
review the SEC filings for possible government investigations, lawsuits, and changes in
the nature of the firm’s business and industry that might adversely affect the
fundamentals of the companies in the portfolio. As an example, in the late 1990’s
students discovered that one of our companies had significant legal liabilities sufficient to
question the quality of management and the ability of the firms to survive. The firm was
a subprime lender whose stock was purchased the previous semester which had numerous
lawsuits pending by customers and SEC investigations. Within a few months the firm
filed for bankruptcy protection and was subsequently liquidated. Our managers decided
several months before the company entered bankruptcy to sell the stock. This action was
a lesson in legal compliance.

Our student-managers also learn to examine financial statements to help detect
whether companies are manipulating their financial statements to create the image of a
well-functioning and profitable organization (that is, window dressing). Shillit (1993)
provides an extensive coverage of the potential abuses companies have engaged in and an
investor should look for in performing his or her due diligence in evaluating stocks. It is
the professional responsibility of our student-managers to perform adequate checks on
financial statements to evaluate the quality of the earnings. The managers should not
assume that because the statements appear publicly that companies are completely
forthright in their accounting for assets and liabilities. Emphasis is placed on reading the
SEC filings rather than just the annual reports, reading the footnotes to the financial
statements for activities hidden from the statements, and checking the balance sheet and
income statement for traces of abuse. Students are also taught that the cash flow
statements are subject to manipulation, and to evaluate the accounts within the cash flow
statements for signs of manipulation to enhance corporate cash flow [Kim and Nofsinger
(2007) provide insight into the auditing function and manipulation of statements with
examples of Enron and Rite Aid accounting abuses]. Each manager needs to determine
whether a stock is worth buying if there are signs of management of the financial
statements; that is, would they want to own stock in such a company even if it is a “good
stock” that has a recent history or potential to out-perform the market and earn a high
return for the portfolio? In these cases, our students will have to apply their own ethical
standards to the investment decision. In a couple of cases, we have had students who
recommended sales of stocks of companies that have had significant legal liabilities. In
one situation, a student recommended to the class that a stock should be sold because he
did not approve the marketing strategy of the firm. He had convinced his fellow
managers to sell the stock because of the firm’s tactics even though the return would have
been above average at least. This action also brings up a difficult-to-resolve issue: can
or should a manager exert influence on the decision to purchase or sell stocks based on
his or her ethical preferences even though the client does not state any preference about
socially responsible investing? For our students, there may be times when one of their
colleagues wants to sell a stock because one of the managers did not care for the way the
company marketed its products even though the client did not impose any such
constraints on investing and the group may not dislike the actions of the company.
Personal Trading, Churning, and Insider Trading

Boatright (1999) discusses the ethical aspects of personal trading by professional managers, that they “wear two hats”: they are hired to manage the funds of a client and they can trade for their own account. Several of our students have their own brokerage accounts and can invest in the same stocks that they promote for the TVA portfolio. Students need to recognize that, as a professional, their personal trading has the potential for abuse and that effort should be made to prevent a conflict of interest. Our students maintain watch lists of stocks for the portfolio, and those with the resources to have a trading account will invest in stocks they deem valuable. If they are willing to devote their money to particular stocks, they might feel the stocks are worthwhile for the TVA portfolio. However, they need to be aware that as a practicing money manager, there is a fine line between “eating one’s own cooking” and promoting a stock that the manager has a personal financial stake in. The manager may profit from the purchase; however, it might turn out that the client does not profit as much or might suffer a loss depending on the price paid.

A related issue is churning accounts by professional managers (Kim and Nofsinger 1993). The TVA expects the portfolios to be actively managed without defining the term active. The decision of how often to trade is left to each university manager to decide. The TVA has kept track of the trading and measured the impact on returns but does not have any guidelines about how often trading should be done. Frequent trading reduces the return on the portfolio because of transactions costs incurred, and there is the possibility of trading losses as well. Additionally, the managers should consider whether it is responsible to conduct frequent trading even though they might prefer active trading to buying and holding, or enjoy the action of trading. Buying and holding stocks can be rather boring; however, it may be in the best interest of the client financially and in terms of prudent management to trade less often and still considered to be actively manage the portfolio. Though our students do not churn the accounts since there is no personal benefit through commissions, they need to be aware of the financial impact and the ethical decision of how much trading is in the best interest of the client. Historically, our students have had a low portfolio turnover, though some students are drawn to the excitement of frequent trading.

One factor our students usually consider in making their investment decisions is the amount of insider trading (most often, insider buying) that occurs on a specific stock. Active insider buying can be taken as an indicator of whether a stock, with good fundamentals, is worth buying. However, active insider trading may also be a warning sign if insiders are selling while the stock price is rising substantially or if the stock is being promoted by investment firms or the company executives. Using Enron and security analyst cases of the 1990’s (Jennings 2005) can illustrate the abuses that have occurred and the need to be vigilant in looking at the actions of management and investment houses for stocks with rapidly rising prices. The article also points out the conflicts of interest between security analysts and the investment banking activities of Wall Street firms (Jennings 2005) and the need to be skeptical about the recommendations made by security analysts, particularly the sell side analysts working for firms with investment banking operations. In our class, we point out the differences in recommendations made by specific analysts and the mean recommendations that
appear on financial web sites. The mean recommendations or distribution of recommendations found on web sites may be more objective than that of an analyst on a web site or one working for an investment house since these are aggregations of the opinions of all the analysts following a stock. Students are made aware of the possible inaccuracies and self-serving promotions that occur on discussion boards. The student-managers need to be highly skeptical of the information that exists on discussion boards, and that people promoting stocks for their own financial benefit may be disseminating misinformation to boost the price of stocks and not assume that the information is necessarily an accurate reflection of the quality of the company or the stock.

Corporate Governance Issues

Our course affords an opportunity to discuss corporate governance issues such as the role of directors, executive incentive programs, and corporate takeover theories. Several stocks held in our portfolio over the years have been subject to strategic takeovers or leveraged buyouts by private equity firms. Though our portfolio has been the beneficiary of such actions generating cash for reinvestment or stock that has appreciated, the actions of the acquiring firms present an opportunity to discuss the ethical aspects of the decisions. A related topic to be considered by our student-managers is the impact on stock prices of “serial” acquirers. Questions that we address in class have been those such as:

- Do publicly traded firms that actively acquire other companies produce high stock returns?
- Do mergers and acquisitions generally work to the benefit of shareholders?

These issues have been discussed in empirical studies and are discussed by Kim and Nofsinger (2007). This topic affords the opportunity to discuss the effectiveness of mergers, the tactics used by acquiring firms, the impact on stock prices (especially in recent years with the high level of leveraged buyouts that have reduced the supply of stocks), the impact of recent issues such as the subprime mortgage securities (involving ethical issues of lending to individuals who have limited resources to service their debt with variable mortgage rates) and liquidity problems due to credit markets freezing up. Worth discussing are the personal motivations and actions of firms, either as corporate acquirers or as private equity firms, in taking over another company. Student-managers should ask themselves: is a takeover of a company truly motivated by strategic reasons or by the ego of the executives involved? If the acquisition does not make sense for strategic reasons, the probability of success can be very low; and it may not be worthwhile to continue owning that stock.

Corporate Governance: Sarbanes-Oxley Act

In colleges of business, students are taught that a corporation’s goal is to maximize corporate net operating cash inflows and to minimize costs. If you’re an accounting or finance major, that notion is reinforced in just about every class. In their classical accounting text, Kieso, Weygandt and Warfield (2005) stated that markets, free enterprise, and competition determine whether a business is to be successful and thrive. This fact coupled with market forces places substantial burden on the accounting
profession to measure performance accurately and fairly on a timely basis, so that the transparent managers and companies are able to attract investment capital. Brigham and Ehrhardt (2005) stated that management’s primary objective should be stockholder wealth maximization. While financial managers are trying to maximize stockholder wealth and make a profit, doesn’t a corporation also have a responsibility to society?

For the past two decades it seems that more and more people are responding positively to the corporate social responsibility. This change in society’s attitude has led to the growth of socially responsible investing. Shank et al (2005) defines socially responsible investing as an investment in which investors choose only to invest in investments, funds or stocks that mimic their core values. These investors tend to only choose stocks or mutual funds of companies that are environmentally conscious, do not perform tests using animals, are not associated with alcohol, tobacco or gambling, assist low income families, etc.

Due to public pressure and governmental response the financial profession has come under great scrutiny as a result of corporate misdeeds in their financial reporting processes. Some of the most notable negative corporate misdeeds in their financial reporting and accounting practices are those of Enron and Tyco.

Since that time several policies and regulations have been placed into effect to alleviate possible misrepresentation and fraud in the future. This puts a strain on the corporate leadership, but it is extremely beneficial to the company’s stakeholders. Perhaps the most notable action taken as a result of these scandals was the passing of the Sarbanes-Oxley Act of 2002. Corporations as well as other business professionals, such as accountants, are held in strict compliance of this Act to make sure a debacle such as Enron does not happen again.

Sarbanes-Oxley (SOX) legislation was first introduced as a response to the declining investor confidence as a result of the high number of corporate and accounting scandals. The major thrust on the United States Congress began and on July 30, 2002, President George W. Bush (2002) signed into law the Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act was sponsored by Senator Paul Sarbanes and Representative Mike Oxley of Maryland with the support of the Security and Exchange Commission (SEC).

The SOX has eleven titles that encompass the Public Company Accounting Oversight Board (PCAOB), auditor independence, corporate responsibility, enhanced financial disclosures, analyst conflicts of interest, commission resources and authority, studies and reports, corporate and criminal fraud accountability, white-collar crime penalty enhancements, corporate tax returns, and corporate fraud and accountability. The SOX impacted the financial disclosures of organizations that are classified as ‘issuers’ under the Securities Exchange Act of 1934. According to the Securities Exchange Act, issuers can be domestic public companies, foreign companies trading on any U.S. exchange, banking and savings associations, foreign private issuers, issuers of asset backed securities and small business issuers. Even though the SOX mostly applies to issuers as defined by the Securities Exchange Act, it also applies to private companies that may buy a public company or may become a public company by issuing initial public offerings (IPOs).

SOX Act now requires that independent auditors agree with the company’s evaluation and disclosure of their internal controls in relation to their financial reporting; whereas before the Act, an independent auditor had to agree only to the material
representation of the financial reporting. Without specific guidelines to adhere by, the cost of this risk assessment for management could be quite significant. The PCAOB and the SEC issued guidance to help alleviate the cost.

The SOX Act is complex and imposes many requirements on business which are designed to address the crisis of confidence sparked by corporate scandals. The major provisions of the Sarbanes-Oxley Act are summarized in the following provisions (http://www.sec.gov/about/laws/soa2002.pdf):

- It established an independent board to oversee the audits of public companies.
- It prohibited accounting firms from providing other service, such as audit combined with consulting in order to avoid conflict of interest.
- It required CEOs and CFOs to certify the truth on their companies’ financial statements in writing.
- It required executives to pay back any bonuses or profits from stock sales they received after a financial report was issued that later had to be restated.
- It required full disclosure to shareholders of complex financial transactions.
- It requires that at least one member on the audit committee be a financial expert.

The last two decades have brought public and governmental rule that has fostered change in the way accounting firms purport firms’ financial statements and brokerage companies report their trading activities and how traders participate in the market. Firms can no longer abuse the market as they did in the recent past. Controls have been, and continue to be, put in place to curb and monitor ethical behavior. The study of the SOX Act enhances our students’ understanding of the ethical and legal compliance issues relating to financial transactions.

SUMMARY

Ethics consists of standards of conduct or moral judgments. High standards of ethical conduct require that each corporate stakeholder deal and be dealt with in an honest and fair manner. The purpose of this paper is to discuss how various ethical and corporate governance issues can be incorporated into a course in portfolio management. The primary emphasis in the portfolio management course at our university is to actively manage the equity portfolio for the Tennessee Valley Authority following the guidelines established by the TVA. The course affords opportunities to discuss ethics and governance issues that relate directly to the decisions and actions that the student-managers make in the course or are related to the professional activities that they will confront as professionals in finance. The issues are not merely classroom topics discussed in the abstract, but are ones that the students will face and will have to resolve. Our hands-on investment course provides our students the opportunity to encounter and act upon real ethical situations. It is of lasting professional benefit to students that they consider the ethical dimensions of the decisions they make. Exposing students to the ethical considerations and consequences of investment decisions should result in financial professionals who are better equipped to handle the moral dilemmas that they will inevitably face.
In our new global information age we may think that everyone should have access to all information and be able to use it to make rational financial decisions. But, this does not seem to be the case. Efficiency and information symmetry are only as good as the people behind them. The decisions of the analysts at the rating companies who claimed that debt securities backed by sub-prime mortgages were investment grade ended up complicating the credit market’s efficiency. With so much information available, those participating in the financial markets tend to become complacent and depend on supposedly vetted information to do the work for them. Until market players become willing to spend the time to do the necessary homework and think for themselves, they will continue to fall prey to the consequences of information asymmetry.

Absolute morality cannot be legislated; however, 90 percent of the populace can be discouraged from doing something unethical if they think about the consequences of their actions on others. The number of CEOs and CFOs who are taking a good, hard look at what they are doing has increased dramatically since the implementation of Sarbanes-Oxley. SOX may have not made them more moral, but the end effect, financially, is the same. Corporation should go beyond the strict application of regulatory compliance to assure the adherence of its employees to ethical behavior as way of life. Corporate ethical behavior and compliance cannot be outsourced; they have to be nourished as part of the corporate culture.

**BIBLIOGRAPHY**


