

# Questionable behavior on and off job scrutinized

Continued from 1B

Chapman. "If they are lying to their wives, there's huge potential they are also lying to their colleagues, their board of directors and potentially their auditors."

Recruitment consultants say companies are increasingly asking for more in-depth background checks and research that goes beyond traditional references to help find executives with the highest professional and personal ethics. More are taking information about morals and ethics into consideration when deciding whether to hire or promote an executive. Among those willing to discuss tactics:

► **Starwood Hotels.** The company's time-share division asks open-ended interview questions to help it learn more about job candidates' integrity.

► **Eureka Capital.** Matt Marcos, executive director of the Newport Beach, Calif.-based investment bank, says that when he learned an executive of a company that one of his clients was trying to line up financial backing to acquire hadn't disclosed an affair with a subordinate, it would have been a big issue if the executive hadn't been such a standout in every other area. But Eureka still recommended to its client that any potential investors in the acquisition be made aware of the executive's former relationship.

► **Dayton Freight.** The Ohio trucking company is "very moral" and its culture is based on "traditional values" and seeks executives who share them, says Denise Noel, director of quality and human resources. "If we were interviewing someone and they had little regard for family, children and religion, it would be a red flag," she says.

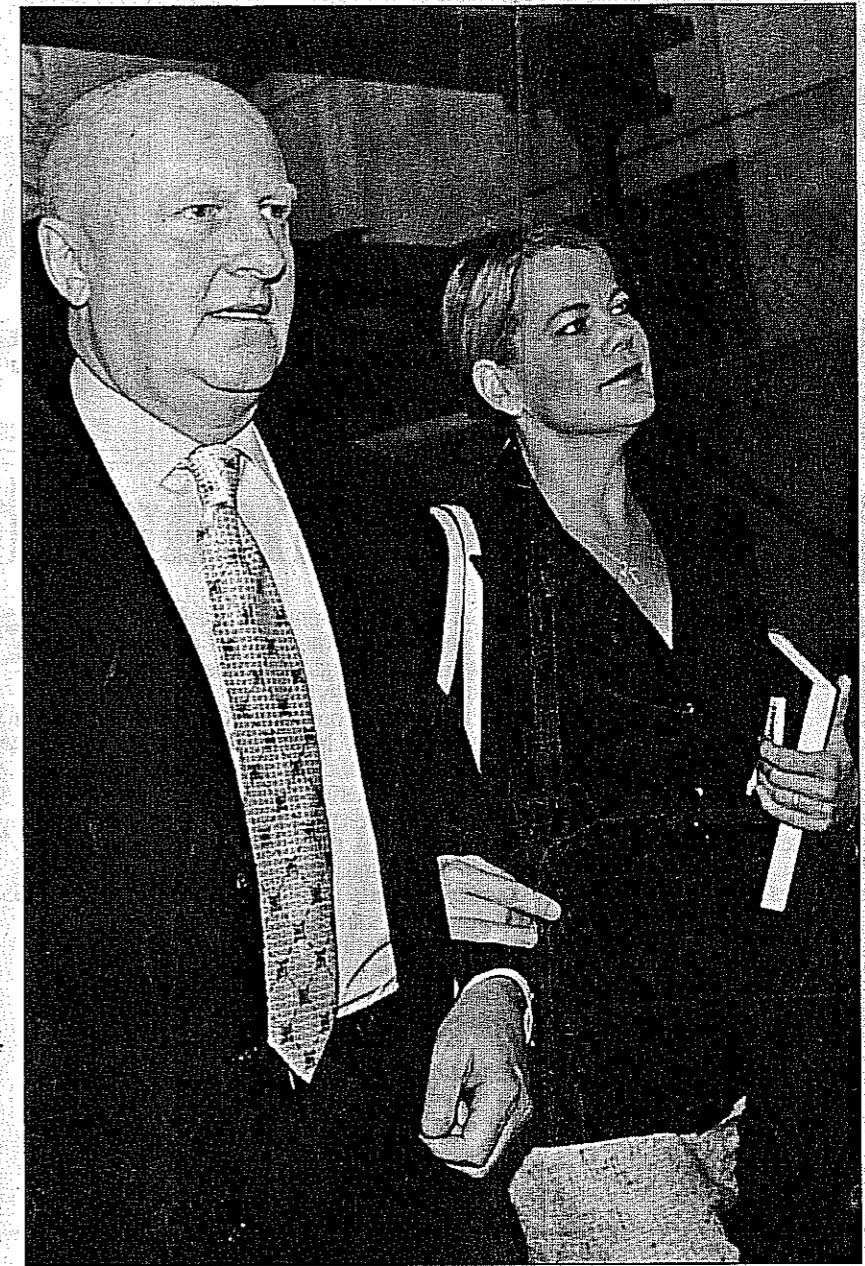
Some experts believe strongly there is a connection between cheating on and off the job, which is one reason for businesses to frown on extramarital affairs. "Fish rot from the head," says Robert Hogan, a psychologist and management consultant who is an expert in "dark side" traits.

Psychologist Louis Cox, who specializes in business team communication and addiction issues, agrees immoral bosses can create untenable work situations. "It's really hard for people who aren't in a position of power to deal with the impact of that kind of boss," says Cox, head of the consulting firm Ego Mechanics.

Hogan says it can be tough for people to make honest choices when they're leading double lives. "Some of my colleagues in psychology think there's a distinction between embezzling, compulsive lying, substance abuse and philandering, but it's all of a piece," says Hogan, of Hogan Assessment Systems in Tulsa.

Cheating and ugly divorces occur in the upper ranks of companies that appear squeaky clean, as well. Despite his legendary reputation as a CEO, General Electric's Jack Welch endured considerable public humiliation after his retirement in 2001. In

"Personal problems and legal problems cannot always be kept separate. If a client's personal difficulties get attention in the press, that can affect the outcome of the case, because those potentially embarrassing facts may find their way into the courtroom, as well."



**Former Tyco CEO:** Dennis Kozlowski with his wife, Karen, in New York in April. He faces retrial in January.

stock before the company's collapse.

Pai's lawyer, Roger Zuckerman, would not comment for this story.

Watkins says the rapid ascent of Skilling's now-wife Rebecca Carter, once known by co-workers as "Va Voom," raised eyebrows around Enron. Carter moved from her position in corporate relations to a \$600,000-a-year job as secretary to the board of directors.

"That was the only problem — she was getting these jobs and promotions," says Watkins, who notes that Carter was widely considered to be a competent executive. Ken Rice, former head of Enron Broadband, had an open affair with a top female executive, Amanda Martin, according to Watkins and the book *The Smartest Guys in the Room*. Rice pleaded guilty to participating in the Enron fraud and has agreed to cooperate with prosecutors.

Rice's lawyer did not respond to requests for comment; Martin could not be reached.

As if to address persistent ru-

tended to embarrass the former CEO, boosted his standing with one juror. Glenn Andrews told USA TODAY he was impressed Kozlowski could motivate a former girlfriend to throw her energies into planning a party for his new wife. The six-month trial ended in a mistrial. A new trial is scheduled for January.

There are no statistics on interoffice affairs involving top executives, and many corporate crimes are never discovered, so the connection between philandering and fraud is largely anecdotal. But some experts aren't surprised by the recent pattern.

Janis Abrahms Spring, a Westport, Conn., psychologist and author, says there are some common personality traits between those who cheat in and outside the office. Spring, who specializes in infidelity and has many business clients, says high-level executives grow used to special consideration in everything they do.

"Some people lie a lot and break the rules a lot — it's a way of being," says Spring, author of *How Can I Forgive You?* "They see themselves as entitled to get their needs met, so you may see these behaviors across the board."

Contributing: The Associated Press



By Brett Coomer, Getty Images

**Skilling:** His current wife also worked at Enron.



By John Marshall Mantel, AP

**Ebbers:** Is married to a former WorldCom executive.



1998 USA TODAY file photo

**Chapman:** Convicted after former girlfriends testified.

— Samuel Seymour,

after his retirement in 2001. In 2002, Jane Beasley Welch sought a divorce from her husband after learning of his relationship with an editor of the *Harvard Business Review*.

Author and corporate strategist Dave Stein says he recommends that candidates for top jobs be interviewed at least once with their spouses to help get a more complete picture of the person. It doesn't rule out the possibility the candidate has cheated, but "if you expect them to be part of a team, it's helpful to see that person in action and observe how they behave with their significant others," Stein says.

Along with affecting corporate culture, affairs can cause legal problems — not to mention embarrassment — when executives find themselves in hot water. Former federal prosecutor Samuel Seymour says when he is representing someone at the center of a legal scandal, he tries to learn everything he can about their personal life, including about any affairs.

"Personal problems and legal problems cannot always be kept separate," says Seymour, a white-collar defense lawyer at Sullivan & Cromwell. "If a client's personal difficulties get attention in the press, that can affect the outcome of the case, because those potentially embarrassing facts may find their way into the courtroom, as well."

#### Prime example in Enron

Sherron Watkins, who became Enron's internal whistle-blower after alerting former CEO Kenneth Lay to accounting problems, also became an expert on the company's dysfunctional corporate culture. Several of Enron's top executives cheated on their spouses or left them for younger women at the office. "There are plenty of executives who will not cross those lines," Watkins says of philandering. "But it does set you up for potentially reciprocal behavior, where someone says he might as well cheat on his expense report."

Andrew Fastow, Enron's convicted chief financial officer, is believed to have been faithful, but there were romances among his peers. Lou Pai, the former head of Enron's energy services business, had an affair with an exotic dancer named Melanie Fewell. According to people who know him well, and the book about Enron, *The Smartest Guys in the Room*, Pai got Fewell pregnant and left his wife to marry her. Pai, who has not been charged with any crimes at Enron, was investigated for selling almost \$270 million in Enron

— Samuel Seymour, Sullivan & Cromwell defense lawyer at Sullivan & Cromwell. As if to address persistent rumors about philandering, former WorldCom CEO Ebbers would often say he had been sleeping on the couch for years in the home he shared with his wife and children, say former WorldCom associates. About the time he started showing up around town with a top sales representative at WorldCom, his current wife Kristie, Ebbers moved out of his family's house and into a trailer on the property where he now lives with Kristie in a ski chalet-style mansion. Ebbers' criminal defense lawyer refused to comment.

#### More than a bad example

Executive suite philandering can easily become fodder for courtroom proceedings, as Chapman learned the hard way. Office girlfriends can be implicated as accomplices — or turned into government witnesses.

Chapman managed \$100 million of Maryland's \$29 billion state pension system until he was fired by trustees in 2002, and his crimes cost the state's funds \$5 million. A jury convicted him in August of 23 counts of fraud, including writing "business development" checks on his companies' accounts for cash and gifts to girlfriends; Chapman was found innocent of corrupting a pension trustee, Debra Humphries, a former girlfriend who received a Hawaiian vacation, along with money and gifts.

Chapman's lawyer, William Martin, asked jurors to ignore evidence of Chapman's affairs: "I hope you will not allow the government to put sex into this case."

But how could prosecutors resist? DiBiagio says because the case involved allegations Chapman looted his companies, having a money trail that led to his girlfriends helped explain Chapman's motive to jurors.

Besides, once Chapman's mistresses learned they were not the only girlfriends, DiBiagio says they made "hard decisions about their loyalty to the defendant."

During the trial of former Tyco CEO Dennis Kozlowski and former CFO Mark Swartz, prosecutors from the Manhattan district attorney's office called a variety of former Tyco staffers to the stand as witnesses. Two of these witnesses acknowledged affairs with Kozlowski. Barbara Jacques testified about her relationship with Kozlowski in the 1980s, and how she planned an exotic birthday party for his second wife, Karen Mayo, in 2001 using company funds.

But the disclosure of the relationship, apparently in-

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