**Questionable behavior on and off job scrutinized**

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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 three-share division asks open-ended interview questions to help it learn more about each candidate's integrity.
- **Ebara Capital Management.** Its new chief executive of the Newport Beach, Calif.-based investment bank, explains that when he learned an executive of a company that one of his clients was trying to line up financial backing to acquire another didn't disclose an affair with a subordinate, he would have been a big issue if the executive hadn't been such a standout in every other area. But Ebara still recommended him to its client that any potential investors in the acquisition be made aware of the executive's former relationship.

- **Forrest Green.** The Ohio trucking company is "very moral" and its culture is based on "traditional values," and schools executives who share them, says Denise Moore, 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 focus on extramarital affairs. "Fish rot from the head," says Robert Hogan, a psychologist and management consultant who is an expert on "dark side" traits.

Psychologist Louis Cox, who specializes in business ethics, adds that when issues arise, aligns with moral codes, creates 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 performance, moral issues, lying, substance abuse and so on is not all of a piece," says Hogan, of Hogan Assessment Systems in San Diego. "Cheating and other disorders occur in the upper ranks of companies that appear squarely clean as well. Despite his legendary reputation as a CEO, General Electric's Jack Welch endured considerable public humiliation after his retirement in 2001."

"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 might find their way into the courtroom," as well."

-Samuel Seymour,

Author and corporate strategist Dave Stein says he recommends that candidates for top jobs interview at least once with their spouses to help get a more complete picture of the person. Stein says, "It's not about 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."

Private example in Enron

Sherman 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 cited in their spoils or left them for younger women at the office. "There are plenty of executives who will not cross those lines," Watkins said of philandering. "It does set you up for potentially future sexual behavior, where someone says: 'Oh, well, he cheated 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 Pau, the former head of Enron's energy services business, had an affair with another executive, named Melanie Ferris. According to people who know him well, and the book about Enron, The Smartest Guys in the Room, Pau got Ferris pregnant and left his wife to marry her, Pau, who has not been charged with any crimes at Enron, was investigated for selling almost $270 million in Enron stock at a discount.

Samantha Seymour. As if to address persistent rumors about philandering, former WorldCom CEO Babbitt often said he had been sleeping on the couch for years in the house 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, Babbitt 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.

Babbitt's 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 $1.25 billion state pension fund 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 his girlfriend. Chapman was found innocent of corruption.

A Florida probate judge, Dena Sample, a former girlfriend, 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? Dillaggio says because the case involved allegations Chapman forced his companies, having a money trail led to his girlfriend, helped explain Chapman's motive to jurors.

Besides, once Chapman's mistresses learned they were not the only girls, Dillaggio says they made "hard decisions about their loyalty to the defendant." During the trial of former Tyco CEO Dennis Kozlowski and former CFO Mark Zabino, prosecutors from the Manhattan district attorney's office called a variety of former Tyco clients to the stand as witnesses. Two of these witnesses, acknowledged affair with Kozlowski

Barbara Jacques testified about her relationship with Kozlowski in the 1990s, and how she planned an ex-con's 46th birthday party for his second wife, Karen Mayo, in 2001 using company funds.

But the disclosure of the relationship, apparently in