

BY GIL WEINREICH

# Cowboy Ethics

*A new book tells what our industry needs to get back in the saddle again.*

With a thicket of ethics scandals behind us and a maze of regulatory over-reaction before us, the financial services industry still has a difficult distance to travel to get to safety. If we tarry too long before cleaning up our act, regulators will end up killing off an industry that provides a public good and a good living to so many financial professionals.

Riding like a cowboy to the rescue of a damsel in distress comes Wall Street veteran James P. Owen. An owner/partner of Austin Capital Management and the co-founder of the Investment Management Consultants Association, Owen, who has spent 35 years in the industry, decries the state of Wall Street. An aficionado since childhood of the cowboy heroes of the West, Owen has donned his 10-gallon hat to learn us some manners in his new book, "Cowboy Ethics."

The author of two previous books on investment management and hedge funds, Owen has put his calculator aside this time and writes from the heart about the loss of an era when a handshake was all that was needed to seal a deal, when a man's word was his bond.

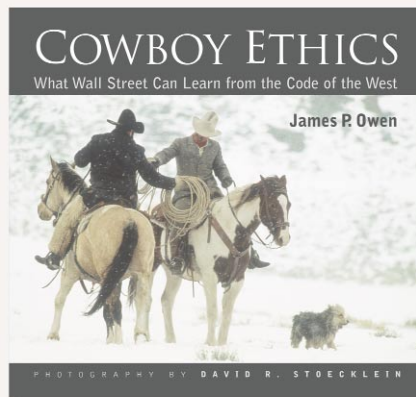
Owen's latest work looks more like a coffee-table art book, with its magnificent photography of working cowboys (and cowgirls) by renowned Western photographer David R. Stoecklein. But its sparse text is magnified by Owen's passionate conviction that we can and we must recover the values of the past and apply them to the denizens of Wall

Street — rather like an E.R. doctor applies a defibrillator to the chest of a cardiac patient.

The problem, according to Owen, is "that somewhere along the line, our focus on competing and winning at any cost has overrun all other considerations." But the solution of ever more detailed rules pushed by regulators, company attorneys and business school ethics professors fails to address the fundamental problem, which is not the absence of rules but a lack of principles.

Owen proposes as fit guidance the unwritten "Code of the West" personified by his boyhood heroes — the cowboys of Western films and novels that inspired Owen as a child to "want to be a better person."

"What we need is not more regulation, but more inspiration. Yet these days, inspiration is not so easy to come by. Think about it. Whom can we look up to as our heroes today? Political leaders, sports figures, corporate CEOs, even people of the church have not remained above greed, corruption, cynicism and scandal...In looking back to one of my earliest passions —



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back to the Old West — I have found a way to make more sense of the world and my place in it.”

Although Owen appears to overlook a vast literature in business ethics with its origins in the Hebrew Bible, his appeal to the Code of the West should not be casually dismissed. The British Constitution, also an unwritten code, has admirably upheld democracy and the rule of law in Britain and English settler societies for many centuries. And the popular equestrian heroes of late 19th century America have much to recommend them insofar as children and grown-ups today can relate to a Lone Ranger-type saving innocents under attack and willing to fight alone, if necessary, to uphold what is right and good.

We do sorely need principled heroes today to counter the tide of radical autonomy, where far too many do what is right in their own eyes. But the question remains: Exactly what principles do Owen’s heroes stand for? Owen spells out that unwritten Code of the West, even going so far as to adopt that code for his own asset management firm. Its 10 principles are as follows:

**1. Live Each Day with Courage.**

Cowboys faced incredible hardships and immense dangers such as stampedes, quicksand and warring Indians, yet they put fear aside when there was work to be done. I view courage as a desirable personality trait that ought to be assiduously cultivated, though I would not classify it as an ethical principle. Even bad guys can act with courage. Still, cowboy courage would be most welcome in any profession.

**2. Take Pride in Your Work.** Owen cites a delightful poem by Red Steagall titled “The Fence that Me and Shorty Built,” the moral of which is that you

should take pride in a job well done, even if the work is unglamorous. This principle is ultimately about attitude, and who does not miss the days when low-paid employees in particular exhibited courtesy, respect and a positive attitude in the jobs they did.

**3. Always Finish What You Start.**

As with the first two commandments, perseverance is a worthy character trait to inculcate. Or to quote from the book, “When you’re riding through



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hell...keep riding.” Wise advice.

**4. Do What Has to Be Done.** Owen’s heroes from the film “Open Range” confront a despotic rancher who hates “free grazers” and means to kill them if they do not quit his domain. It’s not that our heroes are willing to get killed to feed their cows, “but one man telling another where he can go in this country is something else.”

I must admit I am of two minds on this one. Putting principle above even one’s own life is an ethical obligation in extreme cases, as when you are compelled to murder an innocent person or be murdered yourself. But fleeing a bully to save your life is not illegitimate. Still, one must admire those willing to stand up to bullies even at the peril of one’s life. Weaker sorts depend on heroes like this. On Wall Street, that probably means being will-

ing to risk your job or lose a client in order to do the right thing, and that is a principle worth upholding.

Still, the focus must be on helping or averting harm to others. Too great an emphasis on personal honor is what fueled dueling, which tragically curtailed the illustrious career of Alexander Hamilton.

**5. Be Tough, but Fair.** This is my

favorite precept in the Code of the West because it unambiguously deals with treating our neighbors in a just and compassionate manner. Western fairness meant extending open hospitality to any travelers, including food and shelter and provisions for their journey. “While he was not expected to pay for the ranch owner’s hospitality, the Code called for him to make his recompense to another hungry stranger somewhere down the line.”

In a similar vein, “if a cow bearing a neighbor’s brand wandered into a rancher’s herd, he was not expected to return the stray, as that could mean a journey of 50 miles or more. He was free to sell the animal along with his

The ease with which people flee their debts in our day makes us, in all senses of the word, a bankrupt generation.

**6. When You Make a Promise, Keep It.** Cowboy ethics entails honoring a vow, no matter how difficult. But the better lesson is being careful about what you promise in the first place. As many on Wall Street and the world of business in general have discovered, successful people underpromise and overdeliver.

**7. Ride for the Brand.** Cowboys were not obsequious to their bosses; rather they showed allegiance where it was deserved and returned. Owen equates this element of cowboy ethics to loyalty to the client. The only prob-

in touch with their sensitive side.

**9. Remember that Some Things Aren’t For Sale.** Owen tells a story of a hard-pressed cowboy who forgoes an opportunity for material advancement so as not to compromise his dignity. Alas, Wall Street has shown time and again that everything it touches has a price tag. We desperately need to establish clearer professional boundaries. As Owen puts it, “how smart can we be if we don’t value our reputations above all else?”

**10. Know Where to Draw the Line.** This is my other favorite principle of cowboy ethics because Owen offers a profound insight into human nature. “It does not require a big fall from

*We can all be heroes in our*

own herd. But he was also obligated to pay his neighbor the price he received for the cow plus any calves she may have dropped. Ranchers everywhere abided by this rule, as their cattle were equally prone to wander across the unfenced range.”

Beautiful. And so opposite the Wall Street mentality, which is to associate yourself with as much money as possible so as to claim it. There would be no scandals on Wall Street — zero — if everyone in our industry subscribed to the principle that there is sanctity to property, and folks should get only what is truly theirs.

Owen also describes how the legendary cattleman Oliver Loving, lying on his deathbed, was troubled by some debts he carried. His partner Charles Goodnight paid homage to his friend’s deep sense of honor by discharging Loving’s obligations to his creditors.

lem is that loyalties are often divided on Wall Street, and financial advisors have at times wronged their clients in order to remain loyal to their brand of broker-dealer. Despite the potential for misapprehension, Owen states clearly enough: “If you work in the investment industry, make no mistake about where your loyalties should lie: The client comes first — not when it’s convenient, not when you feel like it, but always!”

**8. Talk Less And Say More.** Laconic cowboys were not promiscuous with words and therefore their limited verbiage carried more weight. This is a valuable character trait, but does not go to deeper ethical concerns like communicating so as not to hurt others or protect feelings. You knew where you stood with cowboys and their directness was at times commendable. But the strong, silent types should also get

grace for men to lose their integrity. It most often happens by degrees, as corners are cut and minor misdeeds rationalized, each small step leading to another.”

This observation eloquently and succinctly describes how questionable business practices descend into outright fraud and theft.

While “Cowboy Ethics” nobly attempts to tread the high road, it diverges from the path when Owen confuses merely desirable character traits (qualities in an individual) with firm ethical principles (that guide how people should treat each other). Neither is Owen entirely convincing that his cowboys have all that it takes to steer Wall Street. Would a cowboy riding for the brand always know when loyalty to the boss must yield to duty to client? Would a cowboy’s overweening sense of honor impel him to heroically

stand by a poor investment decision rather than cut his client's losses? It's hard to say because the Code of the West lacks the clarity of other successful codes.

Still, "Cowboy Ethics" is an honorable and worthwhile beginning, coming as it does from an industry insider. To me, the most inspiring part of Owen's book is not his distillation of cowboy ethical principles but his concluding call to action. Quoting SEC Chairman William Donaldson, Owen's goal is not a "culture of compliance" but rather a company-wide environment that fosters ethical behavior and decision-making."

To this end, Owen makes some

his own logic. He's right, of course, in calling for robust measures to change our industry. But to do that we need to have an organization whose sole and exclusive purpose is promoting higher ethical standards, and which can be a resource to all financial firms. Hopefully, Owen's book will provide an impetus to its formation.

ing them safely to rest. Immoral societies — such as the ancient Egyptians or modern-day Rwandan Hutus, who committed genocide against their Tutsi shepherd neighbors — have despised that profession. Decent folks admire that kind of work.

Owen is right. We need heroes to look up to and standards beneath

## Owen Lives.

rather bold proposals including the establishment at every financial firm of a Director of Corporate Values who oversees compliance with the firm's ethical principles. Whereas the compliance director is charged with the letter of the law, the Director of Corporate Values is charged with enforcing the spirit of the law. Owen himself fills this position at his firm.

Owen wisely advocates making personal integrity and character a key factor in hiring decisions; holding periodic meetings with clients to discuss ethics; putting the firm's ethical principles down in writing for clients; and speaking out when we see something our colleagues should do differently.

Owen also wants organizations such as the Investment Management Consultants Association to get out in front on ethical issues. It is only in this area that I believe Owen fails to follow

It speaks well for Americans that we admire cowboys. Even beyond the legend of the Lone Ranger righting wrongs with his partner Tonto, the essential work of a cowboy was both noble and not unrelated to that of financial advisors. The cowboy was essentially a shepherd, herding cattle rather than sheep across great distances and under harsh conditions. A shepherd must care for his flock, leading them to pasture, protecting them from predators and bring-

which no one should ever sink. We need a firmer ethical footing, to help us all from descending down the slippery slope pioneered by an unscrupulous few. Let's hope his call to action is heeded, lest our industry go the way of the cowboy, riding off into the sunset to become the stuff of legend. **RI**

**Gil Weinreich**, editor of *Research*, can be reached at [gweinreich@researchmag.com](mailto:gweinreich@researchmag.com) or through his website, [www.ethical-advisor.com](http://www.ethical-advisor.com).



DAVID R. STOECKLEIN