

Assignment 11

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Due Jun 1 by 11:59pm **Points** 35

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Please read the case study: "Harry Markopolos; Why Didn't Anyone Listen?" in your textbook. In your own words, as you read this chapter, see if you can (a) analyze Markopolos' use of an informative memo as appropriate in light of what happened; and (b) suggest what Markopolos could have done differently once he realized the lack of knowledge on the part of his audience (Securities and Exchange Commission (SEC)). Discuss your comments in 2 paragraphs.

CASE STUDY

Harry Markopolos: Why Didn't Anyone Heed His Warnings?

When you hear the name Bernie Madoff, what comes to mind? For many people the name Madoff is synonymous with the phrase Ponzi scheme. Through smooth talking and deception, Madoff managed to steal more than \$50 billion of investors' money. Could he have been stopped sooner? Harry Markopolos, an investment veteran, thinks so. Unfortunately for all involved, he was unable to convince the Securities and Exchange Commission (SEC) to take sufficient action. This Ponzi scheme continued unchecked from the time it was discovered by Markopolos in 1999 until Madoff's confession in 2008 ("The Man Who Knew," 2009).

Let's take a look at the role Markopolos played in this situation. In 1999, while working for a rival firm, Markopolos tried to recreate and duplicate Madoff's investment practices but found it was impossible. He took the information to several colleagues and asked for their expert advice; he ran mathematical models. Finally, Markopolos was ready to present his findings, which he did in 2000, 2001, 2005, 2007, and 2008 (American Program Bureau, 2009). The first two times, the SEC ignored him outright, and when they did finally take notice, the investigation led nowhere. In fact, in 2007, Madoff was cleared of charges, a verdict largely due to the lackluster investigation by the SEC. Despite this, "the investigation evidently convinced investigators that Madoff had 'misled' SEC examiners during the 2005 inspection" and additional investigations were considered (Kiel, 2008).

"The World's Largest Hedge Fund" grew as Markopolos' research continued through the years, and by 2005, he had prepared 29 glaring red flags for the SEC to look into. These ranged from the simple, "[W]hy would the world's largest hedge fund manager be so secretive that he didn't even want his investors to know he was managing their money?" to the complex, "It is mathematically impossible for a strategy using index call options and index put options to have such a low correlation in the market where its returns are supposedly being generated from" (Markopolos, 2005). Even with points ranging from common sense to hard data, the SEC failed to listen for almost a decade. Why? Was Markopolos's argument invalid? Could his lack of credibility have been a problem because he didn't sign his name on

As you read this chapter...

See if you can (a) analyze Markopolos's use of an informative memo and determine its appropriateness in light of what happened, and (b) suggest what Markopolos could have done differently once he realized the lack of knowledge on the part of his audience (the SEC).

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the first two versions for fear of retribution? No, he claims, the SEC was nonfunctional in its understanding of modern finance (C-SPAN Video, 2009).

A closer look at Markopolos' memo reveals a few distinct problems in his communication style. If, as Markopolos asserts before Congress in his 2009 testimony on reforming the SEC, "the SEC's staff lacks the financial expertise and is incapable of understanding the complex financial instruments being traded in the 21st century" (C-SPAN Video, 2009), he certainly didn't tailor his memo to the level of knowledge of his audience. The pages of his memo reflected well-documented knowledge of the financial industry but failed to clearly lay out the 29 red flags in a way that the SEC's untrained staff could understand. Red flag number one, for example, is buried halfway through a paragraph. For an audience unfamiliar with the topic, Markopolos needed a succinct outline of the 29 red flags, written in plain English; instead, he provided a detailed, technical essay.

Would Madoff have been caught in 1999 if Markopolos's report had communicated more effectively with the SEC, or would the SEC's apparent ineptness have stood in the way regardless? The SEC ignored Markopolos's report multiple times, succinct or not, even when Markopolos "gift wrapped and delivered the largest Ponzi scheme in history" to the SEC (C-SPAN Video, 2009). Perhaps Markopolos' shy demeanor and his stated fear of retribution from Madoff played into the situation as well (C-SPAN Video, 2009). Less than a year after the SEC's investigation clearing Madoff

of fraud, Madoff surprised everyone by turning himself in and admitting to fraud. Was his action due to looming government investigations, knowledge of the information gathered by Markopolos, or a bad economy that made continuing the Ponzi scheme impossible? The reason is still unknown. Despite these setbacks, Madoff was eventually

brought to justice and was sentenced to 150 years in prison. But not before unbelievable damage was done to hundreds of thousands of lives, from unassuming retirees to famous Hollywood actors to everyday citizens. Apparently, having knowledge of a fraud isn't enough if you can't get those in power to believe you.

Why is it that people who are just beginning their careers tend to prepare themselves for every area of business *except* one: giving an oral presentation? For some reason, they don't think they will ever have to give presentations. Actually, the opposite is true—the higher you advance in your career past the entry level, the greater the chance that you will need to be skilled in giving presentations. Employers rank the “ability to verbally communicate with persons inside and outside the organization” as the number 2 skill they are looking for in job candidates—number 1 is team skills (Job Outlook, 2012). To verify the importance of verbal communication, select Google or a search engine like WebCrawler or AltaVista and run a keyword search for “business presentations” or “public speaking”—use the quotation marks. You will be amazed at the number of articles dealing with oral communication skills written by people in your business or profession.

It's not just executives in large businesses such as Facebook or General Motors or professionals such as lawyers or politicians who need to give oral presentations. Even small organizations need employees who are skilled in oral presentations. For example:

- A high school coach must sell the school board on purchasing new equipment as well as motivate the team;
- A wait staff person often works as a team member and presents informal briefings at meetings and sometimes even customer groups.
- A salesperson must present products and ideas to customers.
- Even an assembly-line worker at General Motors is expected to participate in decision-making teams and formally present team ideas to management.

When you first begin working in a business or nonprofit organization, most of your oral presentations will be done in-house unless you are in sales. You will be expected to present informational reports, proposals, and recommendations to supervisors. When you are a supervisor, you will be expected to give instructions, to brief employees on various policy decisions or procedures, and even to inspire or motivate employees. Both employees and supervisors are expected to give informal briefings and present reports to their colleagues within the company.

Why limit your flexibility as a communicator and maybe even your chances for advancement by failing to learn to make good oral presentations? To give professional and memorable presentations whether formal or informal, you will need to carefully plan, research, organize, and deliver your messages—guidelines for all these are covered next. In addition, see Chapter 12 for how to make your presentations “pop” with verbal and visual supporting materials; and Chapter 13

MYTH OF FACT



- What's all the fuss—few people ever have to give presentations during their careers.