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### Goals of this chapter

After studying this chapter you will be able to:

- understand what is meant by the term ‘culture’ in the context of business ethics;
- identify the limitations of some approaches to developing an ‘ethical organizational culture’;
- understand the notion of ‘freedom’ in Foucault’s thought;
- analyse how ‘culture’ played a role in the Enron case.

### Introduction

This chapter explores ‘culture’ in relation to ethics in business. What might this mean? Box 3.1 presents an extract from a corporate values statement, which distils the core cultural values of Nnore, a major corporation. The statement is typical in emphasizing openness, honesty, and sincerity and in aspiring to excellence in everything that Nnore does. The values statement is affirmed and elaborated in the company’s sixty-four-page code of ethics.<sup>1</sup>

Why are such statements and associated codes of ethics drawn up and publicized in internal communications and highlighted in annual reports and on corporate websites? Communicating the core corporate values of a company is intended to build the confidence of stakeholders who include suppliers, customers, and investors as well as employees. Values statements and codes of ethics offer reassurance to these stakeholders that they will receive what is promised – in the form of terms of services provided, payments for supplies, or dividends and capital gains accruing from investments. So widespread have such statements and codes become that their absence might trouble stakeholders if it implies that the organization is unreliable or disreputable.

Establishing and maintaining an ‘ethical culture’ by communicating core corporate values is intended to minimize the risk of reputational damage, associated erosion of confidence and loss of business. A demonstration of the fragility of business confidence occurred on 13 September 2007 when television

## Box 3.1

## Nnore\* values

Integrity. We work with customers and prospects openly, honestly, and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

Excellence. We are satisfied with nothing less than the very best in everything that we do. We will continue to raise the bar for everyone. The great fun here will be to discover just how good we can really be.

\* Nnore is a pseudonym for a major corporation.

news broadcasts showed lengthy queues of depositors outside branches of Northern Rock, the sixth-largest retail bank in the UK at that time. The queues were a response to a news bulletin in which it was reported that Northern Rock was seeking emergency financial assistance from the Bank of England. When confidence evaporates, stakeholders become reluctant to maintain their 'stake' – in depositing their savings, in committing their labour, in supplying raw materials, in providing capital, in endorsing reputation, and so on.<sup>2</sup> This issue of business confidence is by no means confined, post-2008, to the financial sector or to the UK. In 2009, the annual Trust Barometer produced by Edelman, a public relations firm, reported that 'trust in US business is even lower than it was after Enron and the dot-com bust'.<sup>3</sup>

Building and securing reputation and trust becomes even more critical in an era of consumer capitalism when businesses expand into more domains of society (e.g. culture, sports, or leisure); the branding of companies and services becomes more critical for growth; and the media, including the Internet, become more significant in corporate communications.<sup>4</sup> In this context, the contents of codes and programmes of corporate ethics may underscore the importance of values such as openness and sincerity but also include those of 'social responsibility' and 'citizenship' with regard to the wider society. These developments help to explain why increasing attention is being directed to the strengthening of 'ethical culture', including the promotion of good corporate citizenship.<sup>5,6</sup> In an effort to improve the ethical character and standing of organizations, corporations like Nnore (see Box 3.1), have introduced ethics programmes and even appointed ethics officers to 'communicate important values, standards, and assumptions regarding ethical conduct'.

The objective of this chapter is to present and illustrate the conventional wisdom about instilling ethical conduct by shaping and strengthening corporate culture and then, mobilizing the thinking of Foucault, to interrogate this wisdom. Foucault's ideas provide a way of questioning whether values statements and codes of ethics serve to address or obscure ethical issues, and whether they enhance or undermine employees' capacity to act ethically. It comprises three substantive sections.

The first section reviews the mainstream literature on organizational culture and business ethics by exploring how culture has become a target for making business more ethical. It attends to the limitations of conventional wisdom by highlighting its neglect of cultural diversity, the significance of interpretation, and the operation of power relations in the development and application of norms and values. It also highlights the moral dimension of organizational activity, and considers the possibility of voicing dissent and exiting organizations, as well as being loyal to their espoused value; and it elaborates on the role of 'ethical culture' in winning consent and domesticating resistance. In the final part of the first section, the case of Enron, for which Nnore is a pseudonym, is deployed to illustrate the role of values statements and codes of conduct in strengthening 'ethical culture'.

The second section focuses more directly on ethics in business. It begins by noting how an attentiveness to ethics can open up questions about the morality of business and suggests that the effect of 'business ethics' has been to forestall and domesticate this potential. In this light, values statements and codes of ethics are seen to define and manage ethics in a way that is positive for business. In its more progressive form, this may incorporate diverse sub-cultural values to mitigate the risks associated with 'group think'. The section then explores an alternative understanding of ethics which connects it to the exercise of freedom which is regarded as a defining feature of the human condition. Ethical conduct is related to taking moral responsibility rather than simply mobilizing the capacity of self-direction to ensure conformity with organizationally prescribed norms and values.

This leads, in the third section, to a discussion of an alternative, Foucauldian conception of ethical conduct, which also loosely informs the preceding review of conventional thinking about the relationship of ethics to business. The case of Enron is again used to illustrate an alternative way of interrogating the presence of ethics in business and, in particular, to highlight the role of narcissism in promoting and displacing ethics.

Finally, the conclusion draws together the central themes and concerns of the chapter before underscoring the view that the culture developed at Enron, and more specifically the use of values statements and codes of ethics, only differ in degree from the culture of many other companies.

## Organizational culture and the promotion of business ethics

At its simplest, the term 'culture' is used to convey a sense of what is considered to be 'normal', which includes what is morally acceptable. Culture is widely conceived to consist of distinctive and deep-seated values, beliefs, and norms of behaviour that underpin and inform commonsensical ways of doing things and interacting with others. In the context of organizations, the values, beliefs,

and norms of culture are understood to enable and coordinate activity in a manner that is ostensibly voluntary and uncoerced. Collectively, these values and norms comprise 'rules of engagement' to which organizational members are conceived to be bound morally (by conscience), and not just instrumentally (by calculation of self-interest).

Culture is, arguably, more complex than the way it is commonly portrayed. That is because within any organization there are often multiple and overlapping sub-cultures. In all but the smallest or cult-like of work organizations there are sub-cultural values and norms based upon, for example, specialist training and activity, social background, occupational affiliation, and so on. To these sources of diversity can be added sub-cultural memberships based upon gender, sexual orientation, leisure interests, religious belief, etc. To illustrate the point, crude and colourful language that one may encounter in a sub-culture of salespeople may be morally unacceptable, and therefore absent, from the sub-culture of a human resources department, where the values of political correctness or 'professionalism' are prized. Within each (sub-)culture, there are valued rituals, symbols, and artefacts that foster and articulate a sense of identity and purpose. That said, because it is likely that employees will be members of several sub-cultures, they may experience and learn to manage divided loyalties and conflicting priorities. Recognition of this multiplicity places in doubt the credibility of attributing a single (unified) culture to organizations.<sup>7</sup>

The complexities associated with sub-cultural diversity are further compounded by differences of hierarchical position. Consider the person who is recruited as a graduate trainee. As a trainee, they may be censured and punished for expressing views that are unacceptably opinionated or politically inept. Yet, when the trainee is promoted to become a manager, very similar behaviour may be tolerated and perhaps openly encouraged and rewarded. What was initially antithetical to certain values – such as taking initiatives or challenging conventional wisdom – may subsequently be applauded. This is not to say that all managers would approve of such behaviour, since within and across the ranks of management there are also sub-cultural differences in norms and values.<sup>8</sup>

By referring to 'culture' as if it were homogeneous and unified, much literature on organizational culture and business ethics conveniently disregards the complexities of sub-cultural differences and hierarchical divisions. When disregarding these differences, it is more readily believed that values and norms can be bestowed upon, or poured into, organizational members as if they were the equivalent of empty vessels waiting to be filled.<sup>9</sup> Lacking here is an appreciation of how values statements, for example, are interpreted and negotiated within particular sub-cultures by employees who engage diverse frames of reference. Consider a mundane decision, such as which team member or member of staff is to be selected as 'employee of the month'. Even if there are clear criteria for making this selection, it will be necessary to interpret the criteria, and to weigh them against each other, even when they are already ranked in an order of importance, before coming to a decision. Considerations come into play that are not reducible to the satisfaction of objective criteria even if,

after the fact, a decision is justified by reference to the criteria (see Box 3.5). Similarly, reference to a code of ethics, however detailed, proves to be of limited assistance when making a decision or pursuing a course of action. There is a space of indeterminacy in which a process of interpretation occurs, and for which personal responsibility may be accepted, unacknowledged, or denied. Coming to a decision relies, at least in part, upon understandings that remain tacit and unexplicated, and which are unacknowledged or inadequately covered by the code. Explanations of human behaviour that attribute courses of action to the (determining) presence of cultural norms and values, or which assume that the introduction of codes of conduct will produce desired behaviour, deny or devalue the ethical moment of freedom, and associated responsibility, in all decision-making.

A neglect of the role of freedom and the related uncertainties of interpretation may be compounded by a limited awareness of how power relations mediate processes of communication – as, for example, when employees appear to subscribe to corporate values but then act, in relation to colleagues or customers, in ways that belie any such subscription. Because employees are dependent upon organizations for work-based identity and esteem, and not just for a wage, this dependence may render them amenable to complying with corporate values which, as individuals, they do not hold, and in colluding in practices that are widely judged to be unethical – such as turning a blind eye to, or covering up, bullying, fraud, or sexual abuse. Compliance with corporate norms may seem to be voluntary but it is generally inspired, supported, and incentivized by symbolic considerations (e.g. status and esteem) as well as material dependence (e.g. income from employment) and, not least, by the thinly veiled coercion of peer pressure.

Yet, with some exceptions, employee identification with work and colleagues is incomplete. Other sources of identification – such as family, community, or religion – provide an alternative frame of reference that may lead employees to question, resist, or flaunt corporate values extolled in codes of ethics. In short, the ‘doing’ of culture is subtle and complex. What is deemed morally acceptable may well differ between departments and work groups as well as between hierarchical levels. Efforts to establish and enforce ‘official’ norms may be judged, morally, by certain groups of employees as unacceptably intrusive, unreasonable, or unduly harsh. This multifaceted, fragmented, intricate, and opaque quality of the contents of ‘organizational culture’ helps to account for why it can take some time for newcomers to ‘get their bearings’ (or they may resist doing so) and also why managing or changing ‘culture’ is fraught with difficulties and paradoxes.

### **Why ‘ethical culture’ matters: instrumental and moral considerations**

The Nore/Enron code of conduct states that employees will fulfil ‘moral as well as legal obligations . . . openly, promptly, and in a manner which will reflect pride on the Company’s name’. The distinction is an important one. The

fulfilment of legal obligations may well be a necessary condition of maintaining a good reputation. But it is rarely sufficient.<sup>10</sup> That is because what is legally permissible may be considered morally dubious or unacceptable. Insisting that no law has been broken may further damage reputation rather than restore it. Failure to appreciate this kind of ‘moral hazard’ can have calamitous consequences not only for trading, competitiveness, and profitability, but also for employee morale.<sup>11</sup>

Shell’s decision in 1995 to ‘dump’ the Brent Spar oil drilling platform in the North Sea was entirely legal and it even had support from technical experts. But it prompted global moral outrage and led to widespread boycotting of Shell filling stations. Similarly, encouraging employees to place their savings into their employer’s pension fund, as Enron did and many other companies do, is not illegal. Nonetheless, it has attracted moral opprobrium as it concentrates, rather than spreads, financial risk for employees whose pensions as well as their jobs are tied to the performance of the company. The difference between what is legally sound and what is morally acceptable helps to explain why values statements and codes of ethics, which in principle commit organizations to conduct their affairs in ways that extend well beyond what is legally required, have sprung up in recent years. Typically, corporate ethical codes prescribe employee commitment to a culture in which staff do not simply operate within the law but work to the ‘highest standards’.

Legal rules can be tested in the courts. Moral norms, in contrast, are ambiguous and indeed are ‘resistant to legalistic formulation and codification’.<sup>12</sup> Despite this ambiguity, norms and values – such as ‘fairness’, ‘trust’, and ‘respectfulness’ – are vital for accomplishing most forms of organized activity, including business. If, as a prospective employee, you do not expect to be treated ‘fairly’, why would you apply for a position in an organization, assuming that you have options to work elsewhere? In the absence of physical compulsion or military subjugation, values of ‘respect’, ‘trust’, or ‘dignity’ are pivotal for many, and perhaps all, forms of organized activity – from sporting events to paid employment. These values are not, however, readily manufactured in work organizations, despite the best efforts of human resource specialists.

Of course, acknowledging the importance of norms and values within work organizations does not deny that many people seek employment primarily for the instrumental purpose of securing an income that provides for their subsistence. But work also has a moral dimension that extends beyond the pay packet. That is because it is also of significance for identity, esteem, personal development, and so on. Being treated with a measure of ‘dignity’ or ‘respect’ is of importance for most people. That said, and to underscore the point about the ambiguity of moral norms, what counts as ‘dignified’ treatment is not self-evident. Banter that is playful to one party may be deeply offensive to the other. Work relations are morally charged precisely because some (ambiguous) level of ‘dignity’, ‘fairness’, and ‘respect’ is expected. What this means in practice does not, however, become very clear prior to some behaviour that

attracts a moral sanction – in the form, for example, of smouldering resentment, outright hostility, or other kinds of aggressive–defensive reaction. For example, during a conference call with stock analysts and reporters in April 2001, the then Chief Executive Officer (CEO) of Enron, Jeffrey Skilling, responded to a comment complaining about the lack of financial information provided by Enron by saying ‘Well, thank you very much, we appreciate that. Asshole’. In this case, the transgression was picked up immediately by other participants in the conference call, leading them to doubt Skilling’s suitability as CEO. When questioned about his ‘Asshole’ remark, Skilling was unrepentant about, and perhaps in denial of, the negative reaction that it had provoked. He made no apology. Instead, he offered the explanation that the comment had been made by ‘a short-seller in the market. I don’t think it is fair to our shareholders to give someone a platform like that they are using for some personal vested interest related to their stock position’. In other words, Skilling justified his ‘Asshole’ remark by suggesting that the complaint about lack of financial information was made by a party interested in weakening the Enron stock price.

The key point to be appreciated is that organized activity is endemically normative and moral, regardless of whether the organization is considered to be ethical. Take the example of the Mafia or a terrorist organization. Or take the case of a corporation with a checkered reputation, such as BAE Systems – one of the largest global defence, security, and aerospace companies, which has around 107,000 employees worldwide and reported sales of £22.4 billion (US\$36.2 billion) in 2009.<sup>13</sup> Each is widely viewed as corrupt (see Box 3.2). Yet each of these organizations relies upon morally charged norms of behaviour, which its members contravene at their peril. As the saying goes, there is ‘honour among thieves’. In such organizations, there is a morally enforced conspiracy of silence that is policed by accusations of ‘disloyalty’ and is backed by the threat of expulsion or worse. The combination of moral appeals to loyalty and the prospect of exclusion routinely ensures that ‘elephants in the room’ remain unidentified and ‘skeletons in the cupboard’ are undisturbed. A survey of BAE Systems’ staff published in its annual report for 2008 indicates that only 57 per cent of respondents thought it was ‘safe to speak up and challenge the way things are done in BAE Systems’.<sup>14</sup> This was despite the roll-out of its global code of conduct in the same year.<sup>15</sup>

In such organizations, moral conviction and obligation are keenly sensed. After a Mafia boss, Salvatore Lo Piccola, was arrested on 5 November 2007, Ten Commandments of Mafia morality were discovered, which included the following: ‘You have the duty always to be ready to render a service to the Cosa Nostra. Even if your wife is just about to give birth’.<sup>16</sup> Fulfilling this duty to fellow Mafiosi would be considered honourable – that is, morally upright – whereas giving priority to one’s wife would be shameful. In the BAE Systems code of ethics (which runs to over sixty pages), ‘employees are required to comply with the standards set out within the code’ and ‘failure to comply may result in



## Box 3.2

## BAE to settle bribery cases for more than \$400 million

Britain's BAE Systems plc reached settlements totalling almost \$500 million with the US Justice Department and the UK Serious Fraud Office to resolve longstanding corruption allegations that have dogged one of the world's biggest defence contractors.

Under the agreements, London-based BAE will plead guilty to charges in both countries, relating to transactions that took place before 2002. The investigations examined whether BAE had made illegal payments to officials in various countries to secure lucrative contracts.

The settlement allows BAE to continue bidding for government contracts. Investors had feared that a guilty plea might have resulted in BAE's debarment in the US or the European Union. In a sign of investors' relief, BAE shares in London closed up 1.6 per cent on Friday.

The UK's Serious Fraud Office (SFO) in November 2004 launched an investigation regarding BAE's alleged illegal payments in Saudi Arabia, a case that soon expanded to cover the Czech Republic, Romania, South Africa, and Tanzania. BAE's then Chief Executive, Mike Turner, denied the company had acted improperly.

In 2006, the SFO halted the investigation into allegations about BAE's Saudi operations under pressure from then-prime minister, Tony Blair, who had been lobbied by Saudi officials. Mr Blair cited national-security grounds as the reason.

After 2001, prosecutors allege, BAE made payments totalling more than £135 million and an additional \$14 million-plus to marketing advisers through one offshore entity, according to the court documents.

The US filing also alleges that BAE paid tens of millions of dollars to a Saudi government official and other associates, as well as to intermediaries, as recently as 2002. The payments were made as part of its management of a long-term agreement begun in the 1980s between the UK and Saudi Arabia to supply military hardware to the Saudis, US prosecutors say.

Derived from the *Wall Street Journal*, 6 February 2010.

disciplinary action'.<sup>17</sup> The key standards are remarkably similar to Nore/Enron's values statement (see Box 3.1): accountability, honesty, integrity, openness, and respect, the last of these being elaborated as 'we value each individual and treat them with dignity, respect, and thoughtfulness'.<sup>18</sup> Coincidentally, employees in both companies were driven by the moral imperative of deal-making, which was linked to status and esteem, and not just financial reward. In BAE Systems, deals were sealed by the bribing of customers and/or their intermediaries. At Enron, deals were lubricated by huge bonuses and related inducements paid to senior executives and traders. Consider, for a moment, the dilemma for a BAE Systems employee who knows of behaviour that contravenes 'the standards set out in the code'. They do not speak out about it because they fear the loss of employment and its impact upon their family. Is this decision morally defensible in the light of the code of ethics? Are representatives of the company morally justified in taking disciplinary action



against this employee? Or consider an employee who challenges the ethicality of behaviour that is not directly proscribed by the code. Is such a challenge morally defective?

### The allure of conformity: loyalty, exit voice

It is unity and conformity that is prized by architects of corporate culture and the authors of codes of conduct. Such unity is often claimed, or aspired to, when executives extol the distinctiveness of the culture of their organization. Such claims are presented as credible depictions, or perhaps as realizable aspirations. An alternative perspective interprets such claims as an increasingly central element of a stratagem pursued by corporate executives to reassure stakeholders, especially shareholders rendered nervous by a series of spectacular corporate failures such as Enron, Worldcom, and Lehman Brothers, that the company has a unified and morally upright sense of purpose. Specifically, the provision of values statements and codes of ethics is offered as evidence that the company is committed – by insisting upon consistency in its norms and values – to making employee behaviour morally impeccable. Whether the executives who champion such statements and codes themselves believe in delivering such unity and conformity is difficult to judge; but it is a message that, in their capacity as leaders and guardians of corporate reputation, they appear to be under considerable pressure to endorse and convey.

The unity message is reflected in, and reinforced by, mainstream thinking about business ethics. This thinking identifies ethics – in the form of codes or programmes, for example – as a technique or instrument for addressing the risks occasioned by self-interested behaviour and resulting loss of reputation.<sup>19</sup> The reality of such risks was demonstrated in the demise of Arthur Andersen, one of the ‘big five’ global accounting firms, in the wake of Enron’s collapse. An injection of business ethics is commended as an important means of mitigating risk when the aim of such interventions is to integrate ‘responsible corporate processes into organizations’ everyday activities’.<sup>20</sup> Advocates of codes and programmes tend to assume their effectiveness in changing behaviour, with the single proviso that their successful implementation depends above all upon the commitment of top management.

Ken Lay, when Chairman and CEO of Enron, was fully committed to the sixty-four-page code of ethics, produced in 2000. He provided its Foreword in which he writes that it is ‘absolutely essential’ that Enron employees ‘comply fully with these policies’. There is little reason to doubt that senior executives at Enron or elsewhere identify any significant conflict between pursuing business-as-usual and satisfying the requirements of ethical codes of conduct, including injunctions which, for example, urge employees to assume ‘responsibility for conducting business . . . in a moral and honest manner’ (see Chapter 4, especially the Introduction). It is anticipated, or fantasized, that the development of ethical codes and programmes for communicating core ethical values, beliefs,

and norms will result in employees accepting and absorbing their content. The benign effects and instrumental importance ascribed to codes and programmes of ethics accounts for why, when asked if they believed that ethics are good for the ‘bottom line’ of organizations, survey results tend to report that employees:

did not find business ethics an oxymoron; instead, they perceived that ethics and business can co-exist, values are good for the bottom line, and that it is not necessary to compromise one’s values to be competitive.<sup>21</sup>

Many business ethics studies take the values of business for granted as it selectively explores how ethics can be accommodating and supportive of business.<sup>22</sup> Marginalized by this approach is an appreciation of how appeals to deal openly and honestly with others – fellow employees as well as customers and suppliers – may be of *moral concern* to employees, and not just of *instrumental relevance* for doing business. Consider again the Nore/Enron values statement. If prospective and current employees interpret the Enron values statement literally, the organization may attract well-qualified staff, motivate them to work harder, and secure their *loyalty*, or at least their instrumental compliance may be secured.<sup>23</sup> A conspiracy of silence, supported by a culture of fear, may then emerge or become further entrenched such that raising doubts about the honesty and openness of aspects of ‘business-as-usual’ provokes anxieties about, or attracts accusations of, disloyalty.

Alternatively, if a corporate values statement is interpreted as phoney or deceptive, prospective or current employees may anticipate that they will be expected to transgress values that they personally esteem and strive to uphold (see Box 3.3).<sup>24</sup> Moral sensibility is again being exercised in interpreting and assessing the meaning and implications of the values statement. When employees feel misled or degraded, a possible outcome is *exit* – whether psychologically (demotivation) or physically (departure). Or, finally, employees may *voice* their dismay in the form of ‘resistance’ – as Sherron Watkins, an Enron executive, did when she eventually blew the whistle on Enron’s claims to honesty and openness by exposing the fraud involved in the Raptor, off-the-books, partnerships. (See also the Enron narrative in Chapter 4 and Chapter 9 on Whistle-blowing).

### Box 3.3

### The morality of the corporation

[B]ureaucratic work causes people to bracket, while at work, the moralities that they might hold outside of the workplace or that they might adhere to privately and to follow instead the prevailing morality of their particular organizational situation. As a former vice-president of a large firm says: ‘What is right in the corporation is not what is right in a man’s home ... What is right in the corporation is what the guy above you wants from you. That’s what morality is in the corporation ... What matters on a day-to-day basis are the moral rules-in-use fashioned within the personal and structural constraints of one’s organization.’<sup>25</sup>

Designed to foster compliance and thereby secure loyalty, codes of conduct and similar interventions may stifle voices as well as impede exit, with detrimental effects upon the mental health of employees and potentially disastrous consequences for other stakeholders.

It was noted earlier that the reception of 'ethical culture' is informed by employees' diverse frames of reference, some of which are drawn from identifications extending beyond the workplace (e.g. family, church). It is uncertain which frame of reference, or combined frames, will be mobilized. Will employees take a lead from family values, the values of the sub-culture with which they identify, or with the norms and values attributed to the organization? Managerial efforts to build and manage organizational culture are directed at increasing the likelihood that employee behaviour will be guided, or driven, by the last of these possibilities. Instead of loyalty, however, the preferred response of the employees may be one of 'voice' or even 'exit'. How employees respond is contingent upon a moment of indeterminacy, or freedom, in which, for example, a conviction drawn from family or community membership may result in giving 'voice' rather than showing 'loyalty'. This 'moment' exemplifies a defining feature of the human condition – that is, the absence of instinctual compulsion and an associated responsibility which accompanies the capacity for (collective) self-determination.

Dilemmas associated with the demands placed upon employees by values statements and codes often bring distress and expose the presence of conflicting values – as when, for example, employees come under pressure to suspend 'the moralities that they might hold outside of the workplace.'<sup>26</sup> Nor can such dilemmas be resolved by consulting codes of ethics. Even the lengthiest of such codes cannot provide definitive guidance in addressing issues where there are multiple and conflicting demands and possible resolutions. In this respect, at least, the first principle of the BAE Systems code of practice is credible when it states: 'Accountability: We are all personally answerable for our conduct and actions.' In other words, it is not possible to abrogate responsibility simply by 'following orders', in the form of the prescriptions detailed in the code. Nor is it possible to escape the burden of responsibility for addressing conflicts and dilemmas by 'passing the buck' – that is by placing the burden elsewhere – with 'the organization' or 'the boss'. Yet, perversely, this is exactly what codes of conduct routinely require employees to do. That is to say, their formal requirement is for employees to behave in ways that comply with the code of ethics. Elsewhere in the BAE Systems code, for example, employees are told that they will 'take responsibility for implementing the standards in this Code and will comply with all company policies and processes'. Exercising responsibility by being 'personally answerable for our conduct' is equated with, and confined to, taking personal responsibility for ensuring conformity to company policy.

In this way, the moral significance of personal responsibility is domesticated into something that is placed in the service of the corporation as a means

## Box 3.4

## Ethical corporate governance: guidelines for an ethical culture

The achievement of a set of ethical values widely shared by all the organization members must inevitably be based on the senior management's commitment to those values. In parallel, this must be accompanied by the existence of a formal corporate ethics programme (although that programme alone cannot consolidate an ethical culture).

Such a programme should incorporate certain elements that could be summarized as follows:

- (1) formal drawing up of a *code of ethics* that must articulate the firm's ethical expectations;
- (2) creation of *ethics committees*, whose task will consist of developing ethical policies, assessing employees' actions, and investigating violations of ethics;
- (3) maintenance of *ethics communications systems* that allow employees to report abuses and receive some action or behaviour guidelines;
- (4) appointment of an *ethics officer* as the person in charge of coordinating ethics-related policies;
- (5) development of *ethics training* within the firm, helping employees to recognize and respond to ethical issues;
- (6) regulation of a disciplinary process that can correct unethical behaviours.<sup>27</sup>

of facilitating compliance with its policies. In addressing tensions between (1) values to which employees are personally committed and (2) values institutionalized in corporate policy and practice, the outcome may be a reluctant bending of personal values to the culture of the organization, a dilution of integrity that may be facilitated by engaging a stratagem that distances the 'real self' from what, for instrumental reasons, employees feel obliged or compelled to do as corporate members. What, arguably, is accomplished by such stratagems is a self-deceptive displacement of the moment of moral responsibility that, arguably, is endemic to the human condition.

### Designing (ethical) culture and encountering resistance

So far we have been exploring aspects of organizational culture by emphasizing the role of interpretation and power, highlighting its moral as well as its instrumental facets, and noting how the response to interventions intended to improve 'ethical culture' may be accompanied by 'voice' and 'exit' as well as 'loyalty'. But what exactly is meant or implied by the idea of 'improving the ethical culture' of an organization? It is remarkable how rarely this question is addressed in the business ethics literature. Where 'ethical culture' is examined it is in ways that assume its meaning is self-evident (see Box 3.4). Alternatively, it is discussed in a circular way by, for example, conceiving of it as 'encompassing the experiences, assumptions, and expectations of managers

and employees about how the organization prevents them from behaving unethically and encourages them to behave ethically'.<sup>28</sup> There have been some attempts to discern the specific virtues attributed to 'ethical culture' – such as the extent to which ethical expectations are understandable to employees, or the degree to which employees, managers, and supervisors act in accordance with these expectations. But there is no specification of the kinds of expectations that are to be counted as ethical or how they become 'understandable' and are 'acted upon'. This rather begs the question of how such expectations are interpreted and how their exemplification by managers is accomplished and recognized.

What can be said with some confidence is that initiatives introduced to manage ethical conduct assume a degree of malleability of employee values and norms. Such initiatives, as we noted with reference to BAE Systems's code of conduct, are clearly intended to cultivate and harness employees' capacities – for self-discipline and self-actualization – in the pursuit of corporate purposes. The introduction of ethical codes and programmes forms part of a 'modern' approach to management. This approach, which invites greater involvement and identification with the design of work processes and the delivery of services, presents an alternative to an earlier, now seemingly outmoded, conception of employees (as wilful wage-maximizers) that is considered to lack psychological depth and subtlety. In the modern view, employees are regarded as amenable to corporate education and motivated by non-financial forms of motivation, including the moral guidance provided by ethical codes and programmes.

What the prescriptions contained in ethical codes and programmes tend to overlook, however, is the difference between (1) setting out a framework of shared values and (2) institutionalizing those values in employee attitudes and behaviour. Simply to keep their jobs and/or to reduce dissonance with their own values, employees at all levels may comply with the letter, but not necessarily enter into the spirit, of values statements and codes of conduct. Despite a managerial celebration of the 'modern' employee, identification with the contents of these statements and codes may be minimal and their significance may be viewed as predominantly instrumental. *Formal* compliance is, of course, more desirable, managerially, than covert resistance or outright hostility. But mere conformity is not ideal. Management gurus such as Tom Peters and Robert Waterman, and chief executives like BAE Systems's Ian King, aim for nothing less than a full, *substantive* commitment to core corporate values (see Box 3.5). As Ian King writes, in his foreword to the BAE Systems code of conduct, 'I am personally committed to creating an environment where people feel comfortable that they can raise the issues without fear of retaliation. *Every one of us is required to uphold this commitment*'.<sup>29</sup>

Despite the best efforts of culture change gurus and champions, however, full commitment to corporate values is exceptional. Most employees are influenced by allegiances to 'sub-cultural' and extra-corporate memberships that are not necessarily congruent with the prescriptions set out in corporate values statements and codes of ethics. As a consequence, employee behaviour repeatedly

## Box 3.5

## Modern management thinking

In modern management thinking, it is by establishing, communicating, and reinforcing a set of corporate values that employees are enabled to harness their creative energies to the fulfilment of corporate goals: '[E]very minute, every hour, every day is an opportunity to act in support of [the corporation's] overarching themes.'<sup>30</sup> Such commitment is illustrated, rather painfully, by Peters in the example of the devoted Honda employee who 'on his way home each evening straightens up windshield wiper blades on all the Hondas he passes. He just can't stand to see a flaw in a Honda.'<sup>31</sup>

disappoints those who call for unconditional dedication to corporate values. As a result of other affiliations but also because employees' sense of freedom and individuality may be expressed by transgressing corporate principles and standards, there can be no guarantee of their loyalty. The capacity for 'deviance' extends from different groups of rank-and-file workers to their supervisors, managers, and even, or perhaps especially, to the executives who sign off the values statements and codes of conduct as they alone escape detailed, day-to-day surveillance of their conduct.

For these reasons, efforts to establish or strengthen 'ethical culture' are likely to encounter forms of resistance. Resistance may be fuelled by a defensive attachment to established practices, or it may be provoked when management intrudes into areas – of values, feelings, and identifications – over which it is assessed to lack a legitimate claim.<sup>32</sup> Antagonisms arise when there is a repugnant sense that management is sequestering the right and responsibility of employees to decide on the 'range of practices that constitute, define, organize, and instrumentalize the strategies that individuals in their freedom can use in dealing with each other'.<sup>33</sup> Such antagonism stems from a moral sensibility hostile to the (managerial) goal of channelling employee autonomy into the fulfilment of (managerially defined) corporate objectives, irrespective of their compatibility with employees' ethical concerns and priorities.

Hostility or resentment may be further inflamed when interventions ostensibly introduced to 'promote ethical conduct' are assessed to be motivated by a desire to convey a convincing *impression* of valuing ethical conduct when, in practice, this aspiration is overridden by other priorities. When impression management is the unstated purpose of such interventions, this becomes apparent when little or no evidence can be found of efforts directed to changing the values embedded in the culture or sub-cultures of the organization. The absence of this effort may reflect an assessment by senior executives that the realization of espoused values would require a huge commitment of resources with a minimal prospect of lasting change and the likelihood that, if successful, the organization would not be transformed but destroyed. So establishing or strengthening an 'ethical culture' in any meaningful sense may be a high-sounding aspiration, but it is not something to be acted upon. Projecting a

desirable, reassuring image of the company, in contrast, is feasible as it is comparatively undemanding, inexpensive, and free of risk. Publicizing the intention to foster and/or strengthen an ‘ethical culture’ offers a cost-effective way of enhancing the standing of the company and its executives in the eyes of key stakeholders and gatekeepers (e.g. regulators or politicians).

## Enron

What, ‘ethics’ did ‘Enron culture’ embody? The company *espoused* a common set of values; and a common set of values was also deeply *engrained* within Enron/Enron. The espoused values included those that introduce this chapter.<sup>34</sup>

In addition to ‘integrity’ and ‘excellence’, Enron’s values statement espoused two other key values – ‘communication’ and ‘respect’. Although it is unlikely that many other companies have matched Enron’s excesses, the company’s values statement and code of ethics is not readily distinguishable from numerous other corporations. Indeed, an ‘Enron test’ has been devised by Tom Connellan in which the Enron values statement is copied together with equivalent statements from other major companies.<sup>35</sup> All names are then erased from the documents before extending an invitation to identify which is the Enron statement. The exercise underlines how values statements, ethical codes, ethical programmes, and so on, are both widespread and uniform across modern business organizations. As we noted earlier, they have become a standard(ized) means of addressing stakeholders’ concerns about the security of their ‘stakes’. Before the demise of Enron in 2001, the company’s values statement and code of conduct might conceivably have been viewed as indicators of a genuine commitment from business to transform its conduct, and thereby contribute to addressing the declining level of trust in business.<sup>36</sup> More cynically, such statements and codes might have been regarded as window-dressing that places companies in a comparatively favourable light. Post-Enron, it might be asked to what extent such statements, codes, and programmes serve to obscure and displace ethical issues, and therefore form part of a milieu, or web, of institutionalized deceit and corruption.

So much for the aspirational values *espoused* in values statements and codes of conduct. What about the *engrained* and incentivised values? An extract from an Enron press release is reproduced in Box 3.6. It accompanied a gathering of hundreds of Enron executives in January 2001 when the CEO, Ken Lay, unfurled a vision that, he declared, would make Enron ‘the world’s greatest company’.<sup>37</sup> According to Sims and Brinkmann, in this vision, ‘Enron appeared to represent the best a 21st century organization had to offer, economically and ethically’.<sup>38</sup> Instructively, however, the press release points primarily to features of Enron culture that are not reflected in its values statement or its code of ethics. Reference is made to the company’s ‘world-class employees’ and the ‘fast-paced business environment’. There is no mention of the values of these employees beyond a ‘commitment to innovative ideas’. The accolade of being named the most innovative company for the sixth consecutive year



## Box 3.6

## Enron named most innovative company for sixth year

HOUSTON – Enron Corp. was named today the ‘Most innovative company in America’ for the sixth consecutive year by *Fortune* magazine.

‘Our world-class employees and their commitment to innovative ideas continue to drive our success in today’s fast-paced business environment,’ said Kenneth L. Lay, Enron Chairman and CEO. ‘We are proud to receive this accolade for a sixth year. It reflects our corporate culture which is driven by smart employees who continually come up with new ways to grow our business.’

Enron was placed No. 18 overall on *Fortune*’s list of the nation’s 535 ‘Most admired companies,’ up from No. 36 last year. Enron also ranked among the top five in ‘Quality of management,’ ‘Quality of products/services,’ and ‘Employee talent’.

Corporations are judged primarily from feedback contained in confidential questionnaires submitted by approximately 10,000 executives, directors, and securities analysts who were asked to rate the companies by industry on eight attributes.<sup>39</sup>

is attributed to ‘our corporate culture’. But this culture is not characterized in terms of its espoused values of integrity, excellence, respect, and so on. Instead, the reference is to Enron’s ‘smart employees’ who ‘continually come up with new ways to grow our business’. Two obvious questions are begged by this description of Enron culture: what enabled the company to attract and retain what Lay calls ‘smart employees’? What exactly did these employees do to ‘grow the business’?

Central to Enron culture was a dedication to deal-making and the use of performance-related pay to ‘come up with new ways to grow the business’ – from the use of stock options to the receipt of bonuses related to (often future) revenue generation. As an aside, this became the culture of financial services companies and investment banks in the years following Enron’s collapse, and which eventually ‘blew up’ in 2008. The aim was to pump up short-term stock performance, a goal assisted by financial engineering in which complex accounting dodges served to inflate Enron’s assets (see Enron narrative, Chapter 4) and kept liabilities off its books.<sup>40</sup> The construction of Enron culture also relied upon a wider system of business in which bankers, accountants, lawyers, politicians, and charities simultaneously supported, and benefitted from, the company’s ostensibly exceptional performance.

Participation of Enron employees in a system that was subsequently shown to be mired in deceit and corruption depended upon an *engrained* culture in which ‘employees were afraid to express their opinions or to question unethical and potentially illegal business practices’.<sup>41</sup> At its core was the performance review process, also known as ‘rank-and-yank’. This ‘up-or-out’ evaluation process incentivized key employees, notably traders, to make bigger and better (that is, more lucrative but more risky) deals. ‘The best and brightest’ talent

was hired by Enron from top business schools, where its recruiters competed against investment banks and top law firms offering the biggest remuneration packages and ‘perks’ (see Chapter 4). The task of these recruits was to meet the expectation that Enron stock would rise by 20 per cent per annum. Pressure mounted as the profits of deals were booked up-front, resulting in intensified urgency to make further, bigger deals. Since the performance review process was arbitrary and subjective in its ‘ranking’ and ‘yanking’, it was easy for managers to ‘reward blind loyalty and quash brewing dissent’.<sup>42</sup>

What effect did the performance review system have upon the values presented in the Enron values statement? According to Fusaro and Miller, it undermined any prospect of ‘work[ing] with customers and prospects openly, honestly, and sincerely’.<sup>43,44</sup> The engrained and incentivized system of values rewarded short-term financial performance. In practice, booking profits from deals was the sole and overriding aim and ‘value’ of Enron culture. ‘No bad news’ was an unwritten rule since its reporting was taken to imply a lack of belief in, and commitment to, the organization – with terminal consequences for career.<sup>45</sup> Unwavering loyalty to the organization was expected, and this was demonstrated in one way only – by performing. ‘Provided they performed to a high standard, [employees] could count on an unlimited benevolent attitude from Enron’s leaders’.<sup>46</sup> Otherwise, they were shown the exit. What about the managers of the traders doing the deals? Why didn’t they ensure that the Enron values statement and code of ethics were applied when doing business? According to Sherron Watkins, Enron managers learned to stifle ‘voice’ as they would be complained about by the Performance Review Committee if ‘they did not help commercial dealmakers achieve financial goals by pushing deals through the system’.<sup>47</sup>

## Ethics in business

Whenever the term ‘ethics’ makes an appearance in the domain of business, there is a risk that it will expose the operation and effects of business activity to critical scrutiny – such as environmental degradation, the compromising of personal ethical standards by business pressures, or the use of tax havens to minimize the contribution of corporations to the payment of taxes that ensure the provision of public services. It is difficult to imagine how, for example, at least two of the five ‘principles’ that introduce BAE Systems’s ethical code of conduct can be enacted by its employees without putting the company out of business. These principles are: ‘Honesty: there is no substitute for the truth’ and ‘Openness: when questions are asked we will be frank and straightforward in our answers’.<sup>48</sup> This assessment of the business consequences of enacting the principles may be regarded as unduly cynical. But unless BAE Systems’s competitors implement similar principles, the company’s apparent preparedness

to share its secrets, volunteer sensitive information, and display its dirty washing – all of which are implied by the principles of Honesty and Openness – are likely to place it in a position of commercial disadvantage *vis à vis* its competitors.

Worse yet, associating ethics with business may open up questions about the morality of business *per se*. Competitive pressures to generate shareholder value or become exposed to hostile takeover bids are at the heart of capitalist enterprise and were intensified at Enron. These pressures are resistant to, and corrosive of, even the best-intentioned efforts to make radical, substantive improvements in the ethics of business. Associating ethics with business threatens to pose questions of accountability (e.g. for environmental degradation) that most executives and shareholders would prefer to remain unasked. To the extent that corporations are resistant to, or even subversive of, scrutiny of ‘ethics in business’, the recurrent challenge for proponents of ‘business ethics’ is to frame and domesticate the meaning of ethics in ways that render ethics compatible with, and subservient to, business practices. The challenge for advocates of ‘business ethics’, academics, and executives, is to construct an agenda where fundamental questions about ‘ethics in business’ – with regard to, for example, fair trade, biodiversity, global warming, and sustainability – are silenced or, better, not voiced. The challenge for ‘business ethics’ is to domesticate and ‘reengineer’ thorny questions and issues into amenable assets for bolstering or restoring the legitimacy of business.

### Domesticating ethics

The risk of ethics corroding or delegitimizing business is mitigated by circumscribing the meaning of ethical conduct in ways that more readily accommodate business activity. Managing this risk is accomplished by bracketing out, or diluting, wider issues of morality. This is done by underscoring the importance of what is legally permissible, as contrasted with what is morally contestable, with regard to, for example, the use of tax havens by major corporations to minimize contribution, through taxation, to public welfare, the outsourcing of production to sweatshops, or the closure of pension funds. Attention is concentrated upon how ethics can be narrowly defined and applied in ways that are productive for the pursuit of business. The widespread formulation of ethical codes and programmes, the appointment of ethics officers, the introduction of initiatives intended to develop stronger ethical cultures – all of these contribute to legitimizing business objectives by projecting a favourable impression of business paying attention to ethics. Transmitted through culture, ethics becomes a handy, comparatively inexpensive tool for managing corporate image, and perhaps also for improving performance and securing competitive advantage.

Enron has provided an example of how a code of ethics, assembled by doubtless well-intentioned human resources management specialists or consultants, and endorsed by its Chairman and CEO, is deployed as a business tool to

## Box 3.7

## Codes of ethics and conduct: Enron and BAE

**Foreword to the Enron code of ethics**

We want to be proud of Enron and to know that it enjoys a reputation for fairness and honesty and that it is respected. Gaining such respect is one aim of our advertising and public relations activities, but no matter how effective they may be, Enron's reputation finally depends on its people, on you and me. Let's keep the reputation high.

Kenneth L. Lay  
Chairman and CEO

**Foreword to the BAE Systems code of conduct**

I am determined that we are recognised both as a high-performing company in terms of our programme and financial performance as well as a leader in standards of business conduct among global companies ... business conduct ... is essential to sustaining our personal and collective reputations.

Ian King  
Chief Executive

reassure stakeholders and attract financial and human resources (see Box 3.7). Another example is Lehman Brothers, which traded for 158 years before its doors were closed in 2008. The company's ethical code stressed the importance of trust, stating that '[t]he lynchpins of that trust are our ethical standards and behaviour'.<sup>49</sup> We must always do business in a manner that protects and promotes the interest of our clients'.<sup>50</sup> The authors of the Enron and Lehman Brothers codes of ethics clearly appreciated the importance of securing the confidence and trust of their stakeholders. But it is also clear that, in the end, more potent forces took priority over these ostensibly ethical concerns.

In the short term, codes of ethics as well as the 'advertising and public relations activities' may lubricate business activity by bolstering trust and confidence.<sup>51</sup> Surely, companies like Enron and BAE Systems would not prepare and publish a code of conduct running to sixty-plus pages if they were not serious about ethics? Yet, a focus upon ethics programmes in which codes of ethics play an integral part, may do little more than present an *appearance* of ethicality. This scenario illustrates a wider issue where, as Roberts puts it, 'the problem of ethics is cast merely in terms of the desire to be seen to be ethical'.<sup>52</sup> This desire, Roberts suggests, is *narcissistic*, preoccupied with self-image and a preparedness to do whatever it takes to enhance this image – where the 'self' is that of company executives who, by treating the corporation as a mirror for evaluating their standing, see themselves reflected exclusively in the (dollar) value that is attributed to the company and the bonuses awarded

to them.<sup>53</sup> In the case of Enron, the appearance conveyed by the company was evidently beguiling to its ‘smart employees’, clients, and investors, as well as to its executives. Whatever doubts or reservations they may have harboured, these stakeholders were open and ready to be persuaded that Enron was no less than what it appeared to be, and indeed was reported to be by its auditors, regulators, stock analysts, and media commentators. Reassured that these ‘professionals’ were sufficiently confident in Enron to take or maintain a stake in the company, the decision to join – as an employee, as a supplier or as a small investor – was a ‘no brainer’.

### Interrogating soft managerialism

Conventional wisdom suggests that company executives have a duty to nurture elements of culture that improve the ethicality of employee conduct. We have noted how interventions prompted by this executive duty, such as the introduction of value statements and ethics codes, require employees to suspend their personal ethics or the ethics of their sub-culture. In effect, employees are required to give priority to the codes. This implies that personal integrity may, or indeed must, be compromised when it deviates from the morality of the codes. In this respect, the very ethics of initiatives introduced to impress a particular set of values or ‘ethical culture’ upon employees may themselves be questioned.<sup>54</sup>

Moreover, complying with the code may become a substitute for taking personal responsibility. Once the code has been issued, the values statement read, and the ethics programme attended, employees and managers alike may conclude that little further attention need be paid to the ethics of their conduct. The ethics box has been ticked. It is time to continue with business-as-usual, confident that appropriate steps have been taken to ensure and demonstrate the ethicality of whatever the company does. The resumption of business-as-usual is hardly surprising or unexpected when it is recalled that the prescriptions of ethical programmes and codes compete with other pressures and priorities – such as performance targets and career progression. So, as a consequence, it could well be that the most significant contribution of ethics codes and programmes lies in fashioning an alluring shell for normalized secrecy, rivalry, and fear where what passes for ‘loyalty’ to the organization and/or pressures to perform and progress make it very difficult to voice more searching questions about business morality.

Addressing such concerns, Sinclair contends that retaining diversity in personal and sub-cultural values can mitigate a tendency for ethics codes and associated programmes to suppress debates about values, and thereby impede continuing reflection on the ethics of business.<sup>55</sup> A challenge for advocates of ‘business ethics’, she suggests, is to better comprehend, *respect*, and mobilize sub-cultural values ‘towards goals which are consistent with, or ideally advance, those of the organization’. Diversity of values, Sinclair contends,

is not a problem that requires disciplining by a monolithic ‘ethical culture’. Rather, diversity is a potential resource for resisting the uniformity of ‘group-think’, thereby enriching creativity and contributing to superior performance. Moral diversity within sub-cultures is celebrated for its capacity to challenge the development of a dominant culture which, when ‘insulated from those who offer a different definition of ethical actions’, is seen to jeopardize the very survival of the organization.

Sinclair’s justification for safeguarding the moral diversity of sub-cultures is framed in terms of its *instrumental* benefit for organizational morale, effectiveness, and survival. Her defence of diversity is couched in terms of its contribution to maintaining a hierarchical form of organizing that, at best, *selectively* appropriates sub-cultural elements to serve this form. This is paradoxical as, in the process of appropriation, it is likely that aspects of diversity will be devalued or diluted. Both the unified culture approach, with which Sinclair takes issue, and the alternative of mobilizing the diversity of values within sub-cultures, are harnessed to established priorities. Despite an emphasis upon sub-cultural diversity, there is an unquestioned assumption that organizations have goals that somehow transcend the values or purposes of their members. It is assumed that such goals are both readily identifiable and uncontested, rather than framed and negotiated within relations of power – relations that are reproduced or transformed by those who support or resist established priorities. There is no acknowledgement of how an assumption of a goal that is shared itself reflects and reinforces the distinctive, sub-cultural values or fantasies of an executive sub-culture. Politically, the significance of retaining an assumption of goal consensus is, *inter alia*, its bestowal of a measure of moral legitimacy upon the selective appropriation of sub-cultural values, which otherwise might be regarded as a form of morally indefensible interference.

### Debunking social determinism

Fortunately, there is an alternative basis for defending the diversity of sub-cultural values and, more specifically, for protecting and nurturing values capable of challenging the ethics of the *status quo*. Sinclair herself alludes to this when she characterizes the process of being ethical as:

*taking moral responsibility for a decision* and critically analysing the underlying assumptions of each course of action to better understand value choices, before finally applying decision standards and deciding.<sup>56</sup>

Here Sinclair highlights the significance of ‘the process of moral thought and self-scrutiny’ which, arguably, forms the basis of any claim to act ethically rather than, say, in conformity with a code of ethics, or simply to maintain appearances. Conceived in this way, the meaning of ‘ethical’ is reserved for behaviour that involves ‘taking personal responsibility’. What, then, are the conditions of possibility for assuming this responsibility?

One possibility is to conceive of ‘taking moral responsibility’ as a learned response nurtured within particular cultures.<sup>57</sup> The idea of taking personal responsibility can only make sense in a cultural context where responsibility for actions is attributable to human beings, conceived as discrete and autonomous individuals, rather than to a supernatural force, or to a wider collective, such as the ‘brotherhood’ or the ‘company’, in which the notion of the autonomous individual lacks plausibility and/or legitimacy. There is, however, another important condition of possibility for taking responsibility, regardless of how it is attributed. To appreciate this condition, it is necessary to dip briefly into the field of philosophical anthropology.

A condition of taking responsibility for one’s decisions is the ‘relative world-openness’ that is ‘intrinsic to man’s (*sic*) biological make-up.’<sup>58</sup> As *homo sapiens* (co)evolve in relation to the constituent elements of the biosphere, a measure of world-openness or indeterminacy develops. This emergent openness gradually and partially supplants a world of instinctual closure where there is ‘a largely fixed relationship to the environment’ such that actions are governed by natural forces. Accompanying this openness is ambiguity and uncertainty; and it is this openness that permits the construction of a *social* reality manifest in diverse forms of institution – institutions that include such social objects as ‘values statements’ and ‘codes of conduct’. In this philosophical anthropology, human beings are conceived to be responsible for (re)producing and transforming social realities in which relative world-openness is translated into ‘relative world-closedness’. For example, the (ethical) issue of how to exercise the freedom associated with ‘relative world-openness’ is addressed and resolved, at least in principle, by the introduction of a code of conduct: the code provides instructions for reaching closure. In order to ‘take responsibility’, however, it is necessary to resist or debunk understandings that locate responsibility elsewhere – for example, in natural forces, predestination, or, indeed, in the agency attributed to work organizations, their values statements and codes which invite employees simply to ‘follow orders’.

The idea of ‘taking moral responsibility’ implies a criticism of forms of social determinism where, for example, society, social background, or organizational membership and associated compliance with ethical programmes and codes are conceived to ‘control human conduct by setting up predefined patterns of conduct, which channel it in one direction as against the many other directions that would theoretically be possible’.<sup>59</sup> Of course, debunking social determinism does not deny the role of institutions and institutionalization in processes of self-formation and, relatedly, in the formation of sub-cultural norms and values. It only challenges any suggestion that institutions exert a *determining* influence by appearing to confront and shape human beings as an ‘external and coercive fact’.<sup>60</sup> Where this appears to occur, there is a forgetfulness of how each institution is the result of past human activity, and of how the continuing existence of institutions requires ongoing active participation, and associated responsibility, of human beings in their (re)production. Unless this



ongoing involvement is recalled and appreciated, social reality, including the sense of self, is ‘apprehended as an inevitable fate, for which the individual may disclaim responsibility’.<sup>61</sup> It is precisely an invitation to disclaim responsibility that is extended when employees are required and coerced into complying with the prescriptions of ethics codes. Or, more precisely, they are urged to limit their responsibility to ensure that their behaviour is congruent with such prescriptions – that is, to ‘follow the orders’ set out in the code.

## Ethics and freedom: Michel Foucault

The absence of determinism in social life or, more positively, the presence of freedom is, as Foucault argues, a crucially important condition of ethics.<sup>62</sup> That is because freedom – or release from determination – is a condition of the possibility of taking personal responsibility for whatever (social) kinds of closure are established and maintained. Forms of closure are conceived by Foucault as the enactment of ‘governmental technologies’ that regulate social life and ‘often’ facilitate ‘states of domination’.<sup>63</sup> In the absence of an ‘openness’ that defies and disrupts determinism, ethics makes little sense. When the primacy of ‘openness’ and associated freedom is posited, then forms and processes of control, including the ethics codes and programmes, are seen to exemplify practices of ‘governmentality’ through which ‘free individuals’ mobilize diverse instruments to govern others.<sup>64</sup>

Even the most mundane of actions is understood to be underdetermined by instinctual and institutional forces, and therefore to involve ongoing moments of decision-making – even when these moments may appear to be habitual, unconscious, or contextually determined. At the heart of Foucault’s concept of governmentality, then, is freedom: ‘the concept of governmentality makes it possible to bring out the freedom of the subject [e.g. the CEO or the employee] and its relationship to others – which constitutes the very stuff of ethics’.<sup>65</sup> When understood in this way, the human condition is defined by its inherently and profoundly ethical quality. It is a quality that supports the reflexivity and self-scrutiny to which Sinclair points when she describes the process of being ethical as ‘taking moral responsibility for a decision’, and which is also at the centre of what Foucault calls the ‘conduct of conduct’.<sup>66</sup> In human institutions, forms of self-scrutiny are integrated into, or become resistant to, techniques of control and forms of domination.

This capacity for self-scrutiny is referenced by Ken Lay in his foreword to the Enron code of ethics where he urges employees to ‘reflect upon your past actions to make sure that you have complied with the policies’.<sup>67</sup> However, as this quote indicates, the capacity is reserved for, or restricted to, the ‘responsibilization’ of employees who are asked to mobilize this capacity to ensure their compliance with Enron policies. For Foucault, this is more a limitation of freedom than an

expression of it. In his thinking, ethics is ‘a conscious practice of freedom’ in which the ‘ethical subject’ is disclosed ‘in relation to (or even against) those social and organizational rules and norms which seek to determine or dictate what a person should or should not be’.<sup>68</sup> Such ‘disclosure’ occurs when the possibility of non-compliance is contemplated, and not when the capacity for self-scrutiny is engaged to ensure conforming to ‘social and organizational rules’.

Ethical conduct is, according to Foucault, ‘the considered form that freedom takes when it is informed by reflection’.<sup>69</sup> A distinguishing feature of such conduct, Bauman has suggested, is that it is never assured of its ethicality.<sup>70</sup> It retains the suspicion that the action taken is morally deficient.<sup>71</sup> Actions are ethical only when full personal responsibility is taken for them; and this would include a decision to act in a way that conforms to the requirements of an ethical code. From this it follows that an ‘ethical culture’ is not one in which employees comply with the letter of an ethical code. Rather, from a Foucauldian perspective, an ‘ethical culture’ is one in which members are enabled to take responsibility for ‘self-scrutiny, weighing up individual obligations and responsibilities, then weighing up professional and organizational responsibilities . . . before finally applying decision standards and deciding’.<sup>72</sup> A culture or sub-culture in which ‘values and norms become so entrenched that self-inspection is unnecessary’ is not, in this sense, ethical.<sup>73</sup> It is not ethical because, in such a culture, the sense of self has become so encrusted and self-assured that only the reproduction of cultural norms, or conformity with the code of ethics, counts as ethical. In such cases, employees have become so identified with the dominant norms or values statement that they effectively deny, or refuse, the freedom that, as argued above, is a defining feature of the human condition. To personalize this point, your conduct is ethical when you are no longer narcissistically preoccupied with reproducing or defending your ‘self-certainty as an enclosed and isolated subject’.<sup>74</sup> You abrogate ethical responsibility when you attribute this responsibility to others (or to a code of ethics or a ‘boss’) who, in effect, do the ‘ethical work’ for you. And, paradoxically perhaps, in doing so, you become more vulnerable as you become dependent upon transient values and norms to affirm an inherently precarious sense of ‘self-certainty’ (Box 3.8).

This may strike you as implausible. After all, aren’t most people inclined to associate (our) goodness with conformity to the values privileged by authorities and other dominant regimes of truth, such as those encountered in work organizations, and not with how we exercise our freedom to accept or to transgress those values? Foucault, by contrast, invites us to engage in ‘ethical work’ in which the ‘ethical subject’ is disclosed through processes of self-scrutiny. This process necessitates engaging with, and interrogating, our (power-invested) accounts of the self, including those that have become integrated into, and colonized by, our involvements in practices of domination. As Faubion notes, Foucault ‘never takes the ethical for granted. [He] acknowledges the considered

## Box 3.8

## Skilling's faltering self-certainty

The possibility of what is meaningful to us becoming dislocated and even evaporating is ever-present; and this possibility is terrifying as it threatens to annihilate the reality of the 'encrusted' self. It seems likely that the possibility materialized for Jeffrey Skilling, ex-CEO of Enron, who suffered a nervous breakdown two months after being arrested and charged with fraud, insider trading and other misdemeanours, and for which he subsequently received a twenty-four-year jail sentence.

Seemingly overtaken by paranoia, Skilling reportedly harassed several persons and accused them of being undercover FBI agents before police were called. Skilling's resignation (reportedly in tears) as CEO of Enron for 'personal reasons' had occurred three years prior to this arrest. His resignation coincided with a slide in the Enron stock price from a fifty-two-week high of \$90.56 on 23 August 2000, to \$42.93 on 14 August 2001, the day before he resigned.<sup>75</sup> The month following his resignation, Skilling sold 500,000 Enron shares and, in total, is reported to have made \$70 million from the sale of Enron stock. By the time of his trial, it seems that Skilling had regained his composure by rebuilding his encrusted self. Indeed, in an interview given to the *Wall Street Journal* (17 June 2006), a month after receiving his sentence, Skilling says that he sought psychiatric help and emerged from a lengthy 'malaise' (he became a recluse, staying in bed and obsessively following media coverage of the scandal) only after his 2004 indictment: 'The indictment, in a lot of ways, that was the turning point', Skilling told the newspaper. 'That's when I started climbing back.' At his trial, Skilling continued to protest his innocence, saying that 'the company's collapse was the work of a small number of rogue staff – not including Lay or himself – and that its implosion was hastened by the feeding frenzy following the earnings restatement in October' (BBC News, 2006).

practice of freedom as a human possibility. Ethical work requires a refusal to conflate moral acts with those that conform to rules, laws, values or codes'.<sup>76</sup>

The dis-closure of the ethical subject is perhaps best conceived as a process of struggle, in which diverse available narratives of self are assessed to enable or inhibit self-scrutiny. Inhibiting narratives include those of business ethics where, as we have seen, self-scrutiny is restricted to monitoring and ensuring conformity with value statements and codes. Conventional wisdom denies, or at best marginalizes, the significance of the practice of freedom as a condition of ethical conduct.

### Rethinking Enron and beyond

In returning to the example of Enron, it is possible to appreciate how attentiveness to corporate means of developing 'ethical cultures' can displace and obscure more probing ethical questions and weaken the capacity to act ethically.

Instead of appreciating and nurturing human freedom, it is effectively suppressed or channelled to fulfil corporate objectives. Employees are conceived not as free, but as self-interested agents who must be induced – rewarded or punished – in order to ensure that self-interest is funnelled in desired directions. In academic circles, this thinking is distilled in agency theory.<sup>77</sup> From an agency theory perspective, issues of governance and ethics are couched within, and preoccupied with, the question of how to incentivize self-interested, opportunistic managers and employees so that their behaviour becomes more closely aligned with those of shareholders. The pursuit of this alignment extends to compliance with the principles and standards contained in codes of ethics that all employees are ‘expected to follow’.<sup>78</sup>

A corporate culture dominated by agency thinking, Kulik argues, is one in which ‘employees tend to explain their behaviour as controlled by governance mechanisms’ in a way that effectively denies personal responsibility for their behaviour.<sup>79</sup> In Foucauldian terms, agency thinking assumes a sovereign view of power in which one party, in the form of shareholders, strives to ensure that it is in the self-interest of employees to respect their ownership and increase the value of their holdings. The challenge of governance, from this perspective, is to induce managers and other employees – for example, by using share options and bonuses or threatening disciplinary action – to be compliant. Roberts notes how the assumptions of agency theory ‘have been read onto corporate governance, and informed its reform in recent decades; they have resulted in what are now an almost universal set of techniques and practices designed to control the conduct of executives both within the corporation and externally’.<sup>80</sup> Roberts concludes that the remedies favoured by proponents of agency theory to resolve corporate misdemeanour are ‘better seen not as the solution but as the source of the governance problem’. Policy guided by agency theory has, if anything, contributed to an elaboration of self-interested opportunism, not to its reversal let alone its demise.<sup>81</sup>

The Foucauldian critique of conventional wisdom, as distilled in agency theory, is based upon the understanding that human nature is not inherently ‘good’ (altruistic) or ‘bad’ (self-interested) but instead is indeterminate or open. As we have seen, Foucault retains an emphasis upon the importance of freedom informed by reflection as a basis for distinguishing conduct that is informed by ‘ethical work’ from conduct that simply conforms to a culturally or organizationally favoured set of norms or values. Importantly, the Foucauldian concept of governmentality places the exercise of freedom articulated in ethical work within relations of power that take the form of ‘political rule and economic exploitation’. In other words, ‘governmentality’ points to, and insists upon, the irrevocable and irreversible freedom of the human condition while also acknowledging its framing and articulation in social relations.

At Enron, an individualized model of human nature became the basis for staff recruitment and reward and also provided the criteria for monitoring and

evaluating executives and other employees. It is a model that promotes, preys upon, and reinforces ‘a narcissistic preoccupation with how the self is seen and judged’.<sup>82,83</sup> Individual visibility and personal judgement were geared directly to pumping up the stock price. Techniques of corporate governance, including the establishment of an ethical culture, were primarily responsive to this priority. These applications of agency theory institutionalized a self-interested model of human nature as they spawned a particular, individualized, type of ‘governable person’.<sup>84</sup> The ‘rank-and-yank’ system of performance review, in particular, served to assuage any lingering doubts about the sovereignty of the selves to whom it was applied and to dispel any enduring suspicions of the fabricated nature of their apparent solidity. To put it in personal terms once more: your sense of self is confirmed by striving to meet performance standards that, at the same time, you conceive to be imposed upon yourself and for which, therefore, you bear no responsibility. Still, your complicity is not invulnerable to disruption. Your sense of sovereignty as a successful individual may be challenged as well as affirmed by your ‘performance’.

At Enron, traders were as successful as their last deal. Water-walking ‘A’s could become shipwrecked ‘C’s, as painfully illustrated by Jeffrey Skilling’s fall from grace as the celebrated CEO became Prisoner 29296-179 with a release date of 21 February 2028. It is at moments of disappointment, or failure of expectations, that the precariousness and vulnerability of sovereignty can be glimpsed, and also when a moment of openness to, and responsibility for, one’s actions may be fleetingly experienced.<sup>85</sup> When ‘top performers’ discover that they are subject to intense pressures and closer scrutiny, a narcissistic response is to insist that ‘being the best deserves better’, where ‘better’ means the pursuit of unfettered self-absorption. Self-absorption requires the opportunity to exercise power invested in an elevated and privileged position that seems to make real the fantasy of being a sovereign individual. Convinced that the mirror of performance measurement objectively demonstrates human superiority, the successful holders of these positions become ‘scornful of the abilities of others and punishing of any expression of difference or dissent’.<sup>86</sup> An illustration is the response of Ken Lay, then CEO and Chairman of Enron, to some accounting issues that puzzled Sherron Watkins (who subsequently blew the whistle on fraudulent activity at Enron). Outraged by her impudence in voicing her concerns, Lay demanded to know how she might be fired.<sup>87</sup> Sensitive to such (ab)uses of position, many subordinates will be fearful, and become sycophantic, thereby reinforcing the imperious, self-interested behaviour exemplified by Lay and emulated by his fellow executives Skilling and Fastow. Where there is domination, manifest in the absence of downward accountability, not only is narcissistic behaviour indulged but there is also no effective channel for employees to challenge executives. Speaking (their sense of) truth to power is silenced irrespective of what may be written about ‘speaking up’ in the corporate code of ethics.

## Conclusion

Conventional wisdom presumes that moral qualities, such as honesty or sincerity, can be established or instilled by clearly presenting key elements of a normative order which stakeholders in this order, notably employees, are urged to enact. These elements are condensed in values statements and elaborated in codes of ethics. Critics who question their effectiveness argue that reliance upon codes overlooks, or at least marginalizes, the significance of human beings' capacity to interpret communications in the light of their own, diverse frames of reference, which may include the understanding that, in the pursuit of more pressing priorities, minimal attention is to be paid to their prescriptions.

To its author or advocate, a values statement may sound reasonable, even impressive, and entirely justifiable. The assumption is that employees share a common culture and will readily comply with it. Yet, a values statement or code of conduct may be interpreted by some stakeholders as an irrelevant or unwelcome imposition or as mere window-dressing. The process of interpretation is critical, and it is framed within relations of power that condition which interpretations are available and compelling. So, for example, if values statements or codes are interpreted in ways that doubt their relevance or discredit their authority, then their impact is likely to be marginal, and their introduction may well contribute to cynicism and demoralization.

A related and even more penetrating challenge to the claims of ethical codes and programmes comes from critics who argue that they can undermine the capacity to act ethically. The suggestion is that compliance may become a substitute for deliberation over the ethical contribution of such codes and/or the merit of complying 'automatically' with their prescriptions. This challenge arises from the understanding that acting ethically is ultimately a matter of recognizing and nurturing *a capacity and preparedness to take responsibility*, and that ethical action is not equivalent to complying with, or deferring to, the authority of values statements or codes.

To elucidate this insight, we engaged Michel Foucault's reflections upon human beings as 'ethical subjects'. The capacity to become responsible, personally and collectively, for particular forms of social closure or normative order, which includes the closure commended by codes of ethics, is ascribed to an openness and freedom that is a distinctive feature of the human condition. From this perspective, values statements and ethics codes, with which employees are expected to comply, are seen to do little to develop and strengthen the (moral) capacity to take personal responsibility for one's conduct. Instead, these statements and codes are seen to invite employees to believe that they have fulfilled their responsibilities by complying with the codes' requirements. When personal responsibility is accepted, then the claim that one was simply 'following

orders' by complying with the statement or the code is not credible, and so loses legitimacy as a defence.<sup>88</sup> Such defences are seen to lend a spurious justification to a disinclination to reflect upon the ethics of conduct. They also demonstrate how the corporate requirement to adhere to ethical codes and programmes gives little encouragement to (1) take personal responsibility for the decision to comply with, or transgress the code; or (2) reflect critically upon the belief that compliance is equivalent to fulfilling such responsibility. Instead of nurturing human freedom and responsibility, the introduction of codes is seen to risk displacing it.

Conventional wisdom is challenged by doubting its presumption that ethical conduct is enacted and strengthened when the norms and values of corporate culture are prescribed and absorbed. Conventional wisdom takes no account of whether pressures for compliance weaken or heighten moral sensibility and the capacity for making ethical judgements. Its concerns are limited to the question of whether members of staff adhere to, or manage the impression of complying with, the codes of ethics, and not whether their capacity to make judgements or take personal responsibility is enhanced or impeded. From a Foucauldian standpoint, by contrast, there is a concern that efforts to strengthen ethical culture run the risk of increasing the ethical deficit and/or sense of moral decay that such codes ostensibly are intended to remedy. If members of an organization are resistant to unethical pressures, then the introduction of codes and programmes is largely irrelevant but, over time, the codes may have a corrosive influence if compliance with them becomes a substitute for such resistance. If, on the other hand, this resistance is weak or absent, then the most significant effect of such codes and programmes, whether intended or not, will be to mask the institutionalized deficit in ethical conduct and/or to further fuel skepticism and incredulity about 'business ethics'. To be clear, this assessment does not imply that interventions to improve ethical conduct are *necessarily* pointless or counterproductive.<sup>89</sup> Rather, the intent is to raise the issue of how such interventions are received. Does the promotion of 'ethical culture' through values statements and codes of ethics encourage moral sensibility and enhance the capacity to take personal responsibility? Or does it disregard and weaken this capacity?

In this chapter, we have cast some doubt upon the claims, potency, and effects of values statements, codes, and ethics programmes that are intended to strengthen ethical conduct. Among the more significant and perverse effects of such interventions may be the masking of a corrosion of moral propriety, a degradation of moral imagination, and a dimming awareness of morally dubious forms of conduct that, in the era of neoliberalism, have become commonplace and normalized. Instead of conceiving of 'ethical culture' as an instrument for facilitating 'business ethics', a shift of focus to 'ethics in business' attends to processes of self-formation within social relations, including those of business, as a basis for developing conduct that is more actively and reflexively ethical.



It is when other priorities and pressures – to meet targets, earn bonuses, or gain promotion – compete with the values and principles set out in codes of ethics (e.g. openness, honesty, sincerity) that ‘business ethics’ can, in practice, be more relevant for conveying an impression of probity than for developing an ‘ethical culture’. The example of Enron was given to illustrate this argument. Enron presented the appearance of a highly reputable company whose commitment to probity was broadcast by its values statement and detailed in its sixty-four-page code of ethics. This appearance was carefully managed even though Enron’s business model and methods – particularly its financial engineering – were exceptional outside of the financial sector whose trading culture Enron sought to emulate. More typical is the culture of secrecy, rivalry, fear, and worse that pervades the contemporary corporate landscape and which is by no means restricted to companies, like Enron, whose excesses proved to be undisguisable. As Trevino and Nelson note, managers as well as non-managerial employees:

have repeatedly reported their own cynicism – the pressure they feel to compromise their personal ethical standards on the job – and they’re even more cynical about their peers’ ethics than their own. They blame business’s preoccupation with gain, the lack of reinforcement of ethical behaviour, competition, the existence of generally unaccepted ethical practices in certain industries, a sense that only results are important to superiors, and the ineffective enforcement of ethical codes.<sup>90</sup>

To this list of articles of blame may be added values statements, codes of ethics and associated efforts to develop ‘ethical culture’. In Enron’s case, the compromising of ethical judgements in the service of ‘business’s preoccupation with gain [and] a sense that only results are important to superiors’ was intensified by the source of its recruits (business schools), its selection procedures (to identify candidates with an appetite for aggressive risk-taking) and its methods of performance evaluation and reward.<sup>91</sup> Enron was, arguably, a modern corporation with a ‘normal’ corporate culture in which a narcissistic reluctance to take personal responsibility, concealed by its values statement and codes of ethics, was writ large and reached its logical conclusion.

## NOTES

- 1 The Enron code of ethics can be found at: [www.thesmokinggun.com/documents/crime/enrons-code-ethics](http://www.thesmokinggun.com/documents/crime/enrons-code-ethics), accessed 21 March 2011.
- 2 Reputation is endorsed by association. For example, legal and accountancy firms put their own reputations, such as they are, on the line when agreeing to act as advisers or audits. The point is illustrated by the example of Enron (see Chapter 4).
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- 4 M. Schultz, M. J. Hatch, and M. H. Larsen, *The Expressive Organization: Linking Identity, Reputation, and the Corporate Brand*. Oxford: Oxford University Press (2001).

- 5 See S. Key, 'Organizational ethical climate: real or imagined?', *Journal of Business Ethics* 20 (1999), 217–25; L. K. Trevino, K. D. Butterfield, and D. L. McCabe, 'The ethical context in organizations: influences on employee attitudes and behaviours', *Research in Ethical Issues in Organizations* 3 (2001), 301–33.
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- 7 M. W. Grojean, C. J. Resick, M. W. Dickson, and D. B. Smith, 'Leaders, values, and organizational climate: examining leadership strategies for establishing an organizational climate regarding ethics', *Journal of Business Ethics* 55 (2004), 231.
- 8 A. Gouldner, *Patterns of Industrial Bureaucracy*. New York: Free Press (1954).
- 9 H. Drummond, 'Living in a fool's paradise: the collapse of Barings Bank', *Management Decision* 40 (2002), 232–8.
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- 13 S. Lilley, *BAE Systems' Dirty Dealings*. See [www.corpwatch.org/article.php?id=9008](http://www.corpwatch.org/article.php?id=9008), accessed 6 April 2010.
- 14 Of BAE's 100,000 employees, 10 per cent were sampled and there was a 41 per cent response rate.
- 15 K. West, *Worried BAE Staff Turning to 'Whistleblower' Helpline*. 2 April 2010, see [www.dailymail.co.uk/money/article-1263174/Worried-BAE-staff-turning-whistleblower-helpline.html](http://www.dailymail.co.uk/money/article-1263174/Worried-BAE-staff-turning-whistleblower-helpline.html), accessed 6 April 2010.
- 16 Y. Mounk, *Mafia Morals – Not so Tarantino After All . . .* (9 November 2007). See <http://europeanview.blogspot.com/2007/11/mafia-morals-not-so-tarantino-after-all.html>, accessed 6 April 2010.
- 17 BAE Systems, *Being a Responsible Company: Code of Conduct* (2008). See [www.baesystems.com/BAEProd/groups/public/documents/bae\\_publication/bae\\_pdf\\_759of003\\_001.pdf](http://www.baesystems.com/BAEProd/groups/public/documents/bae_publication/bae_pdf_759of003_001.pdf), accessed 22 April 2010.
- 18 See [www.baesystems.com](http://www.baesystems.com).
- 19 J. Stansbury and B. Barry, 'Ethics programs and the ethics of control', *Business Ethics Quarterly* 17 (2) (2007), 239–61. See [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=962499](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=962499), accessed 22 December 2009.
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- 21 A. Jose and M. S. Thibodeaux, 'Institutionalization of ethics: the perspective of managers', *Journal of Business Ethics* 22 (1999), 133–43, 139.
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- 25 *Ibid.*, 4.

- 26 *Ibid.*; see also Box 3.3.
- 27 Extract from J. Lopis, M. R. Gonzales, and J. L. Gasco, 'Corporate governance and organizational culture. The role of the ethics officers', *International Journal of Disclosure and Governance* 4 (2) (2007), 96–106, 100 (emphases added).
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- 29 BAE Systems, *Being a Responsible Company*, emphasis added.
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- 31 *Ibid.*, 37.
- 32 R. ten Bos and C. Rhodes, 'The game of exemplarity: subjectivity, work and the impossible politics of purity', *Scandinavian Journal of Management* 19 (4) (2003), 403–23.
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- 34 See Box 3.1.
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- 42 *Ibid.*
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- 45 B. Cruver, *Anatomy of Greed: the Unshredded Truth from an Enron Insider*. New York: Carroll and Graff (2002), 176.
- 46 Tourish and Vatcha, 'Charismatic leadership', 467.
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- 48 See the BAE Systems code of ethics: [www.baesystems.com/aboutus/ourglobalCodeofConduct/index.htm](http://www.baesystems.com/aboutus/ourglobalCodeofConduct/index.htm), accessed 21 March 2011.
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- 51 To which Ken Lay revealingly associates such codes in his foreword to the Enron code of ethics (see Box 3.7).
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- 54 H. C. Willmott, 'Strength is ignorance; slavery is freedom: managing culture in modern organizations', *Journal of Management Studies* 30 (4) (1993), 515–52.
- 55 A. Sinclair, 'Approaches to organizational culture and ethics', *Journal of Business Ethics* 12 (1) (1993), 63–73.
- 56 *Ibid.*, 65 (emphasis added).
- 57 In such cultures, the institution of 'the individual', or some equivalent, has become established to which the capacity of autonomy is attributed.
- 58 P. L. Berger and T. Luckmann, *The Social Construction of Reality: a Treatise on the Sociology of Knowledge*. Harmondsworth: Penguin (1967), 69.
- 59 *Ibid.*, 72.
- 60 *Ibid.*, 76.
- 61 *Ibid.*, 108.
- 62 M. Foucault, *Ethics: Essential Works of Michel Foucault, 1954–1984*, Vol. 1, P. Rabinow (ed.). Harmondsworth: Allen Lane/Penguin (1997), 284.
- 63 M. Foucault, 'The ethic of care for the self as a practice of freedom,' in J. Bernauer and D. Rasmussen (eds.), *The Final Foucault*. Cambridge, MA: MIT Press (1988), 19.
- 64 Foucault, *Ethics: Essential Works*, 500.
- 65 *Ibid.*; T. Lemke, *Foucault, governmentality and critique*. See [www.andosciasociology.net/resources/Foucault\\$2C+Governmentality\\$2C+and+Critique+IV-2.pdf](http://www.andosciasociology.net/resources/Foucault$2C+Governmentality$2C+and+Critique+IV-2.pdf), accessed 21 March 2010. Also published in *Rethinking Marxism* 14 (3) (2002), 49–63.
- 66 Sinclair, 'Approaches to organizational culture and ethics', 68.
- 67 Enron code of ethics.
- 68 E. Ibarra-Colado, S. R. Clegg, C. Rhodes, and M. Kornberger, 'The ethics of managerial subjectivity', *Journal of Business Ethics* 64 (2006), 45–55, 46.
- 69 Foucault, *Ethics: Essential Works*, 284.
- 70 Z. Bauman, *Postmodern Ethics*. Oxford: Blackwell (1993); BBC News, 'Profile: Jeffrey Skilling', (23 October 2006). See <http://news.bbc.co.uk/1/hi/business/6077062.stm>, accessed 26 May 2010.
- 71 Willmott 'Strength is ignorance', 94ff.
- 72 Sinclair 'Approaches to organizational culture and ethics', 69.
- 73 *Ibid.*, 71.
- 74 C. Jones, 'As if business ethics were possible, "within such limits" . . .', *Organization* 10 (2) (2003), 223–48, 227.
- 75 See [www.enronblog.com/bloggers/jeff-kosty](http://www.enronblog.com/bloggers/jeff-kosty) (30 July 2005), accessed 21 March 2011.
- 76 J. D. Faubion, 'Towards an anthropology of ethics: Foucault and the pedagogies of autopoiesis', *Representations* Spring (2001), 83–104, 88.
- 77 M. C. Jensen and W. H. Meckling, 'A theory of the firm: managerial behavior, agency costs and ownership structure', *Journal of Financial Economics* 3 (1976), 305–60.

- 78 BAE Systems code of ethics.
- 79 B. W. Kulik, 'Agency theory, reasoning and culture at Enron: in search of a solution', *Journal of Business Ethics* 59 (2005), 347–60, 358.
- 80 J. Roberts, 'The manufacturing of corporate social responsibility: constructing corporate sensibility', *Organization* 10 (2) (2003), 249–65. Roberts points to the relation between agency thinking and how corporate governance is conceived primarily in terms of forms of regulation and the role of directors, regulators, politicians, accountants, lawyers, and academics (including the architects of agency theory). Codes and programmes of ethics are among the techniques and practices designed to control the conduct of employees, including executives. Largely absent from the worldview of agency theory is any appreciation of, or room for, personal responsibility. The collapse of Enron and other cases of corporate corruption (e.g. Worldcom), as well as the more recent meltdown of the financial sector, has presented an opportunity to reflect upon personal responsibility. But this opportunity has not, so far, been taken up as remedies favoured by agency theory are being reapplied. Little consideration is being given to how personal responsibility might be emphasized, encouraged, and supported. Instead, emphasis is placed upon the need for improved external regulation that will accommodate the same (irresponsible) speculative activity and bonus culture. Shareholders, which now include governments, are, it seems, content to accommodate the excesses of the financial sector so long as super-profits are generated, some taxes are collected, most loans are repaid, and the public deficits are eventually cleared. It may be, as Roberts has suggested, that the remedies favoured by proponents of agency theory are 'better seen not as the solution but as the source of the governance problem' (*ibid.*, 3). Policy guided by agency theory has contributed to an elaboration of self-interested opportunism, not to its reversal, let alone its demise.
- 81 *Ibid.*, 6.
- 82 A preoccupation with how judgements about corporate image and performance reflects upon the self betrays a form of self-absorption that has become deeply institutionalized in contemporary systems of schooling, sports, and even in the arts. This preoccupation promises reassurance of the existence of the self as an autonomous entity, the level of attainment of which is a source of pride. This (narcissistic) narrative of self is, arguably, not essential to human nature but, rather, is a product of the disciplinary power of particular techniques – of contemporary parenting as well as corporate control – that are untempered by self-scrutiny so that receipt of high grades, for example, is equated with enhanced self-worth.
- 83 P. Miller and T. O'Leary, 'Accounting and the construction of the governable person', *Accounting, Organizations and Society* 12 (3) (1987), 235–65.
- 84 Jeffrey Skilling's breakdown in 2004 (see Box 3.8) is an example of this vulnerability. Anxieties about the charges of fraud and insider dealing he was facing led him, paranoically, to suspect that the friendliness of acquaintances he and his wife met in a New York bar were actually FBI agents laying a trap for him to voice some self-incriminating indiscretions. In business, part of being 'socially skilled' is to repress or smooth over such anxieties and associated awkward moments by mobilizing resources that reaffirm a sense of sovereignty in a manner that abrogates all personal responsibility for business processes and disregards how the other affects us despite ourselves.
- 85 Roberts, 'The manufacturing of corporate social responsibility', 6.
- 86 S. Watkins, 'Ethical conflicts at Enron: moral responsibility in corporate capitalism', *California Management Review* 45 (2003), 6–19; S. Watkins, 'Former Enron vice-president Sherron Watkins on the Enron collapse', *Academy of Management*

- Executive* 17 (2003), 119–27, cited in Tourish and Vatcha, ‘Charismatic leadership’, 472.
- 87 This defence has been unsuccessful in many legal cases, including its use by Nazi leaders at the Nuremberg tribunals following the second world war. The defence failed because the actions that it seeks to justify are themselves deemed to be illegal. After the Vietnam war, the defence was invoked by a soldier who was court-martialled for killing an elderly Vietnamese citizen after being ordered to do so by an officer. His defence failed because the order to shoot was declared to be ‘of such a nature that a man of ordinary sense and understanding would know it to be illegal’. In other words, the soldier was assumed and expected to be capable of exercising a degree of judgement and of accepting a level of responsibility when assessing the legality of the order. It is instructive, in terms of the operation of power relations and the defence of authority, that the corporal who issued the order to kill was found to be insane – that is, incapable of exercising such judgement and taking personal responsibility – and acquitted.
- 88 R. ten Bos, ‘*Essai*: business ethics and Bauman ethics’, *Organization Studies* 18 (6) (1997), 997–1,014.
- 89 L. K. Trevino and K. Nelson, *Managing Business Ethics: Straight Talk about How to Do it Right* (4th edn). New York: John Wiley (2006), 4. See <http://media.wiley.com/product.data/excerpt/45/04712305/0471230545.pdf>, accessed 13 November 2009.
- 90 *Ibid.*, 4.
- 91 E. Levinas, *Otherwise than Being or Beyond Essence*. Dordrecht: Kluwer Academic Publishers (1991).