CHAPTER 14

Organizations and Individual Decisions

Learning Objective

To review the factors that prevent organizations from fully controlling their members; to underscore the importance of individual responsibility; to identify features that promote personal success in organizations; to become aware of options for reducing risk of ethical and legal transgression.

Principles

Roles, structure, rewards, imperative forces, and organizational culture channel day-to-day thinking and behavior in organizations. These organizational resources promote cohesion and coordination, but do so imperfectly. The imperfections of these mechanisms leave individuals free to make choices regarding their career prospects and personal ethics.

Knowledge of formal organizations can help people protect themselves from exploitation, career immobility, involuntary termination, and involvement in unethical or illegal acts.

Guidelines for achieving personal success include

- Divining the organization's true objectives
- Selecting leaders advantageously
- Assessing internal labor markets
- Supervising in a strategic manner
- Keeping time horizons short
- Avoiding heroism

Principles for avoiding unethical and illegal behavior include

- Assessing options according to one's own values
- Maintaining contact with people and agencies outside the organization's boundaries

Organizations Versus the Individual

This chapter turns to questions of personal strategy and choice in formal organizations. Like other human technology, organizations should enable individuals to develop their gifts and achieve their personal aims. Formal organizations often do the opposite, reducing freedom, choice, and the opportunity to pursue personal objectives. No organization, though, has the power to completely substitute its ends for those of its members. Knowing the rules by which organizations operate can help individuals preserve their autonomy and achieve their aims.

Every member of an organization is in a sense its captive. Organizations channel the individual's capacity toward objectives he or she may not share. All organizations divert the individual's attention, at least for a time, away from his or her own desires. Most organizations place restrictions, ranging from momentary to lifelong, on the individual's ability to depart their confines. Even people who volun tarily join and remain in an organization are in a sense "captured." People get caught up in the organization's routines and procedures, seemingly losing independent control of their lives. Many forsake personal goals and values as the years in a firm, army, prison, or other formal organization go by.

But individuals never lose the *capacity* for independent thought and action. As noted earlier, people cannot be programmed (see Chapter 2). This is true even in authoritarian settings. Survivors of the dictatorships and concentration camps of the 20th century made much of this potential. Certainly in normal times, people can take action on their own behalf.

The Limitations of Organizational Control

The core features of organizations enable them to achieve *cohesion and coordination.* Through these means, described in Chapters 4 through 8, organizations cause individuals to relinquish personal autonomy. The degree of submission that organizations require of their members varies widely. Modern corporate and governmental bureaucracies permit employees to live as they like when away from the office. Totalitarian political parties and monastic religious orders seek to dictate every aspect of their members' lives.

A brief reexamination of resources used by organizations to achieve coordination and cohesion, though, reveals their limitations as determinants of human behavior. These resources include roles, structure, rewards and punishment, imperative force, and organizational culture. Imperfections in the organization's ability to exercise social control allow individuals to achieve at least some autonomy. When sufficiently motivated and skilled, individuals in organizations make the most of these opportunities to attain personal or group objectives.

Although social roles (Chapter 4) may be the basic building blocks of organizations, the degree to which they dominate human thinking and behavior is limited. Social psychologists Katz and Kahn[1] defined roles in organizations as "prescriptions for behavior." Roles affect behavior, though, far less automatically than this definition suggests. People in an organization often have different expectations regarding a given role. Matters are further complicated as people negotiate their roles. People are constantly reducing, expanding, and redefining their responsibilities according to personal desire.

Similarly, organizational structure exerts considerably less than absolute control. In the formal organization, structure is manifested in explicit rules regarding interrelation among individual roles. Yet in a manner similar to roles, structure is subject to modification according to the perceptions and desires of the organization's members. Individuals and groups, low as well as high in the organizational hierarchy, can cause structure to change. If, for example, operatives successfully negotiate the right to communicate directly with middle managers rather than their immediate supervisors, they change organizational structure.

In a like manner, neither reward nor punishment (Chapter 6) can ensure that members behave in a manner consistent with management's intent. Certain highly valued rewards are often beyond the control of management. Rewards of a socioemotional nature are more likely to be provided by the member's primary group. Thus, workers are often able to establish their own norms about the speed and quality of performance. Some rewards highly valued by professionals are also beyond the control of management. These include intrinsic satisfaction from work perceived to meet the standards of professional peers. Among professionals such as physicians in an HMO, standards are set largely by colleagues outside the organization. Individuals outside the organization may also mete out punishment such as license suspension or revocation.

Imperative force (Chapter 7)—including power, coercion, authority, and discipline—would seem to be the heavy artillery of organizations. No imperative force, though, enables supervisory personnel to dominate others indefinitely or with complete efficacy. People who seek to control others by forces such as coercion obtain compliance of a low quality, if not outright rebellion. Organizations are obliged to use imperative force with restraint. The labor of willing workers, furthermore, is more efficient and less costly than that of workers who must be constantly watched and threatened.

In many well-functioning organizations, organizational culture (Chapter 8) promotes common beliefs and values among members. These, in turn, help concentrate individual thinking and actions on common objectives. Even in successful organizations, however, not all members share the mainstream culture. Organizations often develop multiple cultures, whose values and beliefs may be mutually antagonistic. Managers may subscribe to one culture, workers to another. In organizations where a single culture in fact prevails, some people may be strongly attached and others alienated from it. The messages of dominant organizational culture, furthermore, may not support the objectives of management. Management can exercise only limited control over the cultures that prevail in their organizations. Most organizational cultures develop spontaneously over the course of decades, if not longer.

Organizations, then, are not machines whose parts move automatically in response to management instructions. An understanding of how organizations really work can help people make the most of the personal autonomy they are thus allowed. Capitalizing on this measure of autonomy can be crucial for the individual. It cannot be assumed that even a highly successful organization will ensure the individual's success or motivate him or her to stay within the bounds of ethics and legality. People in organizations are wise to develop strategies aimed at maximizing personal success and security irrespective of the organization's fortunes. Several principles are presented below as practical guidelines for formulating such strategies.

Strategies for Survival and Success

Reading Organizations

A person's ability to survive and prosper in an organization depends on his or her understanding of how organizations work. "Reading" an organization amounts to understanding its imperfections: faulty communication systems, suboptimization, reward systems that favor the unproductive, and many more. Most members of the organization believe what they are told and expect to be rewarded for conformity. But a true understanding of how organizations work opens special opportunities for the sophisticated.

Lessons derived from the preceding chapters are summarized below as sets of simple principles. One set of principles can help individuals avoid personal risks. Another can assist members of an organization in making the most of opportunities for success.

All the principles below have a single common feature: they contradict the way in which goodwilled, intelligent people usually think about human relationships. People normally assume that interpersonal relationships have clear objectives and that they will be treated fairly by their fellow human beings. They assume that they will be appropriately rewarded for hard work. These assumptions are not valid for many organizations.

Organizations Are Not Completely Rational

All formal organizations have nonrational features, which affect relationships among members. The individual's relationship with a formal organization is often colored by its nonrational rather than its rational features. Organizations are rational in as much as they arrange human and material resources in a manner deliberately calculated to achieve objectives. But not all features and actions in organizations are rational.

Chapter 5, which explores organizational structure, illustrates this principle. Taylorism suggests that organizations can be designed as rational machines. But history and environment cause organizations to develop in unexpected ways. The personalities of an organization's early leaders leave lasting effects. These can cause organizations to function in ways that are not technologically optimal.

Organizations are more like animals than machines. Well-designed machines are composed of deliberately designed subsystems and parts. Each contributes to the machine's function. Animals are products of evolution and successive accidents. Many function with just enough efficiency to survive in the competition for resources. Organizations are capable of learning and adaptation. But they retain useless appendages (as the human body does with the appendix), reject useful resources in the environment (as do people with allergies), and occasionally behave in self-destructive ways (as do neurotic and psychotic humans).

People who understand the nonrational features of organizations do well in them. Appreciation for the hidden motivations of individuals and the unwritten rules of collectivities can form the basis of an effective personal strategy.

Avoiding Pitfalls

A few points have great value for individual self-protection in organizations. Practical application of these principles can save someone in an organization from career stagnation and involuntary termination. Others are external, threatening the quality of the individual's life outside the organization's boundaries.

Generations of bureaucrats, soldiers, teachers, union members, and political activists have learned the following lessons, often too late to make best use of them.

Organizations are smart. New members of an organization are often struck by its apparent dysfunctions. The boss seems incompetent. Pockets of inefficiency and waste are evident. Manufacturing procedures, accounting practices, and customer services appear faulty. Management seems clueless.

The people running the organization may in fact lack talent and drive. But the organization itself is smart. Trial, error, and evolution have given it sufficient adaptive capacity to survive. Over time, a process of *organizational learning* has taken place.[2] In this process, lessons from both successful and unsuccessful experiments and ventures are retained, helping shape organizational structure. These principles, along with illustrative examples and myths, are absorbed into the organization's culture. They are successively refined and transmitted from generation to generation.

What look like an organization's limitations may actually constitute strength. Consider an organization that lacks enthusiastic personnel and energetic leadership. This may reflect a history over whose course the organization has attracted members with the personalities, work habits, and talents it needs. The work of the organization may not require ambitious personnel. Employment of such individuals might raise payroll costs and the risk of interpersonal conflict. Replacement of laid-back managers with more aggressive ones might overextend an organization, alienate workers, or promote more aggressive behavior by competitors.

Many people enter an organization believing that they can improve its functioning because they are smart. They believe they have better technical and management skills than the people in charge. This belief may be true but it is usually irrelevant. Organizations, except for very new ones, have made basic adaptations to their environment and attained internal equilibrium. A newcomer's presumption that he or she has better ideas is more likely to induce the hostility of others than lead to actual change.

Organizations take care of themselves. Millions of people dedicate their lives to organizations. Sometimes this makes sense. People may identify with an organization's mission, such as advancing knowledge in a university or practicing religious devotion in a church. In such instances, the organization exemplifies the member's personal concerns.

Most work organizations are not set up to advance their members' ideals. Workers join simply to make a living. As years pass, however, some begin identifying themselves primarily as members of the organization. They wear the company logo. They work extra hours; professional and managerial personnel do so without extra compensation. Workers, even the lowest placed, lose sight of their own desires and objectives.

People in organizations without a mission (other than earning money and staying afloat) invent missions for their organizations. Examples of imagined pseudo-missions occur in every industry. A high school teacher maintains the belief that his school system aims at improving education for humankind; the organization's actual objective may simply be preparing pupils for standardized tests. A brokerage employee believes that his firm aims at ensuring fair valuation of the public's assets. A cannery worker fantasizes that his company aims to place the world's best tuna on the grocer's shelf.

Overidentification with an organization represents a kind of psychopathology. People subject to this condition can forsake personal needs and goals. They tolerate inadequate pay and unpleasant working conditions. In extreme cases, they neglect family and personal life for the sake of the agency or firm.

The organization's mechanisms of cohesiveness and coordination encourage such behavior. Promotion, pay increases, and expressions of gratitude by managers encourage individuals to produce. Rewards provided by the organization can compensate members for perceived inadequacies in personal areas such as marriage and family.

Thus passes many a human lifetime. Ironically, the organization survives. It continues to function according to a steady routine even after the dedicated individual is buried and forgotten. The overcommitted member fails to realize that the organization commands the resources it needs to keep going, irrespective of his or her contribution. People need to strike a balance between dedication to an organization and the other things life has to offer. They need to assess whether the organization actually has a sufficiently compelling mission to merit personal devotion.

The bottom line rules. Although organizations may have difficulty specifying their goals, all have recognizable objectives. In businesses, the most visible objective is monetary earnings. This objective can be measured in a clear, quantitative manner. Other quantitative criteria for objective achievement include scores on standardized tests for public school systems or units of finished goods shipped by a manufacturing operation. A borrowing from the language of bookkeeping and accounting, the term *bottom line* refers to quantitative achievement by an organization in a given unit of time.

"No Margin, No Mission": A Charitable Organization's Dilemma

It is often difficult to assess the importance of mission in an organization.

Catholic hospitals in the early 21st century constitute an example of this dilemma.

Orders of Catholic nuns have provided health care to the poor for over a thousand years. They have served in this capacity on every continent. The orders comprise formal organizations including both ordained clergy and lay employees in their ranks.

In the 19th and 20th centuries, Catholic orders established modern hospitals throughout the United States. By the mid-1900s, they owned and operated hundreds of facilities. The hospitals served both paying patients and people dependent on charity. Most hospitals in the United States, with or without religious ties, provided charity care. But charity constituted a central mission of the orders.

The politics and economics of health care changed radically in the late 20th century, reducing resources available for charity care. Hospitals faced the need to increase income and reduce costs in order to survive.

"No margin, no mission" became the watchword of several orders. The term *margin,* which means surplus of revenue over expenses, is used to signify profit in nonprofit organizations.

According to some observers, emphasis on margin began to replace mission. One order, the Sisters of Charity, accumulated so much wealth that investment professionals referred to it as the "Sisters of Currency."[3] Economy moves at one hospital greatly reduced benefits and job security for large numbers of dedicated nurses.

Replacement of mission by margin recalls the process of organizational goal displacement described in Chapter 12. Social scientists use the term *goal displacement* to describe the forsaking of an initially identified goal in favor of activities originally intended as only instrumental. The means become the ends.

The degree to which margin may be ultimately substituted for mission among the Catholic orders is uncertain. Individuals committed to the mission, though, should periodically reevaluate whether these orders continue to merit their personal devotion.

Everyone in an organization should determine his or her supervisor's bottom line and concentrate on contributing to it. In a well-functioning organization, every supervisor evaluates subordinates according to how much they contribute to his or her bottom line. Over the years, workers or managers who contribute the most to their superior's bottom line should receive the best raises. In cycles of cutbacks and layoffs, the boss's compassion or goodwill cannot be counted upon to protect a worker or subunit whose bottom line is unhealthy.

The progressive management techniques described in Chapter 13 tend to be adopted and retained in organizations with healthy bottom lines, or in those in which managers can see direct linkages between progressive management and the bottom line. Progressive and humanistic management practices are said to take place only in firms with *organizational slack*—extra money, vacant space, and personnel whose time is not fully occupied. Experiments such as participative management, family-friendly programs, and employee assistance are often terminated in downturns. It is no accident that firms that offer family-friendly arrangements tend to employ large numbers of female employees and require a low-turnover workforce. In such firms, flextime and child care assistance promote the degree of stability in the workforce that is required for doing business.

Determining the organization's actual bottom line often presents a challenge to its members. Organizations are not always honest about their true objectives. A voluntary organization may state publicly that its mission is to serve the disadvantaged. But members of top management may be most concerned with maintaining their salaries and perquisites. A think tank may recruit young scientists by stressing the importance of groundbreaking research. Yet obtaining money through grants and contracts may be the boss's chief preoccupation.

Easy targets get hit. People in organizations don't always have enemies, but everyone should assume they do. Competition for desirable positions and advancement occurs everywhere. Envy, a normal human emotion, is as strong a force in formal organizations as elsewhere. Jealous of their positions and anxious about obsolescence of their skills, senior officials often feel threatened by their juniors. Some people simply enjoy being "spoilers," disrupting the plans, ruining the projects, and frustrating the ambitions of others.

Too often, people of outstanding talent and strong ambition become targets of such hostility. They make the mistake of letting their talent and ambition show. They speak up at meetings. They obtain large contracts. They arrive early, stay late, and show up at the office on weekends. They seek and willingly accept extra assignments. Behavior of this kind makes someone an easy target. He or she is seen as "the one to beat" in the competition for resources and advancement.

Anxious peers have at their disposal many devices for harming the would-be star. They may tempt him or her with challenging assignments, hoping for failure and making much of failure when it occurs. Ironically, the supervisor may place the ambitious one not on the fast track but the end of the line for prime assignments and promotion. The supervisor may have distaste for open ambition or extraordinary talent. He or she may fear alienating other workers by treating the would-be star with special favor. Ultimately, the supervisor may fear for his or her own position.

The "easy target syndrome" described here illustrates an organizational principle introduced in Chapters 3 and 6, regarding norms of behavior and social restrictions on productivity. As the classic studies of industrial psychology have reported, workers who exceed productivity norms are viewed negatively by their peers. In the blue-collar world of decades past, these workers were known as "rate-busters," and their fellow workers hit them to remind to remind them to slow down to the prevailing pace. The same dynamics occur in the worlds of the professional employee and junior executive of the 21st century.

Critics also make easy targets. People who speak up about business strategies with which they disagree, technical decisions which they believe are flawed, or practices which they feel are morally questionable attract attention. In most organizations, critics risk negative reactions from management. They become easy targets at layoff time.

The worker who feels strongly that something is amiss faces a difficult dilemma. Inaction can prove catastrophic for the organization or the broader public. But critics place themselves at personal risk. Moral dilemmas of this nature, will be addressed later in this chapter, which constitute one of the most important challenges of living with organizations.

Subunits are selfish. All organizations of sufficient size are divided into subunits: divisions, regiments, departments, bureaus, or programs. Subunits are key elements of organizational structure. It is the executive's job to see that all subunits contribute to the objectives of the organization as a whole in an efficient and orderly manner. But for most workers and managers, the subunit's success is most important for his or her well-being.

The individual worker and manager, it should be remembered, are evaluated not by the organization's executives but by managers in their subunit. Subunit managers are most directly concerned with the well-being of the subunits. Most learn from experience that their budgets and staffing may be reduced even as the organization as a whole thrives. Conversely, favored subunits receive increased support even when the organization as a whole faces cutbacks. The budgets and staffing levels of a subunit depend as much on the manager's political and negotiation skills as on its productivity.

No manager willingly accepts cuts in the funding or staffing of his or her unit. To do so would reduce his or her standing in the organization as a whole. Even more than most people, managers have egos to defend. For them, large staffs and munificent budgets are sources of gratification.

It is not surprising, then, to find suboptimization in most formal organizations. As discussed in Chapter 5, a suboptimizing unit maximizes its own rewards but does so in a fashion detrimental to the organization as a whole. Suboptimization, though, is completely natural. Some compensation systems attempt to control suboptimization by tying bonuses to total organizational performance (see Chapter 4). But these typically are minor portions of the manager's or worker's income.

Appreciating the natural selfishness of subunits should form the basis of individual strategy. Executive memos may transmit the company-wide perspective. But individual pay and job security depend on subunit performance. The subunit is particularly important in organizations with democratic structures and cultures. If everyone in the organization can vote (as in many voluntary organizations), those within individual subunits are most effective when they vote as a bloc.

Individuals are dispensable. The first chapter of this book asserted that "organizations are mostly people." This statement describes organizations accurately. Organizations do not think or act. Only their members do.

But organizations do not depend on the presence of any particular individual—at least in normal circumstances. Organizations mold the individual's thinking and channel his or her actions. The essential properties of organizations, such as structure, culture, rewards, and punishments, promote consistent patterns of behavior among individuals in similar roles. When the organization encounters a crisis of external origin, most people respond in a manner consistent with their peers.

Organizations, then, create the behavior they require. They recruit the type of individual likely to fit in or capable of developing in the desired direction. Entrepreneurial organizations recruit entrepreneurs and encourage them to take risks. Bureaucracies recruit people with "bureaucratic personalities" and reward them for obeying the rules. Organizations unable to recruit appropriate individuals and mold their behavior as needed decline and die.

Rarely does an established organization require contributions that only a given individual in its ranks can make. In highly formal organizations such as government bureaucracies and mass production plants, most individuals can be readily replaced by outsiders of comparable talent and physical capacity.

Most people have felt on occasion that they were indispensable to their organization. Supervisors foster this impression. The feeling that he or she is making vital contributions motivates many a conscientious worker. Well-meaning people everywhere pitch in to help their primary group during busy periods, believing that the organization depends on their extra effort.

But in reality, organizations almost never depend on extra effort or creativity from a single individual to achieve their objectives. Well-functioning organizations reward people for extraordinary contributions. But a healthy organization motivates numerous individuals in the appropriate direction. Successful organizations are adept at replacing people who quit, retire, die, or are dismissed. Many a worker has wondered how the company or team could get along without him only to later observe the organization doing well in his absence.

Playing to Win

The six points stated above constitute organizational facts of life. As basic as they are, they are seldom discussed. They are not "politically correct." Often, they remain invisible except in time of crisis. Though normally hidden, these principles are genuine and enduring. They retain validity over generations, even as ideas such as those covered in Chapter 13 come and go.

Basic human autonomy, though, enables individuals to take positive action on their own behalf. People in organizations have power, whatever their position. They can develop positive strategies for achieving personal objectives. Widely shared objectives include avoiding involuntary severance, securing desirable assignments, and rising in the hierarchy. The following points can function as building blocks in strategies for success:

Determine the organization's true objectives. An organization's true objectives may differ from those that are asserted by management. Among explicitly stated objectives, moreover, those that receive the most visible emphasis may not be most important. Obvious examples include organizations that act as "fronts" for illegal operations, such as an international trading company whose real purpose is to hide the earnings of a drug cartel.

More readily observable examples are easy to cite. In an election, the leaders of a political party energize volunteers with rhetoric about good government. The organization's real purpose, though, is often to obtain elective office for its leaders and patronage jobs for campaign workers. Churches and synagogues nominally exist for the purpose of religious devotion. But providing opportunities for members to develop social and business ties is also important. Critics have charged that the true objectives of many nonprofit organizations are to provide their executives with high pay and valuable perquisites rather than to serve society.

Few members of an organization may know all the purposes the organization serves. All collectivities have latent as well as manifest functions. Organizational objectives, furthermore, are dynamic. Means can become ends through the process of goal displacement. The organization's objectives can be transformed as a consequence of more general organizational change.

Over time, the organization allocates its biggest rewards to members who advance its true, primary objectives. Members can discern the organization's objectives by observing who receives the biggest rewards—and for what actions members are punished.

City government provides an illustration. No official has ever been commended for closing down a gambling operation whose proprietor is friends with the mayor. The true objective of the police force in some towns may be to protect the mayor's cronies rather than the citizens.

Select leaders advantageously. People intent on success must exercise self-interest in their relationships with leaders. Goodwilled people everywhere are naturally inclined toward teamwork. Similarly, most people are predisposed to support the leader of their group or organizational unit, whoever he or she may be.

Pursuit of personal success, though, requires departure from habitual behavior of this kind. Not all leaders are equally capable of benefiting their followers. Assessing the leader's ability to benefit oneself is crucial.

A successful leader benefits his or her followers. Such a leader can obtain resources from upper-level management to augment the unit's operating budget and number of personnel slots. These translate into raises and promotion opportunities for subordinates.

Unsuccessful leaders drag their subordinates down. These managers see their budgets cut rather than augmented, and their personnel slots reduced. Opportunities decline rather than expand for their subordinates.

People who are successful in organizations continually reassess their supervisors. They listen to the comments of workers in other units. They note which executives receive space in the company newspaper. They become attentive to whether or not their leader goes on trips with the CEO or receives appointments to important committees.

Canny individuals make sure they are supervised by people on the fast track and avoid working for those who are going nowhere. People of ambition who find themselves in units headed by a dead-ended supervisor should request transfers. If transfer is impossible, the employee should seek work in another organization. Failure to do so risks not only career immobility but involuntary termination. When the weak supervisor is sacked, his or her subunit is likely to be diminished or dismantled.

Not every successful leader, though, brings his or her subordinates along. As they move up, some leaders retain their former assistants as managers. Others look for new seconds-in-command who can open additional networks for the leader. Old colleagues get left behind. It is important to know how the leader has treated his subordinates in the past as he or she has ascended the ladder.

Supervise strategically. It is just as important for people intent on success to deal strategically with subordinates. Subordinates may be employees (or unpaid members) of the organization. But managers should also view them as personal assets in the competition for advancement. The successful manager rewards subordinates for behavior that helps him or her advance. Every subordinate should be expected to boost the manager's reputation. Subordinates unable to follow such a program should be reprimanded or terminated.

Experience leads many to a crucial assumption regarding advancement in an organization: individuals do not automatically benefit in proportion to the organization's prosperity. Everywhere, politics strongly influences who gets what, when, and how much. A manager is as much a political boss as a supervisor of work. Successful managers play to win.

The thinking of Machiavelli (1469–1527) has great value for managers in modern formal organizations. Machiavelli is history's best-known guru of politics. Kings, dictators, and presidents have read his work for hundreds of years. Machiavelli learned the art of politics in the cutthroat world of Italian city-states, where assassination and *coups d'état* were common. He wrote that political success requires self-interested strategizing, impaired by neither emotion nor humanitarianism. Today, people use the term *Machiavellian* to denote putting one's interests ahead of those of others and using cold calculation to achieve success.

Among his many prescriptions,[4] Machiavelli wrote that leaders must take bold action to solidify their rule immediately upon taking power. According to Machiavelli, unpopular steps taken at the beginning of a reign are soon forgotten. Afterward, a manager can distribute small favors to his or her underlings over time, building popularity and feelings of obligation.

Consistent with this thinking, CEOs in modern corporations often fire the department heads they inherit from their predecessors. Then, they appoint individuals of their own choosing to these positions. Owing their jobs to the new CEO, the freshly appointed department heads are likely to have strong feelings of loyalty to him or her. New personnel hired from outside are unlikely to have ties within the organization independent of their boss. For this reason, they are unlikely to form independent and potentially hostile alliances.

Machiavellianism can also benefit a leader when applied to his or her own subordinates. A team leader can motivate subordinates to extraordinary performance by implying that they will move up along with him or her. Upon promotion, though, the leader may find it more advantageous to hire his or her lieutenants from outside.

Elected public officials often function in this manner. Campaign workers are often motivated by the expectation that they will receive government jobs if their candidate wins. But to the newly elected official, cultivating new communities and interest groups can be more advantageous than rewarding campaign workers. The official needs a steadily expanding group of supporters to continue moving up.

Assess the internal labor market. Those who succeed in organizations do so by identifying opportunities and pursuing them. Organizations differ in the amount of opportunity they offer—and to whom they offer opportunity. People increase their level of responsibility and compensation by identifying positions for which they might eventually qualify and acquiring the skill and experience these positions require.

A person's success in an organization does not depend only on the individual's personal capabilities. It depends as much, if not more, on the characteristics of the organization itself. In some organizations, people have numerous opportunities to move into new, more desirable jobs. In others, most jobs are dead ends. Most organizations are selective in the opportunities they offer. They allow advancement for people in some positions but not in others. The job ladders available in an organization affect an individual's future as much as his or her personal gifts or technical training.

An organization's internal labor market reflects its basic structure (see Chapter 5). Some organizations have long career ladders. These allow relatively unskilled people to start on the bottom rung and gradually ascend, sometimes as high as top management. Public agencies that operate under rules not readily learnable on the outside usually have long career ladders. Other organizations have career ladders that are short or nonexistent. Examples of organizations with short career ladders include those with "flat" hierarchies or those whose functions require capabilities obtainable on the outside. New technology firms typically have short job ladders, since their hierarchies have only a few levels and the skills they require are obtainable on the outside (e.g., in engineering school).

Qualifications for entry into desirable positions vary among organizations. In some organizations, people are viewed in a "universalistic" manner (see Chapter 4). Anyone demonstrating the ability to do a management job can qualify for it. In other organizations, roles have a "particularistic" quality. Only people with the right social background or family ties can advance.

People who desire advancement should familiarize themselves with the qualifications for entering the slots above their own. They should note the attributes of the individuals who receive promotions and compare these with their own characteristics. Those who determine their organization's internal labor market to be small or closed must look elsewhere for advancement opportunities.

Keep horizons short. Complacency is a hazard of organizational life. The routines present in most organizations are mesmerizing. They lull even the ambitious into a sleepy sensation of satisfaction regarding their position and future in the organization. Many are shaken from this state when the organization encounters a crisis. All too often, people experience shock at how limited their opportunities turn out to be and how vulnerable they are to termination. No one should permit himself or herself to be taken by surprise.

People should never allow themselves to feel too comfortable in an organization. Accommodation to the day-to-day routine can allow the years to pass smoothly. As they do, though, the talented individual finds that he or she has become trapped in a dead end.

Many succumb to a belief that things are bound to get better. Eventually, the employee's talents will be recognized. A new supervisor or CEO will take over and institute a fairer system of promotion and pay. Management slots will open for the employee when he or she is older.

This is sometimes true. Both human and organizational memories tend to be short. Political errors are sometimes punished by short stays in organizational "penalty boxes": temporary immobility, relocation to an unpopular site, or assignment to undesirable duties. Members of organizations must determine whether immobility is temporary or permanent.

It is vitally important for people to continuously reassess how much promise their organization really offers. A personal schedule for advancement can be valuable for this purpose. People should set advancement objectives for specific time periods. Horizons should be short. If a reasonable objective is not reached within three years of employment, the individual should look to another organization.

A sequence of short-term attachments to different organizations can take people much further than loyalty to a single one. In each three- to five-year involvement, the individual moves up another step. Personal cost may be high, requiring, for example, regular relocations to different parts of the country or even the world. But job-hoppers assume, often correctly, that no one organization will allow them to move from step to step fast enough to build a career.

Keeping a short time horizon can be valuable not only in work organizations but in organizations concerned with volunteer activity or politics. These organizations tend to fall into inaction, surviving only because they provide socioemotional rewards to their members. An individual committed to a cause must be prepared to switch his or her organizational allegiance if concrete, effective actions have not occurred in a reasonable period of time.

Avoid heroism. It is important to remember that the modern formal organization neither seeks nor benefits from heroism. Every well-functioning organization develops expectations of individual performance and applies its resources to maintaining performance at this level. Extraordinary effort by individuals to exceed these expectations doesn't necessarily help the organization. People who make such efforts do not usually help themselves.

Heroism may be thought of as *extraordinary effort and risk against long odds.* As such, it puts the individual at peril. Failure, the usual outcome of heroic effort, always looks bad. As noble as his or her intentions have been, the would-be hero is blamed for placing the organization's reputation in jeopardy and wasting its resources.

Success can also put the hero at risk. Outstanding achievements incur the jealousy of colleagues. Some may dismiss extraordinary achievement as mere luck. Others may fear that extraordinary performance demonstrated by the hero will become the norm, raising expectations for everybody. The hostility against "rate-busting" observed among industrial workers (see Chapters 1 and 6) occurs among managers and professionals as well. The hero's visibility as a competitor for advancement and bonuses can motivate colleagues to make him or her look bad.

Even if successful and appropriately rewarded, heroism has significant personal costs. Leslie Perlow's example of overwork in an engineering firm (see Chapter 13) provides an illustration. The firm she described awarded hero status to workaholics. Driven by new technology and crisis-prone, the firm required regular night and weekend work. Employees had little time to take care of personal business or establish intimate relationships on the outside.

Many organizations consider extraordinary effort to be required rather than exceptional behavior. Wall Street investment banks and high-powered law firms are examples. So are breakthrough high-tech organizations. Even after achieving world-class status, software giant Microsoft required days of 12 hours or longer from its lead technical personnel.

But high expectations should not be confused with heroism. Performance norms vary among organizations, and in some they are very high. Individuals should determine whether heroic-seeming performance is normally expected or not. A good test is to see how many people, in fact, work extra hours. If the worker finds him- or herself alone in the office after hours, his or her effort is indeed heroic. If the after-hours atmosphere is abuzz with laboring personnel, computer screens alight, coffee cups and pizza crusts piled high in the wastebaskets, what seems like extraordinary effort merely reflects the norm.

Find the right fit. Except under extraordinary conditions, organizations are unlikely to change (see Chapter 11). For this reason, it is important for the individual to assess his or her level of comfort within the organization. People should ask themselves whether their talents and skills are valued by the organization. Periodic advancement indicates that the answer is positive. Getting passed over for desirable slots indicates the negative.

Social and emotional compatibility is of equal importance. Are the conversations in the elevator or at company parties of interest to you? If the talk is always about football and golf, but your sport is scuba diving, you may be in the wrong surroundings. If you find you would rather not socialize with your colleagues on the outside, you may be in the wrong organization.

Finding the right organizational fit has both an instrumental and a socioemotional function for the individual. Much business gets done in the context of informal conversation and socialization. Only people seen as reflecting the corporate culture are tapped for top management. Simply feeling comfortable in an organization is important, too. People spend a high proportion of their waking hours in organizational settings, and the quality of the fit can shape their entire outlook on life.

People in organizations that are wrong for them often accept personal blame for lack of success. Experiments in basic social psychology highlight the importance of organizational surroundings on the individual's apparent performance capacity. The case study of a boy in summer camp is a classic example. The boy was observed to be unpopular and regularly picked on by his group. Counselors switched the child to a group of somewhat younger kids. The child immediately emerged as a leader, befriended by all, and possessed of many talents. Everyone who has felt dead-ended in his or her organization should remember this tale.

Finding the right fit is as important in nonwork organizations as it is in business firms and government agencies. People, of course, look to organizations for opportunities to have fun, meet others, and act on political and social convictions. Members should continuously ask themselves whether such organizations make use of their capabilities and contribute to their objectives. Does the sports club emphasize technical skill rather than having a good time? Does the social action group sacrifice idealism to broader public acceptance? Are members outside a ruling clique barred from leadership positions in the charity organization? Characteristics such as these make an organization a poor fit for many individuals.

Doing the Right Thing: Ethical and Legal Challenges in Organizations

In most, if not all, organizations, people can find ways to protect themselves from harm and advance their own interests. People also have the freedom to decide between right and wrong. The actions of individuals in organizations may cause harm to others or damage to the organization itself. Personal consequences can be mild: guilty feelings experienced in private or shame before others. Penalties for wrongdoing can also be severe, ranging from ostracism and termination to imprisonment. Beyond its impact on individuals, *malfeasance*—a term denoting either ethical or legal breach—has led to bankruptcies in corporations and scandals in public agencies.

Individuals in organizations, first, face *ethical* challenges. *Ethics* are obligations of individuals to act toward others in a manner consistent with socially reinforced values. For many, values supersede satisfaction of personal needs, organizational role expectations, and boss's orders. The values that determine ethics are tied to the basic moral principles by which people live their lives.

The broadest values emerge from the general culture. A traditionalist author has defined ethics as "the normative standards of conduct derived from the philosophical and religious traditions of society."[5] The organization, of course, also serves as a source of values. People in organizations, finally, obtain their values from outside groups and agencies to which they feel obligation or allegiance. Today, individuals must balance values derived from many sources as well as of their own formulation.

In addition to ethical challenges, people in organizations face *legal liability.* A person's efforts to fulfill role expectations may place him or her at risk of breaking the law. Tragically, people have done time in prison simply because they have tried to do their jobs as well as possible.

Ethics in Organizations

The Nature of Ethics

The term *ethics* implies testing one's behavior against formal or informal codes of conduct. Codes of conduct consist of moral principles that express core values. Many such codes are formally worked out by a collectivity and publicized in written form. Ethical codes are developed by work organizations. They are also put forward by professional societies, such as the American Medical Association. Today, many people develop codes of conduct that are largely personal, selecting elements from many sources.

Human beings have sought formulas for correct behavior for thousands of years. From ancient to modern times, philosophers and theologians have formulated rules of human behavior based on what they considered "right." Medieval theologians deemed human actions good or bad according to their interpretation of religious doctrine. These commentators believed, for example, that charging interest on loans was unethical. Many people today look to religion for ethical guidance.

Renaissance philosophers (1400s and 1500s) began judging the actions of individuals according to humanistic principles. They focused on the effects of human acts in the secular world. The Industrial Revolution (1700s) gave rise to *utilitarianism,* judging human behavior according to its consequences for advancing human well-being. Utilitarians consider an action good when it can be shown to promote "the greatest good for the greatest number."

In modern times, *relativism*—a sense that what is right for one individual or society may not be right for another—dominates ethical thinking. Such thinking contrasts with *absolutism,* an often religiously based belief that universally valid standards should govern human behavior. Modern authorities place great importance on individual responsibility and choice. The political culture dominant in modern society reinforces relativism, encouraging people to develop their own values rather than rely on traditional beliefs or religious doctrine. Unlike in past times, people today are faced with the challenge of formulating, and sometimes defending, their own standards.

Why Be Ethical?

A concern for ethics seems dispensable in today's competitive world.
People normally do not go to jail for ethical transgressions. Ethical codes receive little day-to-day attention in most organizations. Niceties such as ethics are seldom invoked except in connection with major scandal or financial loss.

Ethics, though, have practical consequences. Shady practices in providing goods and services repel customers even if they are not illegal. People viewed as sharp dealers or corner cutters have trouble obtaining leadership positions in organizations. Utilitarian thinking emphasizes the functional nature of ethics. Unless people have confidence in the rightness of each other's actions, social ties disintegrate, and with them the cohesion and coordination upon which economic and technical achievement depends.

Ethical behavior is a normal human quality. Few people act solely according to personal need. Psychologists and psychiatrists consider people whose values ignore the feelings or well-being of others to be abnormal, diagnosing them as sociopaths.

Ultimately, most people act in an ethical manner because they wish to feel good about themselves. They want their behavior to be emulated by the young. They wish to be remembered as good human beings rather than as egoists or crooks.

Ethical Dilemmas in Organizations

The connection between ethics and social norms—many of which are traditional and religious in origin—cannot be completely severed. Consistent with today's emphasis on freedom and choice, however, modern authorities on ethics do not exhort people to accept particular values. Rather, they encourage people to develop their own directions regarding ethical behavior.

Terry Cooper,[6] a well-known writer on ethics in organizations, highlights individual self-examination as the key to ethical behavior. Everyone, he writes, lives according to personal principles based on core values. Upon reflection, most people would identify closely held values such as self-expression, duty to children and spouses, and service to humankind.

Ethical challenges arise when an individual realizes that his or her values are in conflict. As an example, Cooper cites a city employee who observes citizens falling ill due to bacterial contamination in a popular lake. Upon receiving the information, though, his superior instructs him to take no action. The superior counters that the contamination is insignificant and an alert may necessitate installation of costly filtration equipment.

The situation places several of the employee's values in conflict. His values include loyalty. Thus, feels he must obey his superior's instructions. His values include public service. Thus, he feels compelled to make information about the contamination public. His values include caring for his family. For this reason, he feels compelled to forgo actions that may place his job at risk. An honest and informed choice among these values constitutes ethical behavior.

Crime in Organizations

Ethical transgressions invite public scorn but do not usually constitute crime. People recognized as unethical lose business. They may be criticized by peers and be called before the boards of professional organizations. But they are seldom, if ever, imprisoned. Crime itself, however, is an organizational fact of life. Organizations are capable of committing crimes just as are individuals: theft, reckless endangerment of life, and murder.

Criminal corruption. Criminal corruption in organizations (called "corporate crime" in the private sector) includes wrongdoing toward the organization's owners (typically stockholders), workers, or the general public. Visible, small-scale crime takes place in many organizations. Such acts include falsification of time cards and "shrinkage," or minor pilferage, of supplies. Less visible is minor "white-collar crime." Examples include small-time embezzlement by administrative personnel, acceptance of bribes by civil servants, and favored treatment of cronies by elected officials. Consequences of crimes on this level are usually restricted to the organization or its clients.

Illegal acts originating at the highest corporate level become major public concerns and chapters in history books. The 20th century furnished many examples. In the century's early years, oil magnates Edward L. Doheny and Harry F. Sinclair bribed the secretary of the interior of the United States to allow them to pump oil from a publicly owned reserve. In a scandal that came to be known as

Teapot Dome, the secretary of the interior went to prison and the magnates paid colossal fines.

The century ended as it began. In the late 1990s, evidence surfaced in Los Angeles that police officers in an elite antigang unit known as Community Resources Against Street Hoodlums (CRASH) had stolen drugs from evidence storage rooms, planted evidence on innocent citizens in order to make arrests, and robbed a bank.[7] The revelations became known as the "Rampart scandal," after the neighborhood in which CRASH was based. Included in the scandal were at least some supervisory personnel.

The 21st century promises to be no different. In 2001, the Securities and Exchange Commission sued onetime corporate turnaround artist Al Dunlap ("Chainsaw"), alleging that he falsified the books of the Sunbeam Corporation. Dunlap, it seemed, wished to make it appear that the mass layoffs he engineered had increased profits when in fact they had not.[8] One year later, the Enron Corporation replaced Teapot Dome as America's symbol of big-time corporate wrongdoing. Officers of Enron, a Houston-based energy-trading giant, ran the firm into immense debt while manipulating financial reports to make the company look profitable.[9] Investigative reporters made the situation public and the firm instantly collapsed. Convicted on a number of fraud-related charges, Enron's CEO Kenneth Lay faced possible life imprisonment but died before he was sentenced.

Malfeasance by corporations has caused human suffering as well as public outrage. Business ethicist John Darley describes disastrous examples, such as the Pinto automobile manufactured by Ford and the Dalkon Shield, an implanted birth control device made by the Robbins Company. Ford executives knew that the Pinto gasoline tank could rupture and explode on collision but took no action. The quality control supervisor at a Dalkon Shield manufacturing facility reported a health hazard to his supervisor but was sternly discouraged from discussing it further.[10] Technical personnel at Morton Thiokol, which built space shuttle components, warned their supervisors of a potentially faulty part but were rebuffed.[11] Drivers and passengers burned to death in Pinto autos, women died needlessly from Dalkon Shields, and the crew of the space shuttle *Challenger* perished when the vehicle exploded. The Enron debacle cost billions in investor losses, 4,000 employee jobs, and the life of at least one former executive, who committed suicide.

*Crimes against humanity***.** Outrage against lying, stealing, and placing lives at risk as described above is justified. But such malfeasance is trivial compared with the brutality exercised by organizations with political, ideological, and nationalistic missions. In China and the Soviet Union (now dissolved into Russia and several nearby countries), Communist parties killed millions of citizens. The Communist parties in these countries took control of the government. Then Communist leaders used the army and police to protect their power and reshape society according to their philosophies. In Germany, the Nazi Party terrorized and killed not only its own citizens but millions throughout Europe. By the beginning of the 21st century, totalitarian organizations ruled in only a few scattered countries. But organizations of criminals such as the Russian Mafia and South American drug cartels threatened the well-being of millions in their countries and beyond.

Causes of Evil in Organizations

The wrongdoing so frequently encountered in organizations can sometimes be attributed to evil individuals, either in the ranks or at the top. In fact, much evil is perpetrated by emotionally normal individuals living conventional lives. The very features that allow organizations to function cause people to perform condemnable acts. The division of required functions into roles, the operation of reward systems, and the presence of organizational culture promote coordination and cohesion among individuals. However, they can also impel people to lie, cheat, and kill.

Personal justifications. One explanation of wrongful acts by normal people lies in the fact that people think differently in organizations than they do when alone or in their primary groups. The large size and abstract-seeming objectives present in organizations transform individual judgment. According to Saul Gellerman's study of business malfeasance,[12] this atmosphere allows individuals to commit acts they would never commit on the outside.

People often explain an act they know to be unethical or illegal according to the following rationalizations:

- *It isn't really illegal or unethical.* Workers and managers believe that the malfeasant act is really acceptable. This is particularly tempting when the action is widespread, making it seem routine. As an example, several observers of Wall Street have cited the practice among brokers of selling undesirable securities to the public. The brokers justify their conduct with the Roman proverb *caveat emptor:* "let the buyer beware."
- *It is in the organization's best interests.* People naturally identify with the well-being of their firm or agency. This enhances motivation, increasing the likelihood that the ethics and legality of an act will be overlooked. Examples include the covering up by companies of problems and errors. The Manville Corporation and Ford knowingly concealed the dangers, respectively, of asbestos and the Pinto automobile. In a public-sector example, the Republican administration of U.S. president Richard Nixon (1969–1974) covered up its involvement in a burglary of a Democratic Party headquarters (the "Watergate scandal"). Executives at Manville and Ford, as well as President Nixon, believed denial to be the safest means of damage control.
- *It will never be discovered.* People are willing to take chances in order to achieve desired ends. In organizations, risking discovery of a frowned-on act is encouraged by the knowledge that others have gotten away with it. In the instance of business history cited above, Al Dunlap never believed that his bookkeeping gimmicks—charging expenses to a year in which they did not occur, reporting incorrect valuation of inventory, and providing inflated estimates of sales volumes—would come to light.
- *It will be condoned because it will help the company.* People believe that transgressions will be overlooked as long as objectives are achieved. Often, executives give subordinates precisely this message. During an aggressive growth period at Continental Illinois Bank in the 1970s, a loan officer was found to have received a $565,000 kickback from a customer. The officer, who had closed an $800 million deal with the customer, received only a mild reprimand from management.

It is important to remember that people who perform unethical or illegal acts are usually normal, everyday individuals. These justifications are often compelling at the time the act in question takes place. Often, the individual appears to have been clearly in the wrong only after later events have unfolded and officials, journalists, and historians have pieced together the whole story.

Adoption of these justifications may amount to self-delusion by line managers. Without endangering themselves, though, leaders encourage subordinates in this direction. Gellerman writes:

> Top executives seldom ask subordinates to do things that both of them know are against the law or imprudent. But company leaders sometimes leave things unsaid or give the impression that there are things they don't want to know about. In other words, they can seem, whether deliberately or otherwise, to be distancing themselves from the subordinates' tactical decisions in order to keep their own hands clean if things go awry. Often they lure ambitious lower level managers by implying that rich rewards await those who can produce certain results—and that the methods for achieving them will not be examined too closely.[12]

Out of Sight, Out of Mind: Abstract Harm Versus Tangible Gains

People naturally consider immediate, personal benefits from an action as more important than the remote possibility of harm to others. This fact explains many misdeeds in organizations.

A manager knows that his or her bottom line will suffer if a product cycle is delayed. He or she may suspect that marginal corner cutting might result in poor service or injury to someone, somewhere. But it is not certain that anyone will really be ill served or injured. Any undesirable outcome will, in any case, occur far away, in someone else's jurisdiction. In contrast, the manager knows for certain that his or her bonus will be larger if the product is delivered on time.

A worker observes a shoddy or illegal practice. His or her conscience is disturbed. Yet, the worker does not wish to harm his or her relationship with management. The substandard product or legal transgression may, in any case, never be discovered. Those who are injured are unlikely to be personal acquaintances. The worker feels certain, though, that looking the other way will not endanger his or her job.

Organizational encouragement of misdeeds. The four factors described above enable people guilty of malfeasance to convince themselves that they have done no significant wrong. Self-justification can be viewed as an attempt to attain cognitive consonance. Through this process, people who do bad things can continue to believe they are good human beings.

Factors associated with the properties of organizations themselves, though, also contribute to wrongdoing by individuals. Some organizations exert particularly strong influences on their members to commit acts widely seen as evil by outsiders. Other organizations do nothing unusual, and still gradually seduce their members to commit acts of malfeasance. The essential properties of organizations can cause people to set aside the moral principles they have been socialized to accept.

Tasks, tools, and functional specialty. Sometimes, the tasks with which organizations are charged and the methods required to carry out their responsibilities create risk of evildoing among members. The organization's "subject matter" can lead to socially destructive behavior. Organizations in which significant evildoing takes place often have tasks and modes of functioning such as the following:

Objectives that require deadly force. Some of the most prominent public-sector organizations use deadly force to carry out their day-to-day work. Organizations such as armies and police forces are the best-known users of such resources in their day-to-day work. Experienced soldiers and law enforcement officials understand the consequences of deadly force better than most citizens, and most are reluctant to use it. But the presence of deadly weapons creates a potential for serious misdeeds. Newspapers and history books abound with examples.

Historians have attributed wartime atrocities to organizations with objectives as different as German armies in World War II and the U.S. forces in Vietnam. German soldiers may have acted on the orders of a genocidal command structure. But the Americans in all likelihood acted without the knowledge or approval of top commanders.

It is not clear why organizations with weapons periodically use them against unarmed opponents and peaceful citizens. The organization's need to habituate its members to using violent means and to legitimize their use appears likely to play a role.

It may also be the case that illegitimate use of deadly force may result simply from the ready availability of weapons. Criminal gangs in the United States—which, it should be remembered, sometimes have the basic properties of formal organizations—are known for their tendency to settle disputes with guns. Much of the killing seems to take place in highly inflamed emotional settings. Some gun violence occurs in controversies as concrete as those over drug deals; other instances occur as teenagers react to perceived disrespect or compete for prestige.[13] The simple availability of guns may transform the yelling match or jostling contest expectable among youths into capital crime.

Presence of vulnerable clients. Unethical and criminal acts often take place in organizations that care for incarcerated, dependent, or otherwise vulnerable people. Such people include prisoners, hospitalized patients, and children who are wards of the state. All share the inability to escape insensitive treatment or abuse.

The inability of people to leave an organization charged with their supervision or care aggravates their vulnerability. Inattentiveness of staff can be a problem at nursing homes, whose residents lack the capacity to protest or depart. Every reader of Charles Dickens knows of the mistreatment of children, represented in the character of Oliver Twist, in the orphanages of yesteryear. Rape is regularly reported in jails and prisons, directly perpetrated by staff in some instances and perpetrated by inmates with staff knowledge in others. Some of the most atrocious acts of misconduct have been reported in hospitals. Staff members have taken sexual advantage of mental patients with insufficient competence to refuse. A Sacramento anesthesiologist in the 1970s was found to have repeatedly abused unconscious women awaiting surgery.

Sociologists refer to organizations such as prisons and mental hospitals as "total institutions" (see Chapter 6). The label *total institution* refers to the fact that all aspects of inmate lives are under the control of organizational rules and staff decisions. People in total institutions often have no means to limit the power of the staff. Ironically, observers have noted a tendency for total institutions to foster the very behavior they are empowered to discourage. Mental patients become more depressed, anxious, and disruptive due to the frustration of confinement. Convicts become more confirmed as criminals due to their need to adopt unscrupulous and illegal measures to survive incarceration.

Abundance of unwatched, movable resources. Organizations that place members in contact with abundant, accessible resources create opportunities for malfeasance. Notable examples include businesses that handle large amounts of cash. Cash is easy to transfer and its trail difficult to follow. It is understandable that some personnel cannot resist the temptation to sneak money into their own pockets.

Malfeasance in the gaming industry is legion. Casino transactions are carried out via banknotes and cash equivalents such as chips. Both workers and management have been observed to engage in illegal behavior. Management invests in elaborate surveillance systems to prevent dealers and croupiers from pocketing stakes. But theft occurs. Management itself has engaged in large-scale fraud, secretly taking cash from the counting rooms. Known as "skimming," this procedure steals tax revenue from the government and fair dividends from investors.

Access to cash, weapons, drugs, and other valuables seized from felons reportedly has a corrupting effect on police officers. The Rampart scandal referenced above provides a 21st-century illustration. Working without direct supervision, police officers have been known to keep assets seized from suspects for sale or their own use.

Elected officials and their staffs provide a final example of how access to resources fosters malfeasance. Some officials control budgets that include significant funds not legally earmarked for a specific purpose. This allows the official to allocate the funds at will. Others channel lucrative contracts and provide profitable information on pending government actions to friends and allies. Family members may be hired into publicly funded jobs under which they do no actual work. It is doubtful that sufficient public scrutiny can be applied to eliminate financial malfeasance in government. Every presidential administration and governor's office seems to produce its own crop of scandals.

Time and resource pressure. Strict deadlines and limited resources can impel people in organizations to commit ethnical and criminal transgressions. In wartime, rapid production schedules have caused manufacturers of materiel to cut corners. The *Challenger* disaster provides a civilian example. Executives of the agencies involved had postponed or cancelled a series of shuttle launches and felt pressure to bring off a prompt, successful effort. Pressure for action contributed to management's rejection of a postponement urged by technical staff.

Financial pressure can lead to malfeasance. Under pressure for financial performance, executives may prefer to ignore or cover up information about a defect or risk. Firms often incur significant *sunk costs*—money and time tied up in a specific program—in developing new products. These costs can be recovered only if the product is commercially successful. Thus, its manufacturer had strong reasons for keeping the Dalkon Shield on the market.

Pressure to make money or cut expenditures tempts people in the finance and health care industries to commit unethical, illegal, and socially condemnable acts. Stockbrokers are pressured by traders to unload undesirable securities on their clients. Traders take risks by purchasing stocks and bonds they expect to increase in value. When they realize they have guessed wrong, the traders depend on their firm's brokers to sell them to unsuspecting customers.

Health maintenance organizations (HMOs) face financial pressure potentially greater than any other organization today. These organizations accept contracts to provide all the health services a group of patients will use in the coming year. They risk bankruptcy if the patients consume more resources than their contract provides. At the beginning of the 21st century, HMOs faced charges by consumers that they were denied the services they needed. Lawsuits were mounted against HMOs believed to have denied life-saving treatment to patients, and major legislation was introduced to protect patients' rights.

A Drift Toward Disaster

Events at a B. F. Goodrich Corporation unit in the 1980s show how an organization can edge toward corruption even though no individual intends to transgress.

Eager to do business with defense manufacturer LTV, Goodrich proposed to deliver an innovative four-disk brake, whose small size fit the needs of an aircraft LTV was designing.

Trouble started after the contract was won. A junior engineer, assigned by Goodrich to test brake lining material, discovered that the four-disk design was unworkable. The original engineering calculations had been wrong. The young man reported his findings to the senior engineer who had designed the brake and to the project manager.

Having already announced that initial tests had been successful, though, Goodrich management was unable to admit to LTV that redesign might be necessary. The project manager told the junior engineer to stick to his job, searching for a brake lining that worked.

Later, a test engineer noticed that someone had wrongly calibrated testing equipment to ensure a favorable outcome for the brake assembly. He brought the news to his boss and the unit's top manager. The managers responded that it wasn't the test engineer's responsibility to approve or disapprove, and that they were too busy to intervene themselves.

The brakes were delivered to LTV and installed on airplanes. Several near crashes occurred. The junior engineers talked with an attorney. A congressional investigation ensued.

No single villain can be identified in this case. Numerous people knew about the brake's defects but hid rather than confronted the problem. The engineer who made the initial discovery buried his concerns and participated in the fraudulent tests. The senior engineer and managers above him were reluctant to admit mistakes. Everyone felt pressure from higher-ups to deliver the product as promised.

Organizational machinery. Above and beyond the work in which it is involved, the means of coordination and cohesion that an organization employs can foster malfeasance. All organizations require coordination and cohesion. The choices (deliberate or evolutionary) that an organization makes about how it will achieve coordination and cohesion affect the likelihood that its members will engage in misdeeds. Four examples—leadership, structure, culture, and authority—illustrate this principle.

Charismatic leadership. Charismatic leaders (see Chapter 9) exercise power not through rules or traditions but via belief among subordinates that they personally represent divine will, the thrust of history, or some other extraordinary or supernatural force. Personal magnetism is an essential property of charismatic leaders. Among modern charismatic leaders, people are likely to think of John Kennedy and Martin Luther King.

The star quality associated with charismatic leadership has positive appeal. But people should remember that charismatic leaders have often led their followers into condemnable deeds. Hitler and Mao exemplified these tendencies in the 20th century. Both these individuals set aside historical precedents and established procedures to carry out their will. Their personal gifts motivated their followers to break with tradition. Untrammeled by rules and traditions, Hitler and Mao were able to order some of the most extensive mass slaughters of history.

Charisma, then, is an instrument of social control equally capable of being used for good or evil. The terrorism and fanaticism that have characterized the 21st century's early years in some parts of the world have been inspired by charismatic leaders. On a more immediate scale, the personal charm of an executive has seduced many into corrupt actions.

Charisma sounds exciting and attractive. But leadership via charisma has led many an organization and individual to destruction. Democracies require checks and balances on their leaders. Similarly, rules and traditions in an organization are valuable to check the inclinations of a leader whose objectives may be risky, destructive, or unwise.

Excessive hierarchy. Chapter 10 points out the downside of hierarchical structure. Although hierarchy contributes to coordination, it tends to block communication from bottom to top, and vice versa. Extreme hierarchy in an organization can also foster ethical transgression and criminal acts.

Hierarchy makes leadership invisible. In organizations with numerous layers separating leadership from the workers, those at the top acquire a mythical character. They are seldom if ever seen by subordinates a few rungs below them. It becomes hard for subordinates to realize that those above them are human beings with normal limitations in judgment, honesty, and goodwill.

Leaders who are invisible appeal to some workers. These are people with "authoritarian personalities," as described in Chapter 2, who feel most comfortable in an atmosphere of orders received from on high. All things being equal, an organization with extreme hierarchical structure will attract a membership in which the authoritarian personality predominates.

Extreme hierarchy makes socially destructive acts more likely in an organization. In such a setting, the orders of an unethical, criminal, or genocidal leadership are unlikely to be questioned. Even when the leadership is goodwilled, extreme hierarchy may foster malfeasance in the organization. Communications problems associated with hierarchical structure often prevent top executives from learning about what is happening in the ranks. Intelligence about legally or ethically questionable practices on the ground may never reach the top leadership level.

Cultural chauvinism. Some countries have *chauvinistic* cultures—beliefs and values that claim superiority over other nations. Chauvinists believe that their country, due to its cultural or moral superiority, has the right to attack its neighbors. Cultural chauvinism helps explain atrocities such as ethnic cleansing in the Balkans at the end of the 20th century.

Organizations, too, can have chauvinistic cultures. The leadership and members of such organizations may believe they are superior to the general public in intelligence. Or they may believe that people outside the organization are incapable of making good decisions, using their money wisely, or living peacefully with each other. These chauvinistic beliefs are used to justify acts toward the public ranging from petty swindles to mass violence.

Cultural chauvinism is common in organizations whose members are socially isolated from outsiders. Such isolation has been observed, for example, among police. Police officers interact intensely with the public in the course of their official duties. But according to a classic study, they socialize principally with each other when off duty.[14] Isolation from the broader society also occurs within businesses whose members perform highly specialized work or lack day-to-day, physical contact with the public.

The Rampart scandal in the Los Angeles Police Department illustrates how chauvinistic organizational culture can encourage misdeeds. The CRASH unit had a "rough justice" culture. This was symbolized by the unit's logo: a white skull with a cowboy hat, framed by playing cards arranged in the "dead man's hand"—aces and eights. The unit's street-smart officers, it is said, knew who the crooks were, but didn't trust civilian courts and juries to remove them from society. The unit's culture justified direct action.

According to reports, it was commonplace for officers to shoot a suspect and plant guns and drugs on his or her body to justify their action. The practice came to light when a young Honduran was found to have been shot and framed by CRASH officers. Having been sentenced to 23 years in state prison, the youth was later released, crippled for life by the police bullets.

Wall Street furnishes other examples of misdeeds encouraged by corporate culture. Michael Lewis's famous book, *Liar's Poker,*[15] describes the corporate culture of Salomon Brothers in the 1980s, a hugely profitable period for the firm. The game of liar's poker itself represented a ritual to legitimize the practice of outwitting one's neighbor for profit. Another ritual, gluttonous weekly food blowouts, symbolized acceptability of excessive personal gratification. Encouraged by these values, Lewis reports, brokers knowingly steered customers into bad investments that profited the firm.

Diffusion of responsible authority. Authority is the most important dimension of imperative force. As defined in Chapter 7, imperative forces are mechanisms by which the organization causes people to act according to another person's judgment or desires rather than their own. Authority, power, and discipline all play a part in the well-functioning organization. Authority is the most consistent and durable of imperative forces. An individual's authority is considered legitimate by others in the organization and is typically restricted to a limited area of the organization's functioning.

Organizations in which no one has or accepts authority over ethical issues and legal risks appear relatively likely to commit malfeasant acts. Such conditions exist in many large organizations today. The very size and complexity of modern formal organizations make it difficult for anyone to claim or accept responsibility for a single product, much less the organization as a whole. Thus, the quality control supervisor in the Dalkon Shield case had sufficient expertise to detect a hazard, but insufficient authority to demand that a remedy be found. The same was true of the technical specialist reporting on the *Challenger*'s faulty part. In neither case did managers up the line intervene.

Whistleblowers in Formal Organizations: Heroes or Fools?

Most people feel they should stop others from doing evil, either directly or by alerting higher authorities. In organizations, though, people who report wrongful acts often place themselves in peril. An immediate superior may reject or ignore a subordinate's warning of improper acts and begin thinking of him or her as a troublemaker. Reporting a supervisor's misdeeds to higher-level managers involves even greater risk. Supervisors resent workers who go over their heads. In particularly serious cases, the worker may report questionable behavior to an outside watchdog group or law-enforcement agency. Acts of this kind are known as whistle-blowing.

Federal law protects workers who expose fraud against the government and rewards people who save the government money by exposing fraud. But blowing the whistle is still very risky. It is not uncommon for employers to take action against whistle-blowers, known or suspected. Managers, for example, harass whistle-blowers. Methods of harassment include intense surveillance, on or off the job.

When a chemist at Westinghouse Hanford Company started speaking out on safety problems in nuclear waste storage, her home was repeatedly broken into, her telephone rang day and night, and a note appeared on the dashboard of her daughter's car reading, "You Are Being Watched."

Workers are also dismissed. Westinghouse employees who raised nuclear storage safety issues were let go.[16] After pressing his case to upper management, the quality control supervisor at Robbins who detected the Dalkon Shield hazard was dismissed in a corporate reorganization.

Whistle-blowing may not result in justice. In the Goodrich matter, the engineers who identified the faulty brake design eventually resigned. No legal charges were brought against the company. The managers who encouraged the cover-up were reportedly promoted.

Strategies for Avoiding Misdeeds

Avoidance of malfeasance, either ethical or criminal, is relevant on two levels. First, individuals must make personal decisions regarding action or inaction. The individual's basic self-worth may be at stake in these matters.

Second, organizations themselves benefit from discouraging ethical or legal breaches at all levels. Most organizations suffer when public confidence is lost. Criminal charges are costly to contest and settle. Undetected malfeasance cuts into profits and reduces the quality of public service. The features of an organization have a powerful impact on its members' thinking and behavior. Organization-wide strategies for discouraging malfeasance, then, have greater impact than the behavior of individuals.

Personal Decisions

Values and Action

Ultimately, members of organizations decide for themselves whether or not to commit ethical transgressions or crimes. Human beings cannot be programmed. Organizational means of coordination and cohesion may powerfully affect individual actions, but structure, culture, and imperative force leave the individual with enough, perhaps just enough, room to decide between a "right" and "wrong" action.

Ultimately, an individual's action is based upon his or her values. Traditionally and socially approved values motivate people to behave in an ethical manner. Most people obey the law not from fear of punishment but rather because they believe that government is necessary and they value the principle of lawful behavior.

It is easy to understand why *deviants* from the social mainstream act unethically or illegally. Narcissists, sociopaths, and many career criminals are psychologically abnormal, valuing only fulfillment of personal need. The severely mentally ill or developmentally disabled are often *amoral,* lacking consciousness of values.

Most people, though, act unethically or unlawfully due to contradictions among widely shared values. Situations that call forth contradictory values constitute the greatest challenges that organizations present to their members. The case at the B. F. Goodrich unit described above provides an example. Consider the junior engineer who discovered the design flaw in the aircraft brake system. Some of his values doubtlessly were based in principles of honesty and professional integrity, such as

- Good engineering work
- Objective fact-finding
- Truthful reporting of findings
- Upholding engineering ethics

These values explain his communication of concern to his immediate supervisor and higher-ups.

He seems to have had other values as well:

- Loyalty to superiors
- Commitment to on-time completion of projects
- Contributing to the company's success
- Being a good team member
- Feeling productive
- Safeguarding his job and income

Conflict among these values explains the engineer's erratic behavior regarding the aircraft brakes: first pressing his misgivings on management; then, pushing back and contributing to the cover-up; and, finally, going public with a protest. Anyone today can find himself or herself in a similar state of conflict. The ethical absolutism of yesteryear is seldom adequate to resolve today's ethical conflicts.

Analyzing Options

A systematic examination of one's values can help resolve personal conflict. Table 14.1 provides a tool for such an examination. People can list their values that apply to the issue causing conflict. One or more actions can be identified as consistent with each value. Finally, each action can be analyzed regarding its likely impact, first on the individual and then on others.

The table represents some conflicting values that the engineer in the Goodrich aircraft brake episode might identify. It systematically explores values pertinent to the decision of whether to pursue or abandon the claim that the brake design is faulty.

The table assists analysis of options by displaying and comparing multiple values, actions, and outcomes. After considering its contents, many might decide that none of the favorable outcomes—peer approval or job security for oneself and others—would justify endangering the pilots who would test the planes that would be equipped with the faulty brakes.

Others might well decide to abandon the claim that the brake design was a failure. Saving Goodrich jobs, they might reason, is more important than saving test pilot lives. Such logic may seem coldhearted. But it should be recalled that tangible gains carry more weight in human thinking than abstract harm. Loyalty to superiors produces tangible gains: job security and promotion potential. Peril to the individuals who might eventually be harmed is abstract.

Even closely reasoned analysis, then, may not provide clear direction for doing the right thing. In formal organizations, the interplay of multiple values and diverse consequences promotes ethical ambiguity. The fact that the consequences of an act cannot always be anticipated increases ambiguity. It is uncertain, for example, whether revealing or concealing the brake design flaw would help the company. Short-term gains may be traded for long-term losses. People who safeguard the organization from long-term losses, though, may not survive to enjoy the fruits of their efforts.

Resolving Conflicts

As illustrated in the preceding example, logic alone is not necessarily sufficient to resolve a personal conflict. The individual must make a final judgment. Getting outside the organization can be important at this time. Outside people and groups—friends, professional colleagues, clergy, and therapists—can provide opinions independent of organizational priorities and culture.

Table 14.1 Examination of Personal Values

Value	Action	Impact on Self	Impact on Others
Truthful reporting	Pursue claim	Personal satisfaction	Safety of test pilots; layoff of coworkers
Loyalty to superiors	Abandon claim	Job security; potential for promotion	Job security for coworkers; peril to test pilots
Being a good team member	Abandon claim	Positive feelings from colleagues	Peril to test pilots
Upholding engineering ethics	Pursue claim	Feeling ethical; pride in professionalism	Strengthen independence of engineering profession; protect test pilot safety
Contributing to the company's success	Uncertain	Unknown	Unknown

Judgment at Nuremberg

Shortly after World War II, high-ranking Nazi officials were put on trial at the German city of Nuremberg. Faced with charges of murder and genocide, many of these officials pleaded that they were acting under orders and hence should be absolved of personal guilt. Top Nazi officers claimed to have been only subordinates, soldiers doing their duty, cogs in a machine. The tribunal rejected this defense, asserting that people are responsible for their acts even when they are under the authority of others. With only a few exceptions, the defendants were sentenced to death and hanged.

In war and peace, individuals ever since have looked to the Nuremberg judgment as a touchstone of personal responsibility when under the command of others. The argument that an individual was only following orders, regardless of whether these clash with higher moral values, is known as "the Nuremberg defense."

Organizational Safeguards

Individual analysis of options is of course important. But safeguards must be built into the organization itself to reduce individual malfeasance. These safeguards must counteract the organizational factors that promote legal and ethical breaches by individual members.

Formal Codes of Conduct

Many organizations today have formal codes of conduct. Colleges and universities have *codes of honor* that forbid malfeasant acts such as cheating on examinations or purchasing term papers from Internet-based suppliers. Firms such as Xerox have issued ethical codes to sales personnel prohibiting them from selling unneeded products to their customers. Every organized profession issues ethical guidelines to its members, the most famous being medicine's *Hippocratic Oath.* The Oath obliges physicians not to harm patients and to serve all people, whatever their economic means or social station. Organizations that employ large numbers of professionals tend to endorse such professional codes.

It is doubtful whether formal codes of conduct directly affect personal conduct. College students still cheat and salespeople apply high-pressure tactics. Medicine's credo has been ridiculed for generations as more "hypocritic" than Hippocratic. Codes of conduct, though, may have merit in fostering a positive corporate culture over time. They can also be used to help decide whether a member's act can be considered malfeasant after the fact, contributing to the process of organizational learning.

Structural Remedies

Structural innovations will be required to systematically forestall malfeasance in formal organizations. The health care industry provides some good examples. These include ethics committees in hospitals. Human subjects committees—also known as institutional review boards (IRBs)—have been established in organizations doing biomedical research and other kinds of experiments on humans.

Ethics committees. Ethics committees review behavior of health care workers identified as questionable. They have the power to criticize doctors and nurses for violating codes of conduct and recommend their severance from the organization.

Institutional review boards. IRBs are mandated to protect human subjects involved in research projects. They are found in nearly every university and private firm that conducts research involving people. Scientists must submit their plans to IRBs before beginning experiments. IRBs examine these plans to determine whether the drugs or procedures can harm the people on whom they will be tested. They require scientists to develop protocols to inform subjects about risks they may face. Today, IRBs have sufficient power to hold up millions of dollars in research contracts if their requirements are not met.

Future Innovations

Along the lines already followed by hospitals, it has been suggested that organizations of all kinds institute specialized ethical review boards. Staffed by people outside the regular hierarchy, these units would report directly to the organization's top governing body: the board of directors or trustees. An arrangement of this kind would safeguard the review board from potential interference by line managers.

Sufficient independence and authority are critical. It has been argued that the disaster of the space shuttle *Challenger* resulted from weakness and lack of independence of watchdog units. Several safety committees in fact existed. But none were independent of NASA and Morton Thiokol management, which pressed for the hazardous launch. No personnel primarily responsible for safety were present at the final decision-making session. It is significant that the extensive investigation and procedural revisions that followed the *Challenger* disaster were insufficient to prevent another space shuttle failure, that of *Columbia*, 17 years later. Researchers have reported similar resistance by managers to technical information in the case of *Columbia*.[17]

Lawsuits and criminal investigations have made organizations increasingly concerned with stemming possible malfeasance by members. Many organizations today have risk management programs designed to control such liability. Ethics committees, IRBs, and independent units responsible for honesty and safety are likely to play increasingly important roles in risk management.

Issues and Applications

Issues involving personal risk taking and ethical behavior are among the most difficult ones encountered in organizations. Making choices of this kind is much more difficult in real life than on paper. The examples below reflect the difficulty of such decisions.

- Intent on a management career, an ambitious young man begins work at a government agency. After a time, he notices that all unit supervisors are at least 15 years his senior. Official policy states that competition for vacant supervisory positions is open. All, however, seem to go to applicants with seniority. He resolves to quit. But, realizing that jobs are scarce in the locality, he hesitates.
- During a dinner party, a corporate controller, long an employee of the firm, receives a whispered suggestion from the CEO to delay reporting certain liabilities. She struggles with the dilemma of whether to take the suggested action, ignore the request, confront the CEO with her legal and ethical concerns, or make the CEO's request known to the firm's directors.
- An executive for a U.S.-based multinational firm has been given the responsibility of establishing business in a developing country. To grow the business, she needs permission to import products into the country and to hire nationals as employees. She discovers that government officials will award her the necessary business licenses only in exchange for bribes, a violation of her firm's code of ethics. Colleagues at firm headquarters advise her to purchase costly, salable items for the officials and report associated expenses to the firm simply as "business gifts." She ponders her options.

Chapter Review and Major Themes

Individuals are never fully controlled by the organizations to which they belong. An examination of the methods used by organizations to achieve coordination and cohesion underscores this point. Ultimately, individuals choose whether or not to occupy the roles, submit to the structure, and accept the rewards, or buy into the culture of an organization. The clever and well-placed person can often evade imperative forces.

Figure 14.1 presents a picture of the organization emphasizing the choices of which individuals are capable. Organizations cannot be understood only as systems within which managers apply organizational resources to promote coordination and cohesion. In the figure, the means by which organizations attain coordination and cohesion are connected to the individual member by arrows pointing in both directions.

14-Greenwald.qxd 5/2/2007 12:38 PM Page 457

The organization utilizes mechanisms such as role expectations, structure, rewards, imperative force, and culture in a manner believed to advance its objectives.

As the arrows pointing outward from the individual suggest, however, people "push back" on these mechanisms. Members of organizations often negotiate their roles. They may evade structure. They may reject organizational culture or contribute to the development of a culture of opposition. Figure14.1 is not intended to suggest that an organization's members are free to directly or continuously act in opposition. Rather, it reflects the concept that pushes for accommodation and change occur continually. These arise from needs, aspirations, and rebellion on both the individual and group level. The broader culture, moreover, contributes to these challenges through its influence on the beliefs, values, and aspirations of the organization's membership.

The ultimate freedom of the individual underscores the importance of personal responsibility. People cannot exclusively blame the organizations to which they belong for misfortunes such as lack of personal development, career frustration, or unfavorable severance. It is important to become an informed observer of the organizations to which one belongs. An understanding of the structure, reward systems, and politics of an organization alerts the individual to current and future hazards.

The ability of individuals to make choices creates a high level of personal responsibility as regards organizational wrongdoing. Individuals must remain alert to the gradual process by which involvement in wrongdoing often takes place. Safeguards against such involvement include maintaining values, perspectives, and social ties independent of the organization.

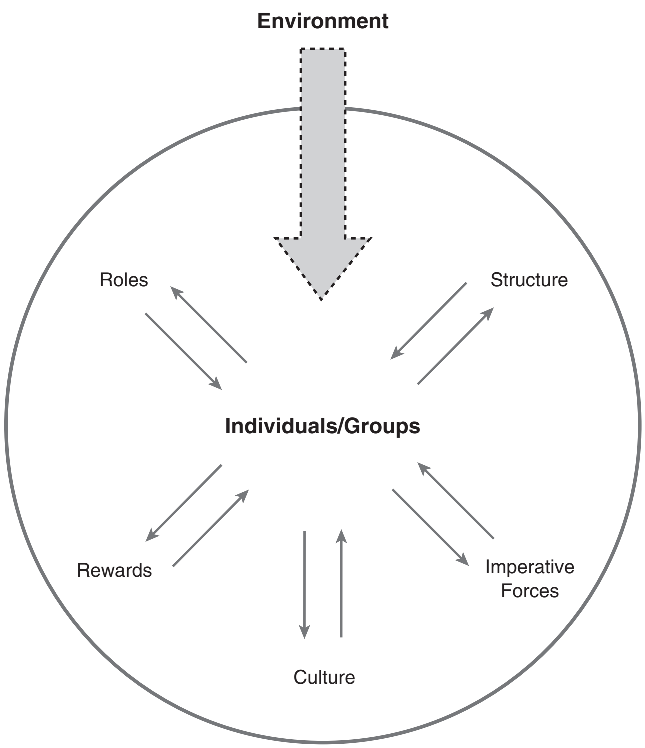

Figure 14.1 Organizational Mechanisms Challenged: Individual and Group Push-Back

Discussion Questions

1. The preceding chapter links career success with putting one's personal interests ahead of the organization's—for example, by keeping time horizons short and avoiding heroism. How comfortable would you feel taking such an approach? Explain.
2. How often do service-oriented nonprofit organizations experience conflict between their core values and the actions required for continuing operation?
3. Describe an ethical challenge that you or a colleague has encountered in an actual organization. What decisions did you or your colleague make? What led to these decisions? Were any lessons learned?
4. What may be done to prevent episodes such as the Rampart scandal from occurring within other organizations involved in law enforcement or other services potentially requiring use of deadly force?
5. Had you been a highly placed executive at Enron before the organization's fall, do you believe that you would have "blown the whistle"? Explain your answer.

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