

## **Ethics as Management Principles**

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*This article examines an organizational process approach to preventing white collar crime and facilitating ethical behavior within an organization. The usual assumption is that individuals alone are responsible for misconduct, either illegal or unethical (Agency Theory). Structural Theory posits that organizational behavior factors account for much misconduct. Accordingly, four organizational processes are examined; leadership, membership, structure and culture. From the perspective of each of the processes, the article finds how they can contribute to misconduct and can, alternatively, facilitate more ethical conduct.*

### **INTRODUCTION**

White collar crime is a unique type of crime, usually thought to stem from an ethical lapse by an individual. However, what if this type of crime is actually caused by factors more complex than a few “bad apples”? The customary response to an episode of white collar crime usually involves replacing key leaders or ethics trainings or hiring an ethics officer. However, there are organizational processes that can be employed within any organization that can help prevent or reduce misconduct and/or facilitate ethical behavior.

### **TRADITIONAL ASSUMPTIONS**

White collar crime is a difficult to examine because it does not fit common criminological theories. To better explain white collar crime, other theories such as Agency Theory and Structural Theory can be utilized. Agency theory assumes that white collar crime happens because of individual actions. As authors M. David Ermann and Gary A. Rabe state Agency Theory assumes white collar crimes “result from deliberate decisions made by corporate personnel to increase or maintain organizational resources or profits (Ermann, et.al., 1997).” Structural Theory, on the other hand, posits that there are conditions in the organization that facilitate white collar crime more than individual actions. In this article, we examine those conditions using the organizational behavior categories of Structure, Culture, Membership and Leadership.

Typically, an organization will attempt to mend an ethical problem by changing leadership, developing a new or improved code of ethics, mission and/or vision statement, appointing an ethics officer, or creating a series of seminars for retraining that remind the individual about the ethics of an organization.

However, according to Structural Theory, this may not be the most effective way to prevent further misconduct.

### **Change in Leadership**

A change in leadership generally comes with any major ethical quandary. It seems reasonable to believe that leadership is at fault if an ethical failure happens during their “watch.”

Diane Vaughn lays out a detailed account of the tragic disaster surrounding the Space Shuttle Challenger explosion. Vaughn notes that among other things, the organizational culture of the National Aeronautics and Space Administration (NASA) played a crucial role in creating an atmosphere of risk that lead to devastating organizational deviance (Vaughn, 1996). It is astonishing after such a catastrophic and highly public disaster that just over 20 years later, another disaster of the same magnitude and under similar circumstances could happen. How could this happen? It is interesting to note that after each disaster, NASA made a public change in leadership. Did this shift in leadership change anything? As history has proven (Space Shuttle Columbia), a simple change in leadership will probably not alter organizational culture and, as NASA demonstrated, similar issues will continue to permeate the organization (Boisjoly, et.al., 1989).

It is a common assumption that bringing in a new leader will create a more ethical climate, but this is often incorrect—the same issues that plagued the organization before will remain. If a change in leadership is not coupled with other, multifaceted changes, the initial organizational climate will continue and future leaders will likely deal with similar circumstances—perhaps even on a grander scale.

### **Code of Ethics/Vision/Mission**

Many organizations employ the belief that having a “common” set of organizational artifacts—a code of ethics, an inspirational vision and mission—will automatically equate to employees ingrain these relics as their own intrinsic values.

"We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness and arrogance don't belong here (Kunen, 2002)." This statement comes from one of the most poignant examples of a well-written vision and values statement being horribly perverted by the very people who swore to abide by it: Enron.

Enron is one of the quintessential cases of corruption in American business. Prior to the uncovering of the massive amount of fraud and deceit, the company had been heralded as one of the greatest business ventures in American history, even being named as “America’s Most Innovative Company” by Fortune Magazine for six consecutive years (McLean, et.al., 2003). Enron became an energy giant that was unbelievably profitable and was a darling of the business community. In fact, the company’s stocks had risen from \$20 in 1998 to more than \$80 in January 2001, with Enron’s former chiefs, Kenneth Lay and Jeffrey Skilling, making \$89 million and \$217 million, respectively, merely from stock options (2006). A combination of comprehensive deregulation, the company’s own mark-to-market accounting, an overall climate of misconduct, and several other factors lead to a gigantic meltdown when Enron filed bankruptcy in late 2001.

Enron’s values have also become a mockery; the company claimed proudly on their website of valuing “Respect, Integrity, Communication and Excellence (Kunen, 2002).” Looking into the charges against this company, one can easily find several instances of flagrant infractions against these values. For example, Enron and its accounting partner, Arthur Andersen, have now become famous for their lack of transparency in their accounting practices (McLean, et.al., 2003). The profusion of opacity in this case is a direct violation of the firm’s value of “communication.” How could they value communication when they were knowingly deceiving their employees, investors and the public by creating blockades to transparency?

NASA is another interesting organization when it comes to conflict between the mission and the actual culture realized throughout the organization. Currently, NASA’s mission for their aeronautics research division is to “[E]nable a safer, more secure, efficient, and environmentally friendly air transportation system,” while their mission for space operations is to “[E]xtend the duration and boundaries of human

space flight to create new opportunities for exploration and discovery (NASA, 2010).” It is a possibility that these two mission statements create conflicting ideals about what is most important to the organization—safety and security or pushing the boundaries of human space flight? This type of mixed message could help play a role in the climate of risk within the organization, pressuring employees to push the envelope in order to achieve more impressive outcomes. Obviously, safety has been compromised in the past. Could it happen again?

### **Ethics Officer**

In many cases, organizations are fond of the assurance that employing an ethics officer can provide. This person, usually a lawyer, is charged with handling cases of ethical misconduct or acts as an “ethical advisor” for the organization. One major problem with this management tool is that it generally only utilizes the ideals of deontology—that is, if something is legal, it is permissible.

As mentioned above, the Enron scandal is a classic case that will be referenced many times throughout this article. In several cases of the company’s moral misconduct, the actions were technically legal (many were not, as well) (McLean, et.al., 2003). Before recent laws, such as the Sarbanes-Oxley Act, passed, it was legally acceptable to have a company’s accountancy and consultancy intertwined. This raises the question—if something is legal, does that automatically make it morally acceptable?

Obviously, legality does not indicate morality. Take for example, Dr. Martin Luther King, Jr.’s letter from the Birmingham jail. Dr. King wrote this moving piece to his peers and followers after he had been arrested for parading without a permit, explaining, “[S]ometimes a law is just on its face and unjust in its application (King, 2008).” This illustration demonstrates that while law is a good starting point for determining one’s moral compass, it is not necessarily always the best example because laws can be unjust. While an ethics officer can help interpret law, he or she will likely not be able to interpret what is morally tolerable.

### **Re-Training**

According to research, people become set in their moral reasoning at a young age. In fact, one study identifies that family members, parents and siblings—not schooling or religious instruction—have the most effect on a person’s value system (Mahdavi, 2008). “Retraining” an employee on ethics will help an employee become more aware of their ethical reasoning, that is, to understand whether they employ teleological (the ends justify the means) or deontological (if it is legal/permitted by rules, it is acceptable) reasoning. While this process will likely help enlighten employees and create an outlet for ethical dialogue, it will probably not insure an organization against future ethical misconduct nor will it create a more ethical employee overall.

While this management tool generally makes people feel good—they are attempting to learn something new in order to improve their organization—this process generally only teaches people why they think a certain way; it does not seem to help them change their entrenched values system. There are probably no tools that will actually transform a person’s way of thinking; however, there are ways that management tools can be applied in order to facilitate the modification of behavior based on structural impediments and cultural change.

While these are all fine measures, each one simply addresses the implied assumption of changing the individual. However, it is the belief of the authors that human beings are generally set in their moral reasoning technique during childhood. Addressing the individual will do little more than teach an employee about where and/or why they subscribe to a particular brand of moral or ethical reasoning—it will not create a more ethical individual.

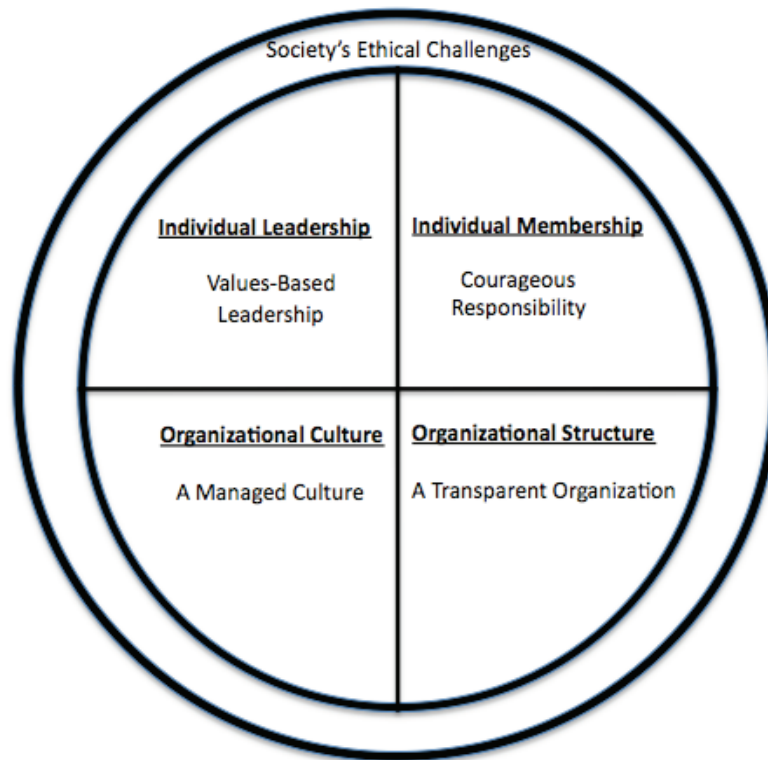
## **DISCUSSION**

In order to truly have an impact upon an organization, new ways of thinking should be employed. By examining four organizational behaviors within an organization—leadership, membership, structure and

culture—one can begin to understand how they can facilitate misconduct and learn strategies to deal with the challenges these facilitators create.

A review of organizational literature has led to the identification of four organizational components (illustrated with a circle) in facilitating ethics and reducing the opportunity for misconduct within the organization. Beyond the “usual suspect” of leadership, the circle has equal emphasis on individual membership, organizational culture and organizational structure.

**FIGURE 1**



### **Membership**

First, it is an important distinction to use the term “member” rather than the typically used “follower.” Followership implies that one has little control over and no responsibility for the ethical destiny of an organization. Member, however, indicates that an employee is an integral part of an organization, having a crucial interest in short and long-term operations and sharing equally in the company’s successes and failures.

While leadership is usually held accountable for the entire ethical fate of an organization, it does not mean that a leader is responsible for the entire ethical composition and customs of an organization. The authors of this article subscribe to the belief that members of an organization (employees, volunteers, etc.) are the most important factor in determining the ethics of an organization.

This paper is making the assumption that employees in 21<sup>st</sup> century organizations are more connected to their organization overall than in the past. People are no longer going to work in factories on an assembly line; their jobs are much more complex.

### *Facilitators for Misconduct*

Members of an organization face several facilitators for misconduct. An organization with a set chain of command can actually facilitate unethical behavior because this structure expects employees to heed orders and rules. A member is generally expected to follow orders and obey directives, even if they tend

to disagree with them. This creates a serious challenge—how does a member decide to disobey someone who has authority over them, someone who could fire them?

In a classic study conducted by Stanley Milgram, people were ordered to administer electric shocks to a subject. Surprisingly, two-thirds of participants continued to deliver the shocks even though the subject was screaming out in pain and pleading for respite (Johnson, 2007). What does this mean for members? A member has an extraordinary obligation to break free from human nature in order to question illegal or unethical orders or rules. A management principle that may be utilized to cope with this natural behavior is to follow in the steps of the military—create harsher punishments for employees who follow illegal orders.

On the same token, members are faced with the challenge of dissent. Members often do not have the power to make changes themselves, so they must express their ideas with those who can. A member must utilize discretionary decision making skills when deciding whether to speak up or remain silent. Craig E. Johnson (2007) outlines the series of decisions an employee must make:

- How to express dissent (when, what to say, through what channels)
- Who to contact with their concerns (immediate supervisor, professional supervisor, etc.)
- How to respond if their opinions are rejected
- When to go outside the organization with concerns and complaints

These factors must be considered when a member is deciding to express dissent within an organization. This process is often extremely challenging and often intimidating because organizations do nothing to facilitate courageous behavior from employees; oftentimes, organizations place major blockades up in order to dissuade employees from dissenting.

Another facilitator for misconduct from a membership point of view is the challenge of cynicism and the lack of responsibility. Because leaders are often the ones holding decision-making and information dissemination powers, members can often feel left out, unimportant or unappreciated. This can lead to a “who cares” type of attitude where members feel no true responsibility for the organization as a whole—they believe that if they have no power, they are not to blame for unethical circumstances. This cynical attitude destroys trust, obstructs communication and reduces commitment to an organization. Obviously, this type of climate is a hotbed for unethical and/or illegal activity. If members decide to become cynical and acidic, organizations will suffer immensely.

### *Strategies to Address Membership Challenges*

Members must have the courage to serve their organization wholly. This idea is to create value in members’ duties so they feel responsible for more than just their job—they should feel responsible for the entire organization. If members feel like they are contributing to an organization, they will likely be more apt to participate fully, creating a culture of responsibility and accountability on all levels.

Another robust strategy to combat facilitators of ethical misconduct from members is to promote and encourage courageous behavior among them. Because organizations dissuade members from dissenting, it often comes down to the courage of a solitary individual to stand up to the common culture and raise questions that should be addressed internally before they escalate the situation by requiring outside intervention. Since this goes against human nature, this trait must be fostered so employees believe they have high levels of psychological safety in the workplace. This person is potentially providing a great service to the organization, but management often does not identify this until too late. Their constricted perception of self-interest blinds them to the prospect for timely, internal improvement (Chaleff, 2004). Take, for example, the recent case of a whistleblower at GlaxoSmithKline. She raised questions about several of the company’s most profitable prescription drugs and challenged the company’s stance on misleading consumers by selling these unsafe drugs. Ultimately, the company was fined a monstrous \$750 million. Even though she had been fired, she was eventually rewarded by receiving a portion of that settlement—a whopping \$96 million (Harris, et.al., 2010). Could companies not create similar, albeit smaller, incentives for members to challenge leadership for the greater good of the organization?

Additionally, members have an obligation to participate in transformational change brought on by leaders. Members can no longer act as if their opinion does not matter—a transformational leader will value member opinions and take steps to utilize new ideas for innovation and change.

Finally, members must have the courage to leave an organization. If the other members and the leadership are unwilling to change, the best course of action may be to depart. A member must realize that while they have a responsibility to better the organization if possible, they also have the obligation to themselves to cut their losses and move on from an archaic and unchanging organization.

### **Individual Leadership**

By the very nature of being a “leader,” one is expected to claim responsibility for a scandal, even if he or she had no knowledge of wrongdoing in the first place.

#### *Facilitators for Misconduct*

According to Craig E. Johnson (2007) in his book, *Ethics in the Workplace*, he identifies four major “challenges” to ethical leadership—power, privilege, information management and consistency. It is the authors’ opinion that these challenges are actually facilitators for misconduct because they act as “non-barriers” to ethical misconduct.

Power and privilege are potent motivators that can be intoxicating for many people. According to Johnson, leaders have to be particularly cautious not to be besmirched by power because it is unbelievably seductive. Privilege generally operates along with power. Johnson points out that the widening gap between America’s highest and lowest paid workers is an indicator of how power is derived from privilege. In fact, he states, the “average CEO in the United States makes \$301 for every \$1 paid to the typical employee (2007).” This enormous divide between leadership and employees can cause an inflated sense of power and possibly perpetuate a feeling of indestructibility.

Again, Enron is a fantastic example of how power and privilege can corrupt. One of Enron’s chief executives, Ken Lay, explained his insatiable appetite for wealth saying, “I don’t want to be rich, I want to be world-class rich,” and joking with friends about his wife easily exceeding a \$2 million decorating budget for their home in Houston, Texas. Lay and other top executives became incredibly wealthy by unloading their shares of the company while the stock-backed 401(k)s of employees were completely obliterated, leaving many with nothing (Johnson, 2009).

Like power and privilege, information management is generally an issue that is distinctly a leadership challenge. Leaders usually have more access to information than employees and therefore have the power to disseminate or suppress certain facts. Johnson (2007) identifies several factors that are usually signposts that leaders are “failing to meet the ethical challenge of information management:

- Lying, particularly for selfish ends
- Using information solely for personal benefit
- Denying having knowledge that is in their possession
- Gathering data in a way that violates privacy rights
- Withholding information that followers may legitimately need
- Sharing information with the wrong people
- Releasing information at the wrong time (too early or too late)
- Putting followers in moral binds by insisting that they withhold information from others who have a right to know”

These points identify warning signs of an information management breakdown that could lead to delinquency within an organization. By failing to efficiently and effectively manage information, a leader creates an opportunity for misconduct, with him/her and with employees.

Another facilitator for misconduct is inconsistency. While it is impossible for a leader to truly treat each employee in a uniform matter, it is wholly incorrect and inappropriate to knowingly favor friends or show preference towards certain subordinates. If a leader is perceived as acting arbitrarily and/or unfairly, serious resentment can be fostered. An inconsistent leader is priming his or her organization for ethical misconduct by nurturing an atmosphere of antipathy and anger.

These four categories of facilitators for misconduct are undoubtedly difficult to combat. Certain detailed strategies can be utilized in order to battle these common causes of ethical deviance.

### *Strategies to Address Leadership Challenges*

The leader of an organization has the unique opportunity to begin a transformation within his or her organization. While leaders are not the most important factor for determining the ethical climate of an organization, they can go a long way to provide obstacles to preclude misconduct and pathways to facilitate ethical conduct.

A good way to address the facilitators for misconduct mentioned above is by employing transformational leadership principles. A transformational leader helps empower the membership of an organization to do more than just come to work.

Warren Bennis, (2008) in his writings on leadership, states, “[E]xemplary leaders create a culture of candor.” One way to employ this strategy is to allow employees to communicate directly with the leaders of an organization—no matter how large it is or what their “chain of command” is. The key to successful implementation of open communication is to place value on employee thoughts and ideas and to allow an employee to feel safe bringing up bad news. A great leader will want to know if there are ethical issues within his or her organization and will take steps to correct them. This idea will create a reduction in the opportunities for misconduct by opening the channels of communication within an organization. Doing so fosters an environment of trust, which in turn creates reliability and consistency from employees.

In Tom Peters’ *In Search of Excellence*, he maintains a maxim of “hire motivated workers and try not to de-motivate them.” This is an uncomplicated yet often overlooked idea. If a company has motivated, ethical workers already, why would they want to de-motivate them? The answer is that they do not *want* to or intend to; sometimes it just happens because of prevailing organizational culture. A leader should try to encourage inspirational motivation for employees through an acceptance of new ideas and by creating a culture of innovation and originality. Acknowledgment and approval of fresh ideas can help create a culture of motivated workers—and motivated, inspired workers have a true stake in their organization.

A great leader can understand the necessity of facilitating ethical behavior in an organization and will take strides to do so. Employees want a leader who will be considerate on an individual level while also being fair. By creating a leadership culture of impartiality and evenhandedness, this can inspire members of the organization to take responsibility for not only their actions, but also the actions of the organization as a whole. This creates ownership and will likely facilitate ethical behavior.

### **Organizational Structure**

Organizational structure is commonly overlooked as a perfect place to begin when wanting to protect an organization against white collar crime. Inadvertently, organizations facilitate bad behavior by producing facilitators and reducing hindrances.

### *Facilitators for Misconduct*

Almost unwittingly, the traditional structure of an organization can oftentimes be a catalyst for unethical behavior. A simple, commonplace hierarchy is actually quite conducive to creating opportunities for misconduct because it stifles communication and provides only a single layer of immediate oversight at any level. What can be done to battle this widely used facilitator for misconduct?

The authors consider the Situational Prevention theory of crime an important concept. Instead of concentrating on the likely offender, this theory concentrates on the situation *surrounding* the likely offender (Felson, 1998). Instead of trying to alter the individual offender, situational prevention and all of its variants concentrates on altering the situation to make the crime less opportunistic. For instance, in a famous study of 7-11 convenience stores, removing common storefront advertisements that afforded secrecy to a likely offender and raising the level of the cash register so the likely offender could not see how much money was in the register made a significant impact on the number of crimes committed in these types of stores. These two simple actions that simply altered the situation heavily reduced crime at

7-11 stores. Employing this type of thinking, that is, altering the structure of an organization to prevent misconduct rather than individuals, could aid in the prevention of white collar crime.

### *Strategies to Address Structural Challenges*

With situational prevention in mind, in what ways could the organization reduce opportunity for misconduct, either inappropriate/unethical actions or illegal actions? Instead of longing for the organization to have more ethical members, this line of thinking led to simple, inexpensive ways an organization could reduce opportunity. From the very simple requirement that two out of three persons sign checks in small organizations to elaborate solutions in the Sarbanes-Oxley legislation, the common denominator is the same; create structural impediments to misconduct.

This concept can be illustrated, once again, by the disastrous example of Enron. While there is very little doubt that most principals of this scandal were “amoral calculators,” their misconduct was facilitated by the removal of structural impediments; de-regulation of energy, mark to market accounting and accounting firms able to be consultants all made it easier for misconduct (McLean, et.al., 2003).

In some cases, government regulation should provide a structural impediment to white collar crime. Almost always, a major scandal happens after the massive deregulation of a certain industry, i.e. at the Savings and Loan Crisis, Enron and WorldCom, the current financial and housing crisis, etc. While this is not always the case, it seems that retaining a certain amount of effective regulation seems to help suppress the opportunity for white collar crimes to be committed.

Organizations also need to provide better internal mechanisms for finding and investigating questionable practices. Instead of the stale idea of employing an “Ethics Officer” or a “Risk Manager,” why not create a team of people, a la a police internal investigations division, whose only responsibility is to investigate instances of misconduct objectively. Additionally, the government could help regulate instances of white collar crime more effectively. The current financial reform bill is starting to support this concept by helping fund the Securities and Exchange Commission’s (SEC) investigative arm from monies collected from closed SEC investigations. This not only creates a structural impediment, it also incentivizes effective inspection and investigation of commonly under-policed industries and organizations.

Another strategy to structurally combat misconduct is to flatten organizational structure. This idea was touched upon during the discussion of leadership above, but it could be expanded. If the common hierarchical structure were transformed into more of a matrix configuration, members and leaders could broaden the reach of communication, creating a “structural openness” that would in turn lead to a higher amount of transparency (Vaughn, 1996).

One tragic example of structural secrecy is the case of the Challenger disaster. Diane Vaughn (1996) investigated this terrible accident thoroughly and came to the conclusion that structural concealment of important information—namely that the O-rings being used on the space shuttle had not been tested for strength at the ambient temperature—helped cause this terrible disaster. She elaborates saying that a lack of open communication “not only prevented the reversal of the scientific paradigm, it perpetuated [their] view that the O-rings were an acceptable risk.” NASA had no idea that the manufacturer of the O-rings had never actually tested them but was relying upon military data from the test of similar (not the same) O-rings. This blatant lack of communication—created in part by structural secrecy—ensured that seven astronauts, including the first teacher in space, lost their lives while millions of Americans watched helplessly.

Additionally, as mentioned above, the organization needs to take steps to encourage members to act on surfacing these practices before they feel the need to blow the whistle on their organization publicly (Chaleff, 2004). Would the public not applaud an organization that took charge of unethical, immoral or illegal practices, admitted there had been issues, and then took steps to eradicate this type of behavior? Would they not celebrate a company that not only encourages, but rewards legitimate whistleblowers? Admitting wrongdoing and encouraging gallantry rather than covering up transgressions and smothering courage could lead to increased trust between the membership and its organization, the public and the business community.



Altering an organization's structure does not have to be dramatic in order to create lasting change that will likely reduce opportunity and foster an ethical climate. Simple structural impediments can help safeguard against further unethical actions.

## **Culture**

The usual explanation for organizational misconduct is that it is caused by certain “amoral calculators,” such as inherently malevolent people, competitive pressures, organizational characteristics and regulatory ineffectiveness; but what if there is something underlying all those causes? In his work, *Organizational Culture and Leadership*, Edgar Schein outlines that organizational culture can be easily compared to an iceberg—ninety percent floats below the surface and is not easily visible. Because of this, it is possible that organizational culture can be at odds with the desired ethical culture. He outlines three levels of culture: artifacts (which are often easily observable), values, and basic assumptions (Schein, 1992). These things help define how and why an organization operates; they create the ambience, encompass the common language and influence public materials. Culture is a powerful force that can affect and shape members and leaders alike.

Additionally, it is important to understand that culture can either facilitate or impede transparency. Warren Bennis, in his studies on leadership, surmises that a culture of candor is one of the most important factors in ethical organizations. By creating this “culture of candor,” a leader removes barriers to the free flow of information, creating a more transparent organization all around (Bennis, 2008). Creating an organizational culture that is conducive to ethical behavior is crucial to mitigate misconduct.

### *Facilitators for Misconduct*

Several challenges surround changing the culture of an organization. Depending on the particular culture of an organization, it can be used to facilitate a positive ethical atmosphere or possibly to destroy it. It is important to recognize that organizational culture is a strong indicator of its ethical climate. For example, if an organization has a reputation for ignoring reports of misconduct or not keeping whistleblower identifications anonymous, this could be creating a culture of “go along to get along.” In contrast, if an organization is known for supporting whistleblowers and praising supervisors who will defend employees when necessary, they construct an organization with a culture that can aid in discouraging ethical misconduct.

Oftentimes, culture change is a difficult concept to attempt because members of the organization are highly attached to it. Organizational beliefs, values and assumptions are usually well entrenched so making a dynamic change to these important standards could cause an uproar within an organization.

Additionally, like-minded people migrate toward similar fields, which can lead to the dreaded phenomenon of “groupthink.” Groupthink is a concept that, left unchecked, creates an opportunity for the formation of severe moral hazards within an organization. Furthermore, if an organization's culture is composed of ideals and artifacts perpetrated by a group of likeminded thinkers, there could be problems when a member of this group defects by blowing the whistle on the collective organization. In his book, *Vital Lies, Simple Truth: Psychology of Self-Deception*, Daniel Goleman explains that while a whistleblower believes it is their duty to the organization to report wrongdoing, it also casts them out of their social group through demotion, transfer or termination. This phenomenon possibly creates an inclination towards groupthink because it is intimidating and unnatural to oppose the group's collective thoughts. Traditional organizational culture creates a paradox because while a whistleblower's own ethics and loyalty to the organization drive them to tell the truth, the organization ends up feeling violated, betrayed and angry (Goleman, 1985). These feelings usually lead to retaliation of some sort, perpetuating a culture of suppression.

Another challenge dealing with the facilitation of misconduct via organizational culture is the concept of “normalized deviance.” As referenced above, Diane Vaughn fully examined the Challenger disaster in her book, *The Challenger Launch Decision: Risky Technology, Culture, and Deviance at NASA*. This case study expands the idea that a strong organizational culture can have catastrophic consequences. NASA's organizational culture was (is?) one of normalizing risks for the sake of production.

Vaughn (1996) surmises that the Challenger disaster was “a mistake embedded in the banality of organizational life and facilitated by an environment of scarcity and competition, elite bargaining, uncertain technology instrumentalism and routinization.” What does this mean, exactly? She helps explain these concepts by using the age-old example of a frog being placed in a warm pot of water on a stove; If the water is incrementally heated, the frog will stay in the pot and will eventually be boiled to death, whereas if the frog was thrown into a pot of boiling water, it would react instantly by jumping out thus saving its life. Unfortunately, NASA acted much like the previous example of the frog. It increased the temperature of the water it was operating in until there was a disastrous event.

### *Strategies to Address Cultural Challenges*

While it is usually assumed that the leadership sets the tone for ethics and is responsible for ethical change taking place, the assumption of this approach is that organizational culture is a more accessible way of changing the mores of the membership.

In order to shift the culture of an organization to prevent misconduct, change must be managed carefully. As mentioned above, members of an organization are usually attached to culture because it helps define the organization overall. Leadership should effectively communicate why a certain aspect of the culture needs to be transformed. Additionally, a change in culture should be institutionalized in every way possible—every employee must believe in the change and allow it to become a part of their cultural belief system. This can be achieved by involving members in the change process by soliciting new ideas and feedback while also implementing recurring training that requires dialogue on the subject of culture.

Additionally, in order to combat the intense pull of culture, checks and balances should be implemented. Take again for example, the case of NASA. One of the senior managers working on the project initially refused to agree with launching Challenger, but was instructed by his general manager to “take off [his] engineering hat and put on [his] management hat.” After completing this symbolic change, the senior manager changed his decision on launching the ill-fated shuttle (Boisjoly, et.al., 1989). Had the culture of NASA been more risk averse, this senior manager could have stopped the launch. In order to ensure this type of incident does not happen within another organization, an “emergency stop” system should be utilized. Anyone working within an organization should have the right—and support—to metaphorically slam production to a halt by invoking the use of this emergency stop system. This system will help ensure no one is pressured into going along with an unethical, immoral or illegal plan or idea.

## **CONCLUSIONS**

White collar crime is a distinctive type of deviance that requires specialized and unique methods for prevention. While traditional responses to organizational misconduct can be beneficial, they usually do not provide lasting effects that prevent future instances of unethical or illegal behavior. In order to facilitate ethical behavior within an organization, a leader needs to employ tactics of transformational leadership by creating a culture of candor and fairness.

Additionally, the idea of employee responsibility should be examined. Employees, which this article refers to as members, should play a crucial role in facilitating, creating and fostering an ethical organization while also being part of the policing of illegal or immoral circumstances.

Turning away from altering an individual, both organizational structure and culture should be considered. The structure of an organization should be maintained in as flat a way as possible, eliminating opportunities for misconduct through structural impediments.

Finally, organizational culture should be monitored and efficiently changed if an organization begins to normalize deviance. This can be done by involving all members of the organization—including leaders in transformational change that modifies the organization for the better.

Managers can utilize these management principles to help purge their organizations of facilitators for white collar crime, hopefully preventing further catastrophic instances like the cases examined above.

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