Déjà vu All Over Again: Progress and Reversals in Battling Government Corruption

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In this paper, we describe a case study of an organization that found itself mired in legal trouble. The ethical failings of leadership led to a crisis of public trust; subsequent leadership attempted to reverse these failures, but fell short. We describe three stages of the organization's exposure, attempts of leadership to right the ship, and aftermath. Using this case study and several theoretical models, including those related to organizational change and leadership, we propose key factors that must be addressed to effect meaningful change in an organization's ethical fabric. Results of a qualitative analysis of employee reactions to the corruption are incorporated into this paper to illustrate the perspectives of employees and media observers as they illuminate the theoretical foundations of ethical leadership and organizational change.

INTRODUCTION

The critical need for ethical organizations is not a hard sell, given many recent events in the U.S. that illustrate the magnitude of the impact of poor ethical decision-making. Notable examples within the past decade include Enron's scheme to illegally manipulate prices in California's energy market (McLean & Elkind, 2004), the shredding of evidentiary documents by the consulting firm of Arthur Andersen (Squires, Smith, McDougall, & Yeack, 2003), the incestuous relationship of Federal Department of Interior regulators and the oil industry (Interior Dept. Scandal, 2008), and the sub prime lending disaster which led to the financial markets' meltdown (Gold & Feldman, 2007). In these cases, leadership philosophies affected the organizations' cultures, and these philosophies had ethical implications for the customers, employees, and stakeholders of those organizations—and ripple effects for people who were not direct constituents.

Now, perhaps more than ever, organizations and their members need guidance in evaluating situations that have ethical implications. For many organizations, the primary mechanism for guiding ethical behavior is alignment between leader values and corresponding rhetoric, as well as congruency between espoused values and leader actions. In this paper, we present a case analysis in which we evaluate challenges leaders of government agencies face when working to re-establish social legitimacy as a result of unethical behavior. We present leader rhetoric from news reports and retrospective accounts of employees who worked for the organization during the ethical crisis (Pelletier & Bligh, 2006, 2008). Through this case, we demonstrate the critical roles leadership and organizational culture play in remaking trust with stakeholders. We identify key themes of organizational culture and leadership that operated first to cause the ethical crisis and discuss how the two intertwined in the attempts to re-establish legitimacy. We use the lessons from this case to fashion recommendations to other organizations facing ethical crises and attempting ethical renewal.

CASE ANALYSIS: A COUNTY GOVERNMENT

We will introduce and discuss three distinct episodes in a county government from the discovery of ethical misconduct to the present, a time period spanning nearly a decade. The first episode describes the corruption scandal that involved high-ranking county officials. The second episode examines the changes and evolution of the County under a change in leadership. The last episode illustrates how maintaining an ethical reputation is dependent on leadership and perceptions and attributions of followers and stakeholders. Each episode will contain relevant leader rhetoric, leader behaviors, and organizational actions. At the conclusion of each episode, we apply relevant theory to analyze and explain the behavior of the primary actors.

Overview of the County

The county of interest is located within southern California, employs nearly 18,000 people, and has an annual operating budget of approximately $2.5 billion. The County is governed by a Board of Supervisors (BOS) comprised of five elected officials who have the responsibility for fiscal oversight and approving contracts for services.

The County Administrative Officer (CAO) functions in a similar capacity as a Chief Executive Officer. This position is at-will, reporting directly to the BOS. The CAO can be terminated by the BOS with no method of recourse via the County personnel process. The CAO is charged with developing the County's long-term strategic plan in collaboration with County department heads. Further, the CAO is responsible for maintaining an active partnership with the BOS while focusing on the delivery of timely, efficient, and social services to the public. Forty-two departments provide a variety of services ranging from animal control, law enforcement, social work, tax collection, public health, to registering and maintaining vital statistics.

There are six elected officials serving as department heads in the County: Sheriff, District Attorney, Assessor, Treasurer/Tax Collector, Auditor/Controller Recorder, and the County Coroner. Because these individuals, as well as the BOS, are *elected* into office, removing them for inappropriate conduct or for breaking policies or employee rules is difficult. In fact, the only way to remove an elected official for inappropriate conduct is through the creation of an ordinance, an ordinance that must be approved by members of the BOS, who, as already noted, are elected officials themselves. As is true in most public agencies, the nature of County government is political and bureaucratic. This culture played an important role in the myriad of instances of unethical conduct in the County's upper echelon.

Episode One: Corruption and Scandal

In June 1998, the incumbent CAO, a mild-mannered man noted for his "straight arrow" dealings with people, revealed that he was under investigation by the Federal Bureau of Investigation and resigned. This CAO was a sharp contrast to his predecessor who was noted for his flamboyancy and his propensity to play "fast and loose" with conflict-of-interest regulations (Fulton & Shigley, 2002). During the investigation, it became apparent that the former and incumbent CAO as well as other top elected and appointed officials had been operating a "pay-to-play" scheme. The scheme consisted of sole-source contracts that, by their sheer nature of being sole source, could charge higher prices than competitive contracts. These contracts worth hundreds of millions of dollars for services ranging from landfill operations, billboard distribution, to bond underwriting were awarded without question. The "backroom dealings" involved kickbacks to cronies, paid trips around the globe for top ranking County employees, campaign donations, and bribery. This wasn't a case of a few rogue officials or even a nest of wrongdoers, but a small-scale modern equivalent of the Tweed Ring (Suite 101.com, 2008) that looted New York City in the 19th century" (Fulton & Shigley, 2002).

The Offenders and Their Offenses

For the federal investigation, testimony was taken and records were examined dating back to 1995. In October 1999, federal authorities issued their first round of indictments. Among those named were the County Treasurer/Tax Collector, the former CAO and his immediate successor, the County Investment Officer, and the vice president of the firm that operated the County landfill.

When the previous CAO retired from the County, he worked as a consultant for the firm that operated the County's landfill and was rewarded with $3.5 million for his ability to persuade the BOS to approve the contract. The former CAO kicked back $200,000 of his $3.5 million to the incumbent CAO. For his share, the incumbent CAO ensured the landfill company received a no-bid landfill contract worth tens of millions of dollars annually. The incumbent CAO also kicked back about $1 million to the landfill firm for keeping the former CAO on the company payroll. This *quid pro quo* practice was the initial action in a series of exchanges that would plague the reputation of the County.

The County Treasurer and Investment Officer were also involved in kickback schemes. The BOS approved a trip to Paris for these two individuals for the stated purpose of viewing Salomon Smith Barney's Eurobond trading operation. The County officials failed to disclose the Paris trip as required by California state statutes. According to the County's attorneys, the trip was allegedly provided to reward the two officials for investing $75 million from the County's investment pool in the New England Fund from 1992 to 1994. By the time the County had sold all of its shares in 1998, the County had lost over $6.7 million (Commentary, April 11, 2002).

The second round of indictments focused primarily on one member of the County's Board of Supervisors. The Board Supervisor was indicted on 17 misdemeanor counts of accepting improper gifts and two counts of lying to the grand jury. Two businessmen and four public officials from an adjacent small city were also indicted for bribery schemes regarding the posting of billboards along a heavily traveled interstate highway in southern California.

Relevant CAO and Board of Supervisors Rhetoric

The rhetoric of the indicted depicts the culture of secrecy, arrogance, and denial of wrongdoing that had been prevalent in the County from the 1980s to 2001. When asked to comment, the former CAO declined interviews with the press stating "Why don't you write the truth?" Further, he asserted that the press spoke with a "forked tongue" when describing the findings of the District Attorney who assisted with the investigation. As the trial unfolded, it appeared that the press *had been* writing the truth (McNary, 2002). During the trial, several County figures asserted their constitutional Fifth Amendment privileges to guard against self-incrimination. The indicted County Supervisor presented an arrogant response, signaling to the public that he believed he was beyond reproach. After arraignment, the Supervisor was defiant: I did nothing wrong and I'm being targeted for prosecution only because of my name recognition and powerful position in the [C]ounty. I'm still, in my humble opinion, the best supervisor in [the] County (Martin, May 22, 2003).

Public Rhetoric in Response to Ethical Scandal

As the corruption details surfaced increasingly in the press, public outcry was loud. In news reports, the Board Chair declared "It drives me crazy that these guys worked for the County, pleaded guilty to federal crimes, and yet can still keep their retirements. It's frustrating to taxpayers" (Matthews, May 17, 2002). A persistent and well-researched gadfly, upon learning that the indicted would continue to receive retirement pensions, stated, "It's offensive to think that the public purse is committed to paying out for these guys for the rest of their lives" (Martin, December 22, 2003). It was becoming evident that a substantial amount of taxpayer dollars from the County coffers were going directly into the pockets of high County officials.

Applicable Theoretical Concepts or What Was Going on Here?

Some time ago, Barnard (1938) proposed that one of the relevant functions of the executive was to develop a cooperative organizational culture, a culture in which employees feel a responsibility to contribute to the well being of the organization. The past history of the County was not one of accountability (Dose & Klimoski, 1995) on the part of employees and surely not by the executives. As already noted, interested observers likened the County to the Tweed Ring (Fulton & Shigley, 2002). Both the New York City of the Tweed era and the County had cultures of secrecy and wrongdoing, with individuals reaping material rewards with no regard for stakeholders.

During the corruption era of the County, the organization's culture was shaped by its leaders' values, many who worked against *healthy* cooperation. Cooperation was epitomized by backroom dealings, secret agreements, and moral blindness, particularly the BOS members' failure to question the number of sole source contracts going before them in the weekly board meetings. The culture of corruption was fostered by the lack of authentic leadership (Gardner, Avolio, Luthans, May, & Walumbwa, 2005; George, 2003) and by a lack of managerial control and accountability (Dose & Klimoski, 1995). Although the County had many rules and policies regarding the behavior of employees, the bulk of these rules and policies were not applicable to, or were ignored by, the top leadership. The unwillingness to be accountable, though counterintuitive, is consistent with Dose and Klimoski's argument that conventional managerial control and accountability mechanisms, such as those that were in place in the County for its employees, actually lessen organizational members' sense of responsibility.

Creating rules to provide organizational control does not necessarily result in organization members' acceptance of the obligations inherent in those rules. To make rules meaningful, employees need to accept personal and "felt" responsibility—or accountability—for the situations for which the rules apply (Cummings & Anton, 1990; Dose & Klimoski, 1995).

Employees must be able to understand expectations for their behavior and recognize that their behaviors have consequences. In particular, expectations for ethical behaviors within the County were low. As stated by one of the respondents to a survey conducted during the third episode (Pelletier & Bligh, 2006, hereafter referred to as the employee survey), “Our department is run by unethical decisions daily.” Furthermore, the perception was that top County leadership was morally bankrupt and employees were not to question actions of the leadership: “I have yet to speak with a top management official with regard to an ‘ethical’ issue—we are bluntly told to ‘follow department policy’ and not to ‘question’.” Given these employee sentiments, how could one expect a feeling of accountability to emerge? There had not been a history of ethical decision making or moral values woven into the fabric of the organization (Stoner, 1989) from which ethical expectations could reasonably have been drawn. Without an ethical culture that included felt responsibility or accountability, or moral leadership, the situation was ripe for exploitation.

Barnard (1938, p. 201) declared that “the opportunistic element is the antithesis of the moral element.” In the case of the County, there were numerous opportunities for unethical monetary gains. The quality of leadership that is so important for the success of an organization was clearly questionable at the County. “Low morality will not sustain leadership over the long term” (Barnard, p. 282). Based on the behaviors for which they were indicted, the leadership morality of the two CAOs and the indicted Supervisor was evidently at low ebb. When leader morality is low, organizational life and leader succession deteriorates.

As it was, the press’ clarion call positioned the County for a change in leadership. Of equal note, when an organization is in crisis, broad scale organizational change is more probable (Burnes, 2004). If we use Lewin’s change model as a guide (Lewin, 1947), we can readily discern why the County, ironically, was in the best position in years for change to occur.

According to Lewin, the first step of change is “unfreezing” the status quo or equilibrium state of the organization. Constituents need to feel discomfort in the present state so as to ready them for the next phase (i.e., change). The corruption scandals had thrown the County off center and it was thus more prepared for a change in leadership and organizational process. The second state of Lewin’s model is movement in which the organization changes to a new “status quo”. The process of change is best accomplished if organizational members see that their values are shared with the organizational leadership. The final stage of the Three Step Model of Change is “refreezing,” a state that stabilizes the organization with a new equilibrium generated by newly instituted policies and procedures; it is also critical that the new values be integrated into the organizational culture (Schein, 1985). We will continue our comparison with Lewin’s model throughout the next two episodes.

Episode Two: Re-establishing Social Legitimacy through a Change in Leadership

Immediately after the allegations of ethical misconduct arose in 1999, a new Chair of the Board of Supervisors was installed. This new Chair was noted for his ethical principles and was re-elected to serve his County district. Behind the Chair’s leadership, the County began implementing changes in an attempt to rebuild not only public trust, but employee trust as well (Fulton & Shigley, 2002). A retrospective comment from a survey respondent supports that there was optimism among the employees regarding change in the top management of the County: …it is hard for me to believe that this [County], as well as its leadership and supervisors are *not* seriously putting an effort into having a strong and well developed program to educate all its staff on making ethical decisions, and the tools to incorporate the program to action.

Leader Rhetoric and Action

The Chair's rhetoric during the restoration of the County's reputation revealed his overarching strategy to remake County government. When one of the two civil lawsuits filed by the County in 2000 was resolved, the Chair of the BOS stated "The goal is to get all of this behind us as quickly as possible. This settlement is just another step toward a goal so we can move forward with the business of the [C]ounty" (Matthews, April 11, 2002). Moving forward with the business of the County included numerous leadership actions that commenced with an unexpected move by the new Chair. In an effort to rebuild public trust, the new Chair immediately removed the indicted County Supervisor from all political committees. This action was unprecedented in the County. Rarely had elected officials punished their peers. The Chair's gesture resulted in the indicted Supervisor becoming less visible and losing political clout (Schnayerson, 2004). This move by the Chair was met with cynicism from other political officials in the County. The mayor of the city and County seat vocalized her disappointment with the Chair: They did a great disservice to the 5th District. He (the indicted Supervisor) was the principal player on the board. He was the go-to guy on the board. He was the one that was known statewide and nationally (Matthews, April 11, 2002).

The Chair knew of the Supervisor's political connections but by his single action he alerted residents of the County of his firm stand on ethical issues. The Chair was "walking the talk." The decision to remove the Supervisor from political committees was a bold move that provided a "wake up call" to anyone teetering on the brink of unethical behavior. Further, that one action earned the Chair a multitude of idiosyncrasy credits with the employees of the organization (Avolio, 1999; Gardner, et al., 2005). The removal of the indicted Supervisor from committees was not without its effects. The Chair and members of the BOS absorbed the indicted Supervisor's workload.

Stiffening Policies and Promoting Accountability

When discussing the reasons why people behave in an unethical manner, one factor continues to emerge in the research; the person feels he or she can get away with it (Treviño & Youngblood, 1990). To ensure the Board of Supervisors would be knowledgeable of the County's budget and provide the necessary oversight of fiscal activities in the County, the Chair immediately stiffened purchasing/procurement policies. The Chair set a $25,000-a-year limit on how much County departments could pay one vendor without first obtaining BOS approval. Further, he revised the board agenda item template to require departments to justify why a contractor was deemed to be a sole source, and how the department planned to pay for such services.

The Chair guided the BOS to establish an Ethics Resources Office. He moved quickly to recruit an Ethics Officer from outside the employee pool of the County. The Ethics Officer began work in June 2002. Upon arriving at the County, the Ethics Officer quickly assessed the ethical environment and stated, "I think the County has taken some very significant steps toward preventing the past from reoccurring" (Martin, July 14, 2003). Within the first year of the Ethics Officer's tenure, the Chair mandated all department heads and elected officials--including the Supervisors--to attend ethics training. The existence of the Ethics Resource Office was made evident through the County's Internet homepage, which linked to the Ethics Resource Office. This website displayed the Ethics Code and ethical decision-making guidelines.

There was one critical limitation to the Ethics Officer's position, however. Although he had the authority to investigate claims of ethical misconduct directly, he could only evaluate whistleblower concerns and was instructed to forward claims of unethical behavior to the District Attorney (a department led by another elected official). The Ethics Officer understood this role stating, "I'm not there to be a police person or czar of ethics, but rather a resource to the employees" (Ghori, 2002). Since the Ethics Officer's role did not include the option of "policing" behavior of County personnel, the Board of Supervisors was soon required to determine its scope of authority in disciplining elected officials. They also began to explore their options for disciplining continued violations.

Revision of Code of Conduct

During the summer of 2001 (McNary, 2003), sexual harassment complaints were filed against the County Assessor. Two female employees in his office alleged that the Assessor made sexual advances toward them, discussed sexual encounters with them, and forced them to dance with him at out-of-town conferences. As stated earlier, to remove or discipline an elected official, the terms of such discipline must be outlined in a County ordinance. An ordinance did exist, as did a handbook that outlined the personnel rules and code of conduct for all employees, including elected officials. Unfortunately, the wording in the ordinance was ambiguous (Code of conduct, 2002), plus it did not include the disciplinary interpretations and guidelines present in the County's personnel rules. Under the ordinance, the Board of Supervisors *could* remove an elected official "for cause." The County's attorneys spent days trying to determine the definition of "cause." Ultimately, legal counsel declared "cause" to be the same as prescribed for regular County employees in the existing code of conduct and personnel rules.

Enacting Charismatic and Authentic Leadership

In Episode 2, a change of leadership brought about change in the organizational culture, and in the public's perception of the County as it was trying to re-establish public trust. Charismatic leaders emerge when a crisis occurs (Weber, 1946) and influence through their display of symbolic actions, counterintuitive gestures, and use of inspirational rhetoric (Conger & Kanungo, 1998). According to Lipman-Blumen (1996, p. 199), counterintuitive gestures have a built-in surprise that "bypass our rational defense and tap into the deep emotional reservoirs that followers bring to the leader/constituent relationship." Similar to the American public's reaction to Gorbachev's counterintuitive action of kissing babies and shaking hands with citizens in his visit to the United States, the day the Chair of the BOS removed the indicted Supervisor from all political committees, he created an emotional bond between himself and County employees. With that single action, the Chair got the attention and trust of not only the employees, but the taxpaying public as well.

The Chair of the BOS also made a statement that, taken at face value, appeared to be contrary to the notion of authenticity of leaders. Authentic leaders rarely say "Let's get this behind us." Authentic leaders work to explain how and why mistakes were made (Lipman-Blumen, 1996). The Chair stated that his goal was to "get the scandal behind us as quickly as possible" but his reasoning appeared to be focused on putting processes in place to reduce instances for future misconduct rather than to brush the past corruption under the rug. Indeed, his immediate actions—revising procurement policies, recruiting an Ethics Officer, and promoting an ordinance to remove elected officials—demonstrated that he wanted to develop a new, ethical culture at the County.

The Chair's use of himself to attract others to his cause through self-sacrifice, another hallmark of authentic leadership (Avolio, 1999; Gardner, et al., 2005), was evidenced after he removed the indicted Supervisor from his political appointments. The consequences of his decision included the Chair assuming the indicted Supervisor's role on the majority of the committees, while also serving as Chair of the BOS and Supervisor of his own District. Although some cynics would say that the Chair was going for a "power grab", many of the political committee roles the Chair assumed were outside of his political interests and his district's constituents' interests. His fellow board members also assumed additional responsibilities as a result of his action.

Further, the Chair worked quickly to recruit an Ethics Officer. This person was to assist County officials in ensuring all employees had the knowledge and resources to guide them in ethical deliberations. The Ethics Officer quickly assumed the role of "roving" leader. According to De Pree (1989, p. 49), roving leadership is "the expression of the ability of hierarchical leaders to permit others to share ownership of problems." By bringing an Ethics Officer to the County, top leadership endorsed a figurehead who could take possession of the situation.

In the last scene of Episode Two, the Chair of the BOS worked to interpret, and subsequently revise, an ordinance that would allow the Board of Supervisors the authority to remove an elected official from office for unethical conduct. The Chair's behavior to re-examine the existing ordinance shows how motivated he was to be in control of the situation, and to regain a sense of power over the situation. These efforts were noted by County employees, as evidenced by the following comment of a survey respondent: The Board and County management, through training seminars, adoption of the Code of Ethics, and establishment of the Ethics Office, have made excellent strides in raising the level of employee consciousness regarding ethical behavior.

But Was It Enough?

In the language of Lewin's unfreezing, changing, and refreezing paradigm, the organization had successfully begun the journey of unfreezing old habits and moving organizational policies toward a new culture. An organization as large and diverse as the County requires multiple players for change to succeed. The Chair of the BOS acted to create new rules that required accountability on the part of its leaders, implemented an Ethics Resource Office, created an Ethics Officer position, and shouldered additional responsibilities that modeled his commitment to reviving a moral climate. Through his actions, he demonstrated leadership consistent with the tenets of both charismatic (Conger & Kanungo, 1998) and authentic (Avolio, 1999; Gardner et al., 2005) leadership.

Using Schein's (1985) iceberg analogy, we find that the ethical Chair fully addressed the first level (i.e., the tip) of the iceberg. He made ethical expectations visible to constituents (e.g., establishing the Ethics Resource Office). He also made strides at the "water line" (i.e., the second level) by pushing for a revision of the code of conduct for the County and providing more transparent policies for reviewing and evaluating contracts. These successes, however, stopped short of the portion of the iceberg that lay below the water line (i.e., those cultural transmitters that are not readily observable): the habits, assumptions, values, and judgments that employees acquire through organizational acculturation. To be sure, the Chair could not act alone in creating a new, ethical culture where none had existed before, and so we do not believe these failures can be attributed exclusively to the leader—he was "walking the talk" and "making waves." However, not permitting the Ethics Officer to investigate wrongdoing independently was a critical misstep as it signaled to constituents that the ethics office was more window dressing than substance and that there would still be ways around following policies, old or new. For example, one of the respondents to the employee survey stated, "Spending money on an ethics unit is only for show and really does nothing else." Yet another: "The formation of the Ethics Department appears to most employees I've spoken with to be nothing more than a face saving measure by the County." Clearly, an Ethics Officer alone was not adequate to refine the culture of the County.

Episode 3: One Step Up and Two Steps Back—Impact of Another Change in Leadership

In 2003, the term of the Supervisor serving as Chair of the Board of Supervisors ended and a new Chair was named. The new Chair was charged with steering the County on its course to rebound from the ethical and legal violations. It would seem that the direction for the new Chair would have been clear in light of the policies, resources, and ordinances put into place by the recently departed Chair, but the new Chair's actions ultimately moved the County backwards.

The New Chair's Negative Influence

One of the first actions the new Chair performed was to recommend reinstatement of the indicted Supervisor to the various committees from which he had been removed. With this one move, the new Chair revoked the public's and County employees' trust. This recommendation required a vote by the BOS, which was approved by a 3-2 margin. What ensued was a public outcry: "A lot of eyebrows are being raised, and knowing looks exchanged, over this bit of political fancy footwork" (MacDuff, 2003). People were noticing that the BOS seemed to be unbothered about speaking with a forked tongue when it suited them. Upon hearing of his reinstatement, the indicted Supervisor boasted (MacDuff, 2003), "I'll take what I can get. I think the people realized I had a lot to give. As long as I'm in this job, I think it makes sense to keep me." The new Chair suffered much criticism from the public about his decision to reinstate the indicted Supervisor (Pelletier & Bligh, 2008). His action prompted the public and the press to pay closer attention to the board agenda items that he approved.

The Scrutiny of the New Chair

In June of 2003, the Registrar of Voters (ROV) sought proposals from vendors to provide electronic voting equipment for the County. During the selection process, the new Chair criticized the ROV for preparing cost estimates that reduced the bid differential between a California-based vendor and an Ohio-based vendor. The reduction in the difference led to the contract being awarded to the California-based vendor. The new Chair told a reporter, "It just doesn't pass the smell test for us to do things like that" (Bender, 2003). When questioned further by a local newspaper reporter, the new Chair stated: The County's handling of the request for proposals was embarrassing and not, as some assumed, that it created the appearance that the process was manipulated to benefit one bidder (Bender, 2003).

The new Chair alleged that the ROV's staff had disobeyed an instruction to disallow any change in the prices offered by the three finalists in the bid process. According to the County's procurement process, once a bid is submitted, bidders cannot alter their bid. The *solicitor* of the bids (i.e., the ROV), however, can alter the price if the bids are itemized. Simply put, the proposal review committee can alter the amount of the bid by omitting services and costs of services that were not requested. The previous Chair of the BOS came to the ROV's defense stating: The ROV did exactly what the Board wanted. They did not allow changing of bids. The prices got lower because the committee started deleting items we don't want (Bender, 2003). In the same newspaper article, the previous Chair was quoted as saying "I think the process was a good process, a clean process, and a fair process."

One week later, the same local newspaper provided a commentary on the ROV bid controversy. This article revealed the financial connection the new Chair had with the losing bidder, the Ohio-based firm, Diebold. In an ironic twist, [the new Chair of the Board] lambasted the County's procedure for selecting new electronic voting machines, saying it doesn't pass the smell test. Something smells funny, all right, but it's not what [the new Chair] thinks. ("Pre-election snafu", 2003).

The new Chair lost more credibility when he admitted that his campaign consultant had served as consultant to the vendor that lost the bid, the vendor that the new Chair tried to resurrect in the selection process. The conflict of interest prompted the reporter for a local paper ("Pre-election snafu…", 2003) to state that the sequence of events regarding the new Chair's criticism was "the pot calling the kettle black." County employee sentiment, too, revealed a charge of hypocrisy:

> Developing ethics standards/policies and holding most County employees to those standards while top leadership continues to make decisions that obviously benefit campaign contributors and other cronies only perpetrates the perception of the hypocrisy that has existed in the top levels of County leadership for years (Survey respondent).

Where Were the Leaders?

In Episode Three, we see how differing leadership styles, leader values, and leader behavior can alter, and, in this case, reverse the renewal of an ethical organizational culture and the public's trust in the organization. Bennis (1989) wonders where the true leaders have gone. Where are the remarkable men and women who are servants of followers, who possess leadership competencies such as management of meaning and management of trust? When the new Chair assumed leadership, employees and the public posed some of those same questions.

Bennis (1989) stated that true leaders have competencies that render them effective in influencing subordinates. One competency is management of meaning, which is to articulate visions and align people with them. According to Bennis, communication and alignment work together. Some leaders "walk the talk" while others contradict. The previous Chair made strides in restoring public trust through his counterintuitive gestures and self-sacrifice over his four-year tenure as Chair. He behaved according to his stated principles and had begun to transform the culture of corruption. It did not take the new Chair long to blur the former Chair of the Board's vision that took four years to establish, based on the aforementioned rhetoric of the citizens of the County.

The second competency relates to management of trust. The primary determinant of trust is constancy or reliability (Bennis, 1989). A leader earns trust by letting people know where he or she is coming from, and by behaving in accordance with his or her values even when it is difficult to do so. This competency also assumes that leader values are congruent with those being led. The new Chair's decision to reinstate the indicted Supervisor swiftly erased trust. Further, his apparent relationship with a potential electronic voting contractor demonstrated his lack of constancy, but more so, provided evidence that his values were not congruent with the values of the public, or with his immediate predecessor, the former Chair.

One lesson to be learned in this final episode is that it does not take long to change perceptions of the public when leadership is inconsistent and is not aligned with the values of employees or stakeholders. Leaders who are not authentic will not be successful in improving an organization's reputation, or guiding employees to a level of ethical transcendence. Further, leaders lacking authenticity will hinder the organization in terms of human capital and sustainability. Both of these deficits were clearly evident in the third episode. In addition, the ease with which the gains were lost suggests that the culture had not been "re-frozen" (Lewin, 1947).

Case Conclusion

This case analysis presented the challenges leaders face when seeking to re-establish public trust in a government agency. The culture of the organization, at the time the corruption was discovered, was both toxic and secretive. Top leaders were acting from a personalized power orientation rather than a socialized power orientation (McClelland & Burnham, 1976). Further, top officials expended more energy in "wheeling and dealing" than in serving the citizens of the County.

In this analysis, several types of leadership themes emerged. Aspects of charismatic and authentic leadership were noted in the ethical Chair's rhetoric and behavior. Narcissism was prevalent in the indicted Supervisor's rhetoric and behavior, while aspects of toxicity and ethical short-circuiting were evidenced in the new Chair's rhetoric and actions. The authentic leadership style of the ethical Chair of the BOS had a positive impact on the employees' perceptions of the organization and on the public's level of trust with the County. Conversely, it took only one action by the new Chair to undermine the positive strides brought about by the former and ethical Chair's counterintuitive gestures.

Changing culture requires constancy of leadership, and leader actions that model rhetoric. Leader values must be congruent with employee and stakeholder values and leader motives should be transparent to followers. The key to becoming an authentic leader is to acknowledge mistakes (Lipmen-Blumen, 1996) and then work to rebuild trust by aligning actions with rhetoric. The previous Chair of the BOS was successful in doing this during his tenure. He was transparent in purpose, communication, and action.

Case, Post Script

The inability of the leadership described in this case to restore an ethical culture to the County has led to continuing ethical lapses. At the time of this writing, local newspapers were reporting that a past Supervisor of the BOS who had run for and gained the office of County Assessor was hiring and promoting unqualified cronies to executive positions in his office in violation of County personnel policies. The assessor and many of his top ranking employees in this same local government agency were found to have engaged in fraud. They used County resources (i.e., used public funds) to conduct political party work, and misused taxpayer's money by paying employees for hours that they did not work. The estimate of misspent public funds in this latest scandal is in the hundreds of thousands of dollars (Kelly, 2009).

WHAT WENT WRONG AND WHY? LESSONS LEARNED & RECOMMENDATIONS

We first ask: What *was* working? We begin with what was going well before the Chair of the BOS was replaced with another Board Supervisor who then served as Chair. First and foremost, the ethical Chair worked to re-establish trust with the primary stakeholders of the County government: the public and the employees of the County. He did this by making public statements that indicated that there had been wrongdoing and that he was taking steps to prevent such actions from occurring in the future. He successfully guided a code of conduct through the BOS. These actions demonstrated authentic ethical leadership; he persisted in the face of criticism from some of his own colleagues who would have preferred that no admission be made of wrongdoing. These actions demonstrated a sincere interest in doing the "right thing", which is the foundation for encouraging trust in followers, which in turn inspires followers to model leader behavior (Avolio, 1999; Ciulla, 2005; Gardner, et al., 2005).

The ethical Chair established an Ethics Resource Office that provided training to all employees and communicated the codes of ethics proposed for employees and officials alike. Appointing an Ethics Officer was a useful, but insufficient first step, for the Ethics Officer was in reality an ombudsman. If the intention was to develop an ethical climate, not just lecture employees on what constituted ethical behavior, more was expected and needed. By not permitting the Ethics Officer to investigate reported wrongdoing, employees had little reason to believe that ethics were *really* important or that change was genuine. Note the sentiment of a County employee in this regard: The time and money spent on mail inserts, lectures, handouts, staff, building(s) to house [the ethics] staff would be far better spent in prosecuting the unethical in our midst and rewarding those who do their job ethically, every day of the week…

Thus, the plan to use the Ethics Office as a springboard to institute a more ethical climate was effectively defanged because there was no mechanism to demonstrate that unethical behavior would have consequences and that ethical behavior would be rewarded.

What else should have been done differently during the window of opportunity afforded in the second episode? That is, what could the former, ethical Chair have done which he did not, that might have laid the groundwork for an ethical culture? What might have prevented the ease with which the new Chair erased the gains made by his predecessor? Although the ethical Chair admitted to the prior failings of the BOS, he was unable to provide full disclosure and transparency. For example, the results of the survey conducted during the third episode, asking employees about their concerns, has never been distributed to the employees of the County, nor made public. Making those results public would have first demonstrated that the County was willing to address past issues. In addition, it would have made "putting the genie back in the bottle" very difficult for any subsequent leaders, as was attempted by the new Chair.

In addition, the ethical Chair, in many respects, appeared to be working without support from other key decision makers. For example, had he been able to form a coalition (Lipman-Blumen, 2001, 2005) with other Supervisors (and city leaders), he, with help and support of like minded others, would have blocked a number of subsequent BOS votes that returned the County to "business as unethical usual," in particular, the 3-2 vote that put the unethical Supervisor back on important County committees. The ethical Supervisor could have formed allies with interested citizen groups, again signaling to the public that he was committed to refashioning a new ethical County climate.

We have already commented on the inability of the Ethics Officer to follow up on wrongdoing. Not only should the Ethics Officer been given the authority to investigate allegations of unethical behavior, but there should have been support from the top for any employee who blew the whistle. Such employee empowerment receives support from the whistle blowing literature (Paul & Townsend, 1996) and is part of refining a culture that is hospitable for wrongdoing to be exposed.

One of the biggest challenges in promoting culture change in a government public sector agency is breaking through the myriad of rules and regulations already in place. As noted by Dose and Klimoski (1995), the existence of rules can work in opposition to developing "felt" responsibility. Bureaucracy can render individuals powerless as was noted by the activities surrounding the ordinance revision. Yet, we propose that effective, ethical leaders can institute culture change, even within bureaucratic organizations. Organizational culture is critical to fostering ethical virtuousness (Whetstone, 2005). However, as we have emphasized throughout this paper, we believe that leadership is the most vital component. The gains realized through the actions of the ethical Chair were wiped out quickly by the new Chair who was not concerned with ethics. The temptation to abuse power (Vredenburgh & Brender, 1998) was greater than the concern with promoting an ethical culture. Again, this change in leadership demonstrates the critical role of leadership in fostering an ethical climate and culture.

Recommendations for Organizations to Create Lasting Ethical Climates

The primary recommendation we offer is for organizations to install ethical leaders who inspire and embed ethical culture. In addition, we suggest the following:

- Create, publicize, and *enact* an organizational code of ethics
- Conduct ongoing rigorous, independent audits of procurement activities
- Encourage organizational members to question and discuss the ethics of decisions
- When an employee presents an ethical concern, make sure the employee is supported and the concern is investigated
- Be sure the organizational structure includes a viable mechanism for "whistle blowing"; consider the perceived justice of the procedure as well as punishments or sanctions
- Use 360° feedback tools to ensure constituencies at all levels have an opportunity to voice concerns and to acknowledge ethical behavior
- Publicize the known ethical behaviors of candidates for leadership positions
- Assess the ethical climate through surveys; administer surveys at least annually and communicate the results to all employees at all levels of the workforce (i.e., be transparent; be sure to have a due process element)
- To ensure the ethical culture remains embedded, especially during a change of leadership, develop a coalition of powerful organizational members to question and act upon any deviation from ethics policies
- Reward ethical behavior publicly

CONCLUSION

To develop an ethical reputation requires long, hard work that may take years. To lose that reputation can occur overnight. Warren Buffet, the Chair of Berkshire Hathaway, one of the companies in *Fortune*'s Most Admired Companies in 2008 (*Fortune*, 2008), fully understands that potential and risk. In a memo he wrote to his CEOs, Buffet (cited in Gardner et al., 2005, p. 368) emphasized that the CEOs could lose money, even lots of money, but they could not afford to lose their reputation for honest and ethical behavior.

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