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Corrosive Corporate Crises

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Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania Advisor: Larry Starr

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Approved by:

Larry M. Starr, Ph.D., Program Director

ABSTRACT

A theoretical analysis of contemporary organizational deviance focusing on the events and actions of former Chief Executive Officers (CEO's); Bernard Ebbers of WorldCom, Incorporated, L. Dennis Kozlowski of Tyco International Ltd. and John Rigas of Adelphia Communications Corporation, are presented. This analysis incorporates the stages of organizational deviance identified by M. David Ermann and Richard J. Lundman authors of *Corporate and Governmental Deviance: Problems of Organizational Behavior in Contemporary Society* (2002). It also uses the tools utilized by David Chidester author of *Salvation and Suicide: An Interpretation of Jim Jones, the Peoples Temple and Jonestown* (1991) and H. L. Goodall, Jr. author of *Casing A Promised Land: The Autobiography of an Organizational Detective as Cultural Ethnographer* (1994) to interpret and understand deviant behavior within organizations. Current corporate practices for governing the behavior of individuals within organizations will be discussed and compared with similar practices presently in effect at the subject organizations. The standards for executive actions and behavior developed by Peter F. Drucker in *The Effective Executive: The Definitive Guide to Getting Things Done* (2002) are used to raise questions about the deviant actions that Ebbers, Kozlowski and Rigas took. This analysis concludes with thoughts on whether the knowledge, use and implementation of these tools, practices and standards can reduce or eliminate the types of corrosive corporate crises carried out at WorldCom, Tyco and Adelphia.

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TABLE OF CONTENTS

CHAPTER 1

INTRODUCTION

The participants in the recent scandals at Adelphia Communications Corporation, Credit Suisse First Boston, Enron Corporation, Martha Stewart Living, Tyco International Ltd. and WorldCom, Inc. could be characterized as “simply” being excessively greedy and unethical because the central themes of these well known scandals have all been about money, the illegal attainment of it and/or the fraudulent reflection of it. Former CEOs Bernard Ebbers of telecommunications company WorldCom, Inc., L. Dennis Kozlowski of conglomerate Tyco International Ltd. and John Rigas, founder of cable company Adelphia Communications Corporation have each been convicted of fraud and related charges stemming from actions taken by them during the time they led their respective organizations. However, a closer examination of these scandals suggests that the motivations of each protagonist were much more complicated and that “simple” attributions of greed and ethics are insufficient to thoroughly understand them.

This thesis applies the competencies (e.g. knowledge, skill and creativity) that I have gained from the Organizational Dynamics program at The University of Pennsylvania to address three recent corporate scandals. Specifically, I consider how established theories, models, and cases of corporate deviance, effective management, ethics and corporate governance can be used to understand the actions of Bernard Ebbers, L. Dennis Kozlowski and John Rigas and how a complex set of factors were responsible for the downfall of each formerly successful CEO. I will conclude by recommending steps that organizations and individuals can do to prevent, avoid or minimize behaviors that result in corrosive corporate crises.

CHAPTER 2

BERNARD EBBERS

On March 15, 2005, a jury found Bernard Ebbers, former CEO of WorldCom, Inc., guilty of an $11 billion fraud that included conspiracy and the filing of false documents. On July 13, 2005, he was sentenced to 25 years in prison on nine criminal counts of conspiracy, securities fraud and seven false filings with the Securities and Exchange Commission. He is currently appealing his sentence.

Ebbers resigned his position at WorldCom on April 30, 2002, after the Securities and Exchange Commission (SEC) began an investigation into why WorldCom had apparently authorized $366 million in personal loans to himself. By that summer, WorldCom collapsed in the largest bankruptcy in American history, which resulted in billions of dollars in losses to investors. WorldCom had issued a statement on March 11, 2002 revealing that it faced an investigation by the SEC about its accounting practices and loans to officers. The company had made a $366 million loan to Ebbers after a drop in the value of WorldCom stock that Ebbers had used as collateral on a personal line of credit. Ebbers testified at his trial and denied playing any part in the $11 billion accounting fraud.

A native of Alberta Canada, Ebbers' began his career as a milk deliveryman and a bouncer. He received a basketball scholarship to Mississippi College from which he graduated in 1967 and then remained in Mississippi as a physical education teacher. In 1974, he made a successful investment in a local Mississippi motel enabling him in 1983 to invest in a telecommunications company, Long Distance Discount Service (LDDS), becoming its chief executive officer in 1985. In 1995, as a result of the success of LDDS and after several other smaller mergers, Ebbers was able to use $2.5 billion in cash from LDDS to purchase Williams

Telecommunications Group to form WorldCom Inc. In 1998, WorldCom Inc. merged with MCI Corporation for $40 billion, Brooks Fiber Properties Inc. for $1.2 billion and CompuServe Corporation for $1.3 billion. Over a period of 24 years, Bernard Ebbers had gone from a physical education teacher making a modest investment in a local motel to becoming CEO of a multi-billion dollar telecommunications corporation with 80,000 employees. WorldCom is now known as MCI, Inc.

MCI entered into a court approved agreement with the SEC for $500 million in cash and $250 million in stock to be paid into a trust fund for victims of the accounting fraud. Additionally, in September 2005, a federal judge approved a separate $6.1 billion class action settlement as payment to about 830,000 institutions and individual investors in WorldCom. In October 2005, a group of state and local New York retirement funds and insurance companies were awarded $651 million in restitution from WorldCom's executive officers, external auditors and investment banks.

CHAPTER 3

L. DENNIS KOZLOWSKI

On June 17, 2005**,** at their second trial, L. Dennis Kozlowski former CEO of Tyco International Ltd. and his co-defendant, former Tyco Chief Financial Officer, Mark Swartz were convicted of stealing more than $600 million disguised as bonuses and loans. Both were convicted of grand larceny, falsifying business records and other charges, and received sentences of from 8 1/3 to 25 years in prison. Their first trial had resulted in a mistrial on April 2, 2004.

Kozlowski joined Tyco Laboratories, Inc., a conglomerate of businesses in 1976 as an auditor. He initially expected to stay at Tyco for a year or two but his ambitiousness and eagerness to succeed enabled him to grow from staff positions into more senior executive positions. Kozlowski worked successfully to carry out the divergent agendas of former CEO's Joseph Gaziano and then John F. Fort III. He developed a strong taste for mergers and acquisitions from Gaziano yet he was able to successfully implement Fort's cost saving and profits first initiatives. As president of Grinnell Fire Protection Systems Co., at the time Tyco's largest division, Kozlowski cut and saved costs, and bought out each of Grinnells' competitors setting him on the course to becoming CEO. In 1987, Fort appointed Kozlowski to Tyco's board of directors and in 1989 to President and Chief Operating Officer of Tyco. A year later after a huge acquisition brought a significant financial loss to Tyco instead of the anticipated increased earnings, Kozlowski used the situation to manipulate the board against Fort. Fort resigned his position as CEO and Chairman in 1992 but remained a member of the board of directors until 2002.

Kozlowski succeeded Fort as CEO and then as Chairman in 1992. By 1994, he aggressively pursued mergers and acquisitions initially making a $1 billion acquisition that would eventually grow Tyco Healthcare Group into the second largest producer of medical devices in the United States. He was rewarded with a salary increase to $2.1 million by the board of directors setting the precedent at Tyco for the escalation of executive salaries. During his tenure, while Tyco acquired numerous specialized companies in the areas of fire-protection, home security and medical devices, Kozlowski's desire for material wealth rapidly increased. He acquired airplanes, boats, homes and artwork. His purchase of a $6,000 shower curtain and the multi-million dollar birthday party he threw for his second wife on the island of Sardinia replete with waiters in ancient Roman style togas were revealed during his trials and have become legendary. Even with a salary that increased from $8.8 million in 1997 to $170 million in 1999, Kozlowski 's need for wealth and material gain continued to escalate.

CHAPTER 4

JOHN RIGAS

John Rigas and his family founded Adelphia Communications Corporation in 1952. In June of 2002, as Adelphia filed for bankruptcy protection, it had become the 6th largest cable company in the United States. Even though Adelphia was a publicly owned company, Rigas and his three sons held many of the company's senior executive level positions. Rigas was CEO and Chairman; Timothy Rigas was chief Financial Officer, Chief Accounting Officer, Treasurer and a Director. Michael Rigas was Executive Vice President for Operations and a Secretary; and James Rigas was Executive Vice President for Strategic Planning and a Director.

On July 8, 2004 John Rigas and his son Timothy were each convicted of one count of conspiracy, 15 counts of securities fraud and two counts of bank fraud. Michael Rigas was found not guilty of conspiracy and wire fraud with the jury undecided on another 17 counts of securities and bank fraud. Former Assistant Treasurer, Michael Mulcahey was also found not guilty on 23 counts of conspiracy, securities, wire and bank fraud. On June 20, 2005, John Rigas was sentenced to 15 years in prison and Timothy to 20 years. All four men as well as James Rigas and former Vice President of Finance, James R. Brown also faced civil charges of financial fraud by the Securities and Exchange Commission. On April 25, 2005, The Securities and Exchange Commission and the United States Attorney's office agreed to settle this civil action and resolve criminal charges against all four members of the Rigas family. In exchange, they agreed to forfeit in excess of $1.5 billion in assets derived from the fraud. On October 7, 2005, the Internal Revenue Service charged John and Timothy Rigas with evading $300 million in taxes. On November 23, 2005, Michael Rigas pleaded guilty in federal court to falsifying company financial records eliminating a retrial on charges of securities and bank fraud. His sentencing is scheduled for March 3, 2006.

John Rigas participated in an ongoing scheme to take money from Adelphia to fund investments and luxuries for he and his family. His use of company assets was not accounted for in the company's financial statements nor was the money reflected as income on the personal income taxes of he and his sons. It was alleged during their federal trial that John and Timothy owned 22 cars between them. The elder Rigas was accused of using Adelphia funds to purchase a $12.8 million golf course, airplanes, luxury condominiums in Mexico and Colorado and, the family allegedly used $6,000 in Adelphia funds to fly a Christmas tree from rural Pennsylvania to a family member in New York City. In May of 1999, Adelphia's stock reached its peak of $66 per share. In June of 2002, following the arrests and resignations of the Rigases, the stock was down to 15 cents per share. It is estimated that the loss to investors was more than $60 billion. Adelphia will deposit $715 million from the assets forfeited by the Rigases in their settlement with the SEC into a victims fund established by the federal district court that brought the charges. Payment to the fund must occur on or around the date of Adelphia's emergence from bankruptcy.

CHAPTER 5

Stages of Organizational Deviance

In their book, *Corporate and Governmental Deviance: Problems of Organizational Behavior in Contemporary Society* (2002), M. David Ermann and Richard J. Lundman identify three stages that long-standing episodes of organizational deviance go through. The first stage is *Initiating Deviance*, where one or more individuals authorize or commit deviant actions. The deviance at WorldCom began in late 2000, when Bernard Ebbers directed the staff accountants to make false data entries. He did this to hide the results of the 44% downtown in WorldCom's stock earlier in the year. At Tyco, the deviance began when CEO Kozlowski persuaded the board to authorize moving the company's headquarters from remote Exeter, New Hampshire to New York City. The company occupied fancy offices in Manhattan overlooking Central Park but Kozlowski did not publicly reveal the new location and continued making public references to the non-plush lodge like location in Exeter as Tyco's subtle headquarters. The deviance at Adelphia began the first time John Rigas authorized or ordered the withdrawal of company funds for his own or his family's personal use without identifying the funds as a loan or income and without intent of repayment.

The second stage is *Institutionalization*, when the behavior becomes routine within the organization. Ebbers had used a personal line of credit that was secured by WorldCom stock. Once WorldCom's stock value plunged in 2000, there was insufficient collateral to cover the funds outstanding on the line of credit. Ebbers authorized $366 million in loans from WorldCom to himself as collateral for the line of credit. At the same time, WorldCom's accountants were continuing to cover-up false accounting entries creating a snowball effect that could not be stopped without an admission that WorldCom's financial data were incorrect. Without such an admission, perpetuating the fraud became routine.

Often, deviant behavior takes on a life of it's own and continues for reasons unrelated to why it started. Once Tyco's Kozlowski settled into his Manhattan offices, he gradually carried out more and more varied deviant behavior. He used the company's executive relocation program to purchase a $7 million Manhattan apartment for his first wife. He used Tyco funds to purchase a mansion, airplanes, speedboats, artwork, jewelry, clothing, club memberships and other accoutrements of a lavish lifestyle. Former CFO, Swartz also used the relocation fund to purchase a multi-million dollar apartment. What began as misleading the public about the location and style of Tyco's headquarters eventually spiraled into deceiving the company and the public about the extravagant personal use of Tyco's assets by its executives.

Rigas and his sons were accused during their federal trial of using Adelphia as their own personal automatic teller machine. A precise moment for the start of their deviant behavior has not been noted, but their use of company funds to pay for whatever their lifestyles desired, escalated until they eventually bankrupted the company. Regardless of how it started, the behavior of the Rigases including the cover-up from investors of their use of company funds became normal behavior to them.

Stage 3, *Reactions*, occurs when the deviance is uncovered. Courageous insiders may blow the whistle and alert others, or suspicious outsiders may take a careful look and reveal what they find. WorldCom's Chief Audit Executive, Cynthia Cooper led an internal audit team that uncovered the fraud there. After investigation by the FBI and the SEC, charges were brought against Ebbers and Sullivan. In mid 2002, Kozlowski was raising concerns with the Tyco board when it discovered he had paid $20 million to a board member for assistance in a planned acquisition. He had also forgiven approximately $100 million in executive relocation loans. At the same time, he was being investigated for non-payment of sales tax. In late1999 through mid 2000, the SEC had investigated Kozlowski's handling of 120 acquisitions but informed Tyco that it was not taking any action. By September of 2002, that had all changed when Kozlowski, Swartz and former Chief Corporate Council, Mark Belnick were each indicted by the SEC. The deviant activities of the Rigases were unveiled in March of 2002 when a quarterly earnings statement for Adelphia indicated in a footnote that the family had borrowed more than $2 billion and that Adelphia and the Rigases were responsible for the others debts. On July 24, 2002, the SEC formally indicted the Rigases.

Interpreting and Understanding Deviant Behavior

In their approaches to understanding and explaining organizational behavior, authors David Chidester who wrote *Salvation and Suicide: An Interpretation of Jim Jones, the Peoples Temple and Jonestown* (1991) and H. L. Goodall, Jr. author of *Casing A Promised Land: The Autobiography of an Organizational Detective as Cultural Ethnographer* (1994), use distinctly different but effective techniques to understand and explain the behavior of individuals within organizations. Chidester is intentionally very careful about not maligning the members of the Peoples Temple who died at Jonestown. He chose not to be critical of the actions and beliefs that led individuals to join the Temple and to participate in the mass suicide there. He focused on the reality that the Temple's members believed in its values, concepts and goals and this is why they participated in the mass suicide. Goodall encourages critical assessments of the actions, beliefs and values of the participants in an organization as a way of interpreting the culture of an organization. He encourages looking beyond the obvious actions and interactions made by individuals within an organization and to seek answers to what he calls mysteries, interpretations by someone outside of the organization that can provide insight into understanding the organization. He makes assessments of body language, dress, possessions, communication styles, symbols used, signs displayed, etc. in interpreting individual and organizational behavior and describes how those behaviors result from or lead to organizational and individual behaviors.

Ebbers, Kozlowski and Rigas have not given interviews since their convictions and all continue to maintain their innocence. The methods utilized by Chidester and Goodall to understand and interpret deviant behavior could be used in interviews with the three men and their accomplices as a basis for examining their actions, choices and behaviors from their individual perspectives. In understanding these perspectives, their motivations may be better understood. During initial attempts to understand and interpret their behaviors, it would be important not to criticize them or their accomplices in order to gain their trust and to avoid making them react defensively to the probing. Questions such as the following are non-judgmental and non-accusatory ways to begin the interviews; Was Ebbers attempting to put a band-aid on what he thought was a temporary financial crisis when he instructed Sullivan to make fraudulent accounting errors? Did Ebbers expect that the financial crises would subside and that he could have Sullivan correct the accounting entries? Did Sullivan believe the same thing? Did he try to talk Ebbers out of the request? Did Ebbers think he would put WorldCom's future in jeopardy by falsifying financial data? Why did Kozlowski purchase the items he did? What were his expectations for having so much material wealth? Why did he use Tyco's funds to purchase so many of these items when he was earning $170 million annually in 1999? Did he try to stop using Tyco funds for his purchases and found himself unable to stop? Why did John

Rigas take funds from Adelphia without going through the company's loans to officers program? How and why were his sons involved? Whose idea was it to not use the loan program, Rigas or any or all of his sons? Did Rigas believe that Adelphia was still "his" company even though it had become a publicly owned corporation? Did anyone try to stop the Rigases actions or encourage the repayment of the undocumented funds? Answers from the former CEOs and their accomplices to questions such as these, and many more could provide an understanding of what motivated each participant's actions.

Goodall's methods of observation used simultaneously with Chidester's probing methods would be very important during the interviews because documenting the subjects' body language as they listen to the questions and answer them, is just as revealing in analyzing their behaviors as what answers they give to the questions they are asked. Careful observance of the subjects while interviewing them can provide answers to non-verbal questions such as the following: Is Ebbers acting confidently when he explains his motivations for his behavior or does he slump and speak in a remorseful tone when discussing how the events played out? How does Sullivan describe Ebber's body language and tone of voice at the time he initially requested Sullivan to carry out the fraud, as nervous and quiet or confident and authoritative? Did Swartz react with surprise or hesitation when told by Ebbers that he could take funds from Tyco to buy a home in New York City without repayment? Did he perspire nervously whenever they discussed it? How did Rigas approach his sons about the family's personal use of Adelphia funds? Did he bring them all together at one time? What was their body language when he approached them? Did they appear passive and agreeable? Were they angry? Did they ever refuse to use the funds taken or participate in covering up the withdrawals? These observations can also be gathered from discussions with the participants about one another as well as from their co-workers and families. These non-verbal clues are just as important to understanding and analyzing behavior as verbal responses and documented activity are because they reveal additional clues and insight to the behavior that took place.

Once probing of the motivations, actions and choices of each man takes place, it would be important to uncover what personal values and perspectives allowed each of them to contribute what they did to the fraudulent activities. Questions such as the following could be asked while continuing to silently document the body language of the interviewees: Did Ebbers think it was okay to misrepresent WorldCom's finances as long as he was able to make corrections before the board of directors or the public found out? What made him trust Sullivan to not report the request? Had he and Sullivan committed similar acts before and not been caught? Did Kozlowski think he was stealing from Tyco? Did he think that being CEO gave him the right to do things that others could not? Did John Rigas consider himself an upstanding citizen? If so, how did he explain his actions to his sons? Did his sons learn to be intimidated by him? Did the sons believe in following their father's demands no matter what? At the end of this phase of questioning, the interviewer could reach conclusions about the value systems that each participant was influenced by.

Goodall's methods can also be used to assess the organizational environment in which these fraudulent activities took place and how each of the participants was viewed from within it by asking questions such as the following: Did Ebbers hold quarterly information sessions for employees to discuss company finances and issues? If so, did they stop around the time that the fraudulent activity took place? Did Tyco have their mission, vision and values statement publicly displayed throughout their buildings? Did Kozlowski ever make references to the standards of ethics expected of Tyco's employees? Did the Rigases mix well with

Adelphia's other executives or were they they're own clique? Did employees feel like they were working for a family owned company? How did employees feel about so many of the Rigases in executive level positions? The interviewer could obtain enough insight from these questions to understand the culture of the organizations that the participants worked within.

Chidester and Goodall's methods enable one to thoroughly examine deviant organizational behavior rather than to make uninformed speculations that the participants in it are just greedy or unethical. The broader social and ethical aspects of these individuals can be learned and provides a much more accurate understanding of the individuals and the initiation and progression of the deviance. One can then differentiate between someone who makes a mistake that "snowballs" while understanding how and why the situation snowballed and someone who acted intentionally without remorse including what values and motivations led to that person's actions.

CHAPTER 6

ETHICS AND CORPORATE GOVERNANCE

Increasingly, many corporations have established specific guidelines for ethics and codes of conduct for their workers that coincide with the creation and articulation of organizational missions, values and visions. The format for these guidelines includes employee instruction manuals for ethics and codes of conduct. Also, many corporations have implemented corporate governance procedures that outline how the board of directors and senior executives of the company will manage and be required to monitor the compliance responsibilities of the organization. The creation and implementation of these ethics, conduct and governance requirements and standards have largely resulted from the publicity surrounding the corporate scandals described in Chapter 1.

Good corporate governance consists of a formal charter established by the board of directors that outlines the oversight and guidance role that it will carry out within the organization. Individual committees such as an audit committee and a compensation and benefits committee are typically established to maintain oversight of financial areas within an organization. Committees are also created for the selection of board members and the maintenance of corporate governance. Each committee establishes, follows and maintains it' own charter. Committee members include senior executives within the organization as well as board members. The organization's ethics and conduct codes are also areas of oversight within the corporate governance charter. Procedures for contacting board members and committee members round out the corporate governance structure. Corporate governance structures, guidelines and procedures are public information and are typically published on the organization's public web site.

MCI, Inc. (formerly WorldCom), Tyco and Adelphia have all established charters for corporate governance that are publicized on each organization's public web site. MCI acknowledges at the beginning of their charter that it was established to restore trust and integrity to the organization and demonstrate MCI's commitment to become an organizational culture with the highest ethical standards. Tyco's charter begins with a commitment to restore credibility to the organization and trust in its leadership. Both organizations reference dates that came after the departures of Ebbers and Kozlowski for establishing these commitments.

Under the recommendation of Richard Breeden, MCI's court monitor, a new CEO, President/Chief Operating Officer, Chief Financial Officer, General Counsel, director of internal controls, and an entire new board of directors were appointed following the WorldCom accounting scandal. Internal controls for systems and procedures were strengthened, a corporate monitor program with independent oversight of management activity was established, stock options were abolished and an aggressive program to correct deficiencies in their accounting and financial controls was implemented. The new leadership focused on the creation of a new ethics based culture by establishing an ethics office, a code of ethics and business conduct for all employees, a zero tolerance policy for violations of the law, policy or code of conduct and developed an ethics education program that includes an ethics pledge program, an ethics hotline and a program to communicate its ethics message both internally and externally.

Tyco hired a new Chairman and CEO and drafted and rolled out a new employee guide to ethical conduct that was approved by the new board of directors. The ethical conduct guide was rolled out in May of 2003, and in 2004 an educational training program called Integrity Matters was implemented. Delegation of authority policies that clearly delineate the lines of authority for committing to spend or expending funds have been enacted by the board, and board governance principles to oversee strategic planning and operations have been adopted.

Adelphia has amended and restated its charter of the corporate governance and nominating committee of the board of directors, adopted a code of business conduct and ethics, which includes an anti-nepotism policy and outlined an employee communication procedure with the corporate governance officer that includes a hotline. Their mission statement now reflects a focus on maintaining the organization's historical strength, emerging from bankruptcy and developing a reputation for outstanding corporate governance.

CHAPTER 7

WHAT MAKES AN EXECUTIVE EFFECTIVE?

The late social philosopher Peter F. Drucker wrote extensively about his theories of business management. In *The Effective Executive: The Definitive Guide to Getting Things Done* (2002), he concluded that it is imperative for executives to be effective and they must learn how to do so in order for the organizations that they lead to be effective. Drucker considers effectiveness to be a self-discipline that can be learned and one that is crucial to an individual's development, an organization's development and to the maintenance and longevity of society.

Drucker lists five steps for becoming an effective executive. The first is for the executive to record where her time goes; that is, to consider the efficiency of how the executive spends her time on the job and in job related activities.

The second step is for the executive to focus on a vision of what her contribution to the organization is and what it could be or should be. The executive must know what she currently gives to the organization in terms of her knowledge, skills, creativity and what she would like to give to the organization in the future. The difference between what she currently contributes and what she wants to be able to contribute become her vision of her contribution to the organization and a focus for her self-development.

The third step is for the executive to use her strengths in a productive way. "In making strengths productive, the executive integrates individual purpose and organization needs, individual capacity and organization results, individual achievement and organization opportunity."[i] After the executive determines what she wants to accomplish in her role within the organization in Step 2, she must determine how those accomplishments will meet the needs of the organization. The executive determines what she is truly capable of and how the results of those capabilities will effect the organization. The executive now knows what she wants achieve and whether the organization will provide her with the opportunity for those achievements to be met.

Drucker calls the fourth step First Things First, the performance of the individual executive as well as of the organization. How one prioritizes her responsibilities as an executive leads to decisions that directly affect the organization. He refers to this as character shaping: vision, self-sufficiency and strength. "What is being developed here, in other words is leadership-not the leadership of brilliance and genius, to be sure, but the much more modest yet enduring leadership of dedication, determination and serious purpose."[ii] This is about carefully paced, well-informed decision making versus hasty, sloppy, uninformed or misinformed decision making, the outcomes of which, all effect the organization.

Drucker's last step in this process is called making the effective decision, which he defines as concern with rational action. In following the four previous steps, Drucker instructs the executive to learn how her time is spent, determine what her vision for the organization is, determine how to use her strengths to productively carry out that vision and lastly to know how to prioritize her steps in accomplishing that vision. In reaching this last step, Drucker believes that the executive is now prepared to effectively make the decisions necessary to effectively carry out the goals she has for her self and for the organization.

Conclusions reached using Chidester and Goodall's probing and observation methods in Chapter 5 could determine whether Ebbers, Kozlowski and Rigas were effective executives as determined by Drucker. It could be determined whether a constant focus on one's duty to self, the organization and society were considered by any of the three while making the decisions that they did and taking the actions that they took. Drucker's process requires continuous introspection in a quest for self-fulfillment and as a duty to the organization and to the larger society the organization exists within. That takes willingness from the individual executive to care about and think about the personal, organizational and societal ramifications of the decisions that she makes, will make and has made. Drucker wrote, "Effective decision-making requires both procedure and analysis, but its essence is an ethics of action"[iii]. He is equating ethics with decision-making and decision-making with ethics. Ethics are incorporated into the action of making decisions because the individual steps in making a decision as well as the resulting decision can create ethical dilemmas.

The level of understanding and interpretation reached about the behavior of Ebbers, Kozlowski, and Rigas using the methods and evaluations discussed in Chapter 5 could determine whether the three men equated ethics with decision-making and whether or not they considered the possible ethical dilemmas of the decisions they made. Those conclusions could lead to understanding whether or not WorldCom, Tyco and Adelphia, organizations each man helped to build, were always prey to the types of criminal actions that occurred because of the ethics and values of each former CEO. It could also be determined whether the three former CEO's had focused on the ethical dilemmas that their decisions might bring to themselves, their accomplices, co-workers, families and friends before making their fraudulent choices.

The conclusions reached in the successful use of the methods in Chapter 5 could provide a clear understanding of whether or not each of the former CEO's met Drucker's requirements for being an effective executive. Whatever differences are identified between the actual behavior and beliefs held by the three men in their roles as executives and Drucker's standards for effective executives could strengthen Drucker's conclusions. If it is determined that Ebbers, Kozlowski and Rigas did not meet one or more of Drucker's standards for executives, and that information is compared with three non-deviant CEOs who do meet Drucker's standards, it could be concluded that Drucker may have created a reliable standard of executive behavior. Drucker's standards could then be reliably incorporated into an organization's selection process for a CEO as well as a basis to measure the CEO's ongoing actions and performance as an executive.

CHAPTER 8

CONCLUSIONS

Examining, analyzing understanding, correcting and preventing deviant behavior within organizations are complex endeavors. They involve patience and the willingness to properly use tools, practices and standards such as those presented in this paper. Ebbers, Kozlowski and Rigas may have been greedy and unethical but, making quick judgments about this type of behavior eliminates most if not all of the details necessary to fully examine and understand the individual motivations and organizational weaknesses that allow these types of actions to occur, continue and possibly destroy an organization. Without this level of detail, corrective action cannot be taken and deviant action is more likely to recur within the organization by the same offender or by other offenders.

Organizational theorists M. David Ermann and Richard J. Lundman[iv] provide a framework for understanding the life cycle of long-term deviant activity. They explain how and why the deviance begins, grows and ends. They allow us to understand the stages of deviance at WorldCom, Tyco and Adelphia. Elimination of or a reduction in organizational deviance cannot begin until there is an understanding of this cycle.

David Chidester[v] and H. L. Goodall, Jr.[vi] provide impartial methods for probing those that carry out organizational deviance so that the motivation for the action and the context in which it was carried out are learned and understood from the viewpoint of the offender. Attempts at corrective action will not be successful without knowing specifically how or why the offender carried out the deviance. Ebbers, Kozlowski and Rigas could have been greedy and unethical but Chidester and Goodall have created methods that force one to probe into and understand the deviant actions that occurred, in order to reveal the complexities of the behaviors, beliefs and choices each former CEO made, that were in addition to greed or a lack of ethics, or that may have led to or resulted in greedy or unethical behavior.

Good corporate governance, ethics codes and codes of conduct are socially positive standards for organizations to hold the individuals working within them accountable to. The goal of these initiatives is for individuals to recognize the adverse effects that their actions and behaviors can have on an organization even if that was not their intent. These initiatives aim for a standard of individual responsibility towards organizations that was either not in place, not enforced or not sufficiently monitored during the tenures of Ebbers, Kozlowski and Rigas.

Drucker created a socially positive standard for executive behavior, responsibility and action that is reasonable and attainable. It is a realistic standard for an organizational leader to strive for and is very similar in principle to the above organizational aims. Holding Ebbers, Kozlowski and Rigas accountable to these standards before they became or while they were CEOs could have revealed weaknesses or inabilities in each man to meet socially positive standards of behavior and could have deterred or prevented the deviance that they carried out.

Organizational deviance can be corrected, avoided and possibly cured with the consistent and recommended use of the tools and the organizational standards presented in this analysis. The types of corrosive corporate crises that occurred at WorldCom, Tyco and Adelphia can be minimized, avoided or eliminated only when organizations commit themselves to vigilant corporate governance, educating their workforces in standards of conduct and ethics that reinforce the effecst that individual decisions, choices, actions, and behaviors can have on an organization and strongly enforcing those standards on a continual basis. The current leadership of each of the three organizations has recognized this fact and, has committed to and implemented organizational and individual standards that will likely deter, and hopefully eliminate the types of corrosive corporate crises they experienced under the leadership of Ebbers, Kozlowski and Rigas.

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I DON'T THINK THESE ARE NEEDED
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