chapter four

Vulnerabilities

F OR ALL ITS successes, there are significant limitations to Lockheed Martin's approach to ethics. Measured against its own standards and those of the contemporary ethics industry, Lockheed Martin's program shines. Measured against the expectations of the broader culture, however, the program falls short.

There is a significant gap between how corporate America judges itself and how its ideas about values and integrity play out in the larger culture. Lockheed Martin's ethics program, for all its excellent qualities, illustrates that gap. One consequence of this gap is that the corporation's quest to be seen as an active force for good in American life remains, at best, incomplete. Another consequence is that the company's program is better at responding to the problems of the past than to the problems of the future.

Lockheed Martin's ethics program addresses people, but it does not address systems. The exclusive emphasis on lived individual experience is appealing and in many ways effective. But the impact of a corporation like Lockheed Martin is not simply the accretion of millions of acts of fundamental decency undertaken by 130,000 workers. It is also the impact of the corporation as a very powerful organization, or, rather, as a collection of very powerful organizations. Lockheed Martin's program is innovative in reaching the 130,000 employees, but that is not enough. Innovation for innovation, evil will eventually outflank virtue. It thrives not in the isolated human heart, but in the very spirit of collective enterprise that corporations value.

The gaps in the program are most apparent when it is examined in the light of the long-standing expectations in American life regarding corporate behavior. When it comes to addressing the moral character of the corporation's leaders, the conduct of the corporation toward its customers and competitors, the company's treatment of its employees, its impact on its various communities, and the ethical considerations regarding profit within its industry, Lockheed Martin's programs leave major questions untouched. By drawing strict boundaries around their ethics enterprises, American corporations risk losing the public credibility that they are working so hard to maintain.

One way to look at this is to ask of Lockheed Martin's program a series of simple questions that grow out of the historical conceptions of business ethics that I discussed in chapter 1:

- Does the program specifically and effectively address the dangers of unethical leadership, of possible misbehavior among the corporation's most senior executives?
- Does the program take into account the dangers of *organizational* behavior, as well

as individual misdeeds?
- Does the program convincingly address the needs and concerns of rank-and-file employees of the corporation?
- Does the program convincingly tackle the full range of issues involved in assessing the corporation's ultimate impact on its local, regional, national, and global communities?

The answers to these questions suggest that Lockheed Martin's program fails to go as far as it could, creating potential areas of vulnerability for the future.

1. Leadership: sidestepping privilege and power. The ethics program makes little special effort to target and address ethics issues involving the men and women at the very pinnacle of the corporate hierarchy. Although the program enjoys considerable support from top management, and senior executives participate in the basic ethics awareness activities, there is little evidence to suggest that the program offers enough attention to the specific challenges facing those who have the power and authority to err on the grandest scale.

2. Personal responsibility, collective innocence. Lockheed Martin's program lavishes attention on the individual employee, encouraging a strong sense of personal investment in the corporation's ethical performance. But the program does not take into account the pernicious side of organizational life: the tendency of groups to slide, often unintentionally, into habits of misconduct.

3. The corporate family: rewards and resistance. The ethics office has taken great pains to reach out to the corporation's employee base and make the organization supportive, rather than didactic. Nevertheless, there is always a fine line between social improvement and social control.

4. Policy and mission: ethics and judgment. Lockheed Martin's ethics program focuses on issues of business conduct, with few formal mechanisms for assessing the ethical implications of larger policy or strategic decisions of the corporation. The separation between "administrative ethics" and "policy ethics," quite common in American corporate life, leaves a gaping hole that can undermine the credibility of the ethics program and its ultimate effectiveness.

For all its successes, these important gaps in Lockheed Martin's program may leave the corporation vulnerable to new forms of scandal, and new sources of public outrage. In describing these gaps, I do not mean to suggest that the company's *performance* in these areas is necessarily deficient. I am saying, instead, that I am not convinced that the ethics program as currently conceived is well positioned to *prevent problems* in these areas that might arise in the future. To the extent that a good ethics program is supposed to be preventive rather than reactive, these strike me as significant shortcomings. In each section, I include recommendations for how the problems might be conceived or addressed in the future. I realize that I am not aware of all the possible internal constraints that might prevent such recommendations from being implemented, but if I am going to criticize, I feel a responsibility to offer starting points for remedies that might serve as the basis for future reflection, debate, and possibly change.

Leadership: Sidestepping Privilege and Power

Many of the most spectacular corporate scandals in the first years of the twenty-first century have had their origins in the plushest executive suites. At Adelphia and Tyco, the leaders of the corporations were charged with naked plunder of the assets of the organization. At Enron and WorldCom, senior executives appear to have gone to extraordinary lengths to deceive government regulators and the public, not to mention their own employees, about the true financial circumstances of the corporations. At Boeing, senior executives acted as though they believed that ordinary rules of conflict of interest did not apply at the very highest levels of industry and government. In each of these cases, and in many others, the direct or indirect responsibility for the misdeeds landed eventually at the doorstep of the chief executive officer (CEO) himself. Not every scandal originates with corporate leadership, but when mega-corporations grow as large and powerful as those in the United States today, it is obvious that those with the most power usually have the capacity to do the greatest damage. Every once in a while, the scurrilous actions of a minor player will bring down a major international institution, as happened with Baring's Bank. But it is far more likely that a corporate scandal that makes the front page of the *New York Times* will involve senior executives with direct responsibility for millions of dollars worth of assets and business. There are at least three factors that can push senior executives to testing the boundaries of ethics and integrity: opportunity, incentive, and the very self-confidence that makes them successful in the first place.

By the nature of their positions, senior executives in any organization have more opportunity to act badly on a grand scale. Senior executives have more power, more access, more influence, and often less accountability than more junior members of the organization. They control resources, they control information, and they make more decisions involving more people and more money. Fewer people oversee their work, and those who have the best access to the inner workings of their decisions are often powerless to advise or influence those actions. Opportunity does not in and of itself create temptation or erode character. There is no reason to think that corporate leaders, by virtue of their position, are any less "moral" than others in their organization or the larger society. But malicious or ill-considered decisions made at the top of the corporate hierarchy will by definition be more consequential than those made further down the line.

Men and women at the top often also have greater incentive to cross an ethical boundary. Sometimes this is a matter of pure greed and large numbers. The members of the Rigas family looked at Adelphia's assets and saw the chance to siphon tens of millions of dollars from the company's assets into their personal accounts. With the size and power of modern corporations, senior executives can sometimes find themselves tempted by almost unimaginable financial rewards if they are willing to bend the rules. Incentive, however, is not just a matter of naked greed. The vagaries of the market in a world of rapidly fluctuating profits and losses create enormous pressures on senior executives to succeed, or at least not to fail. These negative incentives place a premium on creating at least the appearance of a positive financial outlook, especially to the investment community. Corporate leaders, whose careers rise and fall on the basis of earnings, assets, and stock performance, have the greatest

incentive to rewrite the rules to place their own work in the best possible light.

In addition to falling prey to opportunity and incentive, senior executives can be undone by their own strength of character. Independence, creativity, defying conventional thinking, risk taking—these are qualities essential to strong leadership, and they are often justly rewarded within an organizational hierarchy, as dynamic leadership over the past half century at Lockheed and Lockheed Martin has shown. They are also qualities that can make an individual vulnerable to making choices to suit his or her own needs and preferences. Again, this is not to argue that those who defy conventional thinking about business strategy are destined to defy conventional thinking about ethics. But it seems obvious that some significant proportion of those succeed through brash new thinking will eventually come to believe that their own actions are not only inherently profitable but inherently "right." There will always be a fine line between self-confidence and hubris.

Lockheed Martin's own history suggests its vulnerability to renegade behavior at the top. The global bribery scandals of the 1960s and 1970s involved a number of individuals at the upper echelons of Lockheed, men whose work and contacts made it easy to develop special relationships and make special payments that lubricated the corporation's overseas business. Lockheed's deepening financial crisis in the early 1970s put enormous pressure on senior management. When corporation president Carl Kotchian launched his personal campaign to sell the TriStar jet in Japan, he was taking on himself the burden of avoiding a darker financial abyss. Kotchian's strategy of secret negotiations and payments owed something to his confidence in his own commitments, in his conviction that the good of the corporation was a greater moral good than certain niceties of business conduct.

History also suggests another challenge for corporate leaders: Those at the top face the most complex ethical dilemmas, and encounter situations that are most susceptible to changing moral standards. The nineteenth-century titans of industry thought of themselves, by and large, as men of character who put their own stamp of values on the companies they built. By their own lights, and by the standards of their youth, they operated according to clear sets of principles. But the very success of their enterprises created new realities and new environments in the United States—a landscape crisscrossed with railroads, vertically integrated corporations, and efficient communications networks—that created whole new generations of ethics issues. What the titans believed was creative exploitation of opportunity appeared to their competitors and to succeeding generations to be crass exploitation of people and resources. In hindsight, we recognize that the corporate leaders of the era were able to think of themselves as beacons of morality because it took years for the public and the government to define and react to new fangled abuses like pools, trusts, deceptive advertising, and the exploitation of workers. In some ways, this pattern continued through the twentieth century and encompassed the more recent scandals involving Lockheed and other defense contractors. The globalization of American business during the 1950s meant that bribery overseas became a way of life, tolerated as morally acceptable in a world of relative standards. Under the glare of the Washington spotlight, Carl Kotchian portrayed himself as an American patriot and a company loyalist who was the victim of a hypocritical political vendetta.

In the contemporary environment, the ground is shifting even more rapidly under today's senior executives, and the ethics issues at the top of the hierarchy are increasingly complex. If a low-level employee knowingly mischarges labor to the wrong account, or neglects safety checks, or inadvertently shares proprietary information and then tries to cover his or her tracks, these are straightforward situations that require straightforward investigations and response. The senior executives at Lockheed Martin, however, operate in an environment where their daily decisions have enormous impact, not only on the corporation itself but also on the outside world. They operate in a world of relationships and deals and negotiations where the rules are often not clear-cut, where innovation and success require unconventional approaches, where new arrangements are shifting the ethical ground. The complex arrangements involved in major mergers and acquisitions, for example, create an enormous array of ethical minefields. The instigation of complex accounting practices that might have an impact on investors, the potential disruption for employees, assessing the ethical climate of a takeover target, the protection and the sharing of proprietary information—these types of issues create special challenges for senior executives in situations where a mistake can be enormously costly not only to a career, but to the corporation and even the country. Equally complicated is the web of relationships between senior executives at Lockheed Martin, their peers in the defense industry, and their counterparts in the U.S. government. The maze of competition and collaborations creates ample opportunities for personal and professional favors to trump forthright business practice.

With these factors in mind, it would make sense to expect that a corporate ethics program would place special emphasis on issues of power and leadership, and that it would put special safeguards in place to address the particular challenges facing those in leadership positions. However broad-based a corporation's program may be, it makes more sense to judge its merits by its attention to problems at the top of the hierarchy, rather than at the bottom.

Lockheed Martin makes three important claims about its ethics program in regard to senior leadership. First, the corporation touts the solid and highly visible support of its ethics program by the CEO and other members of the leadership team. Second, the corporation makes it clear that all members of its senior management team not only participate fully in the annual ethics training, but also complete dozens of other modules each year that are designed for others within their areas of responsibility. Third, the corporation makes clear that the ethics officers are widely available for consultation with members of senior management. Each of these elements of Lockheed Martin's ethics program is worthy and important, but they nevertheless fall short of addressing the ethical demands of leadership in all their complexity.

Where Lockheed's corporate leadership was an ethical liability in the 1970s, one of the company's great successes of the past decade has been to reverse this process, so that the identification of the corporation's leadership with the ethics program is now a strength. CEO Norm Augustine staked his own reputation on the ability of the company to produce a high-quality, high-impact ethics program, and he was willing to take chances in the face of considerable skepticism in order to pull it off. Augustine and his successors, Vance Coffman and Robert Stevens, clearly deserve credit for the strides that the corporation has taken in this

area since 1995.

Personal integrity and strong support for an ethics program are not, however, the same thing as having a *system* that aims to ensure continuous integrity at the top of the corporate hierarchy. Support from the leadership may be necessary to launch a successful ethics program, but that support provides no guarantee that those same leaders will necessarily act for the best in their capacity as corporate decisionmakers. After all, it is perfectly conceivable for an individual to offer the strongest possible public support for an ethics program, while violating ethical standards as a matter of habit in his or her day-to-day work. This is known as hypocrisy, of course, but any strong ethics program should be prepared for that possibility. A more common scenario, perhaps, involves the subtle but steady erosion of values under the stress of the workplace. A corporate leader may enter a position with a strong set of values and convictions, only to find them chipped away by circumstances. It casts no aspersions on the personal character and commitment of Norm Augustine or Vance Coffman or any other Lockheed Martin leader to suggest that their public commitment to the ethics program is no more than a necessary starting point. For the program that they have spawned to be ultimately effective, it will need to train its sights on the behavior of the CEO and other senior executives, skeptically discounting their pronouncements and focusing more closely on their actions.

It is a fine thing, symbolically, to emphasize that senior executives at Lockheed Martin undergo the same kinds of trainings and modules as thousands of other employees of the corporation. If leadership, however, requires special skills and makes special ethical demands, does it not require an ethics curriculum more suited to its level of complexity? As we have seen, the corporation's ethics awareness program and training modules do an excellent job of provoking discussion among a wide range of employees, but they tackle ethics issues at a relatively low level of complexity. None of these many trainings, as far as I can tell, addresses the special ethical demands placed on those at the highest reaches of the hierarchy. Ethics, after all, is ultimately about the just application of power. Just as we know that the business situations that senior executives face are inherently more complex and challenging, so are the questions about the proper application of values in any particular situation. The ethics and compliance modules favored at Lockheed Martin make the law clear, suggest sources of help, and hint that many situations have no single "right answer," but they do little to encourage the deep, difficult self-examination that can help leaders stave off opportunity, incentive, and their own hubris. The program encourages employees to think about the complexities of applying the rules and regulations, but it does little to encourage those at the top to think about the complex nature of the rules themselves. Sheer quantity of exposure to ethics modules cannot replace more searching considerations of the ethical challenges of power and leadership. The 2003 scandals at Boeing illustrate vividly that an extensive, broad-based ethics program creates insufficient protections against top executives who believe that they can redefine ethical boundaries with impunity.

The ethics officers at Lockheed Martin are available for consultation with the leaders of their divisions, but the effectiveness and extent of this consultation depend on personal relationships, rather than on more formal practice. Alice Edmonds at the Lockheed Martin

Space Operations division in Virginia described to me at length the ways that her company president relies on her advice in key situations. And CEO Bob Stevens is known to drop in for advice at the office of ethics vice-president Maryanne Lavan. My impression is that these relationships are sometimes substantial, and that ethics officers have worked their way into positions of greater trust and responsibility vis-à-vis senior executives in recent years. But it is a relationship that is wholly at the discretion of the senior executive himself or herself, so it offers a relatively weak wall of protection against misdeeds at the top.

So, while Lockheed Martin's senior executives have offered considerable support to the ethics program over the past ten years, the program makes relatively modest demands on them, and opens up an area of vulnerability for the future. This is exacerbated by potential weaknesses in the structure of accountability. Ultimate authority on ethics issues at Lockheed Martin lies with the Audit and Ethics (A&E) Committee of the corporation's board of directors. The vice-president for ethics and business conduct reports to this committee, as well as to the CEO, so one strength of the structure is that there is a formal and direct line of communication between the ethics program and the board. The A&E committee does receive reports about higher level legal and ethics violations, and theoretically, at least this committee would be open to hearing concerns from the ethics office about the behavior of senior management. The 2002 Sarbanes-Oxley Act put significant pressure on corporate boards to play a more active role in overseeing ethics in their organizations, including the threat of holding directors personally liable for scandals that occur on their watch. So the board does have significant incentive to pay close attention to ethics and compliance issues.

As with so many corporations, however, the composition of Lockheed Martin's board does little to reassure outsiders that it can serve as a truly independent watchdog of corporate activities. Of fourteen members of the corporation's Board in 2004-2005, four were current or former senior executives at Lockheed Martin, two were senior executives at other major defense contractors, and one was recently retired from the U.S. Air Force. Most have served as directors of other major U.S. corporations, including Enron and Global Crossing. None of the Lockheed Martin executives sat on the six-member Audit and Ethics Committee, but its members were nevertheless part of an interlocking web of industry and government relationships. E. C. "Pete" Aldridge, a member of the Audit and Ethics Committee, is a former Undersecretary of Defense as well as a former senior executive at McDonnell-Douglas and the CEO of the Aerospace Corporation. Aldridge was a member of Lockheed Martin's board of directors, while at the same time heading a presidential commission that called in spring 2004 for privatizing much of NASA. Aldridge told the *New York Times* that he saw no conflict of interest, despite the fact that a division of Lockheed Martin, United Space Alliance, was a potential beneficiary of privatization.[1] Even where board members are individually men and women of impeccable reputations, the mirror-image profiles of so many directors make it difficult to believe fully in the thoroughness of their oversight, even with looming presence of Sarbanes-Oxley and the federal sentencing guidelines.

The question, then, is whether Lockheed Martin's ethics program is best positioned to protect the corporation against misdeeds by its top executives, and whether it can identify and stay ahead of emerging ethics issues that involve the top leadership. Lockheed Martin ethics

officers fret that a "bad apple" like Michael Sears at Boeing can undo years of work, but there is a fatalism in the "bad apple" theory that dodges the issue. The Lockheed Martin *does* educate senior management about the specific type of violation in the Boeing case. Indeed, when the news broke in December 2003, Vance Coffman ordered that all relevant Lockheed Martin employees make sure that they were up-to-date on the compliance module on offering employment to U.S. government officials. But when it comes to more subtle forms of arm twisting, influence peddling, and relationship building, the program is silent. This is a matter both of education (providing senior executives with the opportunity to examine ethics issues in a manner suitable to their level of authority) and of accountability (creating credible mechanisms for monitoring the actions of senior executives).

It is also a matter of viewing ethics broadly enough to respond to changing public perceptions of what is right and what is wrong in corporate life. As recently as a decade ago, the salaries of a corporation's top executives were thought of simply as an internal management issue. But in an era when the gap between the richest and poorest workers in the United States has widened considerably, executive compensation has become an emerging ethics issue in the American corporate landscape. In 2003, Vance Coffman's total compensation package was more than $20,000,000, in a year when the total shareholder return for Lockheed Martin was down by 10 percent. In a newly skeptical era, this raises significant questions. Is it "right" for the CEO of a corporation to earn, for example, more than 200 times the salary of one of the corporation's ethics officers? Is it "right" for senior executives to earn large salaries, and sometimes larger bonuses, at a time when the owners of the corporation, its shareholders, are losing money? When does executive compensation cross the line and become simply too much? In other words, when does a compensation issue become an ethics issue?[2]

For Lockheed Martin's ethics officers, this issue is entirely off the table. Not a problem in our environment, Brian Sears assures me. "With all the oversight that we're getting from the federal government, there's no way that we're going to get away with anything excessive," Sears says. Besides, he goes on, "You couldn't pay me enough to do Dr. Coffman's job—to have to answer to so many constituencies, to work under so much pressure. He's worth every penny that they pay him."

Brian Sears may well be right—perhaps the Lockheed Martin CEO's compensation would stand up to every test of fairness known to humankind. The point, however, is not to make a judgment about what Vance Coffman or Bob Stevens earns. The point is that the issue is not *registered* in terms of fairness or ethics in the Lockheed Martin environment. Without that type of scrutiny, the corporation is vulnerable to the kinds of cozy compensation deals at other companies that have spawned notorious headlines in recent years. Even if the deals are not excessive in contemporary terms, a bland disregard for the income gap may be seen as morally blind by a future generation. It is possible that the issue of executive compensation receives rigorous scrutiny in ethical terms among the corporation's leadership and board of directors. But even if this is true, the public silence on the issue undermines the corporation's self-image as an organization willing to tackle the full range of tough questions.

Taken together, these concerns suggest that Lockheed Martin's program has not fully

addressed the ethical challenges of corporate leadership. Of course, there are limits. At a certain point, any ethics program has to depend on trust, goodwill, and the efficacy of its initial efforts. No organization can station an independent ethics officer behind every executive's desk chair, and none wants to "train" its executives to the point of numbness. But there are, perhaps, four types of steps that a corporation like Lockheed Martin could take to address both the substance and the appearance of effective ethics programs for its top management.

1. It could develop ethics programs that address the specific problems and the specific level of complexity of the work of senior executives. Lockheed Martin took a small step in this direction by developing "Ethics Tools for Leaders," a program for all 15,000 managers throughout the corporation. But this program is really aimed at mid-level supervisors and focuses on issues of managing people, rather than issues of more generalized power and authority. Perhaps senior executives could spend less time on compliance modules, and more time examining cases that pertain directly to decision making at their own level and that encourage them to look back with a critical eye on decisions that they have already taken, with an eye toward lessons for the future.

2. The corporation could create a stronger and more formal role for the ethics office in advising and monitoring the actions of top executives. Informal consultation is helpful, but it is most helpful to those who are already inclined to think most carefully about potential ethics problems. A more formal structure for this type of consultation would create one additional opportunity to head off problems before they occur.

3. The corporation could appoint members to the board of directors with specific professional expertise in corporate ethics. Such appointments would strengthen at least the appearance, and perhaps the substance, of independent oversight by the Audit and Ethics Committee.

4. Lockheed Martin could be more courageous and transparent about framing and publicly tackling emerging ethics issues, such as executive compensation. The company's policies in this area (and other emerging areas) may be fully defensible in ethical terms, but this can only be borne out through open discussion of the issues involved. Such openness, incidentally, could have positive effects on morale within the company, as well as bolstering confidence in the larger community about the corporation's willingness to take on difficult questions.

Experts in the field always insist that a strong corporate ethics program has to start with character and support at the top. In the past ten years, Lockheed Martin has been blessed with exactly this kind of visible leadership, and those leaders have helped to create a strong and vibrant program. The irony is that despite this public commitment, ethics-minded corporate leaders like those at Lockheed Martin may ultimately be judged by history as harshly as the nineteenth-century titans of industry—and for the same reasons. They put every issue to an ethical test—except for the special powers and privileges of their own position.

Personal Responsibility, Collective Innocence

As we have seen, Lockheed Martin's ethics program places a premium on informing and

empowering the individual decisionmaker. The program is "driven down" to every corner of the corporation, and the code of ethics and the training modules encourage every employee to shoulder his or her share of the responsibility for maintaining the corporation's values. This approach democratically distributes a sense of individual investment in the company's ethical well-being, and it has helped improve the company's performance on business conduct issues. But it also means that the program bypasses a crucial dimension of organizational ethics: the dynamics of collective decision making.

It is instructive, in this context, to examine the continuing ethics and compliance problems that Lockheed Martin has faced over the past decade. We have already seen that Lockheed Martin is candid about the fact that its programs will never be fully able to eradicate misconduct. The corporation has managed to avoid major scandal since the 1995 merger, but it has still been involved in dozens of cases involving allegations of legal and ethical wrongdoing. In 2003, the Project on Government Oversight (POGO) found that Lockheed Martin (and its heritage companies) had been involved in eighty-four instances of alleged misconduct and settlements for the period since 1990, with fines and settlements totaling at least $426,000,000 during that period.[3] The corporation was second only to General Electric (eighty-seven instances during the same period). These numbers, by themselves, say little about the effectiveness of the corporation's ethics program. The POGO database lumps together settlements, pending cases, and allegations, so the totals by themselves are somewhat misleading. But they provide a rough indication of the continuing challenge that the corporation's ethics and compliance program faces.

More important than the totals is the nature of the violations, especially those that reached a final settlement. The list of Lockheed Martin's violations spans the country and the corporation's many enterprises:

- In 1996, the corporation settled a civil lawsuit for $67,000,000 in a case involving environmental contamination in Burbank, California, after it closed its original headquarters; the company has also been forced to settle a number of other cases involving environmental contamination in such locales as Colorado, Vermont, and other California locations.
- NASA won $7,100,000 in a 2003 lawsuit claiming that Lockheed Martin Engineering Sciences Corporation charged the space agency for false and fraudulent lease cost claims.
- A judgment against Lockheed Martin Electromechanical Systems in 2000 generated a $500,000 fine and $7,500,000 in restitution for a case where the company charged the U.S. Navy for costs incurred on its private commercial contracts.
- Lockheed Martin incurred a $13,000,000 fine in 2000 for providing information to the Chinese government that could potentially be used for developing missiles.
- The corporation's Naval Electronics & Surveillance Systems company settled a suit for $4,500,000 in 2000 involving improper use of Foreign Military Sales funds.
- In 2002, twenty-six recently terminated employees of the corporation's Knolls Atomic Power Laboratory won a judgment of nearly $6,000,000 when they filed suit for age discrimination.

- A 2003 settlement of more than \$37,000,000 addressed cost overruns on four contracts for the purchase of navigation and targeting pods with the U.S. Air Force.[4]

The POGO database covers only the most public types of legal and ethical violations. Lockheed Martin's own ethics database tracks a much more extensive set of investigations and settlements, involving not only corporate misbehavior but also the deportment of individual employees. The corporation chooses not to share this data, but the ethics officers assert that their internal statistics show a marked decline in significant cases over the past eight years. Nevertheless, they are still tracking hundreds of cases each year, with dozens involving significant violations of the company's code.

Lockheed Martin's explanation for the range and scope of these settlements comes down to one word: size. Yes, ethics officers say, misconduct unhappily does occur. It is impossible to rid the organization entirely of bad apples, when the organization involves 130,000 people and more than \$25 billion in business each year. Besides, some of these violations took place in companies that had been recently acquired by Lockheed Martin; this means that in some cases the offenses occurred before the company was part of the Lockheed Martin "family," and in other cases that the corporation's values had not yet had time to take hold when the violations occurred. Ethics officers also point out that some of the more dramatic cases were brought by whistleblowers who stood to profit personally by identifying problems within the corporation; in the 2003 mis-charging case, for example, a former Lockheed Martin employee was awarded \$8.7 million as part of the settlement.

It is reasonable to suppose that Lockheed Martin's ethics program has helped to head off ethics disasters and to reduce the corporation's overall exposure to incidences of fraud and abuse. Yet the ongoing list of cases suggests that size may itself be a catalyst as well as an excuse. The sheer breadth of corporation activity means that a centralized values program can only penetrate so far, and that there are nearly boundless opportunities for chicanery— whether for personal benefit or in support of the company's bottom line. The sheer size of the company is also, importantly, a protection against the harshest penalty for wrongdoing: loss of business. The evidence suggests that the U.S. military is so dependent on a small number of major defense contractors that it cannot afford to withhold too much business from Lockheed Martin and its largest competitors.[5]

Even within a gigantic enterprise, the ethics program makes it more difficult for an individual to perpetrate fraud or abuse either through intention or through ignorance. Lockheed Martin's program puts the onus on the individual to know the legal and ethical rules, and it alerts employees to illegal or illicit activities of their fellow employees. The program creates an atmosphere where it is, in theory, more difficult for an individual to get away with cutting ethical corners, even if the company has not been as successful as it wants in encouraging employees to report unethical behavior that they have witnessed. The workshops and training modules ensure that ignorance on the part of an employee cannot be an excuse. The program also gives the corporation a measure of protection from formal responsibility for the actions of rogue workers.

However, the types of corporate malfeasance illustrated in Lockheed Martin's recent

history are seldom the result of a single individual's actions. Overcharging on a contract with the Navy involves more than a single person's manipulation of a spreadsheet. If too much information is made available to a foreign government in a particular set of business transactions, it involves the participation of many individuals who are making complex choices together as they try to meet goals and serve their customer. A pattern of age discrimination likely involves the hiring practices of dozens of managers, each of whom may be trying to do his or her job as effectively as possible, but who collectively may be perpetrating an injustice.

In any organization, the most important decisions are seldom judgments made by individuals in their solitary capacity as "decision makers." This is particularly true in an engineering culture, where teamwork, shared information, and cooperation among different groups are the lifeblood of the organization. People work together closely on projects, share ideas, push each other to find innovative solutions to problems, and make decisions together about how to bring the best ideas to fruition. This work style makes for a productive and exciting environment, but it also creates a particular challenge for living by company values, because people in groups are much more likely to push the boundaries of ethical behavior than individuals acting on their own. Several evasions of ethical responsibility tempt the individual working in a team. He can say to himself that if no one else has voiced an objection to a particular course of action, then it must be acceptable. She can convince herself that the general direction that a team is taking has been endorsed by the team leader or by a superior in the hierarchy. Or, most simply, an individual can decide that responsibility for weighing the ethical implications of a decision lies with some other member of the group. Important decisions do not simply happen at key moments, but they occur over time, often through an accretion of actions. Indeed, it is frequently impossible to pinpoint the precise moment that a course of action becomes a settled fact, and it is often equally impossible to identify clear responsibility when things go particularly right or particularly wrong. Ultimately, any strong, sustained ethics program needs consciously to address the elusive dynamic of collective decisionmaking, and to create mechanisms for addressing organizational culture, not just the values of individual actors.

The Lockheed Martin ethics program borrows the *form* of collective decision making, but the *content* is focused exclusively on the individual. In the ethics awareness program, employees talk in teams about situations facing individuals, but nothing in the program's content challenges them to take on the complex problems of collective responsibility. The program breaks ethics down into a series of discrete, small decisions, leaving the larger context of those decisions virtually untouched. The program is cognizant of the potential problem of wayward "group-think," but it counts on the power of the courageous individual to stand up and challenge the collective wisdom that is pushing a decision across an ethical boundary. This approach demands a great deal from the individual actor, perhaps more than is realistic in many situations. More importantly, it assumes that key decision points are clear, crisp, identifiable moments when a right-minded intervention can prevent disaster. This may not always be the case.

Furthermore, the vast bulk of the resources of the ethics and business conduct division is

concentrated on relatively minor problems. Ethics officers spend a great deal of their time on everyday situations involving issues like personnel problems, side businesses, and access to pornography via the corporation's computers. Cases in the ethics awareness program likewise present scenarios where the stakes are comparatively low. The by-product of a well-intentioned effort to make ethics issues accessible throughout the corporation is a lack of attention to big-picture, systemic forces that lead to major problems.

It is no secret that some of the worst abuses of human values in the last century have been committed by "decent" men and women who were simply trying to do their job. Working together, they find themselves seduced by the goals of their common enterprise: the company, the army, the nation. The greater good of the organization trumps local concerns: Some people are simply bound to get hurt in the competition for profit and survival. Lockheed Martin's program has responded actively to long-standing concerns about the business practices of American corporations, vastly reducing the ability of individual actors to perpetrate fraud and abuse. But the corporation's vast effort misses the mark when it comes to collective action, and this leaves Lockheed Martin vulnerable to modern-day equivalents of the "pools" and "trusts" that besmirched American industry a century ago. It could take steps to head off these problems in two ways:

1. The trainings and modules that the ethics program offers could address challenges of group dynamics more directly. The discussion-based approach to the ethics awareness program is a good start, but the atomization of most of the training modules, undertaken by individuals on their own computers or PDAs, stresses individual decision making. A more explicit awareness of collective decision making would help diminish reliance on the heroic individual.

2. The ethics and business conduct division could play a more direct role in helping units audit and assess vulnerabilities in their organizational culture, both by dissecting previous cases of collective wrongdoing and by making candid assessments of the current climate.[6]

The Corporate "Family": Rewards and Resistance

If we look at Lockheed Martin's ethics program through the lens of the labor environment, we see a highly self-conscious attempt to create a new kind of corporate culture. Ethics officers see their job as not only education and investigation, but also to provide a unifying theme for a far-flung enterprise, to create unity by creating virtue. This approach has had some noted successes, but it has also provoked resistance to a program that can sometimes be seen as condescending and controlling.

Because company policies lie, for the most part, outside the boundaries of the corporation's ethics program, it is not obvious what mechanisms will allow company values to protect workers in times of financial stress. The program pays a great deal of attention to the actions of individual managers with respect to individual employees. Cases in the training programs focus on issues of sexual harassment, or favoritism, or fairness in promotion procedures, with attention to the actions of both workers and their supervisors. Policies involving wage scales, benefits, disciplinary procedures, and hiring practices, however, are

matters for the human resources department. No doubt many of the individuals in human resource departments at Lockheed Martin bring full and complex ideas about ethics into their discussions, but there is no sustained and consistent method for making ethics considerations a central feature of developing employment policies.

Instead of focusing on employment policies, the ethics program concentrates on molding the lives and minds of individual employees to encourage them to embody the Lockheed Martin values. There are modern echoes of Ford Motor Company's efforts, almost a century ago, to develop the Five Dollar Day and the Sociological Department because the demands of the modern assembly line meant that the company needed a more reliable workforce. Ford set about deliberately to create a corporate culture that would mold character, reward virtuous behavior, and, in effect, ostracize workers who refused to toe the line. Just as Ford's "ethics" program responded to an advance in industrial technology— the mechanization of production —so does Lockheed Martin's. Lockheed's challenge lies in the maintaining the integrity of a huge and dispersed workforce, in an environment where individuals are empowered by virtue of high-speed communications. Ford needed workers who would demonstrate their loyalty to the company by showing up on time; Lockheed Martin needs workers who will put the company's well-being before personal opportunity. The modern corporation cannot, of course, bring its program directly into the home lives of its employees, but it can use the communications means at its disposal to exhort workers as a regular part of their lives on the job.

This emphasis on organizational values, however, produces its own counterreaction, fueled both by resistance to conformity and by cynicism about the corporation's intent. Phil Tenney, who conducts the biennial ethics survey, notes a persistent strain of anger among a minority of the respondents, men and women who find the ethics program oppressive and too "politically correct." These comments tend to come from areas of the corporation with significant numbers of blue-collar employees, responding to a gap that they perceive between tidy company rhetoric and the more complex messiness of daily life in any working environment.

This counterreaction took a tragic turn in the summer of 2003 at Lockheed Martin's aircraft parts facility in Meridian, Mississippi. On July 8, a forty-eight-year-old assembly-line worker named Doug Williams attended his annual ethics training session. Williams, who was White, had a history of altercations involving African American coworkers, and he had been known to complain about the compulsory nature of the ethics program. Shortly after the training session began, Williams went outside to his pickup truck, returned to the training room with a semiautomatic rifle and a shotgun, and started shooting. Two men were fatally wounded there, and Williams then went onto the factory floor and killed three more employees, before finally turning his gun on himself. Doug Williams was obviously a seriously disturbed individual, whose troubled history had been unfolding for many years. Nevertheless, the fact that the ethics session proved a trigger for his tragic spree hints at a reservoir of resentment against the dissemination of a culture of values.

The case of Doug Williams illustrates the difficulties in trying to impose a system of values on an employee community. On the one hand, to be effective and just, organizational

culture must to some extent be coercive when it comes to values. In the weeks before his shooting spree, for example, Williams had taunted Black coworkers by wearing an improvised protective head covering that resembled a Ku Klux Klan hood; his manager had quite properly challenged and disciplined Williams on that occasion. Williams had done nothing "legally" wrong, but his supervisor recognized that his actions represented a threat to company values, and that strong action was necessary. On the other hand, a sustained attempt to create a values-based culture is bound to flirt with a climate of social control, which in turn may provoke resentment and rebellion. From the workers' point of view, the ultimate test is whether the corporation applies the same standards to its core activities as it does to the behavior of individual employees.

A case in point is the question of the diversity of the Lockheed Martin workforce. In recent years, the corporation has begun a national push in this area. With an aging workforce, a decline in Americans studying engineering, and the changing demographics of the United States, the corporation has recognized that broadening its pool of potential hires is a business imperative, especially with military spending on the upswing, and the prospect of adding major new projects in the next decade. Yet one can hear senior Lockheed Martin employees discuss "diversity" in the corporate workforce without making any reference to race or gender, or even discussing the possibility that the corporation might have a responsibility toward underrepresented groups in its ranks. "Diversity" in the Lockheed Martin context is more likely to mean tolerating an engineer with long hair or an earring, rather than developing programs to bring more women into engineering positions or making the growing Latino population central to the corporation's recruiting plans for the future. Of course, there is nothing wrong with expanding the company's dress code or listening to a younger generation's music at a company party. But the corporation's ethical obligations to underrepresented populations are off the ethics program's radar screen. The program does, of course, address and discourage discrimination against current employees. But it is not positioned to implement the corporation's values when it comes to promoting diversity in a positive sense through hiring, mentoring, promoting, and retaining minority employees. I do not mean to make a judgment here about Lockheed Martin's *performance* in recruiting, retaining, and promoting minority employees. Lockheed Martin has been subject to lawsuits and federal government investigations regarding its treatment of African American employees, most recently following the Meridien shootings, but it is difficult to assess the merits of those charges across the corporation. [7] The more important point is that the corporation's ethics program shines a spotlight on one possible area of discrimination (racism or harassment in the workplace) while leaving the larger policy questions (hiring and promotion practices) virtually untouched.

The Meridien case represents an atypical extreme, in more than one way. Nevertheless, the incident provides Lockheed Martin with the opportunity to reconsider the relationship between its ethics program and its human resources policies. The corporation's program is highly sensitive already to certain forms of workplace issues, especially the relationship between individual employees and their supervisors. Explicit discussion of the ethical implications of decisions about large-scale workplace issues could strengthen the program's

credibility both inside and outside the corporation.[8]

Policy and Mission: Ethics and Judgment

Lockheed Martin's ethics program focuses on the areas of organizational activity that fall under the rubric of "business conduct." The program developed and thrived in response to a series of specific problems and scandals, involving violations of standards of business practice like bribery and mischarging. At Lockheed Martin, the ethics program, extensive as it is, stops at the border of business conduct. As in most other major corporations, the ethics program addresses ethical issues within the walls of the corporation: the behavior of company employees in highly specific situations.

American conceptions of "ethics," as we have seen, go well beyond these areas of business conduct, encompassing the way that a corporation does business in a larger sense: how it treats its employees, its impact on the communities it serves, and the impact of its core business on its society and the world at large. As we have seen in our look at American history, the broader public expects corporate ethics to include and embrace a thorough look at a corporation's policies, strategic decisions, community activities, and even its mission. This seems especially relevant for a corporation of Lockheed Martin's size, importance, and character. With its large employee base and geographical scope, the corporation is bound to have an enormous impact both inside and outside of its walls. As a player in a quasi-public industry, its influence on policy has a disproportionate impact on both national and international events. And as a weapons manufacturer, in the business of making products that kill people, Lockheed Martin encounters, in its core mission, a set of moral and ethical concerns that companies in less controversial industries might not face.

With these factors in mind, the segregation of ethics from questions of policy, community impact, and mission raises critical questions about the nature and purpose of an ethics program. What is the point, after all, of trumpeting a corporate ethics program, if it is not willing to take on the toughest and largest questions about a corporation's impact on the world?

Some people believe that this is, in fact, entirely the wrong question. They argue that it is critically important that American corporations make a clear distinction between "administrative ethics" and "policy ethics." For Stuart Gilman, former president of the Ethics Resource Center, combining these approaches leads inevitably to a "muddle" that ultimately produces paralysis. To Gilman, corporations should focus their attention on "administrative ethics"—running their organizations with both clear and consistent business practice standards, accompanied by a clear and consistent set of company values that transcend mere compliance with regulations and the law. This approach allows corporations to communicate a consistent message, empowering employees to create an atmosphere where integrity and profits can flourish symbiotically.

Gilman argues that if corporations formally incorporate the ethical dimensions of policy and mission into their ethics programs, they enter an open-ended domain that will ultimately endanger the whole project. He acknowledges that a company like Lockheed Martin faces a

whole host of macro-level moral issues: "Let's face it, if you're making bombs, there is an ethics question about how they're going to be used." But he contends that virtually every industry faces a complex series of questions about the nature of its core business that simply cannot be tackled at an organizational level. Automobile manufacturers create products that make possible innumerable benefits for modern life, but they befoul the air and they cost tens of thousands of people their lives each year. Potato-chip manufacturers create products that taste good but make people fat and bring on heart disease. Defense contractors help protect the American way of life, but their products can lead to a destabilized world. Corporations simply do not have the capacity to address these issues internally—these belong to a larger social, political, and philosophical debate. Companies are better served by focusing on what they can do: run a clean organization based on strong values, and trust that the implementation of those values will encourage the organization to play a productive part in the world.

It would appear that Lockheed Martin follows this line of thinking. Its ethics program, as we have seen, concentrates on internal business practice matters. The ethics program is entirely separate from the division that most conspicuously focuses on the corporation's impact on the external world: the "community relations" program. Under this rubric, Lockheed Martin sponsors a host of national and local programs. Its most extensive programming in this area focuses on K-12 education, especially, true to the corporation's mission, in the sciences. It offers fellowships for math and science teachers in California, supports a teacher leadership center in Florida, and promotes interactive learning techniques in Texas. Lockheed Martin employees and retirees participate in the Network of Volunteer Associates (NOVA), tutor children in math and reading in Dallas, and have developed an online volunteer placement system in Owego, New York. The corporation supports music and dance companies in the state of Washington, and sponsors exhibitions and performances at such institutions as the National Museum of Women in the Arts, the Baltimore Museum of Art, and the John F. Kennedy Center in Washington, D.C.

These are worthy programs, and they represent a type of effort that makes an important contribution to American life. These activities also have important public relations value for the corporation, and as such, they represent a business strategy. The trend toward creating and marketing a corporate "soul" remains undiminished since the era documented by Roland Marchand. Indeed, if anything, the trend has increased, as pressure from the government, from public interest groups, and from consumers has persuaded companies to redouble their social outreach efforts to counteract negative publicity regarding their core activities. There is nothing inherently wrong with mixed motives. If a corporation's outreach programs benefit the company as well as the community, then both can win. Both can win, that is, as long as the big picture, the overall impact of the corporation's impact on its communities, remains in view.

A strict separation between "ethics" and "community relations" illustrates the problem with separating "administrative ethics" and "policy ethics." A corporation may give generously and create vibrant, positive community programs with one hand, while the other hand institutes policies and products that breed death and destruction. When Philip Morris aggressively advertises its community contributions, the company breeds cynicism, because its efforts are so obvious an attempt to distract the public from the lethal nature of its core

products. When an industrial polluter helps support after-school youth programs, those activities ring hollow in light of the adverse effect of the toxins on children's health. These examples may represent the obvious end of the spectrum, but the principle holds just as true for organizations with less drastic public relations problems. Being a good corporate citizen is the whole package, not simply an accounting of dollars spent in schools and clinics.

By strictly separating ethics from corporate social responsibility, Lockheed Martin and other corporations evade a searching consideration of the big picture. The impact of the corporation's core business on the local economy, on government, on the environment, and on its neighbors remains unscrutinized in a formal way. But the bifurcation opens up a gaping hole that has the unfortunate effect of making both ethics and corporate social responsibility (CSR) look like window dressing. The ethics program appears to have an artificial border that protects the corporation from opening up delicate areas of concern; the CSR program appears to lack sensitivity to the overall impact of the corporation.

Lockheed Martin ethics officers respond to this concern by pointing out that it is not possible for every set of corporate activities to come under the auspices of the ethics office. Furthermore, they say, the corporation has to trust that the existing ethics program will encourage employees to apply company principles to all aspects of their work, including the impact on local communities. At some point, an ethics program should empower people to do their best, not simply police them.

Trusting people to do their best, however, makes the most sense when the issues are simple, and where a single individual has enough information and capacity to make the best possible decision. The relationship between one of Lockheed Martin's businesses and its surrounding community, however, is a complex and dynamic network of exchanges, likely to involve hundreds of people in different capacities. Each individual may undertake his or her part with the utmost care and conscientiousness, but the sum total of their actions may still do harm in unintended and unforeseeable ways—unforeseeable, that is, if there is no framework in place to encourage a collective understanding and analysis of the ethical dimensions of the corporation's relationship with the community.

For Lockheed Martin, the segregation of the ethics program from larger questions of policy and mission is especially sensitive, given the nature of the corporation's business. After all, Lockheed Martin makes money by designing, manufacturing, and servicing machines that destroy property and human life. Indeed, these machines have been put to extensive use in the past decade, as the high-tech American military of the late twentieth and early twenty-first centuries has been deployed in the Middle East and around the world. Making money on fighter planes, missiles, and spy equipment puts the company squarely up against the American tradition of discomfort with the ethics of war profits. Lockheed Martin's ethics program is entirely silent on the moral dimensions of its core business. As long as it refuses to engage its constituencies about this crucial issue in an honest and sophisticated manner, Lockheed Martin will remain the subject of suspicion and hostility among a broad cross section of the American public.

As in the past, the debate over the ethics of weapons manufacturing is cast today in the starkest terms. Critics of weapons manufacturers portray the industry as corrupt, self-interested, and heartless; the "merchants of death" theory is still alive and well, all the more invigorated by the size of the corporations and the size of the weapons that they make today. On the other hand, supporters of the defense industry tend to insinuate that raising questions about the morality of the business is subversive and un-American.

Deliberately outrageous in its presentation for the "prosecution," but typical in its content, is Michael's Moore's treatment of Lockheed Martin in his 2003 film *Bowling for Columbine*. The documentary explores the landscape of American violence, drawing provocative but casual connections between the attitudes of gun lovers, the actions of the American military, and the motivations of manufacturers of weapons. Lockheed Martin is one of Moore's favorite targets, since it happens that the corporation is one of the principal employers in Littleton, Colorado, the site of the deadly shootings at Columbine High School. For Moore, the presence of the defense industry giant is no coincidence. He films trucks laden with long-range missiles rolling through the streets of Littleton in the middle of the night, and he challenges a nervous Lockheed Martin public relations representative at the factory about how he feels about making weapons of mass destruction. No wonder, Moore suggests, that our children feel they have license to pick up guns and unload on their classmates, when they live in a community where destruction by the ton is the principal source of employment and pride. Throughout the whole film, Moore keeps returning to Lockheed Martin as a convenient symbol and target. In another sequence, he blames the corporation's participation in the welfare-to-work field for a tragic incident where a six-year-old boy is shot while playing with an unattended handgun; the boy was left alone, Moore suggests, because the Lockheed Martin program forced his mother into an unnaturally long commute. The picture is clear. In Moore's diatribe, Lockheed Martin is a soulless corporate giant, cynically peddling violence on a global scale, and directly contributing to a culture of wanton killing within the United States.

Lockheed Martin has an equally one-dimensional perspective on the ethical dimensions of its core activities: We are in the freedom business. From the corporation's point of view, its products deter violence, rather than instigate it. Moreover, the defense industry simply serves the needs and demands of a democratically elected federal government. When I tell Brian Sears that some people I know consider ethics in the weapons business to be something of an oxymoron, he bristles. He reminds me that Lockheed Martin is part of the defense industry, with an emphasis on *defense*. "It is not unethical for a country to defend itself," he says, jolted a bit from his usual laid-back manner. "The opposite is closer to the case. It is unethical for a country *not* to defend itself. If someone is breaking into your house, would it be ethical to shoot him? I can say this for sure: If someone were breaking into my house and I had a gun (which I don't, by the way), I would have no qualms about shooting that person. Not to defend my family would be irresponsible, immoral, and indefensible."

Sears is proud, he goes on, of Lockheed Martin's contributions to the country, and he is realistic about their impact. "I know that our products have been used in battle. I know that our products kill people. Hopefully, it's the bad guys who are being killed. I simply don't

view our products as immoral. Even though our products kill people, it's killing people in the service of protecting ourselves." Sears understands that the corporation has and will continue to have its critics. "We're never going to be warm, fuzzy friends with Greenpeace or any other group that's for peace at all costs. The Sisters of St. Francis are never going to love us. They'll buy their 100 shares of stock and show up at our shareholders' meeting and say their thing. And that's fine. The peace activists will never like what we do. We understand their position. We just don't agree with it."

There is something profoundly unsatisfying about this debate, or rather, about this lack of a debate. Moore makes an unambiguous (and sometimes sophomoric) case that the weapons business is inherently corrupt, that the industry has a stake in the demand for killing machines that makes manufacturers morally responsible for the deaths those machines cause. His is the modern variant of the "merchants of death" position that gripped the nation in the 1930s. Sears and Lockheed Martin, for their part, make a case for the inherent righteousness of the defense industry's cause, for weapons systems as an indispensable tool of liberty. Both parties seem to insist that there is no possible discussion, no avenue for conversation between the corporation and its critics on this crucial issue.

But what, after all, is an ethics program *for*, if it is going to put aside altogether the questions at the very heart of the organization? Without judging the merits of the case, it seems unarguable that there are profound ethical questions about the nature of the weapons business that deserve sustained attention. What responsibilities do weapons makers have for how their products are used? To whom should those products be sold, and under what circumstances? Do weapons manufacturers directly or indirectly contribute to causes of warfare by generating the need and demand for their products? What is the collateral impact on the larger culture of investing so heavily in massive military systems?

From Lockheed Martin's point of view, there are two principal reasons—one stated, one unstated—why questions like these are off the table. The stated reason is that, after all, Lockheed Martin's ultimate responsibility as a defense contractor is to serve the interests of the U.S. government. "At Lockheed Martin, we never forget who we're working for," is one of the corporation's most oft-cited mottoes. The ethical considerations, in other words, belong to the client, not to the manufacturer. As long as the corporation follows the law scrupulously and observes fair business practices in selling to the American military, it is fulfilling its ethical obligations both to the letter and in spirit. Questions about how and whether the weapons are used, who has access to which systems, the prosecution of warfare, collateral damage to civilian populations—these are considerations for the military and civilian leadership of the nation, not for the private sector. Of course, Lockheed Martin has both a legal and ethical obligation to be extremely careful when selling its products to customers *other* than the U.S. government—but those situations most definitely *are* treated extensively in the corporation's ethics program, in units regarding the protection of proprietary and classified information, rules for dealing with foreign governments, and related issues. When it comes to selling to the U.S. military, however, the corporation's only real ethical obligation is to provide the best and most reliable products.

The unstated reason is that no organization wants to take the risk of opening up sensitive

questions about its fundamental reason for being. Lockheed Martin has been in the weapons business for a very long time, and it has developed a tradition and culture built around excelling in that field. It is perfectly fine for critics from outside to voice their concerns, but no corporation has an obligation to examine itself into extinction.

There are merits to both of these reasons for silence on the ethics of weapons making. It is quite true that moral considerations about the use of force lie in the domain of military, more than corporate, ethics. Furthermore, it is difficult for any high-powered organization to do its work with the speed and vigor necessary to pursue excellence if its members are wondering too much about whether what they are doing is, in the end, "right." Indeed, to the contrary, Lockheed very much depends on the moral certainty of patriotism as one important incentive for employees to work their hardest and their best to meet crucial deadlines. Philosophical musings might very well undermine the zeal that enables this corporation to do its best work.

Yet silence on this core issue threatens the integrity and the credibility of the entire ethics program. Whoever buys its products, Lockheed Martin helps to make some of the deadliest man-made objects on the face of the earth. To claim that this fact has no ethical implications for the manufacturer is, on the face of it, absurd. Loss of civilian life and other forms of "collateral damage"; the dangers to humankind posed by the manufacture of nuclear missiles; the social costs of an enormous defense budget—while many people and organizations may share responsibility for these issues, it is difficult to argue that the corporation that makes the products bears no ethical responsibility for their consequences. This does not mean that the company should abandon its core mission, but it does mean that it is difficult to take seriously the depth of its commitment to ethics if this issue cannot even be discussed.

Passing the ethical issues along to the government is an evasion of responsibility, especially in an interconnected world in which the relationship between the corporation and the government is much more than provider and client. If individual employees tried to avoid hard questions about their own ethical dilemmas by sloughing them off on the actions of supervisors or coworkers or the demands of the customer, they would run afoul of company values. If honesty and integrity and respect are going to mean something at the individual level, they must mean something at the institutional level as well.

Blind allegiance to the corporation's largest customer, by the way, may ultimately lead to its own problems. The corruption scandals of the 1980s were not the result of a handful of renegade employees, but of a system of glad-handing and favoritism involving both the government and the private sector. Misdeeds were implicitly justified by the patriotic imperative to build up the country's defenses in order to win the Cold War. Compliance with the letter and spirit of the laws and regulations of the United States is certainly important. But companies like Lockheed Martin would also do well to maintain a watchful eye on the ethical dimensions of the very laws, regulations, and procedures of the government itself. The U.S. government has uncovered many scandals, but it has spawned them as well. A defense contractor has a better chance of protecting itself if it keeps core questions open, rather than closing them off.

The controversy over Halliburton's role in the Iraq War and its aftermath in 2003 and 2004 illustrates this problem vividly. The defense services company won a series of large

contracts from the U.S. government related to the rebuilding of Iraq, but found itself the target of scathing public criticism on two fronts. First, Vice-President Dick Cheney had served for several years as Halliburton's CEO, leading to widespread speculation that Halliburton had directly or indirectly traded on Cheney's influence to win the contracts. Second, in an echo of the "warhogs" debates of the twentieth century, Halliburton was accused of making excessive profits on some of its services, essentially taking advantage of a wartime climate to obtain unfair advantage. Halliburton is a signatory of the Defense Industry Initiative, and the corporation has all the key elements of an ethics and business conduct program. But if anything, the existence of these programs simply made Halliburton a more inviting target for public criticism, because it made the appearance of the gap between principles and actions seem all the greater.[9]

One way that a defense contractor might narrow the gap between principles and action is through public discussion of the moral and ethical dimensions of specific choices in defense policy and weapons systems. This, after all, is the way that other industries have begun to weave ethics into policy, without undermining their core mission. The automobile industry does not grind to a halt because of ethical concerns over 55,000 deaths a year in the United States. Car manufacturers have, however, made safety concerns a part of their public discourse—partly under pressure from the government, partly for marketing reasons, and partly out of a growing internal sense of responsibility. The defense industry can likewise participate in public discussions about its own strategic decisions as well as decisions of the federal government, without damaging the case for its own existence.

In an industry where competition and collaboration with other corporations is a way of life, dealing with the ethical macro-issues might best be handled collectively. The Defense Industry Initiative (DII) was a groundbreaking idea in 1986, when a group of fierce competitors came together to address collectively the series of business practice scandals that had beset their industry. Over the past two decades, the DII has served as the nation's most creative industry consortium, nurturing a spirit of commitment to excellence in ethics programs and to full-fledged values efforts. The DII is strong enough to take on more than just administrative ethics. Together, the major corporations in the defense industry could take a lead in embracing and confronting the full range of ethics questions that face their industry, in partnership with the federal government itself. What kinds of weapons does the United States need? What are the moral and ethical implications of manufacturing, or of *not* manufacturing, certain weapons systems? Can certain manufacturing capabilities be put to nonmilitary use? Together with its competitors, who are its partners in the DII, Lockheed Martin could help transform the nature of public debate over the defense industry. Indeed, it could help create a reasoned debate, in place of the strident polemics that characterize the discourse today.

In summary, there are at least four directions that Lockheed Martin could pursue in integrating ethics in its fullest sense into the enterprise:

1. A more formal role for senior ethics officers in strategic and policy decisions would be an important first step. Informal consultation is no substitute for "a seat at the table."

2. The corporation could build a bridge between its ethics programs and its efforts in the area of corporate social responsibility. That framework of that bridge need not be

burdensome. There is no reason for ethics programs to become ethics empires. But the clear line at Lockheed Martin between ethics and social responsibility suggests a habit of segregation that threatens to undermine the ultimate effectiveness of both endeavors. The divorce between "ethics" and "corporate social responsibility" may make sense in terms of the bureaucracy, but it makes no sense at all in terms of a strand of public thinking that sees business ethics in terms of a corporation's role amid its neighbors.

3. Lockheed Martin can make the ethical dimension of discussion of specific business decisions part of its public discourse. Such openness would go a long way toward combating public cynicism and hostility toward the defense industry, which has heightened in the wake of accusations regarding business practices during the Iraq War.

4. The corporation can take a leadership role in urging the DII to expand on its outstanding role in business practice, and to take on the thornier issues of the ethical dimensions of the defense industry as a whole. This kind of leadership would ultimately pay off in better decision making for the nation, which would in turn pay dividends in more credibility and more dependable business relationships in the industry itself.

Raising questions about the corporation's core business need not undermine the entire program. After all, people who adopt Michael Moore's perspective simply will not work at Lockheed Martin. But having the confidence to face these questions directly, allowing for a flexible give and take, and developing a more nuanced vocabulary for discussing the corporation's core business would strengthen every part of the ethics enterprise. By raising and tackling the largest questions honestly, the company would send a signal that it expects similar depth and courage in facing the full range of ethics issues that each of its employees confronts. Lockheed Martin is not about to abandon the weapons industry, nor would consideration of the ethical complexities of that industry lead it to do so. But it would be a stronger, more vibrant, more credible corporate citizen if it had the courage to search for a more supple approach to discussing both the opportunities and the perils of its mission.[10]

Lockheed Martin offers a case study in American virtue. By the standards of its industry, its ethics organization is doing an exemplary job. It has produced a sturdy and innovative program that introduces important concepts to the whole organization, reinforces a consistent message, and generates a concerted effort to strengthen fidelity to appropriate standards of business conduct. Yet for all its successes, two nagging questions remain. First, has the corporation fully addressed the root causes of potential ethics issues? And second, do the corporation's programs measure and address the corporation's full impact on the wider world?

The Lockheed Martin ethics program echoes one of the oldest American stories: the tale of one so confident and secure about his competence and righteousness that he makes himself vulnerable to the dangers that lurk in the world, and the evil that lies within himself. Americans like to think of themselves as upright, but they are often loathe to look at the larger picture of their circumstances: the gross inequalities that persist despite the rhetoric of equality; instances of greed masked in complicated financial reports; violence done in the

name of keeping the peace. Americans live in a society that has become expert at presenting a moral face, while defining morality so narrowly that they are constantly letting themselves off the hook when it comes to the larger issues of justice and fairness. Lockheed Martin's program exemplifies this spirit: Its dedicated ethics officers pursue their work with innovation and diligence, but no one is asking or permitting them to take on the larger picture. It is threatening to do so, but it is equally dangerous to ignore the big questions, which have a way of creating disruptions at unexpected moments.

This tension has long-standing roots in American history and culture. One particularly dramatic rendition of that tale, although it is nearly 150 years old, vividly illustrates how fine the line is between triumph and catastrophe.

In his 1856 novella *Benito Cereno,* Herman Melville tells the story of Amasa Delano, captain of an American trading ship, who comes across a mysterious, half-wrecked Spanish vessel, the *San Dominick,* floating off the coast of South America. Delano and his crew board the ship, where they find its captain, Don Benito Cereno, in a puzzling state of apathy. Don Benito tells the Americans a long and complicated story of storms, disease, and death en route from Africa, where they picked up a cargo of Black slaves. Delano looks around the ship and is disgusted by what he sees: a slovenly, decaying vessel where the Spanish sailors mope around indifferently, and where the Blacks, equally sullen, appear slow to obey the commands of the crew. Delano is particularly affronted by the liberties taken by a slave named Babo, Don Benito's personal attendant, who strikes the American captain as lurking on the brink of insubordination. The American captain can draw only one conclusion from what he sees aboard the *San Dominick:* The tribulations of the voyage have somehow dimmed the minds and capacities of Don Benito and his men.

At a crucial moment, however, Delano's perceptions are turned upside down, as the Blacks aboard the ship cast off their chains, take up arms, and attack the American boarding party. The instant reveals that the situation aboard the Spanish ship has been an elaborate sham: The Blacks, not the Spanish, have all along been in charge, led by that very Babo who appeared to wait so obsequiously upon Don Benito. Weeks earlier, the slaves had successfully risen against the crew, killing most, and demanding that they be taken back to Africa. Delano and his men manage to strike back, bring the ship under control, and restore order and the proper authority, but the American captain remains puzzled by how the situation aboard the slaver could have gone so awry.

The point is that Delano could not imagine an alternative reality outside of his rigid moral framework. He had a clear-cut view of social structure and authority: On board a ship, a captain is in charge, and everyone is subject to his orders. Members of the crew carry out their assigned tasks, and if one gets out of line, he is punished accordingly. People generally act for the best, as long as their instructions are clearly and fairly delivered. Arriving aboard the Spanish ship, Amasa Delano placed his faith in human nature, in the radiant power of his ship and his country, and in his own intuition. Presented with a set of mysterious circumstances—ominous drumming, slinking shadows, and odd behaviors—he can interpret them only in terms of his existing world-view: He sees weakness in the Spaniards, rather than strength in the Blacks. His blindness to the reality of his circumstances, to a system of power

and motivation outside the boundaries of the world as he knows it, nearly costs him his ship and his life. He simply cannot envisage a situation where the Blacks are in charge.

Even after this disillusioning experience, Delano remains upbeat, trying to talk a depressed Don Benito Cereno back to cheerfulness. Delano *has* drawn a lesson from this experience: Evil can lurk beneath the surface of appearances. Those who appeared to be docile slaves turned out, in the end, to be murderous savages. The American captain will be more careful in the future, perhaps. His fundamental outlook, however, remains intact.

The reader realizes, however, with Benito Cereno, that Captain Delano has completely missed the point of his own experience. Delano believes that evil lay in the murderous nature of the Africans. We recognize, however, that Delano is blind to the real evil: the legal trafficking in human lives that is fundamental to the social and economic life of his country. The slaves may have been murderous indeed, but we cannot judge their violence outside of the context of the violence that has been done to them. Delano never sees this. He cannot penetrate beneath the surface of events because he lacks the capacity and the will to question the moral framework in which he operates. He is a thoroughly decent, upstanding, good-hearted citizen and soldier whose ethical system operates within strict and impermeable boundaries. His inability to stretch those boundaries nearly cost him his life, but he seems doomed to repeat the experience in other circumstances, because he has failed to absorb the lesson of the *San Dominick*.

Delano's mind set is the habit of American virtue: We trust in our own fundamental decency. We consider moral questions in a tightly controlled sphere. And we assume that evil is an aberration, something outside ourselves, something to be fought and challenged and conquered when at last it rears its head. Ethics focuses on individual behavior within our sphere, rather than addressing challenging questions about the nature of the social or organizational enterprise itself.

This mindset is not limited to corporate America. It also characterizes our political life, at both ends of the ideological spectrum. We tend to construct moral systems that appear wholly consistent from within, but are impervious to the perspective of the wider world. Sometimes this can take the form of a U.S. crusade to bring liberty and enlightenment to distant parts of the world, with little respect for indigenous viewpoints about how best to construct a fair and just society. Sometimes this can take the form of a crusade to purge American life of bigotry, its partisans unable to see the consequences of their own forms of intolerance. A values-based corporation, a democratic world, a tolerant nation—it is easy to be swept up in the nobility of the ideals, and to evade the less pleasant task of searching self-examination.

Much can be accomplished this way. Melville suggests that Delano's ship was a model of efficiency and decorum, expertly managed within its domain. So, too, Lockheed Martin's ethics program is in many ways a splendid model. The corporation has been a leader in bringing a formal consideration of ethics issues into the very center of its enterprise. Not only is Lockheed Martin a better organization for those efforts; through cooperative arrangements, its programs have had a salutary effect on others both inside and outside of the defense industry.

The sheer earnestness of Lockheed Martin's ethics program is remarkable. The men and women like Dave Sanders and Brian Sears and Wendy Donaldson who make up the company's ethics team have produced a program with a clear sense of mission, and have imbued the company with a remarkable esprit de corps. Their ethics program is neatly packaged and scrupulously documented, with "contacts" counted by the thousand. In the decade since the mega-merger created Lockheed Martin, the company has managed to escape sensational scandal. Its ethics program has been hailed for its innovations and its scope. Its efforts in this area have been copied by its competitors, and the corporation has been hailed (and rewarded) by its largest customer, the U.S. government, for its improvements in this area. By this yardstick, Lockheed Martin's programs have been a terrific success.

But there is also something chilling about the tidiness of the corporation's ethics package. The game boxes are clever and attractive; the cases to discuss are thoughtful and well-balanced. The flowcharts that illustrate the investigations process are clear and unambiguous. The survey data are splendidly thorough and quantified. All this tidiness, however, seems out of step with the business of human malfeasance, in all its messiness and complexity. By its very nature, ethics resists completion and closure. Rules and codes and cases tend to reduce ethics to a checklist, rather than to a process of self-examination that explores gray areas and intractable dilemmas. To their credit, Brian Sears and others at Lockheed Martin have recognized this, and have tried to incorporate complexity into their program through emphasizing multiple "perspectives" on problems. The corporate culture of problem solving, however, is irresistible. It is hard to resist the conclusion that, in the end, Lockheed Martin's executives are most comfortable with a kind of ethics engineering, flawless in design, but not necessarily so perfect in the unpredictable circumstances of real-world conditions.

Lockheed Martin has created the tidiness of its ethics program by building it inside a sturdy compartment and then carefully making sure that the package remains intact. This is a careful strategy, aiming to build morale within the Lockheed Martin community, and to build confidence about the ethics program among those who work for the U.S. government and in the larger arena of public opinion. This strategy does not diminish the program's successes within that compartment. But it does mean that the program will inevitably meet at best only a portion of public expectations, because not everyone accepts the notion that ethics should be so strictly contained. If business ethics means the full measure of the impact that a corporation has on its world, then compartmentalizing an ethics program will always be unsatisfactory. A narrowly defined ethics program may thwart hackers, cheaters, and thieves, but it is poorly positioned to consider and prevent the greatest harms that a powerful organization can inflict on its communities, and on the world.

With all that Lockheed Martin's ethics program has accomplished in the last fifteen years, it may seem unfair to chide the corporation about what lies outside the "box": attention to the specific challenges faced by senior management; the ethics of collective decision making; the interface between ethics and social responsibility; and the ethics of the core enterprise itself. But the challenge lies precisely in the corporation's success. What it has accomplished inside the box is so substantial that it has the effect of strengthening the box itself. What is inside gets more treatment, more attention, more clever additions like online "infomercials" and film

festivals. The matters beyond the box become more distant, major questions that are someone else's problem.

Corporations in the United States have changed the face of the world through innovations in engineering, marketing, and business practice. Can they bring this same spirit to embracing a fuller conception of an "organizational culture" built on ethics? This is the next test of American power.