had been imprisoned by the Americans for war crimes, but who emerged in the 1950s and 1960s as a close associate of more than one prime minister. In Indonesia, Lockheed made generous contributions to a "Widows and Orphans Fund" with close ties to higher-ups in AURI, the Indonesian Air Force. In Italy, various political parties were beneficiaries of Lockheed's largesse. In Saudi Arabia, Lockheed did business with Adnan Khashoggi, later to become famous as one of President Richard Nixon's closest supporters and associates.[2] In the end, Lockheed sold more than 2,000 Starfighters overseas; it managed to sell fewer than 300 to the U.S. Air Force.

Not all of these overseas activities were illegal, and many of them were typical of the era and the industry. There was and still is a customary practice in the defense industry of using overseas "agents" to facilitate contracts with governments. In the 1950s and 1960s, bribery was widely accepted as part of "the cost of doing business." At the time, bribery *overseas* was not even illegal under American law; corporations doing business in other countries were presumed to be subject to the laws (or lack of laws) in those places. The American government and the public at large turned a blind eye to undisclosed cash payments and other clandestine deals that helped sell U.S. products. In the case of the Starfighter, the tactics worked: Lockheed eventually sold a modest number of the planes. It never became the huge hit that the company had initially hoped for, but questionable business practices helped prevent, at least, a financial disaster. With the marketing campaign for the Starfighter, Lockheed had taken a series of steps into murky terrain. These measures succeeded for the company because of secrecy, but also because the prevailing norms were in a state of flux.

Then the company went too far. In the 1960s, Lockheed took another large gamble when it made a decision to enter the commercial jumbo jet market. Boeing was in the process of launching what would become one of the greatest commercial jet successes of all time, the 747. Lockheed decided to try to keep pace by developing a plane that was slightly smaller than the 747, and that might therefore be more economical for the U.S. domestic market, while still attractive as an overseas flier. Late to the game, the company had fierce and direct competition from another major player, McDonnell-Douglas, which was developing the DC-10. It was clear to some industry observers early on that the potential market could not support two competitors. But by this time, Lockheed had poured vast sums into the research and development of its entry, the L-1011 TriStar. Since this was a commercial project, Lockheed had invested its own money, not that of the U.S. government. The corporation was going to need to sell a lot of TriStars to get it back. Intense salesmanship produced a modest number of orders from the American airlines. TWA and American agreed to buy a few, but when the biggest U.S. carrier, United, decided to go with the DC-10, Lockheed had to concede defeat in the U.S. market. As with the Starfighter, the company was forced to look abroad.

With Lockheed's finances in disarray, and its global reputation on the line, the company's vice-chairman, Carl Kotchian, took up residence in Tokyo in the fall of 1972 in a desperate attempt to persuade the major Japanese airlines that the L-1011 was their future. Lockheed once again engaged the services of the ultranationalist Yoshio Kadama, and soon money was changing hands, sometimes in the form of corrugated orange cardboard boxes and airline flight bags stuffed with thousands of 10,000-yen notes. The Japanese companies had been leaning toward the DC-10; indeed, before Kotchian arrived, the largest airline, JAL, had already struck a tentative deal with McDonnell-Douglas. But Kotchian's cash and connections helped turn the tide. After seventy days of intensive lobbying, involving not only the companies themselves but also the intervention of officials at the highest level of the Japanese government, Kotchian won a victory of sorts. He left Japan with orders for twenty-one TriStars, and he returned a hero to Lockheed's California headquarters.

Three years later, however, it all unraveled. First Lockheed's auditors started raising questions about large expenditures that could not be accounted for. (Why *was* the company suddenly so extraordinarily generous to the widows and orphans of Indonesia?) For a time, the company's management successfully deflected those questions, but once the stories started to reach the Securities and Exchange Commission and the U.S. Congress, the spotlight began to shine into the darkest corners of Lockheed's business. In 1975, the Senate Subcommittee on Multinationals, under the chairmanship of Frank Church of Idaho, began hearings on the political connections of major American corporations. The subcommittee's work began as a post-Watergate investigation, focused on how American business leaders had supported Richard Nixon's corrupt Committee to Re-Elect the President (CREEP). But the defense contractors' overseas dealings quickly came to their attention. Tom Jones, the CEO of rival Northrop, casually told the subcommittee that his company had modeled its overseas sales program on Lockheed. Senate investigators took the hint, and by the summer of 1975, Lockheed was the center of the subcommittee's focus and in the headlines of every American newspaper.

The Church Committee brought to light the whole tawdry network of secret deals, political favors, and outright bribery that stretched back into the 1950s. Lockheed was not the only player in the aeronautics industry to engage in these activities, nor was it the only one to receive government scrutiny. But the sheer size of the company, the scope of its international activities, and the harsh spotlight of the subcommittee combined to make Lockheed a watchword for global bribery. The investigations in the United States touched off similar inquiries around the world: There were Lockheed scandals in Italy, the Netherlands, and Japan. In Japan, the investigation eventually revealed the personal involvement of Prime Minister Kakuei Tanaka with Carl Kotchian's 1972 campaign for the TriStar. Tanaka was forced to resign in disgrace, and he was later convicted on bribery charges.

Lockheed became a byword for the shady practices of American multinational corporations, and a major impetus for new legislation that, at long last, put the onus on American companies for their own behavior, even when operating outside of the United States. In the wake of the scandal, Lockheed's top management, including vice-chairman Carl Kotchian and CEO Dan Haughton, were forced to resign. While taking the fall, both men were clearly somewhat baffled by the turn of events. They had been operating under a set of rules that had appeared to them to allow a certain amount of latitude at the boundaries. Kotchian, in particular, steadfastly maintained his conviction that the prurient examination of business practices had done more harm than good, that the shady dealings around the edges of global salesmanship were insignificant in comparison to the good that was done by saving jobs and, perhaps, saving the financial viability of the corporation. Kotchian justified the bribes as the "admission to a ball game," complained that Lockheed had been made a "scapegoat," and compared himself to a beleaguered Richard Nixon.[3]

By their own light, Lockheed's senior executives had operated within the boundaries of ethics as they understood it. Who was hurt by the payments? The competitors, of course, but what was unethical about beating out competition that was playing by the same rules? Lockheed did not have an internal ethics program in the 1960s and 1970s. But if it had had one, it is unlikely that global business dealings would even have been a topic for discussion. Carl Kotchian and Dan Haughton were operating in an environment where senior executives were admired for "pushing the envelope," even if it meant transgressing ethical boundaries. It would have taken a courageous willingness to consider the fundamental aspects of Lockheed's work—the ethics of the tangled relationships between corporations and middlemen and governments—to have challenged these practices from within.

The Brink of Bankruptcy

The overseas bribery scandals by themselves were enough to send Lockheed reeling, but they were not the only major scandal that the company faced during this period of rapid economic and military expansion. On the home front, the cozy interdependence between the defense contractors and the U.S. government gradually came under public scrutiny, finally bursting into the headlines with the disclosure of Operation Ill-wind in the late 1980s. Lockheed was less prominently at center stage in the overcharging and corruption investigations than it had been in the global bribery scandals. Nevertheless, the company (and many of the "heritage companies" that make up Lockheed Martin today) were embedded in a process of doing business with the Pentagon that was finally exposed as deeply tainted. The American taxpayer was footing the bill for long-term practices that served the interests of big defense contractors and corrupt members of the Pentagon brass. The public relations costs of these scandals, even more than the bribery escapades, paved the way for the development of Lockheed's ethics program.

This part of the story began in the early 1960s, with a well-intentioned program initiated in the Kennedy administration by Secretary of Defense Robert McNamara. The Defense Department recognized that the pace of the Cold War buildup and the increasingly complex nature of national security technology were creating an enormous problem with cost overruns. Under current practice, the Defense Department would select a contractor to develop a particular plane or weapons system, but the final cost of the design, construction, and delivery of the product would be undetermined. With so many variables affecting the cost, contractors naturally preferred to have significant wiggle room to be able to recover the enormous research and development expenses. The problem was that once a contractor was signed on and the government had committed tens of millions of dollars to a project, it was difficult to say no to a company that pleaded for more investment to deliver the product.

Robert McNamara's team proposed and implemented a response to this problem; they called it Total Package Pricing (TPP). Under TPP, the relevant branch of the military would issue a request for proposals, and contractors would be required to submit a bid with a single price for the entire package. The costs would be known in advance, and the contractors would no longer be able to pad their profit margins along the way. The program responded to long-standing American public concerns about excessive profits for wartime and military expenditures.

In 1965, the U.S. Air Force completed the proposal process for a major new project, a transport jet of such size and power that it would dwarf any other military aircraft that had ever been built. The Pentagon wanted a plane that could carry more soldiers farther and faster than any plane in history. Not only were the technical requirements daunting, the project would be completed under the new TPP guidelines. Uneasy about the new rules but unable to resist the lure of a major new project, three defense giants submitted bids. Lockheed, betting that it could complete the project for $1.8 billion, was awarded the contract.

Lockheed succeeded in engineering terms, producing the world's largest airplane, but in economic terms, the development of the C-5 (Galaxy) was a disaster. For a start, the technical challenges of the Air Force's request were daunting and required much more time and effort to solve than Kelly Johnson and his engineers had anticipated. (When completed, a loaded Galaxy weighed in at more than 400 tons, nearly twice the size of the L-1011 jumbo passenger jet.) A series of other factors drove up the cost of the project: constant changes to the design that the Air Force imposed along the way, the rapid inflation of the Vietnam era, and Lockheed's own poor management practices. Over three years of development, the cost of the project nearly tripled, to $5.2 billion. It proved impossible for the U.S. government to hold Lockheed strictly to the terms of the original contract. So despite the original intent of TPP, the Pentagon subsidized most of the cost of the development of the Galaxy, through a series of bargains and concessions that worked around the terms of the original agreement.[4] The payments, however, were not enough to meet Lockheed's true costs, so the company was still bleeding money on the Galaxy. At the same time, the U.S. taxpayer was footing the bill for cost overruns again.

These practices came to the attention of Wisconsin Senator William Proxmire, a legendary watchdog on government expenditures. Proxmire's Joint Economic Committee exposed the Total Package Price fiction, with Lockheed's Galaxy as his leading exhibit. Proxmire painted Lockheed and other defense contractors as pigs continuing to feed at the public trough, even though the amount of food in the trough was supposed to be rationed. In the end, public pressure forced the Defense Department and Lockheed to negotiate a final settlement in which the corporation suffered a financial loss of $250 million. The government had subsidized most of the cost overruns for the Galaxy, but the size of the settlement nevertheless sent Lockheed reeling. The company had simultaneously gone over budget on several other projects besides the Galaxy. By the time all the settlements were reached, Lockheed had suffered a loss of nearly half a billion dollars. These settlements, combined with the financial setbacks associated with the development of the commercial L-1011, pushed Lockheed to the edge of bankruptcy in the first months of 1970. It took a $250-million loan guarantee from the U.S. government to keep the company solvent.

Lockheed saw itself as a victim of policies and circumstances, a scapegoat for an uninformed Congressional and public understanding of the nature of its business. As with the bribery scandals, the company saw itself as operating in a way that was necessary in a competitive marketplace. The special and curious relationship between the corporation and its biggest customer was not viewed as an ethics issue, but simply as an inherent part of the company's particular business. Critics of Lockheed and the defense industry saw it differently; in the latest wave of concern over special favors, there were even calls to nationalize the major arms contractors.[5]

One casualty of the process was the whole concept of Total Package Pricing. The Galaxy was a spectacular example, but many other projects of the era ended up needing subsidies that defeated the whole purpose of the TPP idea. If anything, the failure of TPP reinforced the idea that the Defense Department had to help its biggest suppliers stay in business, and that protecting profit margins required accounting creativity. The stage was set for the next wave of scandals, during the presidency of Ronald Reagan.

Lockheed barely survived the scandals and the financial crisis of the 1970s, but the company emerged from the edge of bankruptcy and prospered during the 1980s, when Reagan's determination to win the Cold War prompted escalating defense budgets. The company's new management, led by CEO Roy Anderson, quickly distanced itself from the excesses of the past and focused on decentralizing Lockheed's structure, to provide both more independence and accountability for managers and engineering teams. Kelly Johnson retired as the head of the Skunk Works; he was succeeded by his protégé Ben Rich, who lacked Johnson's genius but also brought a lighter touch to the human relations part of the job. The scandals had brought more vigorous government involvement and oversight to the company's engineering projects. Johnson's penchant for secrecy had to be modified in the new era, as the circle of people inside and outside the company who had to be "in the know" about Skunk Works projects expanded.

The project that restored glamour and profits to Lockheed was the Stealth fighter jet. The F-117, with its black exterior, streamlined body, and explosive speed, was designed to literally go off the radar screen. It represented a triumph of military technology. This project, along with the steady success of the company's missile and space businesses, swiftly turned around Lockheed's fortunes. By the mid-1980s, the company was confident enough to begin a buying spree, as consolidations and spinoffs began to characterize the defense industry. The biggest prize was the acquisition in 1992 of the division of General Dynamics that produced the durable and popular F-16 fighter jet, adding a huge new manufacturing facility in Fort Worth, Texas, to Lockheed's capacity.

In the midst of these successes, however, a new set of unsavory practices in the defense industry was exposed to public view. First came the overcharging scandals. The helter-skelter spending of the military buildup had made it easy for contractors to pad their expenses, especially by assigning grotesquely inflated markups to parts and supplies. In 1985, when Congressional attention brought the details to light, stories leaked out about $400 hammers, $600 toilet seats, and a pair of pliers that cost the American taxpayer $2,000. A coffee brewer on Lockheed's C-5A transport jet was priced at $7,400, because the Air Force insisted that it had to be tough enough to withstand a crash. A host of related practices came to light at the same time: billing for babysitting for executives' children, country-club fees and sumptuous dinners, and even kennel fees for an executive's dog. Felony prosecutions followed. Half of the Pentagon's top one hundred suppliers were under criminal investigation in 1985; the cases were so egregious that they mobilized Ronald Reagan's Justice Department. Republican Senator Barry Goldwater, usually a staunch defender of the military establishment, was heard to call Defense Secretary Casper Weinberger "a goddamned fool" for letting the expenditures get out of hand.[6]

These revelations were damaging enough, but by the end of the decade, investigators uncovered an even more sinister pattern of corruption. In 1986, a low-level military consultant named John Marlowe, convicted of molesting a pair of children in a basement in Arlington, Virginia, turned informant for the Justice Department. The information that Marlowe provided launched Operation Illwind, which uncovered the most blatant graft in the higher reaches of the U.S. government since the Teapot Dome scandals of the 1920s. As portrayed in dozens of cases that the government brought against contractors and individuals in the defense establishment, both inside and outside of government, the cozy personal relationships between government and industry carried with them a web of favors, secret deals, and in some cases outright bribery.

This new wave of scandals did not catch the defense industry unprepared. Sensitized by now to the cost of investigations and bad press, the "bad apple" defense became the favored tactic. One notable case involved a low-level financial analyst named Richard Fowler, who used his friendship with colleagues at his former employer, the Department of Defense, to funnel hundreds of documents into the hands of his new employer, the Boeing Corporation. Fowler undertook these activities for nearly a decade, providing Boeing with inside information handy for bidding on contracts and keeping tabs on the competition. Once his misdeeds were exposed, however, the company closed ranks, insisting that Fowler had operated alone. Boeing's internal investigations ended with mild admonishments for some of Fowler's superiors; in the end, he faced the justice system alone.

In comparison to Boeing and other contractors, Lockheed itself managed to remain out of the limelight during Operation Illwind. Some of the entities, however, that would eventually become part of today's Lockheed Martin did not escape scrutiny. The CEO of Martin Marietta, Tom Pownall, maintained a close relationship with Assistant Secretary of the Navy Melvin Paisley, the most senior government official to be indicted and convicted in the scandal. Pownall, cultivating this friendship at a time when Martin Marietta's defense business was growing rapidly, arranged for financing for improvements to Paisley's Washington home and appeared to benefit from the relationship. Pownall himself never came under indictment, but the shadow of the scandal fell over his company.

By the early 1990s, Operation Illwind had produced ninety convictions of individuals and companies, but it also produced a strange mismatch between the scope of the investigation and the attitude of those under its scrutiny. The operation had exposed a culture of favors and cooperation and looking the other way that extended to the highest reaches of both industry and government. The problem was clearly *systemic*, an extension of the ways that American companies had bent rules together for mutual advantage for more than a century. Yet the defense industry continued to insist on the “bad apple” defense. “I don’t know of any city of 90,000 that doesn’t have a police force and a jail,” said Lockheed’s chairman, Roy Anderson.[7] The industry was finally ready to turn its attention to ethics, but its focus would be on individual misdeeds, not on the ethics of corporate culture.

The Emergence of Principle

In May 1977, as Lockheed sought to rebound from the bribery scandals and the Church Committee hearings, the company published a document in its company magazine, *Lockheed Life*, under the title “Lockheed Principles of Business Conduct.” In six brisk paragraphs, the company sought to articulate a set of ideals that would right its ethical ship. “High principles of business conduct must underlie the policies of any corporation,” the statement began. “We believe the management of Lockheed has an obligation to articulate the general principles which should guide and motivate the people of Lockheed. We are clearly stating them now as a mark of our determination to conduct the company’s business on an ethical basis and as an imperative signal to every man and woman in the corporation that they must share these principles.” The statement went on to promise that Lockheed would comply with the laws of the United States and foreign countries, would avoid conflict of interest, would “operate in a manner that is in concert with the objectives of the U.S. Government,” and would “strive for integrity in every aspect of our work.”

The document explicitly connected right-minded behavior to the success of the company as a whole. “Ethical conduct is the highest form of loyalty to Lockheed,” it asserted, making it clear that “it is the responsibility of every man and woman in the corporation to know and accept these principles.” The statement promised “continuing attention, guidance and enforcement by management,” as the policies in these areas developed and grew.

In some ways, this statement of principles was a bland and timid start to Lockheed’s ethics program. General promises to obey the law and to observe the wishes of the American government were easy to articulate, but equally easy to ignore. Although the company’s two top executives had resigned in the wake of the bribery investigations, the internal housecleaning that followed their departure was not extensive. Assigning responsibility for knowing and accepting these principles to “every man and woman in the company” could be seen as a way of diffusing responsibility so widely that no one would be truly accountable.

Nevertheless, Lockheed’s first, tentative attempt at a code of ethics, like others that major corporations were adopting in the 1970s, represented an important shift in thinking. Americans had always been concerned with the social and ethical behavior of individual “businessmen.” The language of business ethics had focused on the actions and intentions of individual corporate leaders—acting in their business capacity, of course, but acting as individuals who had the power and could develop the will to conduct their work in accordance with the highest moral principles. Underlying this emphasis on personal morality was an unspoken assumption. Corporations, especially large corporations, operated in something like a state of nature. Their actions and activities as collective entities would inevitably put self-interest ahead of virtue. If corporations behaved responsibly, it was either because responsible behavior happened to conform to maximizing profits, or because a virtuous corporate leader was willing to put ethics ahead of the bottom line.

The Lockheed code changes that balance. Of course, there is still a role for management in guiding and enforcing ethical behavior, but the document sets a standard of behavior for the corporation as a whole. Could a massive entity of fifty thousand, a hundred thousand, two hundred thousand people embody a lofty set of principles, while earning salaries for its workers and creating wealth for its stockholders? This was the challenge that Lockheed said that it would meet.

As the overcharging and corruption scandals of the 1980s came to public attention, it became clear that the defense industry as a whole had played fast and loose in many different aspects of their business. By the middle of the decade, companies were reeling under the effects of government scrutiny, media attention, and the work of new nonprofits like the Project On Government Oversight (POGO), which began a systematic series of investigations on the excesses of the industry. In early 1986, the President's Blue Ribbon Commission on Defense Management (the Packard Commission) released a sweeping report that charted the fraud and waste within the industry, and that noted that public confidence was at a low.[8] The defense giants had, like Lockheed, responded with statements and codes expressing the best of intentions, but there were strong disincentives for any single company to act too virtuously. There were profits to consider, after all, and it was difficult to give up every competitive advantage for the sake of a higher standard of conduct.

Conscious that they needed a level playing field, the leaders of the American defense industry, including Lockheed, created a pact. Meeting in Washington, D.C, in the spring of 1986, a select group of executives created the Defense Industry Initiative on Business Ethics and Conduct (DII), with the explicit purpose of making it easier for any one company to act ethically since its competitors were promising to do the same. Jack Welch, the hard-driving CEO of General Electric, took the lead, eventually bringing thirty-two of the country's largest contractors to the table to agree to six fundamental principles. The contractors promised to develop and adhere to codes of ethics, to train employees in the codes, to encourage internal reporting of violations, to implement systems to monitor compliance, to share ethics "best practices" with their competitors, and to "be accountable to the public."[9]

As with Lockheed's original code, the principles were modest, but the shift in thinking was extraordinary. The DII was a more comprehensive, more formal version of the industrywide ethics codes that had been developed in much smaller industries in the 1920s and 1930s. Never before had a major sector of the American corporate community agreed to bind its members to a set of ideals to constrain the excesses of their practices. The DII began work as a new type of industry consortium, convening annually to compare notes on progress, and thereby giving corporate leaders new windows into each other's methods. The signatories were eager to trumpet their newfound virtue to their biggest customer and the larger public, but they did so in the face of considerable skepticism. However remarkable the project, the jury was still out on whether the DII represented genuine reform or was simply an elaborate public relations smokescreen.

As a DII signatory, Lockheed began to formalize its ethics program and to insert the language of ethics into its corporate culture. Its first efforts were based on the premise that employees simply needed to be reminded of the "right thing to do." The code of conduct was duly published, revised, disseminated. A compliance department developed regulations and checklists, and charged supervisors and trainers with delivering lectures to employee teams at which certain mandatory points would be covered. The ethics program proceeded on the assumption that repeating the mantra of legal compliance and "integrity" would minimize risk of misbehavior—and, more importantly, would indemnify the company if anyone were caught. The ethics programs made the "bad apple" defense more plausible. After all, if the company informed employees about the difference between appropriate and inappropriate behavior, then any misdeeds would become a matter of individual wrongdoing, rather than corporate malfeasance.

The indemnification strategy became even more important in 1991, with the strengthening of the U.S. Sentencing Guidelines. The guidelines specified penalties not only for individual criminal behavior, but also for white-collar crimes and various forms of corporate misbehavior. Not only were companies liable for damages for shady business practices, but those that lacked effective business ethics programs would be punished more severely. The guidelines also listed a series of positive requirements that would mitigate corporate penalties, if certain desirable practices were in place.

Lockheed was developing its ethics program at a difficult moment for the company. The end of the Cold War meant a slowdown in defense department contracting, and while the company still had a large backlog of Reagan-era projects to complete, future sources of profits were in doubt. The 1991 Gulf War provided a brief moment of glory, as the high-tech aircraft and weapons systems made by Lockheed and other defense contractors were credited with the ease of the American-led victory over Iraq. Instability reigned in the defense industry, as a dizzying series of mergers and acquisitions changed the face of dozens of companies and the loyalties of hundreds of thousands of workers around the country. Lockheed was a major player in the shakeout, making several key purchases that strengthened its place in the air, space, and missile fields. It was also a target for others; the company narrowly avoided a takeover by Texas businessman Harold C. Simmons in the early 1990s. Faced with these uncertainties, Lockheed ultimately decided that if big was good, much bigger was much better. In 1995, in a top-secret but rapid series of negotiations, the company agreed to a massive "merger of equals" with Martin Marietta.

Like Lockheed, Martin Marietta was the corporate extension of the dreams of an aviation pioneer of the early years of the twentieth century. Glenn Martin had launched his first airplane in Santa Ana, California, in 1909, but after merging with the Wright Company, he eventually moved his base of operations to Ohio. Martin became known for its effective long-range bombers; the company assembled the *Enola Gay*, a Boeing-designed B-29 aircraft, which flew the fateful mission over Hiroshima in 1945. In the postwar years, however, Martin more or less abandoned the crowded aviation field to focus more intensively on weapons systems and space programs. It built missiles for the Pershing and Titan programs, it created the space launch vehicles for Project Gemini and other early manned space flights, and it was a key player in the development of the space shuttle, after its merger with the

American-Marietta Company.

Lockheed's merger with Martin Marietta was widely hailed, both inside the companies and by investors, as a rare instance of corporate synergy. The two giants were competitors, but with sufficiently different areas of specialty that overlap would be minimal. The two chief executives, Daniel Tellep of Lockheed and Norman Augustine of Martin Marietta, appeared to get along well, and worked out a succession in which Tellep would become the first CEO of the new company and would gracefully retire after two years to make way for Augustine to take the top spot. Martin Marietta's central office in Bethesda, Maryland, was the natural choice for the new Lockheed Martin headquarters, given the proximity to its largest customer. With nearly 200,000 employees the new Lockheed Martin became the country's largest defense contractor.

The company almost immediately faced another ethics scandal. Apparently the lessons of the 1970s and the inception of an ethics program had not entirely reformed Lockheed's overseas sales techniques. In the late 1980s, Lockheed's representatives, eager to sell a number of its C-130H aircraft to Egypt, made a series of payments to a member of the Egyptian parliament, in exchange for her services in helping to secure the contract. When such practices had come to light in the 1970s, Lockheed had been able to argue, disingenuously but truthfully, that overseas bribery was not illegal under *American* law. But after the 1970s Lockheed scandal, Congress had passed the Foreign Corrupt Practices Act (FCPA) to close that loophole. In 1995, immediately following the Lockheed Martin merger, the company pled guilty to conspiring to bribe the Egyptian official and to falsifying its books to try to cover up the action.[10] The new company was not only hit with a $24 million fine; it was also placed under a three-year administrative agreement that reduced the company's ability to do business with the Pentagon and created a series of standards for the company's ethics program.

Recruiting Dilbert

Norman Augustine became CEO of Lockheed Martin on schedule in 1996. An engineer by background, he began his career at Douglas Aircraft, moved to the Pentagon under Secretary of Defense Robert McNamara, and was in and out of government for several years until settling in at Martin Marietta in 1974. Known for his gregarious personality and homespun wisdom, Augustine rose through the ranks to become Martin Marietta's CEO in 1987, and presided over the merger to form the new Lockheed Martin. Reflective but lighthearted, he had published a book called *Augustine's Laws* in 1983, which was, as he explained later, "dedicated to the proposition that if one had a better understanding of history, one could generate a happy ending—sort of like running a movie backward." His "laws" included such propositions as: "The best way to make a silk purse from a sow's ear is to start with a silk sow. The same is true of money." And: "By the time people asking the questions are ready for the answers, the people doing the work have lost track of the questions."[11]

Ethics rated high on Norm Augustine's agenda. It had to, since Lockheed Martin was operating under the administrative agreement after the Egyptian bribery scandal. But Augustine also had a special passion for the idea of personal integrity. He liked to quote a definition that he attributed to U.S. Supreme Court Justice Potter Stewart: "Ethics is knowing the difference between what you have a right to do and what is the right thing to do."[12] Augustine had a weakness for the illustrative anecdote, many of them drawn from the world of professional sports. Was it right for Ted Williams to refuse a pay raise after he had a below-par season as a hitter? Is it unethical for 50,000 fans at a football game to make noise in order to disrupt the rhythm of the visiting team's quarterback? Does a professional golfer have an obligation to warn his opponent that the latter is about to commit a rule violation? He also enjoyed illustrations from his personal experience at Lockheed Martin, such as the time when he had to reimburse the corporation for an expensive watch that his wife wished to receive as a gift from a supplier. "For most of us, when it comes to ethics," Augustine wrote, "there is a personal Rubicon that, sooner or later, we have to cross. Our personal Rubicon may not be a matter of life or death, but nonetheless we have to recognize that ethical comportment comes before business, before winning, and sometimes even before loyalty."[13]

Augustine recognized that there was a problem with Lockheed Martin's ethics program: It was boring. It was intended to fulfill the requirements of the federal government, but reaching every employee in a corporation of nearly 200,000 represented a special challenge. It was obvious that lectures and checklists were ineffective. More importantly, a dull ethics program was counterproductive, since it stimulated resentment, cynicism, and outright hostility toward the whole idea of ethics. He told the lawyer in charge of Lockheed Martin's ethics program, Carol Marshall, that she had to come up with something better.

Marshall was not quite sure how to change things, but an idea struck her as she was traveling from site to site around the corporation. Everyplace she went, her eye kept catching —on bulletin boards, on office doors, on the walls of tiny cubicles—strips of paper from the Sunday comics. A company drone named Dilbert, and his canine sidekick Dogbert, had struck a chord. It was clear that these comic-strip characters had won the hearts of Lockheed Martin employees more effectively than the ethics program. Perhaps there was a way for ethics to piggyback on Dilbert's success.

Steve Cohen was a specialist in employee training and communication in Boston who was looking for a more powerful way to get messages across to workers in the corporate environment. He, too, had noticed that this new comic strip called *Dilbert was* popping up on walls in the offices of his corporate clients. Besides, he liked the comic strip's irreverent humor; surely something could be made of it. In 1993, Cohen and his partner David Gebler pooled their capital, took out some extra loans, and paid $50,000 for the rights to *Dilbert*. It was a lot of money and a risky venture; the men decided not to tell their wives about the deal. Once the rights were in hand, Cohen and Gebler struggled for three years to figure out just how to use the concept most productively.

Then one day in 1996, Steve Cohen got a call from Paul Haney, Carol Marshall's second-in-command at the Lockheed Martin ethics office. Haney was inquiring about the *Dilbert* rights. Would Cohen Gebler consider working with Lockheed Martin on an ethics program with *Dilbert* at its center? Steve Cohen had had little exposure to corporate ethics, and even less to the defense industry, but it did not take long to say yes to a $20-billion corporation.

Working with the Lockheed Martin ethics office, Cohen Gebler took the first steps, creating an internal marketing campaign to illustrate the concept. They developed a poster featuring Dogbert living it up on company time, and they tried it out on a group of Lockheed Martin executives. The first reaction was not encouraging. “We’re under the threat of indictment by the federal government,” one manager said, “and the best you can come up with is a comic strip?” Not only was *Dilbert* a comic strip, but its humor aimed straight at the foibles and hypocrisies of corporate culture. Much of the comic strip’s punch comes in the form of shots at Dilbert’s boss, who cheerfully and conspicuously puts his own interests and occasionally those of the company ahead of Dilbert and other low-level employees. Lockheed’s corporate culture was, perhaps, a little more freewheeling than some, but it was going to take a more concerted effort to convince the company that ethics could be sold with so light and cynical a touch. Fortunately for Cohen Gebler, Norm Augustine loved the idea. Overriding the objections of some of his senior team, Augustine gave the order for the development of a full-fledged ethics awareness program with Dilbert at its center. It was clear to Augustine, as well as to Cohen, that the edge of *Dilbert* was an ideal vehicle with which to meet the cynicism that they could expect from employees about a corporate ethics program. It played on the natural mix of admiration and ambivalence that Americans, especially those in an independent engineering culture, brought to the structure and rituals of corporate life.

With this initial backing of senior management, Cohen Gebler went to work designing a format for a *Dilbert-based* ethics awareness program. Steve Cohen borrowed the idea of an ethics board game from a program that had been in place at Martin Marietta, a concept called “Gray Matters.” The game part was a good idea, he thought; the problem was that the presentation had itself been gray and lifeless. Cohen spent some time rambling through the games sections of toy stores, seeking inspiration. The result was, eventually, “The Ethics Challenge,” which became the mandatory ethics awareness program for every employee at Lockheed Martin in 1997.

“The Ethics Challenge” came in a bright yellow box, of the same size and shape as “Monopoly” or “Clue.” Indeed, the concept for the game board was pretty obviously lifted from “Clue” itself. Fifteen by fifteen squares, its most prominent feature was a series of “rooms,” but instead of the “parlor” and the “dining room,” players moved in and out of the “conference room,” the “boss’s office,” and the “cafeteria.” At the start of the game, each room held three “ethics challenge tokens.”

Every Lockheed Martin manager was responsible for serving as the “leader” of an hour-long “Ethics Challenge” game. The company organized this in a “cascade-down” fashion, beginning with CEO Norm Augustine and his senior staff. Those staff members would, in turn, lead subsequent sessions with the managers who reported to them, so each manager (except the CEO!) would have the experience of playing the game as an ordinary team member, before serving as the training leader.

The training leader assembled a group of at least six and no more than forty-two employees to play the game. Depending on the number of players, the leader divided the group up into teams of at least three players, so each game was played with up to six teams. Each team chose one of the *Dilbert* characters (Dilbert, Wally, Ratbert, Catbert, The Boss, and Alice) as its playing piece, and found the appropriate starting place on the game board. The leader then played the introductory video, which featured CEO Norm Augustine and instructions on the rules from Dogbert. Then they were off and running.

To begin a "move," each team selected one of fifty "case file cards." Each card contained an ethics issue or dilemma, drawn from the actual experience of Lockheed Martin ethics officers and employees. One team member read the case aloud, and presented the group with four possible responses. Teams then discussed the case and decided on the best "ethical" response to the case.

"The brother-in-law of your boss works for him," Case 22 began[14] "and lately [he] seems to be getting the easy assignments. You've also noticed that he is driving a new car and bragging about a recent pay raise. Should you be concerned or just mind your own business?" The guide contained four potential answers: (A) to talk with your Human Resources representative; (B) to go to the next level of management above the boss; (C) "Ignore it—it's none of your business"; or (D) to confront the brother-in-law and ask him about his raise. (At the bottom of the page, Dogbert offers his thought: "Ask your boss if you can date his other sister.") Team members were instructed to bat this case around for five minutes and then propose their best answer. Once all teams reported their answers, each would be awarded a certain number of points. For Case 22, a team would receive five points for going to Human Resources, three points for going over the boss's head, and zero points for the less proactive responses of ignoring the situation or person-to-person confrontation.

Team members were instructed to base their responses on the six "company values" and an "ethical decision-making model" found in the front of their team guide. The six values—honesty, integrity, respect, trust, responsibility, and citizenship—were defined in the booklet and were promoted as pillars of the way that Lockheed Martin does business. The "Ethical Decision Making Model" asked employees to: "1) evaluate information; 2) consider how your decision might affect stakeholders; 3) consider what ethical values are relevant to the situation; and 4) determine the best course of action that takes into account relevant values and stakeholders' interests."

A team could "win" the game by traveling around the board quickly enough to collect tokens from each of the various "rooms." Over the course of an hour, a team might have a chance to discuss a series of situations. What do you do when your manager "'chews you out' at length and in very loud, abusive, demeaning terms?" How do you handle a situation where your supervisor directs you not to inspect flight hardware but to stamp it off as having been replaced? (Dogbert says: "Advise your friends not to fly.") What should you do when your boss gently touches you on the thigh when you're sharing a cab on way back from the airport? Do you need to report it when your daughter starts a business of making promotional t-shirts and solicits Lockheed Martin as a client?

Victory was supposed to be secondary to interactive discussion. "The Ethics Challenge" turned ethics awareness from a set of rules into a process, where certain guidelines prevailed and where some answers were clearly wrong, but where there were enough gray areas for people to argue about their choices. Through its format and its content, the game acknowledged that the ethics of business conduct involved difficult decisions, in a world where employees were under pressure to perform at a high level and at maximum speed.

Cohen Gebler used the *Dilbert* characters to leaven the process with irreverent humor, anticipating employee cynicism about ethics and giving it a natural, self-deprecating outlet. Dilbert and Dogbert rudely interrupt Norm Augustine during his introduction on the video, inviting an open season for poking fun at management's preachiness. Dogbert's sarcastic responses further respond to and contain employee cynicism, sometimes by verging on the politically incorrect. In response to the case of a handicapped employee who has been harassed by coworkers who disable her wheelchair and obstruct the ramps, Dogbert advises: "Kneecap the harassers. This will teach them empathy."

On the one hand, the concept of "The Ethics Challenge" was exceedingly modest. After all, it occupied just one hour per year for each employee. Even the company's own note to training leaders acknowledged that employees were sure to notice that an hour per year of ethics paled in comparison to quarterly, monthly, and even daily measurement of performance and financial objectives. Yet on the other hand, the format was hugely ambitious, reaching thousands of employees, and also *engaging* them. "Six months after the first Ethics Challenge," Steve Cohen recalled, "I was walking down the hallway in a Lockheed facility when one of the employees heard that I was the guy who had put together the game. He came over to me and started haranguing me about how I was wrong about the best answer for Case #6. That was when I knew that we had done something right."

The particular genius of the "Ethics Challenge" was that it opened up widespread genuine discussion, while at the same time it contained dissent, and confined the discussion of ethics to questions of personal choice and individual responsibility. Ethics, in other words, came down to a series of key choices that individuals would have to make, sometimes with the assistance of particular corporate offices. The game scored some clear successes in creating awareness of the company's rhetoric on values, and in creating a sense that attention to ethics was part of the job of every Lockheed Martin employee. But was this enough to counterbalance the immense forces that had led Lockheed and many other defense giants into one scandal after another over the previous four decades?

The Ethics Challenge was only one piece of Lockheed Martin's efforts to upgrade its ethics program. With Dilbert and Dogbert attracting attention, the company tried to turn a liability—its well-publicized history of scandal—into an asset, through trumpeting its commitment to its reinvigorated ethics program. When Vance Coffman followed Norm Augustine as CEO in 1998, he made it clear that he intended to continue his predecessor's efforts in this area. By the turn of the century, the company's ethics office had evolved from a small, centralized staff concerned principally with issues of compliance with federal regulations, into a corporation-wide network of codes, principles, programs, and people. The company's extensive ethics system built directly on the mode of the "Ethics Challenge": It created a company-wide ethics aura, while at the same time keeping the ethics impulse safely enough within bounds that it could pose no threat to the corporation's pursuit of "mission success."

chapter-three

Peeling Back the Onion

CLOSE TO A HUNDRED men and women crowd the Palm Room at the Grand Hyatt Hotel in Orlando, Florida, for the start of the 2003 annual Ethics Officer Conference for the Lockheed Martin Corporation. Clean-cut, casual, welcoming to a new face, ranging in age from their mid-thirties to their early sixties, they are at their ease. The Orlando Hyatt is a big step up from the venue of last year's conference—a colorless facility within easy reach of corporate headquarters in Bethesda—so the mood is upbeat, even if the schedule does not promise much in the way of outings to theme parks. Dress is "business casual." Most of the ethics officers are Caucasian, but there are a respectable number of non-White faces, mostly African Americans, as well.

Some in the crowd are reconnecting with old friends and colleagues, and others are new to the Lockheed ethics world, so the conference begins with an icebreaker: Say something about yourself that no one else knows. After an undertone of ritual complaint about the exercise, they go with the program and settle around their tables to talk, and after fifteen minutes or so report out to the group. Gail at Table 4 once worked on venereal disease issues for the county health services. Rick at Table 6, who works at the Nevada nuclear test site, has 675 birds on his life list; friends know him as the "bird nerd." Rose at Table 8 is revealed to have a "criminal past": She hooked school in third grade. Someone at Table 3 admits that he used to cheat at Scrabble. Mock gasps follow each confession. At Table 3, one officer shows the Scrabble cheater that his actions were in violation of page 2 of the Lockheed Martin Code of Ethics and Business Conduct: "to be honest and forthright with one another."

As the icebreaker winds down, Nancy Higgins takes the podium. The chuckling tones down. In 2003, Ms. Higgins is the vice-president for ethics and business conduct, Lockheed Martin's top ethics officer, and the executive in charge of their whole operation. A woman in her forties, platinum blonde, she sports a broad, toothy smile that seems frozen on her face, even while she is speaking. She calls herself a "recovering lawyer," having moved over from the general counsel's office into the ethics operation at Boeing, before assuming Lockheed Martin's top ethics job in 2001. She speaks slowly, clearly, a bit pedantically, as she moves briskly through a "state of the ethics operation" talk, fortified by Power Point slides sporting Lockheed's flying star logo.

Higgins's speech is a pep talk, reinforcing to her team the value of their work to the corporation. Ethics is a frustrating business, she readily concedes, since people tend really to notice us when things go wrong. But she is happy to cite chapter and verse of the division's accomplishments. The ethics awareness program that really took off with *Dilbert in* 1997 has gone through several reconceptions since then. Calls to ethics officers are up—a sign of confidence in the organization—and more calls than ever are being resolved on the local level, without any formal action being necessary. Lockheed Martin employees as a whole have given feedback that they think that the ethics program is worthwhile, and senior management continues to trumpet ethics as the corporation's "number one value."

There are challenges, to be sure. Surveys show that too many Lockheed Martin employees still believe that they live under a threat of retaliation if they come forward about ethics violations. It turns out that new employees—those who have been at the corporation for six months or less—are particularly vulnerable to ethics violations, since they have not yet fully embraced the company culture. Managers are sometimes turning a deaf ear to ethics concerns raised by those who report to them; sometimes, apparently, managers do not even recognize an ethics issue right under their noses. These challenges, however, are simply next year's work, as the ethics division strives for continuous improvement.

Most importantly, ethics is not simply an activity to fulfill a legal requirement; it is a "value-added" component of the company's mission. Part of Higgins's rhetoric is defensive: Like other divisions that are not "profit centers," the ethics and business conduct division constantly has to prove its worth in a bottom-line business. So Higgins cites the confidence that "the Customer" (the U.S. government) has acquired in Lockheed Martin's integrity as a key to winning new contracts, and she makes broad claims about the savings realized thanks to the prevention of waste and fraud. Yet the real value added is larger and grander than new contracts and dollars saved. It is an almost metaphysical infusion of goodness into the company's products: the fighter jets, the space shuttle, the missile and control systems, the hardware and the software. Ethics, in Higgins's vision, expands and extends Lockheed Martin's "mission success."

The Designers

Lockheed Martin's division of ethics and business conduct is based at the company's headquarters in Bethesda, Maryland. The building, a gray concrete box surrounded by manicured lawns and artificial ponds, gives the feeling of a secluded enclave, rather than a complex in the heart of a suburban office park. The five-story structure itself, with its wide hallways and large windows, has the feeling of an oversized child's play set, with big pieces made for stubby fingers: easy to snap together, easy to take apart, and easy to fashion a new arrangement of the parts that looks, in the end, just like the last construction.

Maryanne Lavan, Lockheed Martin's vice-president of ethics and business conduct as of 2004, oversees an operation that is both highly centralized and conspicuously far-flung. Four senior members of the division work along the second floor hallway in corporate headquarters. Here, the company's ethics policies and programs are designed and refined, and then disseminated to the hundreds of sites that Lockheed Martin maintains in the United States and around the world. Here is where the company-wide ethics "help line" rings. Here is where consultant Steve Cohen comes each winter to help the corporate ethics staff develop next year's "awareness" program.

Beyond Bethesda lie the five "business areas" that make up the corporation. Each business area has an ethics "director," who jointly reports to the vice president of ethics and business conduct back at corporate headquarters, but who also reports to the business area president. These directors are the primary executives for ethics within their business areas, and they also serve as a kind of cabinet for the vice-president, taking turns with leadership on companywide initiatives. In turn, each business area director supervises a group of ethics officers, who are strategically spread out across the corporation's facilities. There are approximately sixty-five ethics officers across the Lockheed Martin world. Many are full-time; some work in related areas like audit or human resources, and the ethics job is only part of their portfolio. An ethics officer's area of responsibility may be a single large facility, or it could include dozens of small facilities scattered over thousands of miles. Seeing so many ethics officers together at the Orlando Grant Hyatt makes them look like a small army of virtue, but the math works out to just one officer for every 2,000 Lockheed Martin employees.[1]

Maryanne Lavan and other Lockheed Martin officials will not specify the precise budget for the Lockheed Martin ethics and business conduct program. She will say only that the figure is in "the millions," especially if the calculation includes the labor costs of the time spent by thousands of corporation personnel who participate in regular ethics trainings. At the Boeing Corporation, whose workforce is approximately 20% larger than Lockheed Martin's, the annual budget for the ethics and business conduct division was $7.6 million in 2003, although Boeing significantly overspent the budget that year in the wake of large-scale ethics scandals.[2]

In practice, then, Lockheed Martin ethics officers work in isolation from one another, immersed in the particular problems of local facilities, working at the behest of company executives who share supervision of the officers with the business area directors. They are men and women who have come through the Lockheed Martin ranks, who have found their way into ethics work through the door of human resources or auditing or perhaps engineering. It is a thin, scattered band, so the burden of spreading consistency through the operation falls on the team at corporate headquarters in Bethesda.

The man primarily responsible for creating the day-to-day aspects of Lockheed Martin's ethics awareness program is Brian Sears, an ethics veteran whose zeal and experience typify the operation. Well over six feet tall, with broad shoulders and a vigorous gait, Sears towers over most of his colleagues at the ethics officers' conference and along the corridors in Bethesda. His low-key manner does little to disguise an active, self-deprecating sense of humor. When I visited him in November 2003, he was busy mock complaining to anyone who would listen that Michael Sears, the chief financial officer at Boeing who had just been fired for ethics improprieties, was "besmirching my good name." His office on the second floor of corporate headquarters shows the habits of a brainstormer: piles of papers on the desk, boxes of ethics surveys cluttering the floors, and a whiteboard crisscrossed with diagrams and slogans for the next ethics awareness project.

Growing up in modest circumstances in the San Joaquin Valley of California, young Brian Sears harbored an ambition to become a writer. He won his first writing contest in sixth grade, edited his high school newspaper, and wrote for the UCLA *Daily Bruin* in college. But he recognized early on that making a living by the pen was uncertain at best. Besides, he was charmed by the romance of flight, and he dreamed of becoming a pilot. He won a Reserve Officers Training Corps (ROTC) scholarship at UCLA in the late 1970s, and he began studying to become a flight navigator. Even in college, however, his big frame was still growing, and after two years of training, his commanding officer delivered the bad news: Sears had grown too much. At six feet six inches, he was too tall for the fighter jets. “If you’re over the height limit,” he recalls, “when you have to eject from the plane, you lose your kneecaps.” He received an honorable medical discharge (“I still have the certificate to prove it”), and he had at least the satisfaction of receiving two free years of education.

Sears had been studying economics at UCLA, but once a career in flight was no longer an option, he wanted something more practical, so he switched to California Polytechnic University in San Luis Obispo to study accounting. It was there that he discovered a new passion: the improbable romance of auditing. The transfer of allegiance from piloting to running numbers might seem unlikely, but the underlying motivation was the same: the allure of travel. His Cal Poly auditing professor spent a great deal of class time describing his overseas consulting assignments for multinational corporations. Brian Sears wanted to see the world; if he could not fly the planes himself, at least he would ride them at someone else’s expense.

He took his first job with the Burroughs Corporation in 1980, and he spent more than 90 percent of his time on the road over the next two and a half years. He found that that he loved the travel, but also the numbers. There was something satisfying about their clarity and their precision, and he loved straightening out the inconsistencies in the corporation’s books. His professor had called auditing “the art of aggressive diplomacy,” which appealed to him.

By 1982, Sears had taken a job in the corporate audit department at Lockheed Corporation. It meant less day-to-day travel, but also being at the service of a national operation. Over the next fifteen years, he moved from Burbank, California, to Austin, Texas, back to Burbank, to Titusville, Florida, and then to the old General Dynamics plant in Fort Worth, Texas. Along the way, he was promoted to audit supervisor, and eventually to a regional manager position in corporate audit.

In 1998, Carol Marshall, then in charge of the Lockheed Martin ethics program, asked him to give a talk to her senior staff on how the internal audit department would measure the efficacy of a compliance training program. Sears had no idea how to grapple with this. He was used to the reliable world of spreadsheets; there were no guideposts about how to evaluate the success and integrity of programs intended to coach employees in complying with federal laws and regulations. “But I gave it my best shot,” Sears recalls. “I told a few jokes and improvised.” Several months later, he was offered the chance to move from auditing into the ethics operation as a “sector director” for Lockheed’s energy business.

Was it strange to make the shift from audit to ethics? Sears insists that the transition was simple and smooth. Auditors, he says, are concerned with doing the right thing. The mind set of checking the facts carefully and weighing all the relevant factors, the familiarity with the basic procedures of investigation, the management experience he had gained as he had climbed through the ranks—these were habits and experiences that served him well as he moved into the ethics operation. The main difference was a wider scope of problems to look into, and, more importantly, the opportunity to be part of a more service-oriented sector of the corporation. "It was just putting on a different hat," he says. "One where I could help people."

In October 1998, Sears and his family moved once again, this time to rural Maryland, giving him a long but manageable commute to the Bethesda headquarters. Starting in the energy area, he moved over to aeronautics, and then became the chief ethics officer for the corporate division itself, meaning that ethics issues involving the corporation's headquarters staff fell within his domain. In 2004, his title changed to director of ethics awareness for Lockheed Martin as a whole, although he also retains his corporate ethics officer duties. He is now the principal developer of several of the corporation's new initiatives in the ethics area, including oversight of the annual training program.

Like everyone else in the Lockheed Martin operation, Sears has no formal training in ethics, nor does such training strike him as necessary or productive. "It's mostly about developing a set of core values, and living by them," he says, and that seems to suffice for him as a definition of ethics. He spends a lot of time trying to communicate the message that ethics is not just about distinguishing between right and wrong, but that it's about "the gray area of conflicting values, the difference between right and right." He concedes that "we might not have a nice, clean answer to every question." Sears is not inclined to sweat over ethics in the abstract. He believes that a definition of ethics can and should percolate from the bottom up. "Everyone has their own perspective on ethics," he says. "Who am I to tell an employee what is or what isn't an ethics issue?" He is eager to move from beliefs and convictions to the much more practical discussion of the range of the company's programs and the "robust" quality of its offerings.

Sears is particularly preoccupied—he says "obsessed"—with the connection between the ethics operation and the corporation's competitive advantage. Mulling over the corporation's 2004 ethics awareness program, he came up with the idea of an "ethics meter" that would graphically demonstrate the connections between virtuous behavior and tangible benefits for the individual employee and the corporation. A rough diagram on the whiteboard in his office displays a timeline of a fictional employee's career, showing how at critical turning points good ethics leads the way to promotions for the employee, more business for his division, and a better crop of potential employees who are, in theory, attracted to Lockheed Martin's reputation for integrity. Sears is also painfully aware of the fragility of an ethics operation, of how quickly confidence in its effectiveness can erode. "Any one person or small group of people can shut us down," he muses. "All of our efforts can't preclude the rogue elephant out there."

Brian Sears's sensibility both reflects and affects the tone of the division: practical, easygoing, nondogmatic, inclined to think of ethics as much as a service operation as a watchdog. Ethics, in the world of Brian Sears, should be clear, simple, and measurable. Yes, employees face tough dilemmas, but the corporation's support structure should be more than adequate to work through them. Even more, ethics should provide a sense of meaning and mission for a Lockheed Martin employee's work. It should be, at best, a driver, a purpose. Sears is unapologetic about this sense of mission. "We want employees to think: At the end of the career, what is your ethics legacy?" While he is nowhere near retirement, Sears takes pride that his work in the ethics department has already "built value" into the Lockheed Martin empire.

The Code

Brian Sears, and every other ethics officer at Lockheed Martin, bases his work on a foundational document: *Setting the Standard: The Lockheed Martin Code of Ethics and Business Conduct*. First printed immediately following the merger in 1995, the code, updated every year or two, exists in the form of a spiral-bound, pocket-sized booklet, intended for handy reference. Its fifty-four pages are laid out more like a little marketing brochure than a dry legal document, complete with full-page color photos of Lockheed Martin people and products. On page 53 is the "receipt and acknowledgment" form; with each new edition, every Lockheed Martin employee agrees that "I understand that each Lockheed Martin employee, member of the Board of Directors, agent, consultant or contract worker is responsible for knowing and adhering to the principles and standards of the Code." In addition to English, the booklet is available in Arabic, Chinese (Mandarin and Traditional), French, German, Greek, Hebrew, Hungarian, Japanese, Korean, Portuguese, Russian, Spanish, and Turkish.

Public and widely disseminated codes of ethics like *Setting the Standard* are a commonplace now in corporate America. For one thing, they are a basic requirement under the federal sentencing guidelines, Sarbanes–Oxley, and other legislation aimed at promoting corporate accountability and responsibility. A written code is a starting point, the bare minimum for establishing standards. Companies—even small ones—that neglect to write and distribute a code do so at their peril, since the existence of the written document is the first (although minimal) line of defense against lawsuits or criminal investigations that hold top management accountable for illegal or unethical activity.

With increasing scrutiny, the mere existence of a code of business conduct is no longer sufficient; the content and, indeed, the style of such codes have come to matter a great deal. Companies may be tempted to develop a long, dry, excruciatingly detailed list of rules, regulations, and "don'ts," thinking that exhaustiveness can immunize them against every conceivable form of wrongdoing. But observers now pay attention not only to the content of the code, but also to its perceived accessibility. If a document is not readily available and easily read by the average worker, outsiders can charge that it is not an effective means of communicating the ethical bottom line. At the other end of the spectrum, a company that simply lists a few basic values is vulnerable to the charge that its code is no more than vague and empty rhetoric.

Setting the Standard aims to fall between these two poles. Its most striking and insistent feature is that it places responsibility for ethical behavior and for the ethical "performance" of the corporation on each and every individual employee at Lockheed Martin. It begins with a letter from the Chief Executive Officer and the Chief Operating Officer of the corporation, addressed "Dear Colleague," to suggest from the very first line a kind of parity between leadership, management, and line employees. What matters is "the personal integrity of each of our employees and their commitment to the highest standards of personal and professional conduct." The development of an "ethical culture" at Lockheed Martin is based on individual integrity, although in a context "that values teamwork, sets team goals, assumes collective responsibility for actions, embraces diversity, and shares leadership." The letter is intended both to send a message of top-down leadership on the development of this "ethical culture," and to suggest that such a culture is in some sense democratic, built from the bottom of the company up.

The letter spells out the six "principles" through which Lockheed Martin's expects to "set the standard" for ethical behavior:

Honesty: to be truthful in all our endeavors; to be honest and forthright with one another and with our customers, communities, suppliers, and shareholders.

Integrity: to say what we mean, to deliver what we promise, to fulfill our commitments, and to stand for what is right.

Respect: to treat one another with dignity and fairness, appreciating the diversity of our work force and the uniqueness of each employee.

Trust: to build confidence through teamwork and open, candid communication.

Responsibility: to take responsibility for our actions, and to speak up—without fear of retribution—and report concerns in the workplace, including violations of laws, regulations, and company policies, and seek clarification and guidance whenever there is doubt.

Citizenship: to obey all the laws of the United States and other countries in which we do business, and to do our part to make the communities in which we live and work better.

The set of principles is carefully chosen to develop a certain style on which ethics is built, a style that places its signal emphasis on a concept of open communication. Ethics, in the Lockheed Martin conception, develops through the free flow of information—"honesty and forth-rightness," "saying what we mean," "candid communication," and a willingness to " speak up" are the networks through which ethics is supposed to flow. The underlying assumption is that the temptation to bend the rules flourishes in isolation, in dark corners and in secrecy, and that frequent and unguarded communication is the best protection against misdeeds. The theory may be sound, but it also poses a particular challenge and strikes an odd chord in a corporate environment where national security concerns and the possibility of corporate espionage make secrecy a paramount necessity.

The bulk of the code, following the opening letter and articulation of the principles, outlines the key topics of concern in maintaining ethics in the Lockheed Martin workplace. The obligation to "PROMOTE A POSITIVE WORK ENVIRONMENT" covers "cultural diversity" and the insistence that "we will not tolerate harassment or discrimination of any kind." (Since

2001, the list of types of discrimination that Lockheed Martin will not tolerate has included sexual orientation and "family structure," in addition to the more established categories. This change, in a conservative company environment, was instituted in response to shareholder pressure at the company's 2000 annual meeting.) "KEEP ACCURATE AND COMPLETE RECORDS," "MAKE ACCURATE PUBLIC DISCLOSURES," and "RECORD COSTS PROPERLY" make clear that "no one should rationalize or even consider misrepresenting facts or falsifying records." "AVOID ILLEGAL AND QUESTIONABLE GIFTS OR FAVORS" provides precise detail about federal law and corporate custom on business courtesies. With federal employees, Lockheed Martin representatives can give coffee mugs or calendars, coffee and donuts, or a meal for less than $20; courtesies to nongovernment employees simply must be "consistent with marketplace practices, infrequent in nature, and may not be lavish or extravagant," and no employee may give or receive a gift worth more than $100. "KNOW THE LAW WHEN INVOLVED IN INTERNATIONAL BUSINESS" focuses less on ethical issues, but calls employees' attention to the U.S. laws that have been enacted in the years since Lockheed was enmeshed in the overseas bribery scandals. Other sections of the code address political contributions ("FOLLOW THE LAW AND USE COMMON SENSE"), conflicts of interest ("STEER CLEAR"), employment of former government officials ("KNOW THE RULES"), company assets like computers and equipment ("USE WISELY"), and speculative and insider trading ("DO NOT ENGAGE").

At the back of the booklet are a list of "WARNING SIGNS" and a QUICK QUIZ. A Lockheed Martin employee learns there that "YOU'RE ON THIN ETHICAL ICE WHEN YOU HEAR ..." such phrases as "Well, maybe just this once," or, "It doesn't matter how it gets done as long as it gets done," or, perhaps a bit more obviously, "We didn't have this conversation." Taking the "quiz," employees are instructed, "WHEN IN DOUBT, ASK YOURSELF . . ." questions like "How will it look in the newspaper?" and "Will I sleep soundly tonight?" But in case the message has seemed too soft, a section on ACCOUNTABILITY warns that "Violations of the Code are cause for corrective action, which may result in disciplinary action up to and including dismissal." The booklet urges employees to ask and keep asking questions, and provides a list of company resources, including not only the ethics office and the general counsel but also a direct and ostensibly anonymous line of communication to the audit and ethics committee of Lockheed Martin's board of directors.[3]

Personal responsibility and a well-developed conscience are the hallmarks of the "standard" that Lockheed Martin aspires to set. The document places a high level of responsibility on the individual employee— both for knowing the guidelines and for acting on them. In one sense, this is inevitable, as any corporate entity ultimately depends on the actions and integrity of each flesh-and-blood human being who works for it. Yet in another sense, the emphasis on personal responsibility is misleading, especially in an environment where teamwork, the rapid flow of information, and the powerful pressure of deadlines mean that many key decisions are by their nature collective and improvised, rather than individual and carefully deliberated. *Setting the Standard* implicitly describes the ethics of a corporation as the sum total of millions of decisions made by individual actors. This approach brings to light one truth about human enterprise, and it promotes a healthy sense of personal investment in the corporation's character. But the approach evades another truth about the nature of corporate life: Corporations make decisions in different ways from individuals, in a world where the rules are constantly changing. In the absence of a more rigorous process of self-examination, it is perfectly possible for an individual to "sleep soundly" and still participate in collective actions that violate the principles of ethics and fair play.

The Hour of Truth

Setting the Standard is the gospel for Lockheed Martin's ethics program; the annual ethics awareness training program, developed and overseen by Brian Sears, is the most far-reaching regular ethics activity of the corporation. Its goal is to use a single, flexible instrument so that all 130,000 employees of Lockheed Martin in the United States and around the world spend at least one hour per year discussing ethics in their workplace. The annual awareness program is the best and most comprehensive example of the way in which Lockheed Martin approaches ethics. It shows the corporate effort at its most inventive and creative, and it also demonstrates the quite deliberate limits of that effort.

The idea of an annual "ethics hour" is easy to caricature. What is so paltry a commitment of time, in the context of 2,000 or more hours a year devoted to improving the bottom line? It is obvious that sixty minutes of any activity carved out of an entire year is barely enough to raise a series of important issues, much less to discuss them in depth, and still less to instill the deep commitment necessary to implant right-minded thinking and behavior. In all fairness, however, Lockheed Martin officials describe the ethics awareness program as only the beginning of their effort, as a single common denominator on which a variety of other programs are based. There are plenty of institutions in American life that require no discussion whatsoever of ethics as a routine part of their employees' work. (I do not know of any university, for example, that requires every member of its community to engage in this kind of discussion.) An hour a year is a step that many of us have never taken.[4]

Furthermore, the challenge of developing a tool that works for people at every level of the corporation, of every type of job and temperament, and in every corner of the country and the world is no small one. Beginning with the development of the *Dilbert-based* "Ethics Challenge" in 1997, Lockheed Martin adopted the idea that it was not enough simply to expose employees to ethics awareness, but that it really *mattered* that they responded to it, even that they *liked* it. The program's success is measured not only by its effectiveness in reaching employees, but also by how positively they respond to it.

In the years since 1997, the ethics awareness program has developed a rhythm and a routine of its own, and it has developed and matured the-matically since its first iteration. The program is redesigned each year with new cases, and every two years or so Sears and his team develop a new format, to keep it fresh and allow employees to explore new approaches. Steve Cohen, who found his way into the ethics world by owning the rights to *Dilbert*, has taken advantage of serendipity to become an all-seasons corporate ethics consultant as the principal of a new business, now called Ethics, Inc. He has remained a key player not only in the annual awareness training but also in a host of Lockheed Martin ethics and compliance programs.

Each winter, Sears, Cohen, and members of their respective teams gather in a series of meetings to map out the themes and process for the next year's training. Sears and the Lockheed ethics team identify the key topics they would like to emphasize, and they generate a list of new "cases" culled from the company records. Cohen and his team provide the pizzazz: educational strategies, a new format, some new graphics, a clever video, and an internal marketing campaign. By March, the materials are fully in production.

As with the original "Ethics Challenge," rollout begins with great fanfare in late April or early May, in the suite of the chief executive officer (CEO). The chief executive himself presides over the first formal session of the program, participating along with the top executives of the company. Each executive in turn leads the program with his or her senior staff, so between May and August the program "cascades" down through the corporation, with employees meeting in groups ranging from four to twenty-four, in conference rooms and offices in all of Lockheed Martin's facilities. Each employee duly signs the attendance sheet, completes the training, and most fill out an anonymous survey giving feedback to the designers. By the end of the summer, the bulk of the corporation has been through the training. Makeup sessions are held for those who missed out the first time around, and the ethics officers commence the hunt for the stragglers whom they call "onesies" and "twosies," especially Lockheed Martin employees who work off site or as consultants within other corporate settings. The training is intended for groups, but flexible enough for people to use it with a single partner, or even in a "solitaire" format.

The format has changed since 1997, but the basic principle of group discussion of real-life cases has remained intact. *Dilbert* and the "Ethics Challenge" lasted two years, until it was obvious that changing the color of the box would no longer make the concept seem fresh and new. The next format was called "Trust Building," followed by the "Ethics Daily," with a mock newspaper (yes, with a *Dilbert* strip) and a video featuring a well-known actor. When Lockheed Martin employees gathered in the spring and summer of 2003, they opened up a white box with stylized faces in bright colors adorning its cover. The 2003 Lockheed Martin Ethics Challenge was called "Perspectives."

With "Perspectives," the annual awareness training added a new twist: the idea that different individuals might have different points of view on a key decision. At the beginning of the training session, the leader divided the work group into three teams, generally with three to six employees on each team. After the introductory video with the pep talk from (now retired) CEO Vance Coffman and chief operating officer (COO) and now CEO Bob Stevens, the leader distributed a set of booklets to each team. As in previous years, the booklets contained a series of simplified real-life Lockheed Martin ethics situations, but this time each team's booklet presented the case from the "perspective" of one of the fictional characters in the case.

Case 24, for example, presents a situation where, after years of negotiating a tax dispute, Lockheed Martin receives a tax settlement from the Internal Revenue Service for $100 million. An account named Peter in Lockheed's tax office does his own calculation on the interest owed the corporation, and, lo and behold, he discovers that the IRS overpaid the company by $5 million. Peter tells his boss, Akeem, who notifies Todd, the corporation's point of contact at the IRS. Todd insists that the IRS calculation was correct, that there was no error, that Lockheed Martin does not have to return any money. What now is the right thing for Akeem to do?

Armed with their booklets, the teams meet in separate corners of the room to ponder the case. All three booklets have a general description of the situation, but Team As booklet includes a more detailed version of Peter's side of the story. "I used to work for the IRS before I came to Lockheed Martin," Peter says, "so I'm fairly confident that my calculation is correct. ... I just have to shake my head and wonder what's going on. We want to pay back $5 million, but the IRS doesn't want it?"

Team B looks at the situation from Todd's point of view. "With all due respect to Peter," says Todd, "I've been doing my job for fifteen years and I know how to calculate interest. . . . Even if I'm wrong, and I'm sure I'm not, the company still makes out. What's the big deal?"

The third team's booklet is marked "D" for decision maker, for the burden of addressing the situation falls upon the beleaguered Akeem, who is the tax department manager. Todd was "a little defensive," Akeem reflects, "and [he] reminded me of his 15 years with the agency. Okay, I respect that, but I also reviewed the details with Peter, and I believe we were overpaid by $5 million." Still, he has called the mistake to the attention of the IRS, and he has been rebuffed. Hasn't he already fulfilled his ethical obligation?

Teams discuss their cases for six or seven minutes, answering questions on a worksheet marked "Get in Character!" Employees are told in boldface to "**Answer the questions from your character's perspective, not your own."** The groups tackle three questions: "Who are you and what do you care about or want?" "Which ethics principles are most relevant to this situation and why?" "What to you think the Decision Maker should do, and why?

These worksheets now serve as the "script" for one bold volunteer from each team, who must stand in front of the group and role play the character. The quality and intensity of these performances varies considerably. Some natural hams enjoy the chance to give their parts extra rhetorical flourishes. Some have a hard time stepping into the part of a character that they find exceptionally thick headed ("Who in their right mind would ever *offer* to give money back to the IRS?"). But most stumble through the part in an awkward third-person, too shy to play the role fully, too used to following instructions to abandon the format altogether. Still staying in character, team members are allowed to ask one another questions for a minute or two. "After a team presents," says the Leader's Guide, "encourage them with a simple acknowledgment such as 'Good job.'"

The idea is to help employees to envision ethics situations as dilemmas where two or more people might have conflicting interpretations. "Our interests influence our perspective," says the Leader's Guide, "and our perspective influences our opinion about what is right. That's why individuals may reach different conclusions even when they have considered the same factors. When confronted with a difficult decision, it's important to consider the perspectives of all involved. Your own perspective may change." Without saying so explicitly, the format cleverly opens up possibilities for conversation about the obstacles to "doing the right thing" in a competitive environment where ethics may be the number one "value" but profits are the number one measure of performance. Tax Refund's "Peter" cannot be sure that anyone—least of all his boss— will thank him for uncovering an error that may "cost" the corporation $5 million. For that matter, savvy discussants will point out that Todd's job at the IRS may be in jeopardy if he concedes that he has made an error of this magnitude. Akeem, as decision maker, may consult the "ethics principles," but he may also calculate how Peter and Todd's knowledge of the situation will affect him, should the facts become known at a later date.

Having batted things around from their own perspectives, the teams are finally permitted to step out of character and talk through the decision, based on the corporation's ethics principles. Here, however, the open-endedness of the format comes to an end. The group may come to one conclusion—or more than one—but the Leader's Guide finally shows the corporation's hand in the form of an "epilogue" in the words of the decision maker. Unsurprisingly, Akeem's decision in "Tax Refund" is to work around Todd and to call the problem to the attention of others at the IRS until the agency can see the mistake and take back the money. "The IRS was highly appreciative," Akeem reports, "and commended us on our honesty." In case the point was not clear enough, Akeem goes on to say that the next time the IRS *overbilled* the corporation, getting that problem fixed was a snap. This case was particularly satisfying, because it involved five of the corporation's six ethics principles—honesty, integrity, trust, responsibility, and citizenship—all at once.

The "Perspectives" cases follow this format, presenting characters who are earnest, dedicated Lockheed Martin employees, opening up some difficult and possibly even subversive questions, but then using the epilogues to tidy matters up and provide groups with a clear, company-approved line of reasoning.

Cases treat serious issues head-on, but in their mildest possible form. Case 19 is the only 2003 case to address the issue of "harassment." There's no physical action or direct pressure from a boss in Case 19; the issue, instead, involves a middle manager named Sam, a year from retirement, who tells Vanessa, a security guard in the lobby of his building, how sexy she looks in her uniform. "I know you're supposed to be politically correct these days, but what do you want from me?" Sam asks in his "perspective." "I've got three grandchildren—you think I'm some kind of harasser? Is she going to make a federal case out of this and screw up my last year?" Sam's joking is witnessed by a receptionist named Irene, who sympathizes with Vanessa, but in this case, the "Decision Maker" is Vanessa herself, who has to decide how far to take things. "I really don't like being teased about my looks every morning by Sam," she says. "I know he's been around a long time, but what gives him the right to say all that stuff in front of other people?"

In the end, Vanessa's decision, as presented in the Leader's Guide, is no more elaborate than just to talk to Sam. "At first he was really defensive, talking about how people needed to lighten up. But as I explained how uncomfortable he made me feel with his comments, he apologized." Here, as in many of the other cases, the company presents ethics problems as no