"OPEN SECRETS": THE MASKED DYNAMICS OF ETHICAL FAILURES AND ADMINISTRATIVE EVIL

Guy B. Adams and Danny L. Balfour

ABSTRACT

In contemporary, complex organizations, “open secrets” may be just as common as intentionally concealed secrets, and are often associated with ethical failures and administrative evil. This chapter explores the ethical implications of open secrets in contemporary organizations and the dynamics by which they can become masked. Both the space shuttle Challenger disaster and Enron’s corporate collapse, as well as other similar ethical debacles, show how organizational actors at all levels can promote the public interest and recognize ethical issues, only if they require of themselves a broader scope of ethical standards and vigilance that addresses not just individual behavior but also, and even primarily, the organizational and cultural context of values and ethics. The evolution of a moral vacuum within a culture of technical rationality and the resulting ethically deficient organizational dynamics produced the inability to recognize the open secrets that masked the pathway to disaster.

Keywords: administrative evil; corruption; ethics; government secrecy.
In his 2007 *New Yorker* article, “Open Secrets: Enron, Intelligence, and the Perils of too Much Information,” Malcolm Gladwell explores one of the paradoxes of the modern age: How an abundance of available information—rather than lies and secrets—can obscure wrongdoing and the darker side of complex organizations. What he describes in the article comes remarkably close to a phenomenon that we first dealt with over a decade ago (Adams & Balfour, 1998; but see also the third edition, 2009) – administrative evil – which posits that there has been little recognition of the most fundamental ethical challenge to the public service and professionals within a technical–rational culture: that is, one can be a “good” or responsible administrator or professional and at the same time commit or contribute to acts of administrative evil, resulting in great harm to innocent victims. As Michael Harmon (1995) has argued, technical–rational ethics has difficulty dealing with what Stanley Milgram (1974) termed the “agentic shift,” whereby the professional or administrator acts responsibly toward the hierarchy of authority, public policy, and the requirements of the job or profession, while abdicating any personal, much less social, responsibility for the content or harmful effects of decisions or actions.

Hence we should not be surprised that someone like Jeffrey Skilling, the disgraced CFO of Enron, would maintain his innocence even the face of the disastrous consequences of his actions. In his mind (and in the minds of most of his colleagues), he (and they) had done nothing wrong. Indeed, he had acted in the best interests of his company, doing what was expected of him, managing the company’s finances in the interests of the shareholders and organizational survival. Moreover, they had not, contrary to the case against them, hidden their transactions from public view. The shady deals that led to Enron’s demise were not secrets, but had been fully disclosed, albeit in lengthy, complex documents decipherable by only the most skilled and dedicated researchers (Gladwell, 2007). It took time, but eventually Enron’s open secrets and corrupt practices emerged from behind their technical–rational mask, but not before many innocent victims had been irreparably harmed. Much the same dynamic can be discerned in other recent catastrophes, including the space shuttle Challenger and Columbia space shuttle disasters (Adams & Balfour, 2009a, chapter 5), the failed response to hurricane Katrina (Adams & Balfour, 2009b), and government’s inability to manage contracts in the public interest (e.g., Blackwater International and the State Department; Adams & Balfour, 2010). This chapter will explore the ethical implications of open secrets in contemporary organizations and the dynamics by which they can become masked.
SECRECY AND “OPEN SECRETS”

Secrets and secrecy are nothing new, and certainly are not distinctively modern (Friedrich, 1972; Moynihan, 1998; Shils, 1996). Nor are they necessarily associated with wrongdoing, although that potential always lurks behind the secret (Bok, 1982). Most importantly, the defining trait of secrecy normally entails intentional concealment (Thompson, 1999). Intentional secrets include those kept by governments for the sake of collective security or for enhancing executive power (Roberts, 2006), and those that protect and preserve the realm of personal privacy. But secrecy can also extend to the unknown, something not yet discovered, or that which has been repressed or forgotten, and “... the most paradoxical of all when it is taken to be our own intention to forget and to keep knowledge at arm’s length” (Bok, 1982, p. 10).

Whether the focus is on the known but hidden, or on the unknown or repressed, the opposite of secrecy is transparency which, in the public sphere, has become increasingly important as a measure of democratic governance and accountability (Roberts, 2006). Transparency, often operationalized with legislation such as the Freedom of Information Act and “sunshine” laws, provides a check on executive power, limiting the ability of government to act without the consent of the governed, and providing the information necessary for democratic discourse. Roberts (2006, p. 23) summarizes the nature and importance of government transparency:

The commitment to openness comes from a recognition of the harm that unchecked power can do to basic rights, and the power of collective deliberation as a tool for solving complex problems. It also comes from a recognition of the essential frailty of our governing arrangements. Every form of governance is an experiment – a concrete elaboration of hypotheses about the best way to govern.

Governments around the world are challenged by structural changes that make transparency harder to achieve: the emergence of networked forms of governance that attempt to keep information within the network; the transfer of government functions to the private sector that has very different rules and expectations of privacy; and the digitization of information that introduces new levels of complexity and volume of information, requiring technical sophistication to access and interpret (reliance on professionals), potentially limiting its value for public discourse (Roberts, 2006). And while each is challenging in its own right, the problems multiply when they intersect, as in trying to unearth information on the activities of a private firm’s performance on a government contract (Adams & Balfour, 2010).
While the intentionally hidden secret remains an important issue in 21st century governance, the “open secret” has become much more common and just as, if not more, difficult to deal with. Gladwell (2007) depicts this difference in terms of “puzzles” and “mysteries.” Puzzles are associated with intentional secrets or with trying to uncover hidden information to complete a puzzle. Mysteries, on the other hand, require reasoned judgments and the assessment of uncertainty that stems from having too much information (analogous to “whiteout” conditions in a blizzard, in which seeing even what is directly in front of you can be impossible). Mysteries challenge us to sift through troves of information to discover what is most relevant and important. Gladwell, for example, contrasts the puzzle of the Watergate scandal that was solved by uncovering deceitfully hidden secrets, and the mystery of Enron that required making sense of publicly available information. In the latter case, a mask of technical rationality allowed corporate wrongdoing to hide in plain sight.

While a puzzle becomes simpler with each new piece of information, a mystery becomes harder to decipher as more information is added. Remarkably,

... you can’t blame Enron for covering up the existence of its side deals. It didn’t; it disclosed them. The argument against the company, then, is more accurately that it didn’t tell its investors enough about its S.P.E.s. But what is enough? Enron had some three thousand S.P.E.s, and the paperwork for each one probably ran in excess of a thousand pages ... all Enron proves is that in an age of increasing financial complexity the “disclosure paradigm” – the idea that the more a company tells us about its business, the better off we are – has become an anachronism. (Gladwell, 2007, pp. 5–6)

In the case of the U.S. National Aeronautics and Space Administration (NASA), we see that the succession of shuttle disasters also entailed not a paucity of information, but instead a very familiar set of organizational dynamics. We focus here on the space shuttle Challenger disaster, but elsewhere we detail how these same dynamics repeated themselves in the space shuttle Columbia disaster and remain present within NASA up to the present (Adams & Balfour, 2009a, chap. 5).

THE SPACE SHUTTLE CHALLENGER DISASTER

The space shuttle Challenger disaster can be explained and understood from a technical standpoint (O-ring failure, etc.), but the underlying factors that led to the disaster have more to do with organizational dynamics than with a technological failure or flaw. These dynamics represent a typical
organizational pathway with open secrets that can lead to administrative evil when no one intends evil. Despite, and in part because of, its reputation as a high performance organization, the NASA, and more specifically, the Marshall Space Flight Center (MSFC), developed organizational dynamics that tacitly endorsed covering up mistakes and denying the existence of persistent problems. By openly punishing those who were the bearers of bad news, or who caused shuttle launches to be delayed for any reason, the leadership at MSFC enacted an atmosphere of defensiveness and intimidation that produced the conditions under which warnings of an O-ring failure could be dismissed as misguided or trivial, and where the espoused value of putting safety first could be replaced with a primary concern for meeting unrealistic launch schedules. This case illustrates how an organization can lapse into administrative evil. For the leadership of MSFC, concern for safety gradually became more wish than reality in a tacit effort to preserve the agency’s status, funding, and image of high performance.

On January 28, 1986, the space shuttle Challenger was launched at 11:38 AM. Just over a minute later, it exploded, killing all seven people on board. Among the seven on board was Christa McAuliffe, the “teacher-in-space,” who was also the first civilian to participate in a manned space flight. The Presidential Commission (Rogers, 1986), which examined the incident and had to penetrate an attempted cover up, called the event an “accident.” We (along with many others) call it as a disaster, because there was prior knowledge of the O-ring problem (the cause of the explosion) and because two of NASA’s contractors actually recommended against launching during the sequence of events leading up to the launch. In other words, there was no shortage of information, and this was an event that should have been prevented from happening. We argue here that the organizational dynamics at MSFC effectively shut down public disclosure of errors and potential problems, and thereby contributed materially to the space shuttle Challenger disaster. In doing so, the organization developed “open secrets” and eventually lapsed into administrative evil.

A FLAWED DESIGN

We know that it was the failure of an O-ring (a rubber seal – a larger version of the O-ring used in a faucet) that caused the space shuttle Challenger to explode. We also know that the space shuttle, like any complex mechanical system, inherently involves risk. In complex systems, risk is always present and accidents are “normal” (Perrow, 1984). Cars, airplanes, experimental
aircraft, nuclear submarines, and space shuttles have accidents, some of which are catastrophic and lead to loss of life. Some have argued that thinking of such accidents in terms of causation, let alone blame or culpability, may be misguided. They suggest that accidents are simply an inherent result of the risk that is present in all of the technological systems that pervade modern society.

This argument has validity in the sense that, in launching some number of space shuttles, a crash at some point is bound to happen. Perfection in technical systems (really, socio-technical systems) is not possible, because of both flaws in materials and human error. Indeed, in the early 1980s, the Air Force did its own risk assessment of a shuttle crash, and calculated a 1 in 35 probability of such a crash. Prompted by that assessment, they removed their satellites from the shuttle’s payload roster, reasoning that they could achieve better reliability with ordinary rockets. NASA management by contrast assessed the probability of a shuttle crash at an astonishing one in one hundred thousand. What we see in the case of NASA and particularly Marshall are a series of organizational decisions and reactions that, over time, lost touch with engineering realities and created a far greater likelihood of disaster than should have been the case. As Diane Vaughan notes, NASA top management made decisions that were significant compromises for the agency:

... they made bargains that altered the organization’s goals, structure and culture. These changes had enormous repercussions. They altered the consciousness and actions of technical decision makers, ultimately affecting the space shuttle Challenger launch deliberations. Also, NASA top administrators responded to an environment of scarcity by promulgating the myth of routine, operational space flight. (1996, p. 390)

Budgetary cost constraints were program-wide, but most vivid in retrospect, was NASA’s choice of Morton Thiokol’s design for the Solid Rocket Booster (SRB) used to rocket the shuttle into space. NASA management cited Thiokol’s “substantial cost advantage” as the chief reason for awarding them the contract for the SRB.

However, NASA engineers had flagged Thiokol’s design as unacceptable, even before the contract was awarded. In 1977 and 1978, NASA engineers at Marshall again raised concerns over this fatal design flaw. When the O-ring design (using a clevis and tang approach) turned out even worse than expected in flight, concern mounted. As Shuttle flights continued, the O-rings did not “seat” (i.e., provide a good seal) as expected, and compounding the problem, hot gases from inside the rocket “blew by,” eroding not only the primary seal, but the secondary seal as well. In 1982, NASA
officially reclassified the SRB joints from “criticality 1R” (meaning that a failure would be catastrophic, but that it was a redundant system – by having a second, back-up O-ring) to “criticality 1” (meaning that the back-up didn’t work and could not be counted on – no redundancy). As the Presidential Commission noted:

The space shuttle’s Solid Rocket Booster problem began with the faulty design of its joint and increased as both NASA and contractor management (Thiokol) first failed to recognize it as a problem, then failed to fix it, and finally treated it as an acceptable flight risk. (1986, p. 148)

In August, 1985, a briefing was held at NASA headquarters on the O-ring problem, in which resiliency, the ability of the O-ring to return to a normal shape from an oval shape (which was negatively impacted by colder temperatures, that is, the colder the temperature, the longer it took for the seal to return to its round shape), was highlighted as the number one concern. Marshall management insisted on recommending that flights continue, as attempts were made to rectify the field joint problem. This decision was what NASA headquarters wanted to hear, but it effectively escalated the risk of disaster to the point that it was only a matter of time before one occurred. Information about the nature and potential severity of the problem was not lacking.

The Fatal Launch

A wild card was introduced into the equation when it became apparent that record low temperatures were expected the night before the launch. The coldest prior launch (January, 1985) had been at a seal temperature of 53°F; this launch looked like it would take off at below-freezing temperatures. Since cold temperatures, which seriously impacted resiliency, had been flagged as the number one concern on O-ring erosion, this news could not have been more unwelcome at Morton Thiokol, where a meeting of engineers rather quickly agreed that this launch should be stopped, if the expected low temperatures materialized.

A teleconference on the evening before the launch was convened between Thiokol, the MSFC and the Kennedy Space Center to present the Thiokol engineers’ concerns. They recommended against launching at a temperature below 53°F degrees. To put this recommendation in context, throughout NASA’s history the practice had always been that a contractor’s role was to show NASA that its system was safe and ready to launch. That is, the
contractor had an affirmative responsibility to show NASA it was safe to "go." In this particular instance, something completely different happened. NASA managers, affiliated with the MSFC, now put Thiokol management in the position of proving that it was unsafe to launch – a complete reversal of standard NASA practice. Thiokol managers got the picture that they were not telling NASA what it wanted to hear, that it was OK to launch. After a recess, Thiokol management, in disregard of their engineers' best thinking, then used the same data charts to "conclude" that launching was OK.

As Michael Davis (1991) has noted, at this key moment, adherence to the engineering code of ethics by one key manager, who was also an engineer, could have in all likelihood prevented the launch from taking place. Unfortunately, that engineer and all the other engineers failed to do so – one of many such lapses in keeping ethical considerations in the forefront of organizational information processing, decision-making, and action.

The Marshall Space Flight Center

Morton Thiokol, as the prime contractor on the SRB, and Marshall, as the Project Manager for the SRB, were the responsible parties for the field joints and their O-rings, which were a growing problem as shuttle flights continued. A pattern of censoring problematic or negative information for higher ups within NASA had become evident within Marshall. There were a series of decisions made within NASA, Marshall, and Thiokol that, as they accumulated, communicated an acceptance of the safety of the O-rings, leading to a false sense of security. Cost considerations seriously eroded over time the necessary level of attention to safety issues.

The three space flight centers, Marshall, Johnson, and Kennedy, but particularly the former two, were engaged in a competitive rivalry, and the least favored Center would be the one that slowed the launch schedule. William Lucas, the then director of MSFC, was determined that Marshall would win that competition:

Lucas' management style, combined with the production pressure the center was experiencing, not only exacerbated the intercenter rivalry but resulted in competition between the three Marshall projects. Each Project Manager vied with the others to conform to the cultural imperatives of the original technical culture... They competed to meet deadlines, be on top of every technical detail, solve their technical problems, conform to rules and requirements, be cost-efficient, and, of course, contribute to safe, successful space-flight... No Project Manager wanted his hardware or people to be responsible for a technical failure. To describe the pressure at Marshall simply as
production pressure is to underestimate it. It was, in fact, performance pressure…that permeated the workplace culture. (Vaughan, 1996, p. 218)

Lucas let it be known that, under no circumstances, would Marshall be responsible for delaying a launch. A delayed launch initiated by Marshall would contradict – and therefore threaten – the organization’s “can do” image. And indeed, in the 25 Flight Readiness Reviews in the shuttle program’s history, not a single time had Marshall indicated that a launch should not go forward as planned, although they were responsible for a number of the technical glitches that delayed launches.

Lucas was notorious for reprimanding – or more accurately, verbally tearing apart – subordinates who made mistakes, in public meetings. This meant that the preferred choice for Marshall employees was not to make mistakes, but perfection being difficult to produce at all times, camouflaging any mistakes would be the next choice. Lucas and other managers were quite predictably told what they wanted to hear (no mistakes, no delays, no problems), not what they needed to know. While there were several levels of Flight Readiness Review within Marshall, the highest level, the Marshall Center Board, was notorious:

The Marshall Center Board FRR was the quintessential embodiment of Marshall culture. Although Marshall’s Level IV and III FRRs were adversarial and rigorous, they paled in comparison to the Lucas-embellished culture of the more formal, large-audience Center Board review. The Center Board was the final in-house review before Marshall Level III Project Managers made their assessments of flight readiness at Level II and Level I before Johnson and NASA top administrators respectively. Lucas presided. Here we see the distinctive Marshall performance pressure…. (Vaughan, 1996, p. 219)

Vaughan quotes more extensively from a personal interview with Larry Wear, one of Marshall’s program managers:

The Center Board would be held in a humongous conference room that looks like an auditorium. Its an open meeting. There might be one hundred – one hundred fifty people there … Its great drama … And its an adversarial process. I think there are some people who have, what’s the word, there is a word for when you enjoy somebody else’s punishment… masochistic, they are masochistic. You know, come in and watch Larry Wear or Larry Mulloy or Thiokol take a whipping from the Board. (1996, pp. 219–220)

Quite apart from the space shuttle Challenger disaster, Marshall’s unwillingness to “fail” or “lose” by grounding the fleet until the fatal design flaw could be fixed, and its increasingly rigid and pressurized approach to the Flight Readiness Review process, essentially guaranteed that a shuttle disaster would occur sometime soon.
Thus, the organizational dynamics within Marshall (and also Morton Thiokol and NASA as a whole) essentially assured a shuttle disaster resulting in the loss of astronauts’ lives in the near terms. Nobody at the MSFC, Lucas surely included, set out to make mistakes, but the organizational dynamics during and before space shuttle Challenger put lives at unnecessary risk, and represented a case of ethical failure and perhaps even administrative evil. We can see clearly from the space shuttle Challenger case how many different groups of professionals – most of whom would think of themselves as embodying professional ethics – were nonetheless drawn into actions and nonactions that led first to unacceptable risks and finally to the tragedy of seven unnecessary deaths. When NASA, Marshall, and Morton Thiokol, each responded independently and spontaneously to the explosion of space shuttle Challenger with a cover up, these were largely unsuccessful because of the high profile investigation and two whistleblowers. However, what we see in the space shuttle Challenger case does not suggest a healthy organizational climate for ethics.

Intentional secrecy and lack of information was not the problem in the space shuttle Challenger disaster. The technical information about the risks and potential for disaster was well known. What was missing at NASA, and at Enron, was not technical rationality, but ethical reasoning. Key actors either did not ask, “What’s the right thing to do?” or had a distorted sense of morality, a moral inversion, whereby what would otherwise be understood as wrongdoing is repackaged as acceptable (such as changing the criteria for a safe launch, or laundering money through dummy companies), and even as good behavior (Adams & Balfour, 2009a). The evolution of a moral vacuum within a culture of technical rationality and the resulting ethically deficient organizational dynamics is what led to disaster, not a shortage of information or technical ability.

ORGANIZATIONAL ETHICS AND MASKED ETHICAL FAILURE

As a subfield within philosophy, ethics is devoted to systematic thought about values, character, morals, and “right action.” Two general approaches dominated Anglo-American philosophical thinking about ethics, namely teleological ethics and deontological ethics (Frankena, 1973). Both approaches share an interest in determining the rules that should govern human action. Based on utilitarianism (Bentham, 1989, orig. 1789), teleological ethics offers
the overarching principle of the greatest good for the greatest number. Looking at the results or consequences of actions, teleological ethics tends to elevate the ends over the means used to achieve those ends. Deontological ethics (Kant, 1959, original 1786) reverses this emphasis, holding that following ethical principles is more important than the ends to be achieved. More recently, there has been a revival of virtue ethics (MacIntyre, 1984), which focuses on moral character and has its roots in Plato and especially Aristotle (and a parallel, even older history within Chinese philosophy).

For our purposes, it is important that all of these traditions have focused on the individual as the relevant unit of analysis, as might be expected within the cultural context of individualism, stemming from the tradition of classical liberalism in the United States. Public service ethics – as well as professional ethics more generally – in the technical–rational tradition draw upon both teleological and deontological ethics, and focus on the individual’s decision-making process in the modern, bureaucratic organization and as a member of a profession (Rohr, 1989).

In the public sphere, deontological ethics are meant to safeguard organizational integrity by helping individuals conform to professional norms, avoid mistakes and misdeeds that violate the public trust (corruption, nepotism, etc.), and assure that public officials in a constitutional republic are accountable through their elected representatives to the people. At the same time, public servants (and those in the private sector) are encouraged to pursue the greater or organizational good by using discretion in the application of rules and regulations and creativity in the face of changing conditions (teleological ethics). The “good” public servant and corporate official should avoid both the extremes of rule-bound behavior and undermining the rule of law with individual judgments and interests. Public and private officials both operate within a partly tacit mix of different ethical orientations, with the mix often shifting from one situation to the next. Virtue ethics, with its focus on moral character, does not align well with either the current organizational or cultural context, especially if it is understood to be a social, and not just an individual, construct.

The most basic level of such organizational ethics, one that is mainly deontological in nature, is that of compliance, or, conforming to basic legal and regulatory requirements. Offices of corporate compliance, which emerged following the business scandals of the 1980s, are sometimes criticized for focusing too much on the letter of the law but at least provide some minimal guidance for ethical standards and behavior. Compliance regimes have been the bedrock of virtually all government ethics and regulatory programs as well.
Stakeholder responsibility moves ethical considerations in a teleological direction by focusing on fulfilling obligations to both shareholders and the broader population of stakeholders who may benefit from or be negatively affected by corporate and governmental activities. Stakeholders in corporate activities are more than just shareholders and may include employees, unions, consumers, suppliers, neighborhoods near production facilities, the natural environment, firms of outsourced functions and their employees, etc. Stakeholders for government ethics programs have typically been thought of as the citizenry. Advocates of stakeholder responsibility argue that organizations must craft their strategies and product lines in relation to the interests of this greater population of stakeholders in order to produce sustainable profits in a global context.

Recently, there has been increasing attention given – far more outside the United States – to the concept of corporate social responsibility, placing an emphasis on both the organizational and cultural context that have been among the missing links in fostering public values and ethical behavior. Here the focus is on the organization’s obligations to the community in terms of charitable activities, economic development, and protecting the natural environment. At this level, organizations are expected to not only consider stakeholder values when making strategic decisions, but also consciously adopt ethics and public values as part of their core identity. This is a hallmark of a “well implemented,” comprehensive organizational ethics program (Ethics Resource Center, 2008, p. 39). Organizational social responsibility entails a tacit contract between an organization and its host community, in which both recognize the costs and benefits of doing business within a jurisdiction and the expectations a community has for an organization to give back to the community by helping to make it a better place to live and work, and not just a source of cheap labor or a dumping ground for industrial waste (The Economist, 2008). This perspective encourages organizations to adopt a “triple bottom line” – financial, social, and environmental – and to focus not just on legal obligations but on what is ethically acceptable to the broader, even global, community of which it is a member (McBarnet, 2004).

The notion of organizational social responsibility is appealing and provides some promise for creating more ethical organizations (The Economist, 2008), and was sorely lacking in NASA and in the Enron case and many other recent catastrophes. However, varying degrees of organizational ethics and responsibility suggest that organizations differ in their stages or categories of ethical development and behavior, and that achieving an ethical organizational culture remains a considerable challenge.
Fig. 1 depicts four types of ethical situations based on the intersection of legal compliance and social responsibility. For example, a company that is high in both compliance and social responsibility would be considered an ethical organization. By contrast, one that is low on compliance and social responsibility is at least unethical and may even merit classification as a criminal organization. Enron provides a striking example of a company that broke laws, violated regulations, and damaged communities and the natural environment, despite being one of the first to issue a “triple bottom line” report (Reich, 2007, p. 174), and despite touting its ethics program as an industry leader. An organization that is low in compliance and high in social responsibility may be classified as a “guerilla organization” (see, e.g., O’Leary, 2005) that engages in a kind of civil disobedience (e.g., Greenpeace), pursuing its vision of social responsibility even in the face of breaking the law or subverting public policy. This category is problematic because one person’s guerilla organization may be another’s criminal organization, and organizational guerillas may have to face the same legal consequences as those in criminal organizations.

Achieving organizational social responsibility is made even more difficult by the possibility that an organization may be both high in compliance and low in social responsibility, a situation that can be referred to as “masked” in that the organization (and its affiliates) may not be aware of the unethical and even destructive consequences of organizational action even as they may be quite successful in the marketplace while complying with the letter of the law. Masked ethical failures can occur in more than one way. An organization can be in compliance with all relevant laws and regulations while its actions harm one or more stakeholder groups. Or, an organization can be legally compliant while operating in a nation that violates human rights and/or allows environmental degradation in order to achieve

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Fig. 1. Typology of Organizational Ethics.
economic goals. Finally, an organization may follow the rules while facilitat-
ing irresponsible behavior by other organizations with which it is affiliated
through contracts, outsourcing, off-shoring, suppliers, and customers. This
has been perhaps the principle challenge for public service ethics and for
public values.

When ethics are an afterthought, open secrets are more likely to be over-
looked, creating the potential for disaster. Fig. 2 depicts how the different
organizational “types” discussed above deal with information and secrecy.

Enron’s masked ethical failure was obscured by compliance with
criminality detected only in hindsight:

There have been scandals in corporate history where people are really making stuff up,
but this wasn’t a criminal enterprise of that kind … Enron was vanishingly close … to
having complied with the accounting rules. They were going over the edge, just a little
bit. And this kind of financial fraud – where people are simply stretching the truth – falls
into the area that analysts and short-sellers are supposed to ferret out. The truth wasn’t
hidden. But you’d have to look at their financial statements, and (ask), What’s that
about? It’s almost as if they were saying, “We’re doing something really sleazy in
footnote 42, and if you want to know more about it, ask us.” And that’s the thing.
Nobody did. (Gladwell, 2007, p. 8)

And it is not at all comforting that the conventional or knee-jerk solution
to the problem is to call for more technical–rational expertise to solve the
problem (better analysis), rather than reset the ethical compass to ask a
different set of questions that may have precluded the risky behavior from
ever happening or at least from happening again.

In fact, this happened in the Enron case, thus setting the stage for later,
even more disastrous ethical and financial failures. In hindsight, we now
recognize Enron as one of the most notorious and spectacular corporate

Enron’s corporate culture in particular will endure as an archetype of bad values in high places. The company is a vivid example of what can happen when you stir together the leading moral toxins of the 90s – extreme individualism, money obsession, and social Darwinism.

Enron went bankrupt at the end of 2001, owing billions of dollars to creditors and harming its employees, consumers, and investors across the country. Nevertheless, Enron’s business model, based on mathematical modeling (quantitative finance) and creative packaging of financial instruments, remained an irresistible temptation and continued to proliferate throughout the economy (Stiglitz, 2010). Both the space shuttle Challenger disaster and Enron’s collapse, as well as other similar ethical debacles, show how organizational actors at all levels can promote the public interest, and recognize ethical issues, only if they require of themselves a broader scope of ethical standards and vigilance that addresses not just individual behavior, but also, and even primarily, the organizational and cultural context of values and ethics (O’Kelly & Dubnick, 2006).

The prosecution, the financial community, and the culture at large tended to treat Enron’s and other ethical failures as isolated cases, as puzzles to be solved, not as a mysteries that extended well beyond corporate and agency walls; the same impulse that characterized the Abu Ghraib scandal, looking for bad apples and missing the open secret of the bad barrel (Adams, Balfour & Reed, 2006):

In the case of puzzles, we put the offending target, the C.E.O., in jail for twenty-four years and assume that our work is done. Mysteries require that we revisit our list of culprits and be willing to spread the blame a little more broadly. Because if you can’t find the truth in a mystery – even a mystery shrouded in propaganda – it’s not just the fault of the propagandist. It’s your fault as well. (Gladwell, 2007, p. 8)

Cases of administrative evil and other masked ethical failures, which are almost always only discernible in hindsight, share many of the same characteristics, with the worst behaviors indirectly and tacitly supported by many individuals and organizations that do not recognize the open secret of their role in facilitating destructive behavior until it is too late, if ever (Adams & Balfour, 2009a).
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