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## **Critical Perspective -Managerial Accountability**

### **Abstract**

The paper is *creative* since it will discuss contemporary research on stocktaking on compliance and enforcement of corporate law and governance in Australia and globally. The author will argue that degree of openness of countries economy can influence effects that corruption has on the economy. Jackall's (1988) research was 'the moral rules-in-use that managers construct to guide their behaviour at work, whether these are shaped directly by authority relationships or by other kinds of experiences typical in big organisations' (1988:4). The Cole findings of the Australian Wheat Board (AWB) exposes the non-compliance of rules and regulations in the corporate world.

The paper will conclude with innovative recommendations to improve based on the research of Jackall (1988)

### **Introduction**

Shareholders are shielded from both financial and ethical liability, and the corporations as a fictional legal 'person' does not have a psychology amenable to moral regulation, that leaves only the real human beings within organisations. It is well known, the formal structure of an organisation only tells you a part of the story, it is equally if not more important to examine its informal structures and dynamics, the character of the live human beings that make it up, what Selznick calls 'thick' institutionalisation (1992:235). Against the background of the legal construction of the corporation, the fabric of the structuring of responsibility and accountability within organisational life also establishes a very particular kind of ethical 'space' which generates its own patterns of conduct and organisational action. One of the

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most useful insights into ethical space of business organisations, although it is probably not that different for other kinds of organisational settings is Jackall's (1988) study of three US business corporation in the early 1980s, *Moral Mazes*. The specific concern of Jackall's research at work, whether these are shaped directly by authority relationships or other by other kinds of experiences typical in big organisations' (1988:4). The importance of the research lies in its uncompromising empiricism it goes beyond measuring management action against an ideal normative standard, to identify the actual distinct ethical form managerial conduct, and the ways in which organisational life 'makes its own internal rules and social context the principal moral gauges for action' (1988:192). This ethical form has a number of key elements, all of which contribute to the *differentiation* of management ethics from that of the social life outside the organisation, a historical shift from an ethical subjection to a Protestant ethic or its equivalent, to a different and equally powerful set of gods. For the purposes of this paper the writer will highlight two of them.

*First*, Jackall (1988) observes the ongoing combination of what Weber identified as the ideal-typical form of bureaucracy and its patrimonial predecessor, what Elias (1983) called 'court society'. Weber's well-known outline of the 'pure' form of bureaucracy emphasis ways in which modern social life is increasingly characterised by an emphasis on instrumentally rational action, in preference to affective, traditional or value-rational action, and the dominance of rational-legal forms of power instead of the charismatic and traditional forms characteristic of patrimonial bureaucracies, both of which have the effect of minimising the significance of particular human beings and their particular personalities and biographies in the service of the organisation's overall goals and functions. The 'ideal official' performs his or her

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duties in 'a spirit of formalistic impersonality, without--- hatred or passion, and hence without affection or enthusiasm' (Weber 1978: 225). The activities of bureaucrats are governed by the rules and the impersonal purposes of the organisation, not by the personal considerations such as feelings towards colleagues or clients, or their personal relationship of loyalty or obligation to their 'rulers' (Weber 1978:1028-31). Business is conducted 'without regard for persons' (Weber 1978:975). It is aspect of modern organisational that is being highlighted when a critic of the ethical dimensions of modern organisational society is pursued. Bauman (1989, 1991), for example, argues that adherence to impersonal rules on its own does not d sufficient justice to the human moral impulse, indeed that reducing ethics to rules reduces rather than increases our moral capacity, with the Holocaust as key example.

Weber (1978) himself articulated a similar viewpoint in his ambivalence about bureaucracy: he recognising the superior efficiency and effectiveness of the rational-legal approach, but he was also critical of its broader impact, and seeking to articulate bureaucracy with the realm of politics , where value-rationality and charisma would play a much stronger role.

A brief return to Weber's account of the difference between patrimonial and bureaucratic officialdom, a central issue is the extent of the significance of personal relationships, ties, commitments, obligations and loyalties in determining the form and content of the work done in the organisation. Weber suggests that patrimonialism is characterised by a demand for 'unconditional administrative compliance', because:

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---the patrimonial official's loyalty to his office (*Amtstreue*) is not an impersonal commitment (*Dienststreue*) to the impersonal tasks which define its extent and its content, it is rather a servant's loyalty based on a strictly personal relationship to the rules and on an obligation of fealty which in principle permits no limitation--- the official partakes in the ruler's dignity because and insofar as he is personally subject to the ruler's authority (*Herrengewalt*) (Weber 1978:1030-1)

The selection of personnel is based on 'personal trust', not technical qualifications', and their position derives from their 'purely personal submission to the ruler' (Weber 1978:1030). Jackall (1988) observes that in reality contemporary organisational life displays many of these features of patrimonial forms of organisation; it is by no means true that impersonal, objective considerations have displaced questions of personal loyalty and obligations. It appears that the Weberian ideal-typical bureaucracy did not *replace* patrimonial forms of organisation, but *combined* with it to produce a multi-layered hybrid (Jackall 1988:11-12).

Jackall himself explains this in terms of American particularism: a number of factors, including the frontier experience and the poor education of many American immigrants together constituted a setting of organisational evolution in which American corporations 'instituted as a matter of course many of the features of personal loyalty, favouritism, informality and nonlegality that marked crucial aspects of the American historical experience' (Jackall 1988:11). But it is more likely that this persistence of a patrimonial model of bureaucracy is more broadly characteristic of human history is generally marked by a combination of continuity with change, rather than abrupt transitions from one type of society or social form to another (Ginzburg 1981).

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This combination of patrimonial with rational-legal organisational form has a number of consequences: it generates an authoritarian mode of governance, in which the wishes and will of those further up the hierarchy play a single role in determining individual action, not least because every individual's survival can depend on it.

Jackall (1988) suggests that it 'ties' management ethics to a particular set of concerns more closely related to a particular network of personal bonds than to a stable set of moral principles, anchored either in the individual themselves or in the surrounding society and culture. Manager's work is framed by 'structures of personalised authority in formally impersonal contexts, coteries, cliques, and work groups that struggle through hard times together' (Jackall 1998:192). It generates a structuring of responsibility that makes it difficult, if not impossible, ever to pin down the lines of accountability of any given set of organisational actions. A hierarchical division emerges between knowledge and responsibility, so that those higher up the hierarchy are in principle more responsible, but also less knowledgeable about detail, which means they can choose to dodge responsibility for any given action or outcome. Those further down the hierarchy in principle are more knowledgeable about the causes of particular outcomes, but are also able to dodge responsibility by virtue of their hierarchal position.

Jackall (1988) also observed a general tendency towards the use of language to obscure rather than pin down lines of causality and accountability, again in service of personal ties and obligations. He quotes one senior manager pointing out the poor relationship between the explanatory narratives circulating in an organisation and anything that might be identified as an objective account.

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What's interesting and confusing at the same time is the way guys around here will switch explanations of things from day to day and not even notice. It is astonishing to hear the things people say. Like they explain the current stagnation of our stock one day by referring to the Falkland Island war; the next day, it's the bearish stock market; the next, it's the Fed's interest policy; the next, it's unsettled political conditions. And so and on. And they don't remember the explanations they gave a month ago. They end up going around believing in a fairy tales that might have no relationship to reality at all (Jackall, 1988:146-7).

An Alice-in-Wonderland kind of linguistic world is thus more the rule than the exception, putting up still another obstacle to identifying, let alone realising moral accountability.

Second, paralleling this persistence of patrimonialism in modern organisation. Jackall (1988) notes the profoundly *symbolic* nature of organisational life, in the sense that any individual's worth, position and status is heavily dependent on how one is perceived, how adroitly one manages one's image in the organisation, and this may have almost no relationship to one's actual skills, capacities, actions and performance. In this respect the dynamics of modern organisational life correspond closely to Elias (1983) account of seventeenth century court society, in which representation and display of position and status was enormous consequence, and the primary skill was the 'public relations' one of *representing* and securing *recognition* of one's position, rather than necessarily building an objective foundation for it. Vitally important here was the management of emotions, for 'the competition of court life enforces a curbing

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of the affects in favour of calculating and finely shaded behaviour in dealing with people (Elias 1983:111). Jackall (1988: 47) gives the following description of managers' emotional stance:

Managers also stress the need to exercise iron self-control and to have the ability to mask all emotion and intention behind bland, smiling, and agreeable public faces. One must blunt one's aggressiveness with blandness---One must be able to listen to others' grievances and even attacks upon oneself while maintaining an appropriately concerned, but simultaneously dispassionate countenance. In such situations, some managers don masks of Easter-Island-statuelike immobility; others a deadpan fisheye; and the most adroit, a disarming ingenuousness.

This corresponds almost word-for-word with Elias's account of the constant observation required self-observation required in the symbolic world of court society. He quotes a contemporary observer, Jean de La Bruyere: 'A man who knows the court is master of gestures, of his eyes and of face; he is profound, impenetrable; he dissimulates bad offices, smiles at his enemies, controls his irritation, disguises his passions, belies his hearts, speaks and acts against his feelings' (Elias 1983:105).

This in turn contributes to the uncoupling of extra-organisational ethical concerns from the internal dynamics of organisational life. Both individual and socially-sanctioned ethical orientation fall into the same category as emotions: they are not infinitely flexible, they resist being to particular strategic aims, they reveal an attachment to concerns other than those characterising the ebb and flow of power relations within organisation. As Jackall (1988:105), put it, 'moral viewpoints

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threaten others within an organisation by making claims on them that might impede their ability to read the drift of social situations. As a result, independent morally evaluative judgements get subordinated to the social intricacies of bureaucratic workplace' (Jackall 1988:105)

Both these long-term historical continuities in organisational dynamics contribute to what Jackall (1988) calls the 'bracketing' of management ethics from extra-organisational normative concerns, the creation of a distinct ethical framework within the organisation, and a generation of a profound ethical 'splitting' of all members of modern organisations. Jackall (1988) quotes the former vice-president of a large firm as follows: 'What is right in the corporation is not what is right in man's home or in his church. *What is right in the corporation is what the guy above wants from you.* That's what morality is in corporation' (Jackall 1988: 6; respondent's own emphasis). An important feature of this ethical 'bracketing' is that it can never be admitted publicly, so that it also involves a constant process of 'massaging' the tension between private and public, backstage and frontstage (Goffman, 1959), what is understood, admitted and lived with within the organisation and the public face of the organisation.

Against this background, there are many other accounts of the various mechanisms apparently built into the structure of modern organisations which persistently undermine lines of accountability and responsibility, and thus effectively create ethical 'no man's lands'. Thompson (2005:11), for example, speaks of the 'problem



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of many hands' characterising all human action arising from the complex and differentiation interaction of any number of individuals, that is, all organised action. He defines the problem as follows: 'Because many different officials contribute in many ways to decisions and policies of government, it is difficult even in principle to identify who is morally responsible for political outcomes'. This in turn connected with the question of the unintended consequences of human action, the ways in which outcomes of collective action generally have weak relationship to the intentions and goals of the individuals participating in it. Bovens (1998) has also complemented Jackall's study with an analysis of how responsibility and accountability work in complex organisations, and in particular all the mechanisms which undermine their effective operation. His account includes an examination of Thompson's (2005:11) 'problem of many hands', or the paradox of collective responsibility, the difference between passive and active responsibility, the limited rationality of complex organisations, the lack of external insight, the ways in which the ethical orientations of individuals operating within organisational settings tend to get undermined and weakened by the combination of instrumental rationality and the 'collectivisation' of action in organisational life. Bovens (1998:113-24) identifies the ten most frequently used explanations people give for their participation in organisational action which they agree breaches their ethical principles:

- (1) I was just a small cog in a big machine;
- (2) Older people did much more than I did;
- (3) If I had not done it, someone else would;
- (4) Even without my contribution it would have happened;
- (5) Without my contribution, it would have been even worse;
- (6) I had nothing to do with it;
- (7) I wash my hands of the whole business;
- (8) I knew nothing of it;
- (9) I only did what I was told to do;
- (10) I had no choice.

These kinds of analyses converge on a concern to address the ethics of compliance for corporate governance at a structural level, at the level of the design of the frameworks of action within organisations. As Thompson (2005:4) puts it, 'we should stop thinking about ethics so much in terms of individual vices ( bribery, extortion, greed, personal gain, sexual misconduct) and start thinking about it more in terms of institutional vices (abuse of power, improper disclosure, excessive secrecy, lack of accountability)'. Bovens (1998) then goes on to identify a number of ways in which the issue can be dealt with in terms of institutional design, such as pursuing greater clarity in the lines of responsibility, the notion of 'sluices' in the chain of responsibility and accountability rather than chains, 'the buck stops here', attaching individual names to actions, the extension of personal responsibility within organisations, for example, requiring individuals to accept full legal liability for their actions, and the creation of more space for active individual responsibility. However, they all work with a 'thin' conception of human psychology and moral formation, and there are also other observations to be made from the standpoint of a 'thick' conception which pays more attention to the information of psychological dispositions outside organisational life itself.

### **Process of civilisation and managerial habitus**

Questions of institutional design, significant as they are, do not entirely exhaust the effective understanding of the moral dimensions of organisational and managerial action. It may be true that instrumental legal rationality on its own can generate action that will later or from other quarters be morally condemned, but much of it does not,

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and we need to look further a field to explain the difference. Networks of social relations and their accompanying 'deep structures' of organisational action also have histories extending beyond organisational life itself which require examination and understanding. Both the current operation and the historical development of organisational forms can only be properly understood alongside the operation and historical development of more general social modes of constitution human subjectivity, their embeddedness in social relations in the sphere of society and culture. Subjectivity is a crucial medium for the establishment of 'institutional isomorphism' across organisations and for the 'deep structure' of the tacit rules governing organisational action. This is particularly significant in a world 'characterised by increasingly dense, extended, rapidly changing patterns of reciprocal frequent, but ephemeral, interactions across all types of pre-established boundaries, intra and inter organisational, intra and intersectoral, intra and international ( Scharpf 1993:141).

Weber's analysis of bureaucracy, in other words, needs to be read alongside his account of the Protestant ethic (Weber 1930), in which it becomes clear that the production of a disciplined psychological disposition suited to the routines and procedures of organisational life was both *preceded* and *accompanied* methodical, calculative organisation of conduct. Capitalist work organisations found at least some workers already possessed of an 'adequate lifestyle' through which it 'gained massive control over life in the manner that it has' (Weber 1978:1119), so the Protestant asceticism unintentionally prepared the foundations for the development of organisational discipline (van Krieken 1989). The psychological dispositions on

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which organisational life depends, including its ethical orientations, thus has been and continues to be formed as much organisations as within them (van Krieken 1996).

One particularly useful account of the construction of human identity and subjective experience beyond the organisation, particularly the changing standards to which it is subjected, has been Elias (2000) analysis of what he called 'processes of civilisation'. Although the concept of civilisation is often used to capture the self-understanding of the West as superior to the rest of the world, for Elias (2000) it meant something much more specific connected with the particular form taken by social relations at certain times and in certain contexts. Elias (2000:367) argued '--- the web of actions must be organised more and more strictly and accurately, if each individual action is to fulfill its social function. Individuals are compelled to regulate their conduct in an increasingly differentiated, more even and more stable manner—the more complex and stable control of conduct is increasingly instilled in the individual from his or her earliest years as an automatism, a self-compulsion that he or she cannot resist even if he or she consciously wishes to'.

It is the foresight required by this increasing interdependency which in turn makes it necessary for every individual to develop increasing constraint of their drives, impulses and affect, and constituted much of the foundation of behavioural adherence to norms of civility, what would be referred to in psychoanalytic terms as the superego. Increasing social interdependence thus produces a development from external to internal constraint, or a 'social constraint towards self-restraint' which becomes part of human personality structure: 'The web of actions grows so complex

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and extensive, the effort required to behave “correctly” within it becomes so great, that beside the individual’s conscious self-control, an automatic, blindly functioning apparatus of self-control is firmly established’ (Elias 2000: 367-8). For Elias the question of why people’s behaviour, ethical norms and emotional dispositions change ‘is really the same as the question of why their forms of living change’. (Elias 2000:172).

Elias ( 2000:172) was thus on the broadest possible range of networks of interdependent, interweaving plans and actions, the notion of a patterned ‘fabric’ of social relationships from which arises ;an order *sui generis* , an order more compelling and stronger than the will and reason of the individual people composing it’ ( Elias 2000:366). The civilising process is no simply a process of rationalisation; its production of a disciplined personality structure cannot be linked of a particular structuring of organisations. Civilisation, said Elias, (2000:367) “is not “reasonable”; not “rational”, any more than it is “irrational””. It is set in motion blindly, and kept in motion by the autonomous dynamics of a web of relationships, by specific changes in the way people are bound to live together’ (Elias 2000:367). One of the earliest commentators on the ways in which Elias’s work can be applied in organisational analysis.van Doorn (1956), argued that Elias’s conception of the civilising process laid the foundation for our concept of social controllability,also organisationability, of the modern person’ (van Doorn 1956:200). He suggested that there was a dialectical relationship between the psychological and ethical worlds inside and outside the organisation, so that the production of self-disciplined subjectivity both within and outside organisations enabled new, more flexible forms of organisational discipline.

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The modern organisation thus constituted a formalisation of existing relationships, a process which seemed less enforced than before, because the enforcements, intended and unintended, had already succeeded in the previous generations and in the early life-phases of the individual (van Doorn 1956:202).

However, there is not a bright line between the processes of civilisation and conformity to particular ethical principles. *First* of all, self-constraint and a disciplined personality is not the same thing as conformity to any particular ethical principles. Indeed organisational life described by Jackall (1988) constitutes exactly the same kind of evolving framework for what Elias (1996, 2000) called the civilising process in his analysis of court society. The crucial determinant of the civilising process is the increasing coordination of human action within an ever-widening network of interaction, and the ‘compulsion’ driving within an ever-widening network of interaction, and the ‘compulsion’ driving people to regulate their conduct is a *strategic* one related to the potential advantages of doing, not a *normative* one. Elias emphasised that changing patterns of requirements imposed on individuals did not act directly on them, but indirectly, mediated by their own reflection on the consequences of differing patterns of behaviour. ‘The actual compulsion’, suggested Elias (2000:372-3) ‘is one that individual exerts on himself or herself either as a result of his knowledge of the possible consequences of his or her moves in the game in intertwining activities, or as result of corresponding gestures of adults which have helped to pattern his or her own behaviour as a child’. The important question then becomes the *relationship* between such attunement of individual conduct to a wider

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network within particular individuals' settings on the one hand, and in relation to broader social contexts on the other, the 'bracketing' phenomenon that Jackall (1988) spoke of.

*Second*, Elias in his later work (1996) paid more attention to the question of contradictions within processes of civilisation as well as what he called processes of 'decivilisation' which may develop simultaneously. He proposed that the example of the Nazi regime showed 'not only that processes of growth and decay can go hand in hand but that the latter can also predominate relative to the former' (Elias 1996:308), and also suggested that the monopolisation of physical force by the state, through the military and the police should be seen as having a Janus-faced character (Elias 1996:175), because such monopolies of force can then be all the more effectively wielded by powerful groups within any given nation-state. Elias (1986:235) also argued at another point for reversibility of social processes, and suggested 'shifts in one direction can make room for shifts in the opposite direction', so that 'a dominant process directed at greater integration could go hand in hand with partial disintegration'. In a discussion of the idea of social norms itself, he argued that the integrative effect of norms is often emphasised at the expense of their 'dividing and excluding character'. Elias (1986: 235) argued instead that social norms should be seen as having an 'inherently double-edged character', since in the very process of binding some people together, they turn those people against others.

*Third*, the workings of the civilisation of conduct are complex, and can produce outcomes which will seem counter-intuitive if we see 'civilisation' as homogenous

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and unitary. As social restraint becomes increasingly 'second nature' to individuals, overt social rules and sanctions become less significant and we can observe a more relaxed and informal attitude to manners and etiquette. Elias referred (2000) referred To a general relaxation of social norms in the period after the First World War, and argued that this should be seen as 'a relaxation which remains within the framework of a particular "civilised" standard of behaviour involving a very high degree of automatic constraint and affecting transformation, conditioned to become a habit' (Elias 2000:157). Elias saw this as a process of 'informalisation' which was part of the civilising processes. Elias (1996) argued that a less authoritarian system of sexual norms actually increases the demands made on each individual to regulate their own behaviour, or suffer the consequences. In relation to intimate relationships, he said that:

*The main burden of shaping life together-now lies on the shoulders of the individuals concerned. Thus informalisation brings with it stronger demands on apparatuses of self-constraint, and, at the same time, frequent experimentation and structural insecurity; one cannot really follow existing models, one has to work out for oneself a dating strategy as well as a strategy for living together through a variety of ongoing experiments. (Elias 1996:37).*

Elias (1996, 2000) said of the more informal relations between superiors and subordinates in organisational life, which also requires a greater degree of self-restraint in the absence of formal, explicit rules and formulae governing everyday conduct.



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As power relations change and the rules of human interaction become less formalised and routinised, and more flexible, we are all compelled to develop a more-reflexive and sophisticated apparatus of self-regulation to be able to negotiate such an ever-changing and contingent network of social relationships. Wouters (1999:423) sums up the overline of development as follows:

*People have increasingly pressured each other into more reflexive and flexible relationships, and at the same time towards a more reflexive and flexible self-regulation. The status, respect and self-respect of all citizens became less directly dependent upon internalised social controls of a fixed kind, on authoritative conscience and more directly dependent upon their reflexive and calculating abilities, and therefore upon a particular pattern of self-control in which the more or less automatic and unthinking acceptance of the dictates of psychic authority or conscience has also decreased.*

What might be seen as an increase in individual 'freedom' is part and parcel of an increased demand for self-compulsion and self-management, but then also a changed structuring of ethical disposition as well. Elias (1996, 2000) had used the concept of a 'second nature' to capture the ways in which adherence to behavioural standards become an automatic part of one's personality or *habitus*, and Wouters (1999) suggests the notion of a 'third nature' to capture the reflexive moral self, in which self-regulation is much less automatic, and more accessible to reflexive, flexible strategic management to suit ever-changing fields of social possibilities and expectations. In a sense this analysis parallels those of Beck, Giddens and Lash

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(1994) concerning 'reflexive' or 'second' modernity, in which adherence to established norms or ethical principles gives way increasingly to a 'reflexive project' of the self-which 'has no morality other than authenticity' (Giddens 1992:198). The process that Wouters (1999) refers to as the emergence of a 'third nature', Beack and Beck-Gernsheim frame as a process of individualisation, a core aspect of which is that 'more people than ever before are being forced to piece together their own biographies and fit in the components as best they can---the normal history is giving way to the do-it-yourself life history (Beck and Beck-Gernsheim 2002: 88).

### **Non-Compliance of Managerial Principles**

Lee (2006, p.11) cites Mr Cole who in his report said 'at AWB the board and the management failed to create, instil or maintain a culture of ethical dealing. Lee (2006, p.11) cites Mr Cole who said 'the failure of an appropriate culture at the wheat exporter meant that "no one asked 'What is the right thing to do?'" Rather, the approach taken by the company and not repudiated by the board was to seek scrutiny to maintain trade'.

Lee (2006, p.11) goes on to cite Mr Cole who says "legislation cannot destroy such a culture or create a satisfactory one. That is the task of boards and management".

Lee (2006, p.11) mentions that 'Mr Cole's assessment could raise questions about the fitness of AWB directors to carry out their fiduciary duties as board members, which would be a concern for the other boards on which some directors sit. Mr Cole's damning comments also point to a shortcoming on the oversight committees, such as

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audit and risk, which are supposed to bolster corporate governance procedures within the company. Not only did AWB's board not foster culture of disclosure, it did not itself act to give full co-operation to the Cole inquiry, launching an expensive Federal Court case in May to keep from the inquiry more than 900 documents'.

Kerin (2006, p.10) cites Cole who says on the role of the Department of Foreign Affairs 'it could have acted more decisively despite not having despite not having any specific investigatory powers to "threaten" AWB's livelihood in response to its failure to provide information on allegations it was paying kickbacks. If it was not forthcoming it would be open to the Minister (on the advice of DFAT) to revoke an existing permission (to export). This was a potentially powerful threat that could have been effectively used by DFAT in order to investigate allegations had its suspicions been aroused that AWB was acting in breach of UN sanctions. AWB had never told it of these matters and there was no evidence its officials had obtained it from any other source.

Kerin (2006, p.10) goes on to say that Mr Cole was critical of a lack of procedures within DFAT to enforce UN sanctions and also suggested its efforts to investigate the allegations against AWB were at times "inadequate". "In responding to allegations it received (about AWB) DFAT did not consider itself to be an investigatory agency or that its role encompassed alleged breaches of the sanctions".

Kerin (2006, p.10) goes on to say 'almost 30 former and current DFAT officers testified, maintained largely that the UN had the prime responsibility for vetting the

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contracts under the oil-for-food program and that DFAT was “rubber stamp” or little more than a post box. The government received no fewer than 25 warnings that suggested AWB was paying kickbacks, but the commissioner found AWB frustrated the department at almost every turn. In dealing with the so called “Canadian complaint” where the UN claimed it first warned Australia about AWB paying trucking fees in defiance of the sanctions regime as early as January 2000, Mr Cole said he preferred the Department of Foreign Affairs version of events’.

Evans (2006, p.63) mentions that ‘besieged retailer Coles Myer has been rocked by the dismissal of one of its top supermarket executives for a breach of the company’s code of conduct. Peter Scott was given his marching orders on Friday (17th Nov 06) after an internal investigation’

The answer is a closed culture of superiority and impregnability, of dominance and self –importance. Legislation cannot destroy such a culture or create a satisfactory one. That is the task of the boards and the management of companies. The starting point is an ethical base. At AWB the board and management failed to create, instil or maintain a culture of ethical dealing.

Oil-for-food inquiry commissioner Terence Cole said it was not his role to comment on AWB’s wheat export monopoly, then he stuck the knife in, and twisted it. Good for Mr Cole. Debate will rage over whether he was right to exonerate government ministers and officials from any responsibility for detecting, inquiring into and arresting AWB’s payment of bribes to the Iraqi regime of Saddam Hussein and

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dishonest recoupment of these bribes from the United Nations oil-for-food program.

At the very least they seem to have got off lightly for an episode of remarkable indifference to the wheat sales scandal. Former AWB chief executive Andrew Lindberg might also buy himself a lottery ticket.

But Mr Cole makes clear his suspicion that AWB's "whatever it takes" determination to preserve the lucrative Iraqi wheat trade and lack of ethical culture of asking whether the proposed conduct "was the right thing to do" has its origins at least in part in the monopoly. "A government grant, by legislation, of a monopoly power confers on the recipient a great privilege. It carries with it a commensurate obligation---to conduct itself in accordance with high ethical standards".

That AWB not only failed to act ethically but set out deliberately to mislead the government and the United Nations as to the true nature of the "land transport fees" totalling \$290 million paid to a Jordanian front company is now a matter of public notoriety and, after Mr Cole's report was tabled, undisputed public record. The scandal has cast a dark shadow over Australia's reputation as an honest international trader, impaired the wheat export trade destroyed the reputation of AWB, its former chairman Trevor Flugge and a string of officials, and raised a question over the competence of Wheat Export Authority and the Department of Foreign Affairs and Trade.

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### **Recommendations**

*First*, part of the difficulty in grasping hold, both conceptually and practically, of the conflict between broader ethical principles and actual managerial behaviour is the very inaccessibility of the 'ethical form' of management conduct. The fact that its normative dimensions are assessed primarily with reference to ideal standards of behaviour, rather than in its own terms, makes it a 'dirty secret' which is then even less accessible to coordination with the ethical standards which other parts of society may want to at least argue should play a prominent role in organisational life.

Concepts like 'corruption' thus have a number of drawbacks, constituting the action in question simply as 'immoral', at the expense of grasping the particular ethical dimensions of that action.

*Second*, related to this, rather than presuming a single, relatively homogenous of norms and values, from which the instrumental rationality of organisational, especially corporate, life diverges, it is important to see the ethical dimensions of management behaviour as placed within a complex *field* of differing ethical orientations: management, shareholders/market, employers, civil society, public administration, the state. In addition, in many ways these differing ethical orientations are radically distinct from each other, constituting relatively autonomous, self-referential ethical sub-systems with no necessary consistency between them. This is especially true of the distinction between the *ethics of pragmatism, outcomes and obedience to authority* and the *ethics of values*, in which the latter are 'bracketed' off from the former, and it is this distinction that much discussion of management ethics is essentially about.

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*Third*, this in turn has two analytic consequences: it makes it necessary both to grasp how distinct the different ethical orientations in organisations and society can be, but also how they interrelate. When Jackall's former Vice-President says 'What is right in the corporation is not right what is right in the person's home or in his/her church' (Jackall 1988:6), this raises two problems: how to recognise the various ways in which this ethical distinction works, and how to grasp the relations between the two sorts of 'what is right', how the tension between the two plays itself out, how it has changed over time, and what its constituent foundations are.

### **Conclusion**

The paper has discussed the importance of attending *both* to legal and institutional design *and* socially constituted *habitus*, *as well as* the complex ways they interweave to generate the managerial conduct in evidence today. 'What is right in the corporation' comment does not in fact capture all we need to know about the relationship between what is right in the home and what is right in the corporation. One of the important implications of accounts of the production of a 'third nature' and the changing dynamics of processes of individualisation, is that the strategic, instrumental orientation which appears to characterise much of organisational life may not in fact be that distant from everyday ethical dispositions in social life beyond the organisation. It may be that it is the very calculative and flexible self-controls demanded by contemporary social relations which generate a similarly calculative and flexible normative orientation within organisational settings

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