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Ethics at Work

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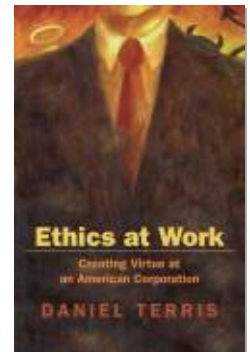
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Success and Scandal

LOCKHEED MARTIN CORPORATION is the size of a small city, but its reach is global. Its 130,000 employees work in nearly 1000 facilities scattered around forty-five states and dozens of foreign countries. Each year in the twenty-first century, the corporation has sold more than \$25 billion worth of airplanes, missiles, detection systems, information platforms, launchers, surveillance devices, and a host of services to support and maintain all of this equipment. During the 2003 Iraq War, 426 Lockheed Martin airplanes flew thousands of sorties, four different Lockheed Martin “smart weapons” were among the 20,000 guided missiles launched during combat operations, and these were just the beginning of the corporation’s equipment and services put to use during the conflict. In early 2004, in the wake of the September 11, 2001, terrorist attacks and the Iraq War, the corporation had a backlog of more than \$70 billion of equipment and services on order, the vast majority of it for the Department of Defense and other agencies of the U.S. government. Although a single corporate entity (LMT on the New York Stock Exchange), Lockheed Martin consists of more than two dozen “heritage companies”: units, divisions, and even whole corporations that have become part of the Lockheed Martin family through merger and acquisition. It is a hulk of a company, spread liberally across the landscape, a producer of some of the world’s most sophisticated, deadly, and speedy technology.

Yet as large as its shadow looms today, the corporation’s self-image is of a much nimbler creature. The Lockheed name is associated with the first unlikely human experiments with flight in the first years of the twentieth century. Nearly a century later, the corporation still likes to think of itself as a pioneer at the cutting edge of human knowledge and exploration, a risk taker, an adventurer, a hothouse of innovation and independent thinking. A devil-may-care spirit lives, of course, in tension

with the demands and bureaucracy of a Fortune 100 company, a tension that has profound implications for the nature of the company culture.

The scandals that led, eventually, to the development of Lockheed's ethics program began to take shape during the period when the company was making its transition from one of dozens of scrappy builders of airplanes into a bulwark of the U.S. defense establishment. The productiveness of the company's engineering culture depended on a hard-driving spirit of experimentation, a willingness to live outside the boundaries of the conventional, and a confidence in eventual success even in the face of initial evidence to the contrary. That spirit of pluck—some might call it hubris—made Lockheed a success where most others failed. It also helped to create a zealousness about the company's cause that made it easy to put the company's best interests before fussy standards of business conduct. Lockheed grew too important—and too self-important—to fail.

Taking Flight

Before the “merger of equals” with Martin Marietta, before the acquisition of the mile-long hangar in Fort Worth where General Dynamics built the F-16 fighter planes, before biting off pieces of Loral and IBM and General Electric, even before the space and missile divisions, there was the Loughhead Aircraft Manufacturing Company, established in a small warehouse in Santa Barbara, California. The company was founded by two brothers, Allan and Malcolm Loughhead, who were among the legions of young American men tinkering with the mechanics of speed and flight. Born to a hardy mother who had survived the departure of the boys' father by working as a journalist and a miner, the Loughhead brothers grew up and made their way in California working on and selling bicycles, automobiles, and anything else that moved. Flying was a natural extension of their mechanical gifts; the brothers built their first airplane in 1913 and coaxed it into the air over San Francisco Bay on a sunny June day, where it circled over Alcatraz and Sausalito at a top speed of 63 miles an hour before returning safely to land.¹

The fledgling company's fortunes ebbed and flowed over the next two decades, as it took different shapes and tried to establish its niche in an emerging industry. The Loughhead brothers virtually handcrafted their

first wooden planes in southern California, making their first sales to wealthy hobbyists, and, ironically, developing a model suitable for military use too late for deployment in World War I. Malcolm Loughead, discouraged by the company's prospects, left to pursue a plan to develop four-wheel hydraulic brakes for automobiles, so Allan Loughead persisted alone. The original company failed in the mid-1920s, but Allan found enough new investors to begin again. The new venture needed a new name, and since investors and customers alike had stumbled on the pronunciation of the original, the entity born in 1926 was christened the Lockheed Aircraft Company, with headquarters in what was then the sleepy Los Angeles suburb of Burbank.

The new company quickly developed its first major success—an aircraft that established the Lockheed name as a leader in the field, and brought fame and glamour—if not exactly fortune—to its founder. The plane was called the Vega, a four-passenger wooden monoplane. It was a Lockheed Vega that made the first nonstop transcontinental flight across the United States in 1928 (it took nineteen hours). A Vega made the first exploratory flight over the Antarctic, and set speed records for flights across the country and around the world. Amelia Earhart flew a Vega from Honolulu to Oakland, and Wiley Post's Vega set an unofficial altitude record of 55,000 feet. It was also in a Vega that Earhart plunged into the Pacific and Post crashed in the wilds of Alaska, taking humorist Will Rogers down with him.

Lockheed made headlines with the Vega, but then, as now, success made the company vulnerable to takeover. Having grown up as the extension of one engineer's ebullient personality, the company was acquired in 1929 by a new and faceless entity, the Detroit Aircraft Corporation, which aspired to be a General Motors of the air. Allan Lockheed was roughly pushed aside; the company he had founded was now no more than a profitable division of a conglomerate. The division continued to turn out successful products in its Burbank warehouse, but the spirit of innovation and adventure was distinctly under siege.

As it turned out, the Great Depression liberated Lockheed, and gave birth to the company in its modern, dynamic form. The Detroit Aircraft Corporation's vision of industry dominance plummeted along with the stock market; in the midst of the company's woes, the Lockheed division came up for sale. In 1932, it was purchased for \$40,000 by a young busi-

nessman from Newton, Massachusetts, named Robert Ellsworth Gross. Gross was neither an engineer nor a pilot, but he had an instinct for the market. For the next three decades, he presided over the reborn Lockheed Aircraft Company and made it a leader of the industry.

In the 1910s, the Loughead brothers had built their first model planes with the assistance of a few engineers and a few dozen mechanics. When Robert Gross officially became chairman of the new Lockheed in 1934, the company had 300 employees. By 1938, when the company had developed its successful 10-seat Electra model, there were nearly 3,000 employees scurrying around the Burbank operation. That tenfold growth was only the beginning, for the Lockheed Aircraft Company became one of the prime beneficiaries of the second world war. In the late 1930s, the company became for the first time a serious provider of military aircraft. It developed the P-38 (Lightning), a twin-engine, twin-boom metal plane that the company first sold to Britain's Royal Air Force, which then became a mainstay of the full Allied war effort. By 1940, even before the United States had entered the war, there were 17,000 employees in Burbank. By 1943, when production reached its zenith, the company had swollen to 91,000 employees; production was so intensive and space so cramped that the manufacturing operations spilled outside the hangars, and planes in various stages of completion dotted the landscape. In 1944, Lockheed delivered more than 4,000 planes for use in the European and Asian theaters.

The war effort spurred production, and it also demanded innovation. It was not enough to build planes to transport personnel or to drop bombs; the U.S. Army Air Corps needed a jet fighter that could outfly and outperform the enemy aircraft. Responding to the need, Robert Gross set up a quasi-independent, top-secret research outfit in one corner of the Burbank operation. He gave control of the operation to a brilliant young University of Michigan graduate named Clarence Johnson, a man whom everyone knew as "Kelly." Kelly Johnson gathered around him the best and the brightest of Lockheed's engineering corps, and he turned them loose in a generative environment that was a peculiar combination of freewheeling experimentation and obsessive secrecy. In the absurdly short period of eight months, Johnson's team produced the XP-80, the Shooting Star, the first American jet fighter.

Johnson's operation was officially called the Lockheed Advanced Research and Development Program, but the bureaucratic name was a mis-

match for the self-image of the team. The engineers thought of themselves as living on the edge, pushing the boundaries of traditional ideas, operating in an atmosphere of raffish rebelliousness, outside the public eye and even beyond the limits of discussion with family and friends. They adopted as the informal symbol of their unit the secret distillery in the woods made famous in Al Capp's popular "Li'l Abner." The cutting edge of Lockheed's aeronautics operation became known as the "Skunk Works."

The Skunk Works became the living symbol of Lockheed's quest for technological superiority. In the postwar years, the outfit developed a series of aircraft that made profits and headlines, most dramatically when the operation produced the U-2 spy plane, which (for a time) allowed low-risk, high-altitude flights to survey the military capacity of the Soviet Union. Equally notorious was Johnson's hard-driving, take-no-prisoners style, which earned him the fanatical loyalty of top engineers, but which also alienated some key constituencies, especially among Lockheed's customers in the U.S. Air Force and elsewhere. Zealous righteousness and intellectual arrogance produced results for the Skunk Works and for Lockheed; these traits also became badges of pride in a company that was now asserting its place as an essential defender of the American way and global freedom.

Lockheed had scaled down its capacity once the demand of the war years was past. By 1946 its employment level was at the prewar figure of 17,000. But its war success had put the company into position to become a major player in the military buildup of the Cold War era. Under the continuing leadership of Robert Gross and his brother Courtland, Lockheed expanded not only its operations but also its mission in the 1950s and 1960s. Outgrowing the capacity of its Burbank headquarters, Lockheed opened a second facility for manufacturing aircraft in Marietta, Georgia, in 1951. In Marietta, Lockheed began building the C-130 cargo jet, the Hercules, one of the all-time aeronautics best-sellers, still very much in use and in production (in advanced forms) in the early years of the twenty-first century. The Lockheed Missiles and Space company opened its doors in Sunnyvale, California, the same year, building on the Skunk Works model to create an array of top-secret weapons products. Profits in the space and missile division would remain steady even when other parts of the corporation were floundering.

Bigger companies and bigger projects brought higher stakes, and Lockheed found itself locked in fierce competition with other new giants: Boeing, Northrop, MacDonnell, and a host of other pretenders that had committed themselves to vast operations requiring a constant infusion of new contracts to stay afloat. The prodigious cost of the research and development operations made failure unusually destructive. Moreover, the increasing dependence on business from the United States and other governments made the company subject to—and sometimes a shaper of—the vagaries of domestic and international politics.

Growth created huge opportunities for Lockheed, but also made the corporation vulnerable. Even after the temporary wartime employees went home, the corporation had a larger base of operations to maintain, and an imperative for expansion on a new scale. Its chief executive officer (CEO) was now a national figure, gracing the cover of *Time* in 1946, and beginning to serve as the personification of Lockheed's identity. A larger corporate entity created competition for resources and attention within the organization, making it tempting for executives and managers to seek an edge in business practice. A growing employee base meant more opportunities for labor problems, as the post-war boom raised worker expectations. Success made the corporation more accountable to an expanded sense of business ethics that was beginning to take hold. The combination of brashness and bigness made Lockheed a major player in American business, but it also brought the company to the brink of self-destruction.

The Grease Machine

Flying under the flag of the United Nations, American pilots dominated the skies during the Korean War at the beginning of the 1950s. But when Kelly Johnson traveled to Korea to talk with pilots about the performance of their fighter jets, he found a sea of discontent. The U.S. pilots told him that their skills were better than their Communist counterparts, but that the North Koreans were flying a better airplane, the Soviet-made MiG-15. Johnson came back home with a message for Lockheed and the Defense Department: Build us a faster, lighter, more maneuverable aircraft.

So Johnson's team got to work, and Lockheed produced a new jet fighter with exactly these characteristics. The company invested huge

resources of time and money into a prototype that promised to be the follow-up to the XP-80, which had been produced so rapidly during World War II. The F-104, the Starfighter, made its debut in February 1954, but there were difficulties from the start. Johnson's design was ingenious, but it cut corners on nearly every element of the aircraft in order to maximize quickness. The design could only support a light and inadequate radar sight system; complex electronics were necessary to keep the aircraft stable, and, since pressurizing equipment had been jettisoned in order to save on weight, pilots had to wear uncomfortable space suits. A series of technical problems besieged the first test flights of the Starfighter; it took four years for the plane to come officially into service, and even then, the aircraft was almost immediately grounded for three months in order to fit a new engine.

Furthermore, it responded to a set of circumstances—those of the Korean War—that were already fading into the mists of time. By the mid-1950s, the U.S. Air Force was preoccupied with acquiring all-purpose aircraft that could take full advantage of advances in radar and other forms of technology to carry out a variety of different missions. The Starfighter was extraordinarily fast—it set a number of speed records over 1,000 miles per hour—but it was far from versatile. Lockheed had hoped to sell 2,500 Starfighters; the U.S. Air Force initially bought only 170.

Eager to recoup its investment and preserve jobs and profits, Lockheed turned to new markets. Its engineers frantically redesigned the Starfighter to enable it to carry the up-to-date equipment, and its salesmen began offering the plane wherever they could: on the overseas market. All around the world, countries were looking to replace their aging World War II aircraft. These nations included not only America's allies, but also its former adversaries: Japan and Germany, despite restrictions on their military, were in the market for planes that could be part of their new defensive strategy. The problem for Lockheed's salesmen was that the plane they had to offer was neither an elegant jet fighter nor a versatile showcase of new military technology, but rather an awkward combination of both.

Since they had difficulty persuading governments to place orders for the F-104 strictly on its merits, Lockheed's overseas executives turned to "unorthodox" sales methods. In countries around the world, they found willing partners, middlemen with access to the highest reaches of govern-

ment, who were able to sway decisions for a price, and with access to a pool of funds that would not be tracked too closely. In the Netherlands, Lockheed acquired the friendship and the services of Prince Bernhard, who had married into the Dutch royal family, and who accepted payments through a variety of middlemen. In Japan, the company worked with a secret agent named Yoshio Kadama, a hard-line nationalist and underworld figure who 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 Illwind 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 spin-offs 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 home-

spun 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, cyni-

cism, 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. Every place 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 began¹⁴ “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 exceed-

ingly 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."