
Conflict and Corporate Fraud

By Lynne Eisaguirre

Congress is busy passing new laws in response to the latest news about corporate misdeeds. Is this really the best solution to the problem of corporate fraud?

I would suggest the answer is no. There will never be enough laws or enforcement money to prevent all of these kinds of corporate malfeasance. Instead, we should encourage – indeed insist – that corporations incubate and encourage everyone in the organization to speak up when they witness corporate fraud. The reality is that with every one of our recent corporate scandals, someone inside knew what the company was doing was wrong, and yet their opinions were squelched.

The idea of encouraging whistle blowers is enough to make most corporate executives shake in his or her boots, but anyone who did would take a giant step forward in encouraging the public's confidence in the stock market and corporate America – trust that's essential for our economy to recover and thrive. Any organization that does welcome diverse opinions would reap other benefits as well.

Learning to Value the Confrontable Organization

It may be helpful to you and others in your organization as you do the hard work of learning to welcome a different opinion if you understand just how critical this essential skill is for the future of your organization. Sally Helgesen, author of *The Web of Inclusion: A New Architecture for Building Great Organizations*, found in her study that the ability to create open communication where people felt

comfortable giving and receiving feedback at all levels of the organization was one of the key predictors of organizational success.

One of my clients, Jane started her own successful telecommunications company based on this very premise. A long distance service “reseller,” Jane’s company was one of a score of such companies that made their business on the idea of buying long distance services from the larger telecommunications companies, bundling them in unique ways, and reselling them to individuals. Both Jane and her staff came from various members of the old Bell system.

Accustomed to large, hierarchical organizations, Jane and her staff wanted a change. “We wanted to look like the telecommunications network we were selling. We devised a complex web – like a matrix, really – of interlocking people and departments. We wanted everyone to have access to anyone they needed in the organization. We wanted everyone’s thoughts and ideas so we wound up with the best solutions to our problems.

One of Jane’s first problems was how to design the offices. Breaking with years of Bell tradition, she put her own office out in the open with the other staffers. She toiled at a desk, no walls or even a cube to separate her from her employees. Anyone could talk to her at any time about any concerns. Jane had no secretary and no set schedule. Although this sometimes resulted in a line surrounding her desk, she welcomed the open atmosphere the design created.

“Spontaneous meetings erupted around my desk,” Jane told me. “We finally put a couch next to it so people could participate without fainting from fatigue.” The informal system had another benefit: Rumors were nipped in the bud because anyone who wanted to participate in the initial discussion could. There were no secret meetings behind closed doors. Jane’s power as a leader came from the

extraordinary openness she was able to demonstrate. Creative solutions flowed out of the chaos surrounding Jane's desk.

Jane also instituted an electronic bulletin board where anyone could post questions about what the company was doing and why. No queries were off-limits. Postings ranged from, "Why don't we have a better brand of coffee?" to "Why is our stock down this morning?" Jane or one of her assistants answered these queries within 48 hours or let the questioner know when the information would be available.

Perhaps most important, Jane shaped her successful company by listening and asking the right questions. When anyone would come to her with an issue, her response was always, "What do you think we should do?" or "What are your team's ideas for solving that problem?" No one doubted that Jane was anxious to seek out their opinion or to be confronted about any issue.

In part, because of the depth of inclusion and confrontability Jane was able to create; her company survived the recent telecommunications shakedown that plunged many other companies into bankruptcy. When the market tightened, Jane simply solicited the best ideas of all of her employees. Instead of the layoffs other companies had to stomach, Jane asked her people what they should do. When someone suggested offering voluntary three-month sabbaticals to those who wanted them, Jane agreed. Around 15 percent of her employees took advantage of her offer over the next two years – enough to get the company over their financial hump.

Similarly, Southwest Airlines has always created an inclusive culture where everyone from a vice president to a baggage handler knew they could offer suggestions and feedback. Everyone refers to Herb Kelleher as "Herb," and he seems to know all the employees by their first names. Once, after I gave a speech

to their executives, I attempted to walk across the crowded hall with Herb to the buffet table. He stopped so often to ask how someone's divorce was going or to inquire about a new baby that I gave up in starvation and fetched lunch by myself. The new head of Southwest, Coleen Barrett, is well known for her encyclopedic knowledge of employee birthdays, anniversaries, and work preferences.

When new employees start at Southwest, they are given a list of 100 questions to answer about the company. Everyone's door – right up to Herb's – is open to these questioners. From an employee's first moment at Southwest, they know they can approach anyone with questions or concerns.

What is the benefit of such extraordinary access? When other airlines were forced to lay off employees after the September 11 attacks on the World Trade Center and the Pentagon, Southwest instead assured employees that they would stand firm and asked employees to suggest any cost-saving ideas they may have. The strategy worked and Southwest flew through the storm.

Another one of my clients, a manufacturing company, has always avoided unions in an industry that's largely unionized. How do they manage this feat, I once asked the vice president of employee relations? "If you don't want a union," he responded, "act as if you already have one."

Indeed, the company recently fought off an attempted organizing effort by stepping up its normally frantic schedule of town meetings, management/labor baseball games, and CEO informal lunches with employees – all emphasizing access, access, access. The would-be union lost again, gaining only 10 percent of the worker's votes. In addition, profits were up for the third year in a row, running against the industry norm.

Likewise, a large school district in our state was fraught with dissension from teacher unrest, parent unhappiness, and student agitation. When the new

superintendent took over, she announced that she was delegating most of her day-to-day duties to one of her deputies. Instead, she would spend her first year “listening and learning.” She got an earful.

Teachers want more pay and more support. Students wanted open campuses and smoking lounges. Parents wanted higher education standards. Voters wanted better administration accountability. The superintendent realized that there was only one way to achieve everyone’s objectives – a new bond issue to raise money. The only problem? The past three bonds issued had failed miserably.

Continuing to listen to the suggestions from the various stakeholders, she told the voters that she had adopted one citizen’s groups’ gusty idea: The district would receive new money from voters only if they managed to achieve specific educational objectives. No gains, no money. The bond issue passed.

Creating a confrontable organization doesn’t happen overnight, and the process can challenge some of our most cherished assumptions about the way things should be. Yet as these examples illustrate, welcoming a different opinion can lead to good fights as well as increased success.