Swindler's List

Michael Cafferky *describes in full detail the swindles by major corporations in recent years, implicating top level executives as well as managers. He then shows that the Bible encourages faithfulness and human flourishing to counter such evils, and concludes by suggesting that Christians in such corporations have a mission to proclaim the character of Christ.*

General Motors and Volkswagen, two world-renowned automakers, have recently featured in the news for swindling the public, customers and government oversight officials. Because of their actions people die in crashes; and the environment dies a little more each day from unexpected, unwanted pollution. Listing these two global companies demonstrates the relevance and importance of the biblical perspective on business ethics.

To this list we might add other news stories about companies who have been cheating. And to that list, if we had the information, we might be able to add the names of other companies who are swindling customers, suppliers, employees, strategic business partners or government oversight officials.

Indeed, the swindler's list might get quite long if we knew the whole truth about the marketplace. In the 2013 survey of the US workforce conducted by the Ethics Research Center, survey respondents reported that 60% of misconduct they had seen involved managers, from front-line supervisors up to and including top-echelon leaders.[1]

Nearly one fourth of the observed ethical lapses involved senior managers. Workers also reported that 26% of ethical misconduct was ongoing. 12% of workers stated that the ethical misconduct took place company-wide. One in five reported that they experienced retaliation when they reported ethical misconduct. While ethical misconduct has declined slightly in recent years, the fact that managers are involved in misconduct is troubling.

Photo: driving.ca

Volkswagen diesel emissions test

Photo: Bill Pugliano/Getty Images

General Motors CEO Mary Barra (centre), Executive Vice President Mark Reuss (right) and President Dan Ammann discuss a review of the company's handling of a recall for a deadly ignition switch problem in 2014.

General Motors Case

The Associated Press announced in 2015 that General Motors is required to pay nearly $1 US billion dollars in fines.[2] Additionally, hundreds of millions of dollars are being paid as compensation in civil lawsuits, including compensation to families of car crash victims who were injured or died as a result of a faulty ignition switch. Employees at General Motors knew about the faulty switch for a decade before the company recalled 2.6 million vehicles in 2014 to replace the faulty part.

At least ten years prior to 2014 owners of Chevrolet Cobalt cars complained that there was a problem with the vehicle's ignition switches, a problem which caused the engine to switch off without warning. When the engine shut off, the safety air bags were disabled and the driver lost control of steering. Hundreds of people died in crashes related to the faulty ignition switch; hundreds more were injured.

In some cases, the hurt went deeper. For example, CNN reported that the driver of one of the faulty GM Saturn Ion vehicles crashed the vehicle into a tree in 2004.[3] The vehicle's air bags did not deploy. The male passenger in the front seat was killed instantly. The driver was indicted on manslaughter, pled guilty to criminal negligent homicide and was sentenced to a five-year probation term. People in her town looked upon her as a murderer. For a decade her reputation was smeared. When she was in court, GM managers said nothing, instead allowing her to take the blame when it was the ignition switch that was at fault. Finally, after a decade of suffering under the weight of being thought of as a felon, the court ruled that she was, in fact, innocent of the charges.

It took GM almost a decade to correct the faulty ignition switch for Cobalt owners. According to documents released on September 16, 2014 by the US Congress House Energy and Commerce committee investigating the General Motors recall, GM executives - including the new Chief Executive Officer Mary Barra - knew about the problem as early as October, 2012, prior to the recall in February 2014.[4] But GM leaders kept this secret from the public and from the US National Highway Traffic Safety Administration.

During testimony given to Congress one of the engineers stated that he did not know of an authorisation to redesign the faulty ignition switch, yet documents were produced bearing his signature authorising the redesign. In mid-April 2014 he and another engineer were placed on paid suspension leave.

In a June 6, 2014 *Wall Street Journal* story on the problem reporters claimed that it was GM corporate culture which was responsible for the failure of GM managers to recall the unsafe vehicle.[5] Mary Barra, GM chief executive, called the problem a pattern of incompetence and neglect.

Questions still remained. Ms. Barra commissioned an independent team to investigate the matter. In May 2014 the investigators produced a 325 page report for GM's Board of Directors.[6] In that report we learn that engineers at GM knew about the faulty switch as early as 2004 on Cobalt and other models. Customers complained that the engine simply quit and the vehicle kept moving but drivers were unable to maintain control. In fact, at the early stages of production it was known that there was a problem with the ignition switch. The engine would simply turn off without warning.

Various committees discussed the matter before 2006. Engineers knew that if the ignition turned off while the car was driving, the car might go out of control. What they apparently did not know was a fundamental fact: if the ignition switch cuts off, the air bags will not deploy. This element in the design had a purpose - engineers did not want people sitting in parked cars (with the engine off) to be injured by air bags deploying. Engineers considered the engine cut-off while moving to be a customer inconvenience rather than a safety defect issue. Because of this, the problem did not receive much of their attention.

Eventually the engineer who had designed the faulty switch changed the design but did not communicate this to others. As a result, other engineers were baffled as to why some models of the Cobalt did not have the ignition switch problem while other (as it turned out, earlier) models did. The engineers didn't do the simple investigative task of taking apart one of the faulty switches and comparing it with one of the switches that had not failed. The increased cost of the redesigned switch over the cost of the original switch was less than $1.00 each.

Trying to bring closure to this unsavory process in 2014, top-level GM leaders issued additional recalls for other defects in GM products. After receiving the report produced by the independent investigation team, GM senior leaders fired 15 employees. Among these were the Vice President of Sustainability and Global Regulatory Affairs, five corporate lawyers, the liaison with the US National Highway Traffic Safety Administration, the director of safety and vehicle and crash worthiness, engineers and others.

The Volkswagen Emissions Swindle

The Volkswagen stock price plunged 30% in the wake of news of allegations that the organisation has been manipulating the results of emissions testing. Stock price is the value that investors put on the firm's ability to earn cash in the future.

Based on the first reports that surfaced after the scandal first hit the news, it appeared that 11 million Volkswagen diesel-powered vehicles could be affected. A few weeks later it was revealed that more than one model of Volkswagen vehicles had been rolling down the road cheating drivers (and society) of the promises made.

Major fines, estimated potentially to be into billions of dollars, are expected to follow as the legal processes crank up from the efforts of more than one national government and from consumers. Volkswagen operates more than sixty manufacturing plants worldwide. Some plants manufacture components while others assemble vehicles.

In Volkswagen's case, Chief Executive Officer Martin Winterkorn resigned after apologising to the public for the firm's misconduct. Volkswagen officials admitted that since 2009 some Volkswagen vehicles with diesel engines had been equipped with something that could switch off emissions controls. With emission controls defeated, engine fuel efficiency and power can be increased. With the emission controls switched off, vehicles pollute many more times than promised.

The allegation is that software used in the vehicle's engine computer was able to detect whether or not the vehicle was being tested for emissions. When the software determined that a test was in progress, engine emissions were then controlled to meet emissions standards and then switched off to allow for better performance.

Many consumers were attracted to Volkswagen by the claim of "clean" diesel powered vehicles. They were willing to pay a premium price for a car that contributed less to environmental pollution. Probably these consumers will be the most miffed at the alleged fraud – computer software which prevented them from achieving their goals of environmental friendliness.

'Few things are more time-consuming for managers than an employee acting in an unethical manner that results in harm to someone. '

For decades the public has called for improvements in the ethical behaviour of business, for good reason. In spite of these calls, every week we hear news stories about companies that experience lapses in ethics and social responsibility. Many other situations are never reported in the news. But employees, customers and suppliers see these problems all the same. The cost of unethical activities in business is staggering. Few things are more time-consuming for managers than an employee acting in an unethical manner that results in harm to someone.

Corporate Ethics Needs an Overhaul

Concerns over financial performance are prominent in the movement of senior staff. High-level executives are sometimes fired when the firm's stock price declines, when the board of directors loses confidence in the ability of the executive to achieve future results, when the productivity of subordinates drops and the manager does not respond with discipline, when a manager inadequately manages change, when the executive ignores key customers or when the leader is out of touch

Fulfilling Moses' admonition

Dan Amos, Chairman and CEO of the USA Insurance Company Aflac, on Ethisphere's World's Most Ethical Company list for the 8th consecutive year.

His son Paul, who will succeed him, says: 'We make a promise… how we fulfill that promise and how we carry out those principles which come in some way from Scripture, what we do to reinforce the body of Christ, makes all the difference in the world.'

Photo: Ethisphere.com

with the realities of the market. But lapses in ethics are tolerated unless the harm done gets national attention.

On a weekly basis the *Wall Street Journal* reports news of one or more business situations that involve a questionable ethical, social or legal issue important to investors. Every so often a national or international scandal bursts through the media about high-profile firms that experience significant ethical misconduct.

National news media coverage is one thing. Yet, in many organisations, both for-profit and non-profit, employees observe ethical misconduct that never sees the light of day in terms of media exposure to the public. But, misconduct, whether visible or invisible to the public, makes a difference to employees, customers and suppliers.

During the last few decades, stakeholders including media, law-makers, and the general public, have called for improvements in the ethical conduct of business. Strangely, the ethical misconduct continues.

A Biblical Perspective

Many issues regarding the recent ethical misconduct reported in the news are worth raising in the public square. For example, if we assume as do some that shared values and beliefs "flow downhill" from top-level leaders to front-line employees, then the unethical behaviour that is allowed overall has an enormous influence on the whole company. In ancient times, King Solomon observed this trickle-down effect: "If a ruler listens to lies, all his officials become wicked." (Proverbs 29:12, NIV).

Moses may have had this in view when he admonished the people that the king has the responsibility to personally copy the covenant and keep it in his possession: 'When he takes the throne of his kingdom, he is to write for himself on a scroll a copy of this law, taken from that of the Levitical priests. It is to be with him, and he is to read it all the days of his life, so that he may learn to revere the Lord his God and follow carefully all the words of this law and these decrees and not consider himself better than his fellow Israelites and turn from the law to the right or the left. Then he and his descendants will reign a long time over his kingdom in Israel.' (Deuteronomy 17:18-20 NIV)

We can reasonably ask: what are the boards of directors doing in their oversight function to require chief executive officers to study the moral principles designed to foster flourishing life? If boards of directors are willing to allow chief executives to continue in their role without spending time considering the moral foundation of their organisation, we will continue to see more misconduct reported in the news.

The Bible doesn't mention cheating on emissions testing, product recalls or many other contemporary ethical issues that get debated in the public square. However, it's hard to miss the straightforward declarations in the Bible regarding swindling that are mentioned frequently. Here are two examples of statements made by biblical leaders:

'Do not steal. Do not lie. Do not deceive one another.' (Moses: Leviticus 19:11)

'The Lord detests differing weights, and dishonest scales do not please him.' (Solomon: Proverbs 20:23)

VW sinking in the mire

Photo: fastcompany.com

The viability of the whole economy is threatened when the standards that are used to foster trust in an economy are themselves untrustworthy. And speaking in terms of the Scriptural idea of shalom, cheating undermines the fulfillment of God's promises of flourishing life in all dimensions in the community.

Christian Responsibility for Ethical Behaviour

We need to consider a further question, Where are the Christians who work in the corporations of the world when ethical misconduct occurs? King David, another top-level leader, calls us to pursue shalom, which means flourishing life in all dimensions. "Turn from evil, and do good. Seek peace (shalom), and pursue it." (Psalm 34:14 NIV)

Given the human condition, flourishing life in all dimensions does not come to us automatically. It is difficult to find. Once we find it, it can easily get away from us. Because of this, shared leadership which sets out to pursue it and keep it is required in a community. King Solomon encourages us to hoard faithfulness. 'Buy the truth (faithfulness), and do not sell it, get wisdom, instruction and understanding' (Proverbs 23:23). Apparently, the more faithfulness we have in keeping promises and the longer we have it, the more valuable this becomes for community well-being.

Fostering a flourishing life is one of the character traits of God. Jesus Christ is called the 'Prince of Peace (shalom)' (Isaiah 9:7). For application to our personal lives, see Romans 5:1 and Ephesians 2:14) Faithfulness is another character trait. 'Righteousness and justice are the foundation of your throne; love and faithfulness go before you' (Psalm 89:14). 'For the Law was given through Moses; grace and truth (truthfulness) come through Jesus Christ.' (John 1:17; see also John 1:14 and John 14:6)

In many secular business situations, Christians cannot speak openly about their faith in Jesus. Many organisational cultures forcefully push back against religious talk. But Christians can still be positive influences to hold back the influences that undermine trust in the market. When we in the corporate world promote the fundamental principles of faithfulness and actions that foster flourishing life in all dimensions, when we advocate these principles in the organisations we serve, and when we integrate these into our personal habits at work, we are proclaiming the character of Jesus Christ just as surely as when we mention him by name.

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Michael E. Cafferky *is Professor of Business and Management at Southern Adventist University, Tennessee. He is the author of the textbook* Management: A Faith-Based Perspective. *He recently spent a sabbatical studying and writing at Ridley Hall.*