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Issues management, systems, and rhetoric: exploring the distinction between ethical and legal guidelines at Enron

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- *Many corporations use legal rather than ethical standards for decision making in issues management. The Enron collapse provides a case example of why legal standards should never be used as a substitute for ethical principles. As we illustrate in this discussion of Enron, seeking loopholes in the law can lead to ethical violations that are ultimately more severe than legal infractions. We use systems theory and rhetorical rationales to discuss the issues management function as the proper location in an organization for ethical decision making and corporate responsibility. Both systems theory and rhetoric support the argument that an organization must be good internally and make decisions from an outside-in perspective; management at Enron heeded neither idea. This research recommends a deontological approach, based on Kantian norms of moral autonomy and good intention as a basis for ethical issues management, and uses the Enron case for illustration of these principles. We conclude this discussion by offering a matrix simplifying the principles of both ethical and legal decision making based on systems theory and rhetorical approaches to public policy.*

Introduction

Organizations that are managed and positioned for long-term viability require many attributes. Two of these are: (1) the means to acquire information that helps management to monitor how well the organization fits into the environment in which it operates; and (2) the ability to interpret this information in a way that does not confuse what is legal with what is ethical. This research uses Enron Corporation as a case study to demonstrate these principles of effective public relations. The conclusion will stress that relying too much on general counsel and too little on public relations counsel can reduce the likelihood of long-term business survival. In analysis, we emphasize systems theory, rhetoric and ethical theory. In summary, we illustrate the constraints of law and ethics in a matrix format, to assist organizations in effective strategic business planning and management.

Towards the end of the paper, we also develop four imperatives for helping managements to understand the processes and ethical

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responsibilities needed for management in the public interest. First, an issues management approach incorporates cautious consideration of corporate responsibility into its planning. Second, strategic issues management helps management to realize and distinguish ethical and legal issues. Third, strategic issues management offers a systemic and conceptual approach to corporate responsibility that avoids collisions between the 'inside-out' and the 'outside-in' perspectives. Fourth, strategic issues management helps organizations to avoid financial meltdown by elevating ethical principles over legal standards, thus assuring that the organization thinks and acts not only in its own interest, but also in the interests of its publics.

Systems theory: a rationale for organizational excellence

Systems theory postulates that no part of a system can operate over the long term in ways that are not in equilibrium with other systems (Van Gigch, 1974). Equilibrium, for this reason, is a key principle that is fundamental to the scholarly and best practices approach to public relations. This line of reasoning has been championed by excellence theory researchers (JE Grunig, 1976; JE Grunig and Hunt, 1984; LA Grunig *et al*., 2002; LA Grunig *et al*., 1992) and others (Berkowitz and Turnmire, 1994; Bivins, 1992; Lauzen and Dozier, 1992, 1994; McElreath and Blamphin, 1994; Sirgy, 1998; Spicer, 1997). These authors generated a well established set of principles and research findings based on a systems theory rationale.

The assumption of this line of research is that organizations need senior public relations counsellors in management positions to assist other executives in knowing and implementing the principles of excellence in the organization. Symmetry, in this theoretical perspective, is both an independent and dependent variable. An organization's goal is to achieve a moving equilibrium and build mutually beneficial relationships, resulting in endurance because the organization enjoys support (the product of equilibrium) rather than opposition (the result of disequilibrium).

Until the façade began to crumble, Enron was seen by many as an excellent organization. It contributed financially to communities in which it operated, was an employer of choice and was innovative, as it led the redefinition of the energy industry. It fostered electricity deregulation, a sought-after public policy by consumer activists. It endeavoured to create and satisfy markets in the new economy. Enron's leadership stressed the virtue of innovation, fostering a culture that encouraged employees at all levels to be entrepreneurs. Failure, according to Enron culture, occurred not when people thought big, but when they failed to think big. For these reasons, we can better understand the melt down of Enron by looking at it from an inside-out perspective.

Enron tended towards excellence and had many of the attributes of an excellent organization. However, one of Enron's failures as a system was a bias in the corporate culture which encouraged people to hide failure rather than acknowledge it as part of a systems-orientated learning curve. Corporate culture guides the way in which senior management interprets the information gathered to balance organizational interests with those of its publics. Krippendorf and Eleey (1986) reasoned that: '*any organization can do no better than the feedback it receives from its environment*'. One ethical challenge facing senior management is to interpret feedback. Feedback requires interpretation, analysis of problems and failures, determination of alternatives and ramifications, and astute decision making.

The organization's interpretive frame is its culture. Morgan (1986) featured the concept of organizational culture as 'a process of reality construction that allows people to see and understand particular events, actions, objects, utterances, or situations in distinctive ways'. For Morgan (1986), societal culture was a '*system of knowledge, ideology, values, laws, and day-to-day ritual*'. One function of issues management is to create a productive dialectic between the organizational culture and that of publics and stakeholders within the larger society. Conflict is the predictable outcome when management flaunts the differences between organizational and societal culture, as seen in the tumultuous events at Enron. Publics in the larger, societal culture are prone to fight to force conformity. On this point, Morgan (1997) reasoned that: '*Such patterns of belief or shared meaning, fragmented or integrated, and supported by various operating norms and rituals can exert a decisive influence on the overall ability of the organization to deal with the challenges that it faces*'.

What was the Enron culture? The *Wall Street Journal* of 26 August, 2002, captured the essence of Enron's culture, as the expression of the personalities of its senior management (Raghavan *et al*., 2002). A Lucite cube on the desk of Chief Financial Officer Andrew Fastow read: '*rip your face off*'. Add Jeff Skilling's penchant for extreme sports, and a picture of an aggressive culture begins to form. The *Wall Street Journal* reporters observed: '*It [Fastow's cube] was a characteristic gesture inside Enron, where the prevailing corporate culture was to push everything to the limits: business practices, laws and personal behaviour*' (Raghavan *et al*., 2002).

The pushing of ethical and legal limits by Enron's senior management was demonstrated by the conviction of Arthur Andersen, as well as plea bargaining by Michael Kopper, one of Fastow's lieutenants. In October 2002, Timothy Belden, former chief trader of Enron's West Power desk, entered a plea bargain acknowledging his role in conspiring to drive up California's energy costs through fraudulent trading practices. Corporate decisions reflect corporate culture, and senior management creates that culture, a point which Fastow's attorney offered in his defence. The proposed argument was that Fastow was not a senior officer, but just another member of the organization bending to praise and reward bestowed from superiors, even when using questionable ethics and legal principles (Kranhold, 2002). This argument seems hollow for the Chief Financial Officer, who is responsible for Securities and Exchange Commission compliance, along with the enforcement of ethical principles of operation. Clearly, Enron failed to take a systems perspective by considering the larger social environment in its decision making. In the maverick manner of its culture, Enron did not regard the ethical ramifications of its decision making or how those decisions would be evaluated by publics in the environment surrounding its system.

Rhetorical perspective: the good organization communicating well

Public relations addresses the process through which organizations engage in communication with publics. It focuses attention on the meaning that is created, internally (corporate culture) as well as externally (reputation and relationships). Meaning is the composite of various comments and actions by the organization and made about it by various stakeholders. Meaning is co-created through statements by the organization and its stakeholders.

Rhetorical theory consists of a broad body of literature defining the heritage that acknowledges the dialogic nature of discourse, most simply characterized as statement affirmed or challenged by subsequent statement. Rhetoric, as Burke (1969) stressed, exists as a 'wrangle' in the marketplace of ideas. The substance of such discourse consists of facts, reasoning, evaluation and recommendations about preferences of choices (Toth & Heath, 1992; Heath, 2001; L'Etang and Pieczka, 1996). As Nichols (1963) observed, the sphere of rhetoric is enlightened choices.

The rhetorical heritage embraces Quintilian's (1951) dictum that the essential element of effective rhetoric is to be good first — whether an organization or a person — as the first step towards being an effective communicator. A bad organization or person cannot long be an effective communicator because character counts. Enron's façade of good behaviour hid a core of corporate corruption which it was unable to conceal in the long term. Considerations of what makes an organization 'good' require judgements that have both ethical and legal implications. A selfish desire to benefit from loopholes can lead senior managements to blur the distinction between what is ethical and what is legal. They may offend their stakeholders on both counts.

Issues management is a strategic information monitoring/processing system, coupled with strategic business planning, corporate responsibility and issues communication (Heath, 1997). It serves executives' efforts to build mutually beneficial relationships with their stakeholders and stakeseekers. It can also serve to be the ethical arbiter in an organization (Bowen, 2002a), making sure not only that legal guidelines are followed, but also that tenets of moral philosophy are used to guide organizational decision making.

Heath (1990) advised that issues managers use 'what if' thinking, to think like rhetors for external publics and employee interests. Practitioners who know arising issues, recurring issues and ethical or legal challenges are wise to counsel the other members of senior management with 'what if' scenarios. The most basic of these is the standard advisory counselling comment: '*If you think that choice is a good course of action, then you will be pleased to see it reported on front-page news and at the top of the hour*'. This simple ethical test might have saved Enron management from believing that it could conduct business in a way that had to be secret because the truth would threaten the solvency of the company.

Strategic issues management: wrestling with conflicts of ethics and legality

Theory and practice of issues management reasons that this discipline can help organizations to build relationships, make collaborative decisions and act in a responsible way to serve the interests of stakeholders and stakeseekers. Such challenges are not new, reaching back more than a century (Heath, 1997), but have gained in sophistication over the past three decades (Chase, 1976, 1977, 1984). Companies, as artificial citizens created by the will of the people, have the ultimate responsibility to serve the interests of society (Ackerman and Bauer, 1976). Ewing (1987) concluded that issues management '*developed within the business community as an educational task aimed at preserving the proper balance between the legitimate goals and rights of the free enterprise system and those of society*'. As Ewing (1987) observed: '*A corporation exists for the optimization of the satisfactions of its stakeholders*'. Publicly traded companies are licensed to do for the people what they cannot do for themselves.

Issues management serves the financial viability of organizations by enhancing the quality of relationship with stakeholders in a power arena. Issues management was designed as '*the management process whose goal is to help preserve markets, reduce risk, create opportunities and manage image as an organization asset for the benefit of both an organization and its primary shareholders*' (Tucker *et al*., 1993). To this definition should be added the clarifying clause, 'to the mutual benefit of its key stakeholders and publics'. Issues management helps management to understand and implement standards of ethical decision making. Corporate responsibility means doing right; it entails knowing and adhering to rigorous ethical standards (Heath, 1997).

A simplistic yet common view of corporate responsibility is limited to community relations and philanthropy. Frederick (1986) added that persons engaged in helping an organization to aspire to become ethical need to consider three options. First is responsibility, meaning that if an organization operates in a community, it must contribute to the well-being of that community. Second is responsiveness, a more challenging standard which demands that the organization know and respond to the concerns of critics. Third is rectitude, or doing what is ethically right. This statement implies that even if corporate action is legal, it may be found wanting because it is not ethical.

One materialistic standard of issues management is that an organization can and should achieve any legal standard, based on operant ethical standards that it can achieve, given the public policy power balance with its key publics. In this sense, an organization creates policies that are in its best interest and it expects its opponents to do the same, thus operationalizing the notion that the pursuit of self-interest alone is 'ethical'. This standard confers the ability of an organization to do whatever it wants, as long as it does not get caught in a legal snare. Enron fits this perspective, as seen through its exploitation of legal loopholes in utility regulations, failing Frederick's (1986) rectitude criterion through a myopic inside-out bias in its perspective.

Inside-out and outside-in perspectives

Public relations should foster an outside-in view of the world. Basing his analysis on a systems perspective, Renfro (1993) argued that the prime tasks of strategic management are to '*understand the current and future operating environment*'. Effective issues management requires the ability to listen to, look for and heed limits acceptable to stakeholders. As Brown (1979) reasoned: '*if management should accustom itself routinely to ask the full range of questions that ought to be asked about vital corporate decisions, taking into account all the relevant external environments as well as the internal environment, this business of issues would become, properly, a non-issue*'. A definition of public interest has to go beyond the classic statement: '*What is good for General Motors is good for America*'. The public-interest view of this axiom is this: '*What is good for America is good for General Motors*'. This phrase demonstrates the difference between thinking from the 'inside-out' perspective versus the 'outside-in' view.

Indeed, Enron had a sophisticated, computerized issues monitoring program, largely under the purview of general counsel. Enron monitored governmental bodies at all levels—local, state and federal—to spot and track legislative and regulatory trends that could help or hinder its planning and policy implementation efforts. It endeavoured to be a savvy organization that knew what it could do within the limits of the law. Because of a culture that fostered risk taking and extreme innovation, with no tolerance for failure, Enron was prone to focus on what it could do legally—with the most generous interpretation of the law. Such interpretations seemed totally unrestrained by a higher-order ethical thinking.

At the strategic planning and the corporate responsibility levels of analysis, the issues management process must address standards leading to rectitude. Heath (1997) determined that it is the responsibility of management to '*advance organizational interests and rights by striking a mutual balance with those of stakeholders*'. The interest of the shareholders, and other stakeholders who can affect the bottom line, must be instantiated into the policy-making process. With the increase of regulatory guidelines and honed expectations by publics of how organizations must perform, senior managements need a refined sense of ethics to appreciate the complex demands that necessarily govern their choices.

As an organization operates from outside-in, it has many choices to become increasingly transparent. The organization's culture must commit to the interests of its stakeholders and stakeseekers. It operates from outside-in by listening to—rather than merely selling itself to—its external audiences, markets and publics. This challenging balance finally caught up with Enron in the summer of 2001. The collision of interests surfaced when Skilling cursed an investment analyst who criticized the company's '*schedule for releasing financial information*' (Smith and Emshwiller, 2001). The issue was the price earnings valuation of the company, which, the analyst argued, should be lower.

The *Wall Street Journal* focused on Chief Executive Officer (CEO) Kenneth Lay's explanation in this way: '*While Mr. Lay insists that Enron's overall operating and financial condition is very strong, the unexpected exit of Mr. Skilling has some wondering if 'there isn't another shoe about to drop,' said Carol Coale, an analyst at Prudential Securities*' (Smith and Emshwiller, 2001). This observation has to rank among the most amazing understatements every published in the *Wall Street Journal*. The other shoe, huge amounts of undisclosed debt, hammered the company's financial viability. Another analyst said: '"*I truly do not understand all their financial arrangements, and I've sent information on their deals to accountant friends and they don't understand them either," says Followill, an analyst at Howard Weil, who referred to Enron's accounting methods as a "black box*"' (Smith and Emshwiller, 2001). The *Wall Street Journal* story covered other analysts making similar comments, raising the spectre of unethical accounting practices.

An ethical organization seeks to demonstrate its integrity in the relationship with its stakeholders and publics as the essence of the organization's interest. Questions raised in the summer of 2001 revealed that management's arrogance at Enron blinded them to this essential balance of interests. Their recalcitrance to use the outside-in comments as feedback to the system to understand how they were not meeting the expectations of others created a legitimacy gap (Sethi, 1977). This gap became a chasm before the end of that summer.

This set of comments directs attention to the confluence of substance and image. If the gap is great, then image lacks substance. Knowing that organizations constantly (re)present themselves, Cheney (1992) offered a challenge: '*We can come to elevate style over substance and lose ourselves in the process. As audiences to the images of a global marketplace, we must not abandon our critical faculties but engage them*'. Such is even more the case for companies with enormous power (Gandy, 1992), such as Enron, that redefine markets, public policy and economies.

A review of Enron's public documents signalled the potential failure (Bowen, 2002b). If something seems too good to be true, perhaps it is — meaning that negative factors are being overlooked or dismissed. Enron (2000) lauded its business acumen in its 2000 financial report to shareholders:

> *At a minimum, we see our market opportunities company-wide tripling over the next five years. Enron is laser-focused on earnings per share, and we expect to continue strong earnings performance. We will leverage our extensive business networks, market knowledge and logistical expertise to produce high-value bundled products for an increasing number of global customers*.

As history demonstrated and analysts suspected, Enron was all image in its claims of success. Claims of growth and invincibility became hollow without the substance of demonstrated, continuing ability to delivery. Enron's capability to exaggerate became its weakness. Feedback from the environment raising ethical questions on Enron's accounting was dismissed, rather than used as an indicator of potentially dangerous disequilibrium in the system.

In a 2001 document entitled *Enron Corporate Profile*, the symbolic tautology of Enron was the maker of markets and server of markets:

> *We make markets so that we can deliver physical commodities at a predictable price. It's also difficult to talk about Enron without using the word "innovative." Most of the things we do have never been done before*.

No one appeared to be addressing the larger question of whether these things *should* be done. Who was at the helm of Enron to act as the ethical conscience of the organization? Bowen's (2002b) research found that, although Enron had what it termed a 'Code of Ethics' (Enron, 2000), this document was merely a restatement of legal requirements for maintaining employment at Enron, confidentiality, complying with laws and ownership of intellectual and physical property. Further, there was no person acting as the ethical conscience of the organization, as deemed appropriate by public relations scholars (Heath and Ryan, 1989; Ryan and Martinson, 1983; Serini, 1993), and as indicated in moral philosophy, rather than in law. In a final blow to its moral accountability, the *Enron Code of Ethics* referred employees facing ethical dilemmas to the legal department.

The relationship between company and publics is not mutually beneficial or dialogic when it advantages the company because it operates on this premise: '*I will perform. Then I will grade my own performance and announce that I have excelled*'. This flawed dialectic favours the interest of management to the likely disadvantage of publics and stakeholders. Allowing for such a disadvantage is unethical because it violates the intention of acting with a morally good will and acting in the public interest, along with acting in the interest of the organization. Despite its bold commitment, Enron's projects failed because they were more platitude than ability to deliver. Over time, the balance sheet must be tallied and rectified, revealing the true value of the company.

What could have anchored this company? That which anchors all morally responsible companies. It is the ability of management to derive and instantiate a set of values, to be full of rectitude, and to ensure that multiple interests guide planning. At Enron, caution was for the weak. Enron's case demonstrates that a code of ethics or a policy on conduct, no matter how vague or specific, is only as good as the culture of the organization to make ethics work for the mutual interests of the organization and its stakeholders. The prevailing ethical standards were stated in categorical principle in Enron's *Code of Ethics* and another documented policy manual called the *Conduct of Business Affairs*. However, without the substance of implementation, these principles became hollow and convenient platitudes at Enron.

The odd couple: philosophers and issues managers

We have seen that issues management is responsible for establishing and implementing the ethical guidelines that affect the culture and decisions of a corporation. However, many organizations leave ethical decisions to the legal department, and the result can be a decision that might be legal, but could also be morally reprehensible. For example, certain instances of Enron's exploitation of loopholes in accounting law might have not been technically illegal, but were actions undertaken not from moral rectitude but from materialistic self-interest.

We argue that ethical guidelines differ substantively from legal guidelines. Perhaps the most often used example of this distinction is that slavery has been legal and common in many cultures throughout human history, and it is still practised in certain nations such as Sudan and Mauritania. Western philosophy mounted the ethical challenge to slavery that eventually led to laws against the practice in modern society. As this example illustrates, laws tend to be created following the conclusions of moral philosophy, making moral philosophy the progenitor of legal doctrine. Further, moral philosophy is the ground on which actions are debated for their moral worth long before society reaches a general consensus that would allow the formation of legislation on the issue. Legislation is enacted based on social norms, and these norms, promulgated by socialization, are first created in the realm of moral philosophy.

Corporations, such as Enron, need the guidelines of moral philosophy. Issues managers need to be conversant with ethical theory to shoulder the responsibility borne by the function (Bowen, 2002a) rather than naïvely to rely on legal counsel. Legal counsel can help in defining legal issue alternatives, but — as Enron illustrated — *that which is legal is not synonymous with that which is ethical*.

A caveat to this approach is that organizations must truly want to be ethical. In desiring ethical behaviour, full disclosure of the issue must be made to the issues manager or ethicist to allow him or her to evaluate decision options accurately. At Enron, full disclosure was only made at top levels and on a 'need to know' basis, making the data collection and knowledge base required for ethical issues management impossible. As many commentators have noted, it is useless to hire experts to act as the corporate conscience and then fail to disclose or allow access to vital information about the company's inner workings.

Enron's culture was one of aggressive self-interest, materialism and ethical egoism, also known in moral philosophy as brutal selfishness. Intrinsically, we know that brutal selfishness is counter to the ideal of a corporation serving a mutually beneficial mix of its own interests and the interests of stakeholders and publics. Philosophically, there are very few proponents of such a selfish paradigm as a normative model for ethical decision making. Finally, a business analysis also concludes that brutal selfishness fails as an ethical decision-making system because it might produce short-term gain, but is not capable of maintaining the long-term relationships with publics and stakeholders necessary for enduring organizational survival. We can conclude that the ethical value system of Enron was morally flawed, and recommend a superior paradigm of ethical decision making for use in issues management.

Kantian philosophy applied to issues management

Of the many approaches to moral philosophy, Kantian deontology provides superlative guidelines for issues management due to the universal nature of its principles and the rigorous analysis required (Bowen, 2004). The universal nature of Kantian philosophy means that decisions should be contemplated as if they were to become universal laws equally applicable to all people, including the decision maker. The categorical imperative is the clearest example that Kant (1785/1964) gave of universality: '*Act only on that maxim through which you can at the same time will that it should become a universal law*'. In the categorical imperative, Kant commands the decision maker to be confident of the ethical nature of only those decisions that could be applied consistently across all similar situations without trepidation. By not allowing for situational exceptions, Kant guards against the empty platitudes Enron executives used to convince themselves of the reward for risky behaviour by asking managers to be objective rather than selfish.

Kant (1793/1974) required a rational analysis of decision making to be certain that an ethical outcome is reached. He (Kant, 1785/1964) required the decision maker to examine his or her own motives to encourage an objective vantage. Kant argued that the duty to the moral law is one's categorical obligation to do the morally right thing based on universal principles, rather than based on the consequences or outcome produced by a decision. This type of analysis encourages the 'what if' thinking, as well as the outside-in perspective that allows an organization to see an issue from the vantage of many stakeholders and publics.

Commonly employed utilitarian decision-making paradigms use the predicted consequences of a decision to 'weigh' its moral worth based on the outcome of the decision. Kant argued that basing a decision on the predicted consequences is a fallible means of decision making because it introduces too much ambiguity and uncertainty into accurately predicting future outcomes. In issues management, accurately predicting the response of stakeholders to an issue, and all of the ramifications of issue alternatives in order to choose the right one, is nearly impossible. Therefore, deontology is most suited to the weighty responsibilities of issues management.

Issues managers hold tremendous responsibility for organizational decision making (Pratt, 1994). If issues managers are to act as the ethical conscience of the organization (Ryan and Martinson, 1983; Wright, 1996), or as counsellors to the CEO (Heath, 1994) on matters of ethics, what background, guidelines and training give them the knowledge with which to analyse and to act? As Nelson (1994) observed, the lack of a frequently employed ethical decision-making framework can have a negative impact both the public policy outcomes of issues management and also the standing of the discipline. Further, the decision-making consistency afforded by using one approach to ethics allows publics to know and trust the organization because they expect the same standard of ethical behaviour across time.

If Enron had adhered to consistent and rigorous ethical guidelines, then the company would not have collapsed. Profit-earning reports would not have been as spectacular as they were and stock probably would have sold more slowly and at a lower price. However, adherence to ethical guidelines — rather than only legalist decision making — would have given Enron stability, legitimacy, enduring relationships with publics and stakeholders, and long-term organizational viability. The ramifications of ignoring these concepts are far reaching. The ethical lapses of Enron reflect poorly on corporations from the energy sector to those in unrelated industries. Many news reports argued that Enron sparked a crisis of confidence in corporate USA that is having a continued negative impact on the entire US economy. As the Chairman of investment firm Goldman Sachs explained: '*In my lifetime, American business has never been under such scrutiny. And to be blunt, much of it is deserved*' ('Consumer confidence crisis', *Washington Post*, 10 July, 2002).

What can be done to restore confidence in corporations and the ethical intentions of senior managements among stakeholders and publics? The growing cynicism regarding corporate ethics is not going to abate without being met with assertive resistance by those organizations committed to using ethical principles to guide all organizational decisions. What is demanded is a clear set of ethical principles that can be implemented by issues managers.

Ethical principles to guide issues management

Enron and other organizations need a set of ethical principles to guide decision making. To provide an objective analysis of an ethical dilemma, it is necessary to simplify the decision considerations so that the issues manager is not bogged down in minutiae, consequences or personal ramifications of a decision. Simplifying the number of factors to be considered allows a rational analysis to be conducted based on the guidelines of moral philosophy. It also creates an ethically defensible decision — publics and stakeholders might not like the decision, but if it can be explained in rational terms, they are less likely to contest the decision. A rational analysis should be conducted considering the imperatives autonomy and intention, and discussing these to arrive at a final decision. A closer look at both autonomy and intention also reveals many ethical problems in the Enron case.

Autonomy

The Kantian imperative of autonomy means that the issues manager must be in a position to make the morally correct decision without concern for self-interest, retribution, personal monetary gain or other concerns that would taint the rational analysis of the decision. Prudential concerns, such as fear for one's job if one speaks out against organizational policy, bias the decision in favour of egoistic self-interest.

In Kantian autonomy, the issues manager's responsibility is to make the morally correct decision based on universal principles. This guideline is based on Kant's law of autonomy, which declared that: '*A moral agent is an agent who can act autonomously, that is, as a law unto himself or herself, on the basis of objective maxims of his or her reason alone*' (Sullivan, 1989).

Basing decisions on autonomous, rational analysis provides a sound mechanism for arguing the merits of not only doing what is legally required, but also, more importantly, doing what is ethically required. Further, the issues manager must be respected by members of the dominant coalition, especially the CEO (Dozier and Grunig, 1992). It does no good to have someone like Enron's Sherron Watkins speaking out (Pelligrini, 2002) to question organizational behaviour and policy if these concerns fall on deaf ears.

Watkins was ignored after her memorandum to CEO Kenneth Lay raised serious questions about Enron's accounting practices and creating of false partnerships. Watkins pleaded with Lay to investigate the 'Condor' and 'Raptor' partnerships, explaining that she was afraid that her eight years at Enron would be worthless and discredited due to fraudulent accounting practices. Watkins was also ignored after providing the names of five Enron executives who should have been questioned in connection with the deals to Vinson & Elkins, a law firm contracted to review Enron's accounting practices for illegalities (Behr and Witt, 2002a). An Arthur Andersen employee named Carl E Bass was removed from his position on the Enron audit in March, 2001, after reportedly writing too many 'feisty' inquiries to Enron executives. Bass was '*angered and embarrassed*' by Enron's retribution (Behr and Witt, 2002a). The fear of retribution, reprisals and loss of one's position were all poignant concerns at Enron, making autonomous decision making impossible for all but senior-most executives. The board of directors approved Andrew Fastow's personal involvement in a profitable dummy partnership, but questions have been raised of reciprocal favours or even fear of retribution if the board voted against Fastow.

Enron's questionable accounting practices and dummy partnerships were apparently the first step down a slippery slope of outright fraud, lying, overcharging and many other patently unethical business practices. The ethical vacuum left in the wake of exploiting loopholes and 'creating' market advantages seemed to erase concerns of responsibility, morality and rectitude from Enron's corporate culture. Reports explained a process of overcharging for energy in California, including Enron creating an artificial 'congestion' of power lines and then being paid to manage the congestion by moving power in another direction. Further, Enron purposefully moved electricity out of California so that it could bring it back in and sell it at a higher, 'out of state' energy rate (Eichenwald, 2002).

It is clear that in the case of Enron, autonomy was not maintained for employees who questioned the moral nature of the corporation's activities. Those who did question were fired, ignored, shamed or experienced other negative repercussions for their trying to maintain ethical standards (Murphy, 2002). Often, such reprisals can be insidious and hard to isolate; at other times, the consequences can be devastating, such as in the suicide of Enron chief strategy officer and vice chairman J Clifford Baxter.

In an organization that encourages and respects the autonomy of its senior managers, robust debate on ethical issues is encouraged — rather than squelched, as it was at Enron. Issues managers should question whether autonomy exists in their own organization, job function and responsibilities. If the decision maker believes that he or she cannot be objective in a decision, his or her autonomy has been compromised. Autonomy should be maintained on a consistent basis — not only when facing an ethical dilemma, but also in daily issues management. Some questions that issues managers can use as a guideline and in testing the autonomy of a situation are:

- Do you believe you can make a difference in the outcome of this situation?
- Are you able to act as the moral conscience of the organization?
- Can you be truly heard, as in having an impact on how others view the situation?
- Do you have the level of responsibility needed to have an impact on the decision and policy of the organization?
- Do you fear for your job (or other retributive actions) if you 'push harder' on the ethical issue?
- Have you considered other sources of influence, such as going out of the reporting chain?

If addressing these questions reveals to the issues manager that he or she is in a compromised position, the decision should be deferred to someone else, as any resulting decision would have an element of bias, leading to even larger problems.

Intention

Intention is at the heart of every ethical dilemma: Was the intention behind the issue based on something dishonest, like the greed of the Enron executives? Or was the intent behind the issue an honest mistake, simple oversight, changing conditions and trends, or something similarly benign? Kant (1785/1964) accorded the highest value to good intention, or what he called 'a morally good will'. According to deontological philosophy, consideration of the intention of an action reveals the action's true moral worth.

Kant (1793/1974) discussed how positive attributes (such as courage or happiness) could be perverted when possessed by the ill-willed person. By all reports, the courage of Enron executives, such as Fastow, was pushed to the foolhardy point of invincible self-assurance. Even happiness, Kant contended, could inspire vanity and presumption if not corrected by a good will. The morality of an action does not depend on its outcome, as is central in other moral theories such as utilitarianism, because outcome is beyond human control. Therefore, intention is where Kant based morality and a good intention begins with the will.

For issues managers, intention is a two-pronged concern: 1) what were the intentions leading to the formation of the issue; and 2) what are the intentions in current and future handling of the issue? This distinction allows the manager firstly to determine how the organization arrived at the ethical dilemma (honestly or dishonestly), and then to consider what to do regarding how the dilemma should be addressed currently and managed in the future.

The ethical principle involved is that intentions of an impure nature, such as dishonesty, are seen as greater transgressions of moral law than transgressions that occur unintentionally, such as human error. Therefore, intentional transgressions require greater care in being rectified decisively and fully once discovered. Enron's illegal accounting activities were created to hide debt (Behr and Witt, 2002b). The intent was to mislead investors with inflated earning reports and false profit to debt ratios. Enron faltered again when the improper nature of the partnerships was revealed in September 2001. Rather than rectify the situation, a cover-up ensued, in which Andersen's Houston office began shredding Enron accounting documents, and CEO Lay denied any wrongdoing, claiming that he was '*very confident in our strong earnings outlook*' (Behr and Witt, 2002a).

The current and future intentions behind the shady accounting practices issue at Enron were to continue the deception. Issues managers should consider the current and future intentions of the organization toward its publics and stakeholders when deciding the issue. If the intention is anything other than a morally good will, including such self-interested concerns as greed, the decision-making process has been corrupted. A good will, for example, can include the desire to remain in business and earn profit, but cannot include deception, misconstruing communications, and selfish concerns, such as Enron using the amount of money to be made to justify an ethically questionable transaction.

A number of indicators can help the issues manager to consider the intention of those involved in ethical issues. A morally good will runs contrary to selfish behaviour, which should be a key indicator of impure will. Enron's Fastow and Skilling both reportedly admired avarice and aggressively selfish behaviour. The issues manager should look for arrogance in decision makers who are ill willed, as evidenced by communication such as Skilling's famous boast of '*never having failed at anything he'd ever done* . . . '. The person without good intention often interferes with proper lines of communication, provides disinformation, miscommunicates, blames problems on misunderstanding rather than dishonest intentions or glosses over the situation, as Lay did in his statements once finance questions arose. These are unmistakable signals to the issues manager that the intention of doing the morally correct thing is not present or valued.

Toward a model: systems, rhetoric, ethics and legal constraints

Systems theory suggests that relationships become strained as symmetry or equilibrium give way to asymmetry or disequilibrium. Rhetoric contributes to this analysis by stressing that being good precedes being an effective communicator. The crux of such concerns brings us full-square to the essence of public relations being the creation of mutually beneficial relationships.

Table 1. Issues management matrix contrasting ethical and legal interpretations

Systems	Rhetorical	Legal	Ethical
Information acquisition/analysis	***Substance of meaning***	***Interpret system and substance***	***Interpret system and substance***
Scan	Culture and climate	Letter of law	Morally worthy actions
Identify	Organizational and societal perspectives	Precedent of law	Intentions/morally good will
Analyse	Interpretive frames	Limitations of law	Rectitude
Track	Mutually beneficial relationships	As opportunity	Responsibility
Incorporate strategic planning and policy	Shared interests; options for mutual gain	As constraint	Autonomy and rationality

The elements of this decision-making process can be captured in the matrix in Table 1. This matrix progresses through an understanding of the dynamics of the system in which each organization operates, the rhetorical/critical aspect of the implications of the meaning that is fostered, ethical and legal constraints and the way in which an organization acquires information relative to the environment. The rhetorical and systems approaches both allow the organization to build relationships in a balance with the interests of its publics and stakeholders. The matrix summarizes the contrasts between the ethical and legal approaches to organizational decision making.

In the financial arena, the context in which Enron operated and erred, we note the following. The implications for its systems and interpretations was that issues managers needed to address the legal and ethical implications of what type of information stakeholders wanted and deserved in order to make decisions relevant to the balance of their interests and those of Enron's senior management. The essence, both legal and ethical, of such judgements was this: What information acquired and interpreted and what statements made and responded to can foster judgements that withstand open public scrutiny? One way of demonstrating how badly Enron erred in this regard is to recall the incredulous reactions that its statements provoked on the part of financial analysts. Enron obviously doubted that full disclosure would meet either legal or ethical guidelines. It opted for something far short of material disclosure. Once it was forced to file for bankruptcy, it lost the option of what information it could and must disclose; it lost its autonomy, which fell to the court acting in the community interest. The goal was to make public all information required by the stakeholders. That is a standard that could have protected the interests of Enron senior management and the stakeholders whose trust was shattered by executive decisions and actions.

Conclusions

Many corporations make the mistake of applying legal limits rather than ethical standards in their decision making. Relying only on that which is legal creates an imbalance in the system by overlooking that which is ethical. This could result in a disparity between the internal organizational culture and what is communicated about the organization, leaving a credibility gap between the image and the substance of the corporation. The Enron collapse provides a case summary of why legal standards should never be used as a substitute for ethical principles. Using legal standards to analyse an issue only indicates what is a legal course of action, not what is a morally desirable course of action. As we have illustrated in our discussion of Enron, seeking loopholes in the law can lead to ethical violations, if not legal ones. These ethical violations damage the credibility of the entire organization and carry severe consequences; violating ethical principle is a more flagrant infraction than violating the letter of the law, because the moral intention is deception.

Legal and moral analyses can be conducted conjointly, but neither type of analysis should be employed as a substitute for the other. Moral analyses should be used as the ethical arbiter of organizational decision making, rather than simply equating ethical and legal matters. By conducting a moral analysis in addition to a legal one, the equilibrium of the system is furthered by including the interests of publics into strategic decision making. The organization then comes closer to being a morally good rhetor whose communication matches its substance.

An organization can handle ethical decision making through either a consistent, codified approach or in a haphazard manner. We have demonstrated only some of the pitfalls of a haphazard approach to ethics, through analysis of the Enron case. This research recommends a deontological approach based on the Kantian ethics of moral autonomy and good intention as a structure for ethical issues management. The deontological paradigm is argued to be superior for managing ethical issues, owing to the consistency fostered by the rational analysis it requires. To make ethical decisions, the issues manager should be free to exercise his or her autonomy and rational moral judgement without fear of reprisal. The intention behind the handling of an issue should be thoroughly examined. The organization should proceed only when a morally good will is the basis for the decision. Employing the ethical imperatives discussed in this research preclude the hazards of acting on a basis of self-serving avarice, as was the case at Enron.

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