

America: Business, Values and Ethics

Avinash Chandra Supkar, Sr.Lecturer, School of Management Sciences, Varanasi
Mohd. Wamique Hisam, Reader, School of Management Sciences, Varanasi
Rishi Raman Singh, Sr. Lecturer, School of Management Sciences, Varanasi

Abstract

American business is in turmoil in recent times. But the fact remains that America has been the country which has achieved huge success in business activities in the past and has been the prime driving force of the world economy. This paper does a brief analysis of history of business in America and the values which America adopted and followed which helped the cause of American business in the past. Brief reasoning has also been done in the paper for finding out the cause of the present crisis but that is not the main theme of the paper. Further, the paper also covers the developments that have taken place in America in the field of business ethics.

Introduction

Recently, Barack Obama visited India. Alongwith him came hundreds of businessmen. It was a small glimpse of a phenomenon that politics and business are inseparable in America. America declared its independence in 1776. So it could be said that traditionally the history of America starts from this year. It won't be an exaggeration to state that since then the business of America is business. A Massachusetts fisherman once said that our ancestors did not come to America for religion but their main purpose was to catch the fish (Morrisson, 1961). Since Independence America has witnessed tremendous growth in many fields and especially business. From small scale cottage industries of colonial times to the present day Microsoft, Wal-Mart, GE, and General Motors the journey of business activities in America has been phenomenal. Many countries of the world have started from scratch. But this has not been the case with America. In no sense America ever was tagged as an underdeveloped country. Thirteen colonies which were responsible for getting America the independence headed by George Washington produced more pig iron than Wales and England combined in 1776 and these colonies share was about 15% of the world's total output of iron (Heilbroner, 1977).

Factors Responsible for Growth of American Business

In recent times America is facing economic crisis but that does not dilute the fact that it has witnessed huge economic success in its brief history. The success of America could be attributed to certain visible factors mentioned below (see Donaldson, 1982):

- Natural Resources
- Coordination between Politics and Business
- Immigration
- Capitalism
- Technology

Natural Resources

America has been gifted with abundance of natural resources like coal, iron-ore, oil reserves, land for farming, timber etc. These natural resources have helped America to be self-sufficient on many aspects since independence and moreover these resources have also formed the basis of number of business pursuits. An oil reserve of any country is limited. America being fully aware of this fact is using its oil reserves in a strategic way. Despite of having sufficient oil reserves to serve the present needs it also imports oil from other countries. Today, oil and gas are produced in over 30 states in America. Currently, 85 percent of the natural gas and 47 percent of the oil consumed in the United States are produced domestically. To ensure secure, reliable, and affordable oil and natural gas supplies, America also imports resources from diverse and stable international trading partners. Today, oil and natural gas represent two third of the energy America consumes to heat the homes, power the factories, generate the electricity, and fuel the cars. Oil and natural gas also provide raw materials for vital manufacturing industries—including chemicals, refining, plastics, and pharmaceuticals—that employ millions of Americans (U.S. Department of Energy, 2004). When it comes to agriculture, the productivity of US agriculture is legendary, and the value of US agricultural commodities (i.e. food and fiber) exceeds \$191 billion at the farm level—before the considerable added value of processing and marketing. America's corn production is worth \$30 billion annually, soyabean production in 2003 was \$18 billion, and apple industry is worth \$1.8 billion (Qualset and Shands, 2005). This abundance of natural resource has helped America immensely in promoting the business activities in diverse areas.

Coordination between Politics and Business

The American government has been a key factor in U.S. business success, both through its positive action and its general policy of studied inaction. When business has required independence, government has supported it, and when business needed financial support, government was there to back it. The U.S. Government has never, as the seventeenth century government of King Louis XIV, suffocated commerce beneath the weight of bureaucracy and regulations (Donaldson, 1982). American Government perhaps more than any other has supported the ideals of free market philosophy. Eli Whitney's breakthrough invention of cotton gin way back in 1794 was financially aided by government. The development of America's renowned canal system in the early eighteenth century which for the first time

gave commerce efficient and low-cost transportation was largely the work of government. Before the opening of the Erie Canal, the cost of bringing corn or oats to New York from the western regions was over six times the cost of the grain itself. After the opening, freight rates fell by an astounding ninety percent. The cost and risk of such projects were too much for private investors to bear. Other government contributions to American business include: land grants to the infant railroads, the development of interstate highway systems and modern airports, and the implementation of investment-oriented tax policies (Donaldson, 1982).

Currently, the closeness of politics and business in America is well illustrated by observing the strong political affiliations of big businessmen and executives of America. In 2008 presidential elections Barack Obama was supported by Bill Gates, Co-founder of Microsoft; Howard Schultz, founder of Starbucks; Feldman, CEO of Midas; Kimsey, the founding CEO of American Online; Arthur Blank, Co-founder of Home Depot; Rosenweig, COO of Yahoo from 2002-2007; and many other present and former executives of organization like Levi Strauss, Wal-Mart, and Disney. Similarly, there was no shortage of businessmen and executives supporting McCain also. Few prominent ones are Brandon, CEO of Domino's Pizza; Kenneth Derr, CEO of Chevron; James Skinner, CEO of McDonald's, and Otis, CEO of Darden Restaurants. Some businessmen and executives give donations to both Republican and Democrats. This is probably the reason that whenever President of America visits any country usually he is accompanied by a number of businessmen for finding new opportunities of business in foreign country.

In America winning or losing elections depend a lot on economy. This is one of the reasons for close cooperation between politics and business. Fair Ray (1978) analyzed the presidential elections of America from 1916 onwards and found that macroeconomic conditions consistently affect party vote shares and the incumbent party improves its vote share when economy is on growth path and inflation is low. Fair was able to predict correctly the winning party for 15 of the 16 presidential elections from 1916-1978. This strong connection between economy and vote share makes business a serious game for politicians.

Immigration

Immigrants have played a big role in American business. Right from the beginning cheap and hard working labours have been injected into the American economy with a belief that one day they will become self-employed. Immigrants helped American consumer as they replaced the higher paid local labours making commodities cheaper. In the early 19th century thousands of young farm girls were recruited to work in cotton mills of America through the Lowell system and it was highly successful. By 1850 these young farm girls were replaced by Irish immigrants as they were ready to work for lesser wages. The flow of Immigrants coming to America was tremendous and between 1820 to 1854 the number of

immigrants increased from 10,000 a year to 5,00,000 (Heilbroner, 1977). The immigrants coming from different parts of the world brought new skills from their home countries and worked for low salaries in the working environment which was difficult to tolerate. This helped the cause of American business. By 1870 about one-third of all workers in factories were foreign born. To cite a single instance, by 1907 more than 80% of the men who labored in the Carnegie steel factories of Allegheny County were eastern Europeans (Heilbroner, 1977). Later on, America promoted immigration of best brains across the world. India suffered a lot as huge number of technocrats passing out from IIT's migrated to America and helped American cause. America used its money power and side by side provided the platform and facilities to these technocrats that helped these technocrats to grow and flourish.

Capitalism

American business success of past owe a lot to capitalism. America could not be labeled as Capitalist right from the beginning. It was in the late 19th century that the momentum towards capitalism picked up. The early American economy could be divided into five phases:

- 1600-1790: In this early period handicraft production was dominant. Alongwith that through commercial production of tobacco capitalism in the dwarf form had originated. Further major sectors of America which were commercialized during this period took the services of workers who could be labeled as slaves and semi-slaves.
- 1790-1865: In this second period, a substantial part of agriculture fast lost its importance and got restricted to producing for the market. Moreover, many industries started developing on the philosophy of capitalism. A new breed of working class started emerging.
- 1865-1920: In this third phase, agriculture was totally driven by capitalist forces and commercial activities grew at an extraordinary pace. As a result economy got a huge boost in the backdrop of developing industries on the capitalist lines. Land was no more considered as a central means of production by the end of 19th century. Infrastructure developed in the form of rail and roads. Manufacturing and financial sector developed at a very fast pace. Till the end of 19th century the concentration of wealth was not so much concentrated in few hands and was in a distributed manner as compared to European counterparts. But by 1900 the concentration of wealth in America increased to such an extent that it became more as compared to other countries which could be labeled as industrially developed and the follower of the policy of capitalism. America by the start of 20th century had become the first

choice in the whole world for wealth generation. The gap between the rich and poor was never so great in America as was now in this period. With the start of 20th century America had sown the seeds of a new economic world order based on capitalist line. Economic environment was fertile for business corporations to grow.

- 1920-2007: In this phase capitalism entered into the blood of American economy. America got the shape of Corporate America. In every activity there was business. The mindset completely got merged in money. Capitalism that was followed by America in this phase was in no way aligned to the real thoughts of Adam Smith on Capitalism rather it was the fear of Adam Smith that became reality of what he expressed the capitalism could lead to if not handled properly. Money can mean many things to many people. In this phase, money became far more than a means, for America, MONEY became the literal measurement of power, a proof of worth. Capitalism in this phase did not remain a philosophy or even a political affiliation but got ingrained in the psyche of America and took the form of disease that infected the majority of the world. Capitalism in this phase went in "the hands of people whose only concern was their fiduciary responsibility to their shareholders or to their own pockets." As someone said that greed got legalized in America, with Wall Street running Washington.
- 2008 onwards: The poison pill of brute capitalism which started slowly from late 19th century started showing its colours from 2008 when huge recession sets in American economy. The larva of money-craze which had grown to a full-grown locust by 2007 then infected the American economy like a thunder. The phase is still on and how America deals with the situation is a matter of concern for many.

It is worth mentioning, that in colonial America, the business corporation was almost unknown. During all the years before 1789, only thirty such firms were formed and virtually all of them failed (Davis, 1917).

Technology

Technology has always been the passion of America and has been the prime force for development of business in America. The Corporate America which developed immensely from late 19th century onwards owes a lot to technology. Thomas Edison, Graham Bell, Morse, Goodyear, Eastman etc. are some of the many people who developed breakthrough technologies and helped the cause of American business. Technology was responsible for development in three important areas namely transportation, electricity, and industrial processes which provided the base for shaping Corporate America. Even in early America Eli Whitney developed cotton gin in 1794 that greatly improved the cotton processing and

improved the availability of cloth and also reducing the cost of cloth production. NASA which was established in 1958 has contributed immensely to the space technology and is one of the examples of America's passion for technology.

Donaldson (1982) writes:

“Even in Colonial times America showed signs of its technological inventiveness by designing an axe which was better balanced and easier to handle than the rival German and English axes. The self-reliance born of independent farming, coupled with a new world penchant for change and improvement, brought America a reputation for ingenuity which persists today. Undoubtedly, the outstanding achievement of American industrial creativity was developing techniques of mass production. One element essential to such production is the interchangeable part. It made possible, for the first time, assembly line operations in which the advantages of specialization and the division of labor could reach final fruition. Eli Whitney, nearly broke because he had been unable to patent the cotton gin, successfully introduced the first interchangeable parts system. He persuaded the government to allow him to manufacture for the army muskets which, in contrast to those in operation, would contain parts exactly like those in other muskets. When he showed ten muskets to President Adams, and offered to disassemble them and then reassemble them with exchanged parts, the President was dumbfounded. The pattern for the modern Ford auto, the Atlas rocket, and the MacDonald's hamburger had been discovered.”

American Business Values and Philosophy

Freedom

The development of business in America what we see historically is primarily the result of following democratic-capitalism philosophy of Adam Smith. The logic which dominated the American business was that free enterprise system is most conducive for economic development. Government and other agencies should have minimum role in deciding the path on which business organizations should move. The belief that when business organization does best for its self-interest ultimately with the help of the 'invisible hand' somehow the organization does the benefit of the society also has driven the business organizations in America. So pursue of self-interest has always been promoted in America. This all has resulted in development of a huge business world in America with very little control of the Government. The concept of free-enterprise given a free rein to run business signifies that the core value that has driven America is freedom.

DeGeorge (1982) has clearly pointed out that if we have to look for the first value that has historically and presently driven American Business than it must be freedom. The concept of free enterprise rests on freedom. Colonists who came to America always treasured freedom.

They made efforts to first earn political freedom and then made efforts to get rid of economic dominance of Britishers. This was done as it was felt that only after the political and economic freedom could one freely pursue the self interest. People came to America for betterment of their lives, to improve their social and economic status, and to make the lives of their families and next generations secure. In other words, social and economic freedom was the underlying reason for so many people migrating to America. America was the symbol of freedom from earlier times and this continued to the present times. This craving for freedom by Americans in political, social, and economic sphere led to the development of a fertile ground for capitalism to grow and prosper. Business world what we see today in America is largely the outcome of this value freedom which is so greatly cherished by Americans. Freedom, therefore, could easily be the most significant value that has led and motivated the pursuits of American business where every organization wishes its own good and self-interest.

Profit

Americans realize this fact from the very beginning that freedom can't come without monetary or resource gains. Profit was always inherent in the philosophy of capitalism and the cherished dream of freedom. To enhance the living standards, to expand the business enterprises, to enjoy the luxuries, and to dominate the economic world profits were always given a top priority in America. This has been the reason that every resource be it natural or human has been looked upon by the Americans from the perspective of exploitation for profits. For them a piece of land or a natural resource is useless unless it can't be utilized for some materialistic gains. In capitalist environment in which American business developed there was always a premium on profit. Business organizations sole criteria for success and failure started and ended at profits. Historically, it can easily be seen and felt that American business valued profits seriously ignoring many other social aspects with a belief that the profits lead to more goods for the members of society, for a high standard of living for members of society, and for a generally better life than previous peoples enjoyed.

Competition

When Adam Smith wrote Wealth of Nations as a solution to the pitfalls of mercantilist system, he clearly suggested free and fair competition for organizations. When organizations work in a free economy with level playing field good organizations survive and inefficient organizations are thrown out of the economic systems making the society better. This was proposed by Adam Smith and was duly accepted by the America. America developed an economic system which was free and invited open competition among organizations. The American model of business which developed was based on freedom with competition as an intrinsic element.

The philosophy behind this model related to competition can be explained like this. First the business organizations should be given freedom to get the resources so that there is level playing field for all the players. When these organizations are given freedom to run the businesses as they wish to do pursuing the self-interest naturally the number of organizations will grow. More number of organizations means more competition. When competition will grow quality of products and services will improve. Efficient players will survive and inefficient players will be losers. Society will benefit with good products at lesser prices. Standard of living will improve. Resources will be efficiently utilized. There will be no scope for complacency in organizations. Those who will contribute to the bottom line of the organizations will be rewarded and others will have to face the consequences. Moreover, the competition would give rise to risk-taking efforts from the people and organizations as rewards for being successful would be huge and there would be always another chance after failing.

This American model worked well till recently when American and European markets started saturating. Pressure of expansion has now led America to follow an approach on competition which differs from the past history of free and fair competition. Now America wants fertile ground for American business organizations at the expense of survival of business organizations that have existed for so many decades in developing countries. One issue that can be mentioned here is that of agricultural subsidy. On one side America wants free trade with open policies and on the other side it does not want to reduce the subsidy on agriculture in America. This makes American agricultural products cheaper in the world markets and affects the business of other companies based in developing countries. Policy of free and fair competition which America followed for so long is now applicable only on selective basis depending upon the interest of American companies.

Still looking at the history of American business it could be said that competition has always been the value which America inherited naturally as a result of its capitalistic approach and promotion of competition led to enhancement of technology, improvement in efficiency and business processes, quality of products, and standard of living.

Efficiency

In a free economy where everyone is there to get the best returns out of the business and with so many players competing for their piece of profit, improvement in efficiency of business operations becomes a natural requirement. So this value of efficiency for which America is known was the natural outcome of fierce competition that became part and parcel of the American economic structure. Free and fair competition has the tendency to throw out the less efficient players and reward the efficient ones. Efficiency enables us to multiply our productive capacities and to receive the greatest return for energy expended. It is the

efficiency of the machine, of technology, and of American ingenuity that has enabled the American people to produce the wealth and standard of living that they collectively enjoyed (DeGeorge, 1982). So efficiency is the value that has enabled America to grow to such a level and becoming a major influence in world economy.

Upward mobility

Upward mobility in an individual or organization here signifies the urge to improve the present economic and social status. With the history of immigrants and other people who left their homelands alongwith the culture, tradition, and value system America was in full realization that it is imperative to improve the social and economic status of individuals who have stepped in at the place called America with a hope for future. America always provided the conducive climate for what was aspired by the immigrants and that in reality transpired to be the real tonic for further craving among the outside world to be a part of economic success of America. A non-entity in his homeland became a who's who in America. America respected the ideas, efforts, and the success of the individuals and organizations irrespective of any sort of affiliations. Entrepreneurship of which risk taking is the important component was promoted to the highest level. An entrepreneur who has the will to build a kingdom, who has the will to take on this world with his ideas and efforts, who strives to break the rules and traditions, and who has the urge to succeed was all promoted by America. The underlying theme was upward mobility and this value was deeply embedded in the collective consciousness of the Americans right through the beginning (Donaldson, 1982).

Puritan work ethic

The notion that economics and ethics do not necessarily contradict each other seems to be a widely held opinion in America. The notion that business and ethics have a positive relationship has its roots in the puritan work ethic. According to this religious doctrine, divine grace manifests itself in the worldly success somebody has. This doctrine establishes a bond between God and Mammon. Consequently a rich man cannot be morally bad since otherwise he would not be rich. This inspires the Puritans to be extremely industrious and frugal. The profits they make due to this lifestyle are supposed to be used for the overall benefit of the community. The rich are seen as the fiduciaries of the wealth God gave them and it is expected that they use this money to do God's work on earth (doctrine of stewardship). According to the Puritan concept of original sin human nature is innately corrupt (total depravity) and can only be saved by divine grace in a transcendent world. But, a person's worldly success could be interpreted as a sign to be among the saved. Over time this idea transformed into the strong belief that it is possible to influence one's salvation through good deeds and hard work. Americans see their success as a blessing from the God. The culture of hard work, openness to improving individuals and their morals at the

workplace, individual work contributions, striving to be rich, and enjoying the rich lifestyle are the ideals of Americans rooted in puritan thoughts.

Utilitarianism

In the U.S. the dominant tradition of moral philosophy is Utilitarianism. In Utilitarianism the consideration of consequences, results, and the overall utility of individual decisions and actions are emphasized. The combination of this preference for Utilitarianism and the above mentioned American tradition of puritan work ethic support the notion of a positive relationship between business and morality and this leads to a strong belief in the Americans about the potential of American capitalism for moral improvement. Although Corporate America from time to time is rocked by scams and scandals but that does not deter the Americans in their belief in Capitalism and that improvement in the standards of ethicality and morality is possible within the framework of capitalism.

Dependence on laws and universal rules for individual ethicality

The private sphere of Americans is much smaller. There are only few things that are considered to be strictly private. Therefore, it is easier for Americans to accept the proclamation of moral norms and values from an employer. Americans are more willing to see, e.g., a Code of Ethics issued by their employer as the specific rules of conduct valid for them during their working hours:

“An American's public life space tends to be specific, that is, separated into neat compartments. He or she can be one sort of person on the golf links, another in the local bar, third at work, and yet another at a scientific meeting.” (Hampden-Turner and Trompenaars, 1993)

In fact American business ethics often seem to be rather legalistic. Obviously Americans tend to understand ethics in terms of compliance to a certain set of universal rules (“to play by the rules”). The popularity of checklists, guidelines, and principles makes this evident. Consequently it comes as no surprise that ethics codes are much more common in the U.S. than in Europe (Berenbeim, 1992; Langlois and Schlegelmilch, 1990).

Individualism

Every community has to find some way of balancing the rights of the individual with the necessities and duties of the community. This balancing act represents a dialectic process between the two poles of individuality and collectivity and each culture sets its own priorities in this process. Obviously the American priority is individualism. In general individualistic societies are characterized by an universalistic approach towards ethics. That

means that they believe that all humans are equal and deserve the same rights (Hampden-Turner and Trompenaars, 1993). Norms and values are valid for everybody and are expressed in universal duties the individual has to fulfill. In an individualistic society like the America it seems necessary to define fixed rules for everyone to comply with to keep this community of “unencumbered selves” together. This belief in procedural justice through the “rule of law” is an integral part of the American cultural identity (Ostendorf, 1996), because it helps to create and maintain a “level playing field” for everybody. The American moral universalism also manifests itself in the way Americans deal with the validity of values. Once they recognize a certain value as important they tend to fight for its general acceptance and legal enforcement. This explains, e.g., the almost missionary fervor Americans develop in fighting discrimination and sexual harassment. The American preference of universal rules was enhanced by the dominance of the Tayloristic principles of organization in American companies that resulted in a tight web of formal rules controlling the employees (Fukuyama, 1995).

Action, manageability, achievement, and status

Importance of action is a very obvious feature of American culture and indicative of the strong belief that it is within the power of the individual to influence his or her Life and environment. Cultural anthropologists call this notion “internal control”, i.e. the belief that the control over our Life lies within our own power (Trompenaars, 1993). Slogans like “It's up to you!” or “The Right to Choose!” stress this notion of free choice typical for individualistic cultures. The American belief in the manageability of life is obvious in many contexts. If an American do not like his face, he simply goes to a plastic surgeon and “get it fixed”. If he has problem in his marriage, he see a psychiatrist and is least ashamed about it. The motto that everything is manageable also becomes obvious, if one look at the amount of books being published on the topic of “self improvement” in America. Thus it is not surprising that American companies apply this attitude of manageability also to their way of integrating ethical considerations into business. In America a person's achievements are the prime measure for the status and the recognition he or she gets. To learn about an American's social status one has to ask him or her what he or she does.

“What does the individual do? What can he or will he accomplish? These are almost always the primary questions in the American's scale of appraisal of persons. “Getting things done” and “let's do something about it” are stock American phrases.” (Kluckhohn and Strodtbeck, 1961)

In an immigrant society like the U.S. social status is quite naturally defined more by achievement than by

ascription. The success of external moral motivation depends on the openness of the

individuals for them. Since Americans believe very much that who they are is basically what they do, they also believe that they can improve their morals by action. The American doing orientation also works for the allocation of “moral status”. Consequently, the idea that a company can change its moral status by conducting an ethics program is more easily acceptable in the U.S.

Ambition and Optimism

In America ambitious aims are seen as a sign of the high standards a person sets for him- or herself. Outstanding achievements of others are taken as motivation for oneself. Reason for the strong and almost proverbial American optimism is the historical fact that the U.S. has mostly been spared from the devastation of the two world wars. Americans did not (at least not since the War of Independence) experience an occupation, and they had to mourn for fewer victims of those wars than the Europeans had to (Novak, 1996). Even the traumatic experience of the Vietnam War did not substantively change this basically optimistic state of mind. This attitude also results in a greater openness for practical business ethics. If for instance the CEO of an American corporation proclaims that his or her company strives for the “highest ethical standards”, it is not immediately interpreted as hypocritical and self-serving, but might actually be seen as sensible and motivating.

Business in America has been such an evolution with success of so many organizations that nomenclatures like good governance, innovation, good fortune, good systems became common to be associated with the American system. The fact of the matter is that though today business exudes lot of power in America and has been a fairy tale story in the past but with recent problems emerging in it is hard to tell that actually what factors were really responsible for the success of business activities in America and what really has gone wrong in recent times. With plenty of success in the past and sudden huge failures in the present times would certainly make America to rethink. Ambition and optimism which became inherent value in the American system with success would certainly be revisited with the recent developments.

Status of Business Ethics in America

Historical overview

In America income tax was first imposed in 1861 by Abraham Lincoln. The civil war had resulted in lot of cost and to recover from that income tax was levied. Businessmen and farmers in large number disclosed their incomes and published that in newspapers. They showed their respect toward the system and paid the income taxes. At that time everyone including the businessmen was cautious of their public reputation and were not willing to

damage it by lying or cheating (Crossen, 2003). In the 19th century although there were some issues of slavery and labour abuse but personal integrity and public image were given importance by the businessmen in America. However things have changed drastically in last 150 years and today we find so many executives and business organizations in America being involved in scams and scandals.

When it comes to pure ethical issues many things have happened in the history of American business which had from time to time tarnished the image. In earlier times it was the issue of exploitation of immigrant workers and harsh treatment to labours. In modern times the dimensions of unethical practices have changed and taken a more dangerous turn with the emergence of scandals involving organizations like Enron, Tyco, and WorldCom. In the public eye American business has failed to maintain a clean image in the backdrop of continuous exposure of some scams or scandals. Way back in 1966 a survey came out in which 42% of American people had agreed to the statement that majority of American businessmen would do anything for buck irrespective of whether their act is ethical or not (Baumhart, 1968). In 1970's nothing improved and business organizations tried to extract maximum out of the Vietnam war through supplies to the Government especially in the defense industry. Gallup (1977) survey showed that 19% of American people at that time believed the ethical standard of American businessmen as low or very low. In 1980's business activities prospered to new heights but the image in public hardly improved. 56% of people in a survey conducted by New York Times in 1986 stated that the contribution of business in improving the community at the place where the businesses were located was either fair or poor (Lipset and Schneider, 1987) and just one year after that another poll was conducted in which 49% of the total respondents agreed that white collar crime in business is a very common practice (Jackson and Collingwood, 1987). In 1990's same story continued with little improvement and the rating of American business on ethical standards continued to be on the lower side (Gallup, 2000; McAneny and Moore, 1994; Newport, 1998; McAneny, 1992, 1993, 1995, 1997;). Many new cases of unethical practices came to open during this time ranging from hiding evidences of poor performance of products to insider trading. Companies like Bridgestone were found to be involved in acts which were a clear violation of ethics by any standards. Some executives even went to jail for insider trading.

Gallup has been surveying Americans from 1976 onwards to measure opinions about the honesty and ethical standards of various professions, including business executives. Given below is the comparison of opinions in 1981, 1990, and 2000.

" No Poll was taken in 1980

1981 ^a	1990	2000
1. Clergymen	1. Druggists/Pharmacists	1. Nurses
2. Druggists/Pharmacists	2. Clergy	2. Druggists/Pharmacists
3. Dentists	3. Medical Doctors	3. Veterinarians
4. Medical Doctors	4. Dentists	4. Medical Doctors
5. Engineers	5. College Teachers	5. Grade and High School Teachers
6. College Teachers	6. Engineers	6. Clergy
7. Policemen	7. Policemen	7. College Teachers
8. Bankers	8. Funeral Directors	8. Dentists
9. T.V. Reporters; Commentators	9. Bankers	9. Engineers
10. Newspaper Reporters	10. T.V. Reporters; Commentators	10. Policemen
11. Funeral Directors	11. Journalist	11. Judges
12. Lawyers	12. Business Executives	12. Accountants
13. Stockbrokers	13. Newspaper Reporters	13. Bankers
14. Senators	14. Senators	14. Funeral Directors
15. Business Executives	15. Lawyers	15. State Governors
16. Building Contractors	16. Local Office Holder	16. Local Office Holder
17. Congressmen	17. Building Contractors	17. Senators
18. Local Political Office Holders	18. Congressmen	18. Building Contractors
19. Realtors	19. State Office Holder	19. T.V. Reporters; Commentators
20. Labour Union Leader	20. Real estate Agent	20. Auto Mechanics
21. State Political Office Holder	21. Labour Union Leader	21. Business Executives
22. Insurance Salesmen	22. Stock Brokers	22. Journalist
23. Advertising Practitioners	23. Insurance Salesmen	23. Congressmen
24. Car Salesmen	24. Advertising Practitioners	24. State Office Holder
	25. Car Salesmen	25. Stockbrokers
		26. Real estate Agent
		27. Labour Union Leader
		28. Lawyers
		29. Newspaper Reporters
		30. Insurance Salesmen
		31. Advertising Practitioners
		32. Car Salesmen

Business executives who occupied 15th position in 1981 have slipped to 21st position which is an indicator that peoples opinion about business executives honesty and ethical practices has deteriorated. Car salesmen and advertising practioners who are also a part of business world have continuously occupied the last two positions which is not a good sign.

The new millennium brought the Enron, Arthur Anderson, Worldcom and Tyco scandals. The case of Enron is worth mentioning here which shocked the world. This was the company which was 7th largest company of America in the year 2000 (Morse and Bower, 2002). It had all the admiration of the public (McLean and Elkind, 2003). No one was aware of the fact that it was the unethical accounting practices which was responsible for hiding the true face of Enron performance. Losses were converted into profits through accounting malpractices (Reinstein and Weirich, 2002; Hamilton and Micklethwait, 2006). When the bubble reached to its limit it bursted and in no time the company had to declare it bankrupt by the end of 2001. The world was shocked and the fallout was catastrophic. Investors lost millions of dollars and employees who worked at Enron also suffered a great deal. Senior executives like chairman and CEO were jailed for being involved in financial irregularities and other crimes. Market capitalization of Enron dropped by sixty billion US Dollars in no time. The

auditor of Enron was Arthur and Andersen who were also found guilty and they went out of business and lost everything despite of the fact that it was one of the most admired companies just before the Enron scam surfaced.

No one would have believed that accounting firm like Arthur Andersen could also be involved in malpractices. This firm was involved in launching a project in 1980's having the budget of \$5 million in which business school students were to study ethics (Berton, 1988). The project was highly appreciated but with little realization that the same firm would get involved in unethical practices later on. During the trial of Arthur Andersen in Enron case another shocker came when it was discovered that this firm is further involved in another accounting malpractice related to WorldCom a telecommunication giant at that time. In 2002, an internal audit of World-Com found that the company had misreported its income by 3.8 billion dollars (Ackman, 2002; Sloan and Lipper, 2002). The share of WorldCom at the stock market fell to \$1.79 which was \$64.5 at its peak (Pandey and Verma, 2005). So many investors suffered because of the misdeeds of WorldCom and Arthur Andersen. Executives of WorldCom were prosecuted. Bernard Ebbers who was the CEO was sentenced to 25 years of prison.

Then there was the scam involving Dennis Kozlowski of Tyco who stole \$600 million with the support of his CFO from the company. In 2003 Martha Stewart was found guilty for insider trading (stock of Imclone). Further, Billion and a half dollars in fines on ten major firms of investment banking sector was imposed for fraudulent practices (Coxe, 2003).

Sarbanes-Oxley Act

With so many unethical acts and white collar crimes cropping up from the business world in America where top leadership showed scant respect for the law and society as a whole there was an undercurrent in the public for Government to act and hold the reins of the corporate world. American Government was quick to respond and passed legislation by the name of Sarbanes-Oxley act in 2002. During the press conference organized to formally announce this act, President of America George W. Bush targeted the leaders of the corporate world and said:

“This new law sends very clear messages that all concerned must heed. This law says to every dishonest corporate leader: you will be exposed and punished; the era of low standards and false profits is over; no boardroom in America is above or beyond the law. This law says to honest corporate leaders: your integrity will be recognized and rewarded, because the shadow of suspicion will be lifted from good companies that respect the rules.” (Bush, 2002) Sarban Oxley act was an immediate outcome after the scandals like Enron became public. There was public outcry against the functioning of corporate leaders and there was the

general opinion of the business and outside world that companies and business leaders who were implicated should not have conducted their business in such an unethical manner (McLean and Elkind, 2003; Kulik, 2005). In July, 2003, Sarbenas-Oxley act was formally signed and converted into law with the provision for stringent penalties against those who gets involved in defrauding the investors. Among many things the inside corporate loans to directors were banned with the creation of Public Company Accounting Oversight Board through the act. The Sarbenas-Oxley act introduced a code of ethics for financial executives directing them to disclose the accounts in rightful and timely manner and to behave honestly and ethically obeying the law of the land (Grace et al., 2003). Auditing reports as per the act were now to be prepared with stringent ethical standards. Auditor independence was strengthened with their responsibility towards the corporate ethics was focused through the act (Thomas and Morris, 2002).

The Act has been enacted to ensure ethical conduct from the executives. Through this act annual reports are required to be assessed for the effectiveness of internal control structures. Executives at the top are required to certify that they have gone through the reports be it annual or quarterly before making it public. This has given a new direction to the top management that they have now to understand the accounting and financial statements as one accounting professional stated, "The dumb CEO is no excuse any more. There will be zero tolerance. Companies must find CEO's who understand financial statements" (Coustan et al., 2004, p. 47). Looking at the nature of business the way it is run with competition increasing and premium be put to profits only time can tell the effectiveness of Sarban-Oxley Act in stopping unethical practices. In most business organizations emphasis is on generating profits in the cut-throat competition with little focus on spreading the message of ethical practices. Reward for showing exemplary ethical behaviour had hardly any takers in the corporate world unless it is backed by contribution to the bottom line. It is only the involvement of Board of directors of companies that can make the ethical corporate codes effective and living ; nearly one quarter are currently not involved in such efforts (Megan, 2002). When the Board of directors would encourage the ethical standards along with profits only then there can be real change in practices. Compensation and salary packages of CEO is also an issue for strong ethical practices to be implemented in organizations. In the year 2000, CEO's average salary was 531 times as compared to that of employees and was estimated to an average of \$13.1 million (Wahlgren, 2002). Boards of directors should have to relook at this phenomenon and the package of CEO must be linked with ethical practices in addition to the profit.

Public at large expects positive outcome from the Act. A study was conducted after the act was enacted which revealed that now the frequency of meetings related to audits have increased and even the duration of the meetings is longer, quarterly and annual reports are more extensive , and the activity of acquisitions and mergers which bring more financial liability in records has slowed down (Koehn and DelVecchio, 2004).

American business ethics practices

Despite of the abovementioned facts, the fact remains, that the field of business ethics emerged from America and has been able to establish itself. Many American companies have developed a very explicit way to deal with their management of values and norms and introduced so-called “business ethics programs”. They have written Codes of Ethics to define the company's ethical value system, to provide rules and orientation for employees, and to signal their commitment to their stakeholders. They implemented Ethics Committees of the Board of Directors to integrate ethics at the company's top-level, communicate their concern for ethics to the outside world, and provide the ethics program with the necessary political backing needed for the resolution of touchy issues. This committee is supported by the Ethics Office that handles and coordinates all aspects of ethics management on a day-to-day basis. It runs the company's Ethics Trainings and enforces and controls the whole process. It communicates the Ethics Code and answers employees' questions. To facilitate this advice task, some companies have even installed a toll-free Ethics Hotline. The head of this department – the Ethics Officer – serves as an ombudsperson for employees, investigates alleged violations, and reports to the board.

To monitor the effectiveness and the success of these activities the Ethics Office runs an Ethics Audit. This instrument tries to survey whether the employees know the code, are able to deal with ethically sensitive situations and what aspects or parts of the company's ethics program might need adjustment (Löhnert, 1996). The motivation to implement and run such extensive corporate programs has many sources and ranges from the genuine need and will to be a “good corporate citizen” to the simple and purely self-interested wish to avoid bad reputation, public pressure, and legal consequences in case of corporate misconduct.

Certainly one very important legal incentive for U.S. companies is the Sabranes-Oxley act of 2002. Even the Federal Sentencing Guidelines which came into effect in 1991, aimed at the stricter prosecution of organizational offenses. In addition to raising the amount of fines for, e.g., corruption and environmental crime, the guidelines gave judges the possibility to mitigate the suggested sentence by as much as 5% of the initial fine, if the offending corporations have shown “due diligence” in securing the law-abiding conduct of its employees. One possibility to meet this requirement was the existence of an effective business ethics program. This carrot-and-stick-principle encouraged many companies to install business ethics programs.

According to a survey conducted by the Center for Business Ethics at Bentley College in 1992, 93% of the 244 responding Fortune 1000-companies reported that they have a Code of Ethics. In the 2000 member survey of the Ethics Officer Association 66% of the 150 responding organizations reported having an “Ethics Committee of executive management”. In 2000 the Ethics Officer Association, the professional association for

managers of corporate ethics and compliance programs, had 619 members representing 355 organizations.

In brief, given below are some of the developments in America in the field of business ethics. Professional and community business ethics activities in America

- *Business ethics awards/ratings:* A major development is the increasing number of business ethics awards given on an annual basis by a variety of sponsors. One of the first and most successful in this area is the awards given by The Business Enterprise Trust. Awards have been established by the Better Business Bureau, Business Ethics Magazine, and the American Society of Certified Life Underwriters and Chartered Financial Consultants. Some consulting firms publish ratings of corporations based on certain screening criteria.
- *Ethical investing:* The last few years have seen a increase in mutual funds that engage in some form of social screening.
- *Corporate sentencing guidelines:* The United States Sentencing Commission has adopted guidelines for judges to follow in sentencing corporations who have been determined to have committed criminal violations of United States law. The Guidelines increase the amount of fines a corporation is required to pay if it has attempted to cover up a violation or has impeded an investigation. The amount of the fine is lowered if the corporation has disclosed the violation on its own, has cooperated in the investigation, and, most significantly, if the organization has in place an effective ethics program. The Guidelines have served as a stimulus to corporations to develop ethics programs, and several law firms and consulting firms have developed small practices in this area. The Sentencing Commission has distributed grants to encourage academic research on the topic and has held a major conference to encourage corporations to develop ethics programs.
- *Ethics Officers Association:* The Ethics Officers Association, a professional organization for senior corporate ethics officers, has grown significantly during the past few years and is now a major source of information and support for the development of corporate ethics programs.
- *Corporate ombudspersons:* A number of corporations now have corporate ombudspersons. Their role differs in significant ways from that of corporate ethics officers. Essentially problem solvers, ombudspersons are neutral, impartial parties who attempt to provide for an effective resolution of disputes within organizations. They support the development of fair processes and administration, but do not serve as advocates for any individuals and are not agents of the organization. There is an

Ombudsman Association which has just drafted “Standards of Practice” which emphasize confidentiality, objectivity, and impartiality.

- *Social issue shareholder resolutions:* In the United States, shareholders may propose resolutions to be voted on by proxy by all shareholders so long as the resolution does not relate to “the ordinary business” of the corporation or accounts for less than 5 percent of assets and sales and “is not significantly related to the firm's business”. If a resolution gets 3 percent of the vote it can be brought back a second year, at which time it must get 6 percent of the vote and then for a third year and thereafter it must garner 10 percent of the vote.
- *Conferences:* Several business oriented conferences on business ethics are now well established annual events. The Conference Board runs a conference each year in New York City during the Spring. There is also a west coast conference at Long Beach State University which draws many ethics consultants.
- *Special tax and regulatory breaks for socially responsible corporations:* Several proposals have been made in the United States Congress that would offer tax breaks for corporations which provide certain benefits for employees. The ideas do not have a great deal of political support for the time being, but they may have an impact on the ethics literature and, in time, may have a greater chance of taking effect.
- *Corporate codes and the internet:* More and more companies are putting their codes of conduct on the World Wide Web. The Web is a new tool by which firms attempt to create reputations as responsible, caring firms.

Academic activities on business ethics in America

- *Major grants:* Organizations such as the Kemper Foundation regularly award relatively small grants for research pertaining to business ethics. The Sloan Foundation has awarded a major grant for the study of stakeholder theory.
- *Journals:* There are journals being published specializing in business ethics such as Journal of Business Ethics. In addition, The Business and Professional Ethics Journal and Business and Society publish substantial numbers of articles on business ethics. Journals that publish ethics articles from time to time on a consistent basis include the Academy of Management Review, the Harvard Business Review, and the California Management Review.
- *Organizations:* A large number of academic organizations have some connection with business ethics. The Society for Business Ethics has experienced steady

growth and now supports a journal, a major conference each year, and sessions at a number of other conferences. The Social Issues in Management Division of the Academy of Management and the Ethics Section of the Academy of Legal Studies in Business have membership in the hundreds who are concerned with managerial or legal dimensions of business ethics. Internationally, ISBEE and the International Association of Business and Society have substantial representation from North America interested in issues within the domain of business ethics. The Association for Professional and Practical Ethics and the Society for the Advancement of Socio-Economics typically have a number of papers and panels on business ethics at their annual meetings.

- Endowed academic chairs: The number of endowed academic chairs in business ethics continues to grow. According to James R. Glenn's database, in the United States and Canada there now are 42 endowed chairs and professorships of business ethics or ethics in the professions. During the last few years Wharton, Wisconsin, New York University, Northwestern, and Darden Graduate School have been among major schools that have filled endowed chairs.
- Literature/research trends: The special issues of the major ethics journals provide one source of emphasis in the current business ethics literature. Topics include community involvement and service as part of the classroom experience; ethics and the environment; social contracts and business ethics; ethics and leadership; and Stakeholder Theory. Major book series are The Ruffin Series in Business Ethics (Oxford University Press), Issues in Business Ethics (Kluwer Academic Publishers in cooperation with the European Business Ethics Network), and Soundings: A Series of Books on Ethics, Economics and Business (University of Notre Dame).
- Curricular trends: The accrediting body for business schools in North America, the American Assembly of Collegiate Schools of Business, provides in its accreditation standards that "Both undergraduate and MBA curricula should provide an understanding of perspectives that form the context for business" which should include coverage of "ethical and global issues" and the "influences of political, social, legal and regulatory, environmental, and technological issues." The vast majority of business schools offer coverage in business ethics. A significant number have required or semi-required offerings. Ethics is sometimes integrated with other subjects, particularly leadership, organizational values or law, and public policy. Darden has developed a doctoral program, and Wharton now has a doctoral course and students who effectively take a minor field in business ethics.
- Centers and programs: There are a large number of centers which stimulate, support, and disseminate research related to business ethics and corporate social

responsibility. Among the oldest is the Olsson Center for Applied Ethics at the Darden Graduate School of Business, University of Virginia, which was established in 1969, and the Center for Business Ethics at Bentley College in Waltham, Massachusetts, which was founded in 1976. Many universities have established centers and programs in business ethics, e.g. the Carol and Lawrence Zicklin Center for Business Ethics Research at the Wharton School of the University of Pennsylvania.

Conclusion

Whatever may be the history of business, values and ethics of America in the past, presently the situation is not so rosy. This paper discussed briefly about the history of business in America, the values which America cherishes, and the status of business ethics in America. Undoubtedly, for the first time in history, America is facing a situation of confusion. Some of the questions that need pondering from America now is: were we wrong in the past or were we right, present economic problems are temporary or they are going to become worse in future, should business go on enjoying the preferential treatment or need a relook, are we exclusive or simply a part of this complex world, and shall we follow the previous path or start afresh with new thinking beyond greed and money. America has no shortage of brains. Quoting 18th century Scottish historian Alexander Fraser Tytler: "The average life span of the world's greatest civilizations has been 200 years" progressing from "bondage to spiritual faith ... to great courage ... to liberty ... to abundance ... to selfishness ... to complacency ... to apathy ... to dependence and ... back into bondage!" now the brains of America have to decide that where the America presently is in this cycle and work accordingly for its nirvana (the real freedom). For many America of present times is somewhere between the phase where it is moving 'from complacency to apathy' and 'from apathy to dependence.'

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