Now, back to the series of steps that would be needed to comply with the court order or board directive that I have asked you to assume that you had received, and that were part of a group responsible for its implementation. That implementation would start with a very basic managerial change in outlook and emphasis.

Managerial Change

If the total focus of corporate management is placed upon financial benefits for the stockholders, with little or no attention paid to the well-being and rights of other stakeholders, the result—according to this text—will be a lack of trust, commitment, and effort among those other stakeholders at the individual level and of cooperation, innovation, and unification at the organizational level.

That is exactly what happened at Exxon Corporation. At the time of the wreck, Exxon was being managed with sole attention to the financial well-being of the stockholders and—given the large bonuses that could be expected from reporting profit increases during a financial downturn—the senior executives as well. Lawrence Rawl had boasted that he was "bottom-line" oriented, that he planned to fire employees and cut expenses to increase profits—with no concern for those to be fired within the extended company or for those to be harmed throughout the Alaskan community. Under economic outcomes, the company did not recognize the external costs that were imposed upon the commercial fishers, the native Indians, and the active environmentalists. Under government requirements, the company did not obey the law, in the form of the spill response contract that had been signed with the state of Alaska. Under ethical duties, the company was not open, honest, and truthful about their actions, did not select the greatest net benefits for society, nor act in ways they would be willing to have all others act. The result was a clear lack of committed effort by employees on the tanker: No one was willing to report the frequent drunken behavior by the captain or to object to the continual violations of sailing rules that jointly led to the tragic accident. The result was also a complete lack of committed effort by employees at the terminal: no one made any attempt to correct the shortage of equipment and the absence of training that led to the slow response. That lack of trust, commitment, and effort brought about, eventually, a huge cost to the company and a heavy charge to the society. What else should have been done? Here are the next steps in the sequence of organizational changes that earlier were shown in Figure 6.2.

Corporate Values

To avoid easy generalizations, think of corporate values as the duties the senior executives of the firm should—in your view—owe to the various individuals, groups, and organizations associated with the firm who can, in one way or another, affect the future performance and position of the firm. These individuals, groups, and organizations would include owners of all types (both institutional and individual); employees at all levels; customers in all markets; and the full range of suppliers, distributors, creditors, local residents, national citizens, and global inhabitants. Think about what issues are probably important to each of those individuals and groups. Then, think about the extent to which the senior executives of the firm should recognize these factors that are important to each of those individuals, groups, and organizations. In short, think about how the company should begin to plan for unification based upon similarities rather than separation based upon differences.

Clearly, Exxon owed profitable operations to the owners, but they also owed them the duty of avoiding large fines and penalties. Perhaps they could not have owed continued employment to all of the workers, given the changed conditions of the oil industry, but they could have attempted to balance the harms imposed upon employees by salary and wage reductions at all levels of the firm rather than relying upon "head chopping" at the lower levels. They also could have provided the workers who remained with better conditions, such as less forced overtime on the oil tankers, and improved training, such as better instruction for the response teams at the oil terminals. It would be hard to argue that they did not owe an unharmed environment to the local residents and forthright information on the level of preparation to the state officials. None of these duties, beyond profits owed to the shareholders, apparently were recognized by Lawrence Rawl and the other senior executives at Exxon.

Organizational Goals

To avoid easy generalizations here, think of company goals as the end points the senior executives of the firm should—in your view—set for the various dimensions of performance that are possible. What—again in your view—should the senior executives want to accomplish along such dimensions as financial performance, technological achievement, industry position, market share, customer satisfaction, productive efficiency, employee loyalty, environmental protection, public reputation, and social contribution? What—once more in your view—should the various groups associated with the firm want to accomplish on each of these dimensions? As with the corporate values, there will be differences among these groups. Scientists and engineers doubtless would like to emphasize technological advances, while the owners and creditors probably would prefer to focus on financial outcomes. The two may not be as dissimilar as they at first appear; if Exxon had been positioned within the industry to take advantage of their perceived strengths and weaknesses and their expected opportunities and threats, there would have been an obvious connection between those two. Again, think about how the company should begin to plan for unification based upon similarities rather than separation based upon differences.

Exxon placed total emphasis upon financial performance and set very explicit goals along that dimension. The accident, and the total of $5.2 billion in fines and penalties, could have been avoided with greater emphasis upon technological achievement (better methods of tanker control and spill clean-up), employee morale (less drinking by tanker officers and more training for terminal employees), environmental protection, and public reputation. The basic question in proposing goals for a corporation is