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Related Debates in Ethics and Entrepreneurship: Values, Opportunities, and Contingency

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ABSTRACT. In this paper, we review two seemingly unrelated debates. In business ethics, the argument is about values: are they universal or emergent? In entrepreneurship, it is about opportunities – are they discovered or constructed? In reality, these debates are similar as they both overlook contingency. We draw insight from pragmatism to define contingency as *possibility without necessity*. We analyze real-life narratives and show how entrepreneurship and ethics emerge from our discussion as parallel streams of thought.

KEY WORDS: contingency, pragmatism, entrepreneurship, values, opportunities

Introduction

Only poets, Nietzsche suspected, can truly appreciate contingency. The rest of us are doomed to remain philosophers, to insist that there is really only one true lading list, one true description of the human condition, one universal context of our lives. We are doomed to spend our conscious lives trying to escape from contingency rather than, like the strong poet, acknowledging and appropriating contingency. (Rorty, 1989, p. 28)

Ethics is concerned with values. Entrepreneurship with value creation. Values and value creation interact in interesting ways. Yet, the two are rarely studied together – the Ruffin Series on Ethics and Entrepreneurship (2002) is a notable exception. In that volume, Venkataraman (2002) explained the connection:

If we understand entrepreneurship and ethics as the fields that together seek to describe, explain, predict and prescribe how value is discovered, created, distributed, and perhaps destroyed, then there is not only much that we can learn from each other, but together

we represent two sides of the same coin: the coin of value creation and sharing” (2002, pp. 45–46).

Indeed, there are on-going debates in both business ethics and entrepreneurship that appear quite different on the surface but are fundamentally about the very same thing. In ethics, the conversation has to do with the nature of values; in entrepreneurship, the nature of opportunities. At the highest level of abstraction, the debates are over these questions: Are ethical values “universal” or “relative”? Are entrepreneurial opportunities “discovered” or “constructed”? We will show that in both cases, the argument is more about the nature of *contingency* than the nature of values or opportunities. We will draw parallels between these two debates and contribute toward a synthesis in which contingency takes center stage. Our contribution draws its inspiration from the Pragmatist philosophers Dewey, Goodman, and Rorty, and from six real-life narratives that we present later in the paper. The narratives illustrate not only how contingencies influence value creation, but also how complex individual actors utilize contingencies to create new values as they re-create themselves and the worlds around them.

We conceptualize contingency simply as *possibility without necessity*. In this, our conceptualization differs from classic contingency theories in management that typically provide an account of contingency as some type of context dependency. For example, in a comprehensive review of contingency theories in strategic management, Ginsberg and Venkataraman (1985, p. 421) state:

The popularity of contingency theory in recent organization theory-based research can be attributed

partly to a fundamental assumption that there is no one best way to organize, and that any way of organizing is not equally effective under all conditions (Galbraith, 1973). Extending this assumption to the strategy context, a major reason for its acceptance is that the field of business policy exemplified by the initial strategy paradigm (Schendel and Hofer, 1979) is rooted in the concept of matching organizational resources with the corresponding environmental context (Andrews, 1980; Chandler, 1962). Further, there is a belief that no universal set of strategic choices exists that is optimal for all businesses, irrespective of their resource positions and environmental context.

Historical contingency is another way of conceptualizing the same idea in terms of temporal, rather than spatial context. Our conceptualization is consistent with these ideas. But a Pragmatist lens brings to light some additional insights. In particular, traditional theories in both business ethics and entrepreneurship portray the decision maker facing contingency as either strongly *rational* or strongly *situational*. In the rational view, values are universal (Rawls, 1971) and opportunities are discovered (Shane, 2000). In the situational view, values are relative (Frederick, 2000) and opportunities, constructed (Venkataraman, 2002). The rational actors' response to contingency is heroic – they pursue their universal values no matter what – in spite of contingency. The situational actors' response is primarily adaptive – they seek to be flexible and change their goals and actions in response to changes in their environments.

However, pragmatism suggests a third type of response where contingency becomes a *resource* in the hands of the decision maker. Viewed (and used) in this way, contingency leads to the creation of both *new value* and *new values*. It is this view of contingency, where the decision maker is modeled as a strong poet, an active agent of change in the world, that brings ethics and entrepreneurship together.

We begin our essay with a brief discussion of the two parallel debates, first in business ethics and then in entrepreneurship. Thereafter, we present ideas related to contingency from Pragmatist philosophers and show how they might move the debates toward synthesis. We then use these ideas to analyze selected narratives that illustrate the role of contingency. All of these narratives show how decision-makers *acknowledged and appropriated* contingency, as Rorty

argues in the opening quote. In the process, each of them acted as a strong poet to re-shape the ethical landscape by creating new values for themselves and the world around them.

The debate in business ethics: are values universal or emergent?

There is a long-running, still unresolved debate in business ethics between “relative” or “emergent” values on one side versus “universal values” on the other. One scholar recently captured the challenge: “The 20th Century’s social sciences have taught that values are imposed upon the newborn by virtue of learning cultural routines that are socially approved. Parents, peers, teachers, and authority figures, aided and reinforced by institutional and organizational structures, write society’s values onto the *tabula rasa* of the young....” This scholar believes, instead, that “values appear to emerge spontaneously through natural self-organizing processes as individuals interact in a wide variety of social contexts. *In this view, values are ... entirely an emergent consequence of one’s experienced relationships.*” (Frederick, 2000, p. 160, our italics).

Indeed, scholars in business ethics approaching the discipline from the Kantian point of view (Bowie, 1998, 1999) or the Aristotelian (Hartman, 1996) offer a more or less universal value set or at a minimum, a framework or *modus operandi* meant to guide the practitioner through challenging ethical situations. The offerings run the now well-traveled gamut from Kant’s categorical imperative, seeing the other as “end” rather than “means,” (Kant, 1990) to a Utilitarian mathematical calculation of the greatest good for the greatest number (Sen and Williams, 1982; Snoeyenbos and Humber, 2005) to a discussion of ways in which business can be rendered an integral part of the “good life.” (Solomon, 1993).

In response to various attempts over the past twenty years to develop normative prescriptions for business ethics theory and practice, prescriptions often based on those classics of ethical philosophy, Freeman recently argued that “the existence of a ‘normative world’ in isolation from actual human values and conventions is a fiction that has long outlived its usefulness.” (1999, p. 233). Others have agreed with this judgment; for example, in an effort

to ground ethics more firmly in the “real world,” particularly in the face of rapid technological change and shifting ethical situations, Donaldson and Dunfee (1999) have promoted Integrated Social Contracts Theory (ISCT), a pluralistic hybrid model for practitioners operating in a dynamic global context. While their attempt to bring business ethics “down to earth” represents a valiant effort for some (Fort, 2000; Salbu, 2000), for others (Velasquez, 2000), it is merely the worst of two worlds: the relativist and the absolutist.¹

Even if there is some growing consensus as to the inadequacy of acontextual normative prescriptions, the question still stands of how the “actual human values” to which Freeman refers to emerge – and change. While a number of scholars have captured the futility of reconciling conflicting desires and balancing competing interests (Arrow, 1950, 1951; Sarasvathy and Wicks, 2005) values have consistently been represented as *given* rather than *contingent*, as *inherited* rather than *created*. On the “emergent” side of the debate, particularly in the domain of business ethics, there is a dearth of plausible explanations as to how *new values* actually come to be. This problem is further attenuated in the entrepreneurial setting where, in the absence of both organizations and markets (Venkataraman, 1997), normative prescriptions on how business practitioners should behave are often rendered moot (Paine, 2002, Werhane, 1999).

If a market, organization, or business situation has not yet been created, then it follows that an existing set of ethical norms will likely be inadequate for new situations and challenges that will arise. Once again, with a few exceptions (Harting et al., 2005; Sarasvathy and Wicks, 2005; Venkataraman, 2002), little in business ethics begins to describe how entrepreneurial agency interacts with contingency to create new values that represent what William James called “*novelties in the world*” implying the “right to expect that in its deepest elements as well as in its surface phenomena, the future may not identically repeat and imitate the past.” (James, 1975, p. 60). It is the implicit assumption of repetition and imitation of the past in which much of business ethics is still mired.²

Here it is important to note that while new (entrepreneurial) ventures are the most obvious places to look for novelty born of contingency, they

are far from the only place. Whenever we analyze situations where complex individuals operate in businesses of any kind – entrepreneurial or established, small or large – contingencies will arise and individuals’ responses to those contingencies will bring about changes in both value creation and values. The assumptions of continuity, of repetition, of imitation are often just as flawed for established ventures as for entrepreneurial ones. For example, a long-established business may move into a new geographical area where ethical norms are unfamiliar or may begin to serve a new customer base with changing demands. Either of these situations could require “ethical innovation,” an “innovation in the stakeholder relationship outside of the product, service or market the firm pursues.” (Harting et al., 2005, p. 23). Or, as we will show in the narrative section of this paper, colleagues may have radically different ideas about the way things should be done, which causes conflict and often results in new “working” norms. The point is that all decision makers, whether entrepreneurs or not, are complex individuals who are constantly faced with contingencies (Freeman, 2000, p. 177). It is at these junctures where both value – and values – are created.

Before we examine how Pragmatist philosophers such as Dewey (Hickman and Alexander, 1998), Rorty (1989), Goodman (1976, 1978) and others help to illuminate the evolution of values over time, we will describe another current debate, this one in entrepreneurship.

The debate in entrepreneurship: is opportunity “Out There” or “In Here”?

Two viewpoints – the rational and the situational – have become codified in ongoing debates in management scholarship. The planning versus learning school of thought in strategic management is a case in point, as are neoclassical versus evolutionary approaches in economics. The planning school, for example, is based on a deterministic view of the future and prescribes that the decision maker invest in predictions so as to maximize his or her chances of achieving desired outcomes – in spite of uncertainty and unanticipated contingencies. The learning school assumes the future is difficult to predict and

advises instead that the decision maker change his or her plans to fit with the environment as it changes over time. Neoclassical economics is based on a similar assumption – of well-ordered preferences, stable over time and known in advance. Decision makers choose between given sets of alternatives to achieve desired outcomes – and they actively avoid contingency. Evolutionary economics assumes that contingencies are unavoidable and cautions the decision maker to be prepared to change as economic realities evolve.

In entrepreneurship, the two story lines have become almost paradigmatic. Take, for example, Stevenson and Jarillo's rational definition of entrepreneurship as the pursuit of opportunity without regard to resources currently controlled (1990) and Aldrich's arguments as to the irrelevance of intentions and the overarching necessity to adapt to evolving environments to gain resources and legitimacy (1990, 1999; Aldrich and Fiol, 1994).

A recent debate in entrepreneurship about the ontology of entrepreneurial opportunities – a debate that perpetuates the rational vs. situational dichotomy – seems to have gathered considerable steam since the publication of Shane and Venkataraman's seminal work on the definition of entrepreneurship and its boundaries as a field of study (2000). The authors noted a common criticism of the field of entrepreneurship, namely that it had been defined up to that point solely in terms of the entrepreneur and his or her actions. They explain the "problem with this approach":

... entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals (Venkataraman, 1997). By defining the field in terms of the individual alone, entrepreneurship researchers have generated incomplete definitions that do not withstand the scrutiny of other scholars (Gartner, 1988). The definition of an entrepreneur as a person who establishes a new organization is an example of this problem. Because this definition does not include consideration of the variation in the quality of opportunities that different people identify, it leads researchers to neglect to measure opportunities. Consequently, empirical support (or lack of support) for attributes that differentiate entrepreneurs from other members of society is often questionable, because these attributes confound the influence of opportunities and individuals.

In contrast to previous research, we define the field of entrepreneurship as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited (Venkataraman, 1997). Consequently, the field involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them. (2000, p. 219)

This work has served as a gauntlet of sorts for entrepreneurship scholars struggling to get a handle on the nature of opportunity. Unfortunately, the conversation has turned into an ontological debate the two sides of which go as follows: entrepreneurial opportunity is either "out there" – meaning pre-existent, or "in here" – existing only in the perceptions and a priori beliefs of the entrepreneur. While it is now generally agreed upon that entrepreneurship is not merely the result of a definitive set of psychological traits, a flaw in the definition that Gartner (1988) first exposed, there is still considerable confusion and disagreement as to whether entrepreneurial opportunity is already existing in the world somewhere, waiting to be found and exploited by the potential entrepreneur who comes in contact with it *somehow* or whether it emerges from individuals.

Which is it? In the latter view, what we call the "in here" side, entrepreneurial opportunity, whether "enacted" (Gartner et al., 2001), or "constructed" (Chabaud and Ngijol, 2004), emerges from the individual's imagination and his or her ability to respond to changing circumstances. On the "out there" side are those who represent entrepreneurial opportunity as a freestanding entity, able to be studied and measured separate from the entrepreneur himself (Casson, 1982; Shane, 2005). From this viewpoint, a deep understanding of the role of contingency is of little use, the implication being that there are pre-existing opportunities waiting to be exploited if only someone would come and find them. There is an implied teleology to this process – the goal being for individual X, Y, or Z to find a given opportunity and bring it to market. In this view, largely based on Austrian economic theory, "Opportunities have their own, objective existence independent from actors. In other terms, the market opportunity exists prior to its identification." (Chabaud and Ngijol, 2004, pp. 4–5)

Chabaud and Ngijol (2004) criticize this view on two grounds. First, they say, in a criticism similar to that of Shane and Venkataraman (2000), that it focuses on the entrepreneurial *individual* and largely ignores the entrepreneurial *process*. Second, it presents a static view of opportunity identification, namely alertness to a given opportunity at one moment in time (a la Kirzner, 1979) while it largely neglects the “project” aspects and the on-going evolution of opportunity. Indeed, a further implication of this approach is that entrepreneurial ideas in their original state end up being implemented in some way similar or even identical to the original plan; if they don’t, then something went wrong. Contingency seen through this divided lens of the rational-situational dichotomy is either an obstacle to be overcome in the march toward a pre-defined destination (Davidsson and Honig, 2003), or a change in the environment requiring an adaptive response (Shane, 2005).

Both camps argue that opportunity is largely a function of all the unique circumstances that make the entrepreneur who he is. There is no room here for willful self-creation or proactive transformation of the world. Entrepreneurs take themselves and their worlds as given and either heroically seek to achieve their pre-determined goals or flexibly adapt their will to a changing world over which they have little control.

A more interesting move toward understanding the role of contingency in the context of the individual-opportunity nexus is beginning to take shape in the scholarly conversation about entrepreneurship. For example, Sarasvathy (2001) posits a process where contingency is integral to the creation not only of new ventures, but also of new market opportunities. Here the entrepreneur starts with his own raw materials – the contents of his mind and heart, the names on his Rolodex, the creative connections and ideas that he comes upon day by day. In this model, the entrepreneur capitalizes on contingency throughout the development process. Dew et al. (2004) make a parallel case for historical contingency. In their view, some people will become entrepreneurs and attempt to create something new out of all those unique raw materials and some will not. But any opportunity that any individual comes across, any small part of a “new world” that she might create at a given moment, is different from the

one that someone else might create because those starting places—their historical contingencies – are so different.

As Dew et al., explain:

We cannot talk about opportunities without talking about specific individuals. It is hard to imagine how certain firms could have come to be aside from the particularity of certain individuals: Wedgewood without Josiah Wedgewood, Ford without Henry Ford, General Electric without Thomas Edison, Wal-Mart without Sam Walton. The reason for this is that recognition of an opportunity usually (but not exclusively) depends on the prior knowledge and particular expectations of the individual (Venkataraman, 1997). (2004, p. 668)

Overcoming the dichotomies: bringing values and opportunities together

Both debates – about values in business ethics and opportunities in entrepreneurship – converge at the point of contingency. In both business ethics and entrepreneurship, the decision maker is often depicted as either strongly rational or strongly situational in approach. As it is popularly portrayed, the rational approach to business ethics is to fall back on the universal values to which one has grown accustomed. The situational approach typically means reverting to relativism.

In entrepreneurship, the rationalist would go out seeking pre-existing opportunities while the situationalist would look inside himself for the idea of the moment. Scholars who pursue these approaches seek explanations within the question, “What is the nature of the decision-maker?” or, “What is the nature of the process?” We seek understanding through a different question, namely: “What is the nature of contingency?” In the next sections, we begin to explore this question by drawing insights from pragmatism and from real-life decision makers facing real-life contingencies.

Insights from pragmatism

Richard Rorty writes that the “attempt to fuse the public and the private” lies at the heart of all

religion, philosophy, and ethics. Specifically, it is the attempt to unite a “striving for [private] perfection” with a “sense of community.” While Rorty ultimately concludes that this attempt to fuse private moral perfection with the greater needs of the community is futile,³ still he writes this: “To sum up, poetic, artistic, philosophical, scientific, or political progress results from the *accidental coincidence of a private obsession with a public need.*” (Rorty, 1989, p. 37, our italics).

Bringing an idea to market, the entrepreneur does what Rorty and many other philosophers before him have argued simply could not be done. Namely, he is fusing the public and the private through accidental coincidence – or otherwise said, by exploiting contingency (Sarasvathy, 2001). Likewise, decision makers in established companies who face their own contingencies are actors in the working out of conflicts. In the process, these actors also end up re-shaping ethical landscapes.

The philosopher Goodman (1976) wrote extensively on how art gradually comes to be accepted in society. He explained that the artist brings out “likenesses and differences” and forces “unaccustomed associations, and in some measure remakes our world. And if the point of the picture is not only successfully made but is also well-taken, if the re-alignments it directly and indirectly effects are interesting and important, the picture – like a crucial [scientific] experiment – makes a genuine contribution. To a complaint that his portrait of Gertrude Stein did not look like her, Picasso is said to have answered, ‘no matter, it will.’” (Goodman, 1976, p. 33). Likewise, the entrepreneur takes a piece of the landscape and collaborates with stakeholders to re-make some portion of the world. It does not look like the same world we knew before, but “no matter, it will.” If not, if the venture fails, then the entrepreneur’s re-alignments were not “interesting” or “important” enough. But if the venture succeeds, then those re-alignments, small or large⁴ take hold, at least for a time, until the next re-alignment occurs.

Describing the vital historical role of linguistic innovation, Rorty writes that it can be “summed up in the vague, misleading, but pregnant and inspiring thought that *truth is made rather than found.*” (1989, p. 53). The idea is that as our language evolves, we develop new ways to represent, to describe, and to persuade, thus perpetually making and re-making

truth. Rorty was also prolific on the role of contingency in moral consideration, depicting it as the foundation from which new values emerge, urging us to “see one’s language, one’s conscience, one’s morality, and one’s highest hopes as contingent products, as *literalizations of what once were accidentally produced metaphors.*” (1979, p. 61, our italics). The entrepreneur’s exploitation of contingency takes accidentally-produced metaphors and makes them literal in the marketplace. As we will show later in this paper, the individual decision maker within an established company often appears as an accidental player in a metaphorical clash of private conscience with public injustice.

Indeed, Rorty, Dewey, and Goodman all provide useful lenses through which to understand the role of contingency in both resolution and re-creation. Pragmatism, unique among philosophies, places contingency at the center of human progress and moral evolution. John Dewey, perhaps the most renowned American pragmatist, observed that the “problematic character of moral situations, this preliminary uncertainty in considering the moral quality of an act to be performed, is not recognized by... moral theory.” (Hickman and Alexander, 1998, p. 315) Dewey was expressing his frustration at the inadequacy of the moral theories of his time – indeed of any time – to address unfamiliar moral situations. In response, he proposed “dramatic rehearsal” as a way out of such contingent moral dilemmas.⁵

In perhaps the most provocative and in some ways unsettling observation on the human condition, Goodman explained simply that human beings do not discover worlds; they create them. “World-making as we know it always starts from worlds already on hand; the making is a re-making” (1978, p. 6). In this view, we make new worlds out of the versions that already exist and that “re-making” is largely a matter of exploiting historical contingencies.

If worlds are as much made as found, so also knowing is as much remaking as reporting. All the processes of world-making ... enter into knowing. Perceiving motion, we have seen, often consists in producing it. Discovering laws involves drafting them. Recognizing patterns is very much a matter of inventing and imposing them. Comprehension and creation go on together. (1978, p. 22)

Right at the center of this process of worldmaking, along with the creation of patterns, laws, or theorems, is the creation of new values, of new ways to live our lives and to relate to each other, of new “accepted truths” that are always waiting to be revised.

Schumpeter, an intellectual father of the field of entrepreneurship, pointed out decades ago that the entrepreneur’s role in society, much like the artist’s, is to “creatively destroy” by combining previously unconnected elements to create new products, services, channels of distribution and technologies (1942). And, in this process, the line between “business” and “ethics” truly disappears. The illusion of separation between the spheres of business and moral consideration, an illusion Freeman called the “Separation Thesis” (1994), is revealed most clearly through the process of entrepreneurial innovation. In the rational, deterministic light of normative ethics, there is little room for the moral impress of the entrepreneur exploiting contingency. But in the “real world” of entrepreneurial creation, it happens all the time.

Indeed, the contingent role of the individual in the entrepreneurial process picks up the thread of another missing piece in the business ethics debate. Describing an omission in the recent history of business ethics, Freeman writes, “In few instances do we find values in both their individual and social forms” (2000, p. 176). However, in the entrepreneurial process, we *by definition* find values in both those forms. Entrepreneurs, like the rest of us, *start* at any given moment with their own individual values, forged and re-shaped over a lifetime of experience and evolution. They are, like the rest of us, “complex creatures capable of acting from many different values” that are often “jointly determined and shared.” (Freeman, 2000, p. 177). Through what Venkataraman describes as “stakeholder equilibration” (2002) entrepreneurs – and decision makers in all businesses facing contingencies of all kinds – collaborate with others to create all kinds of social artifacts, including new values. This process often requires leaving normative prescriptions (and perhaps even some “core” values) behind and discovering new modes of interaction through “experienced relationships” (Frederick, 2000).

Private and public values come to fusion through the entrepreneurial process whereby the

entrepreneur’s initial idea, a contingent “private obsession,” if it is eventually brought to market, either fulfills a public need—or fails to do so. Whether it does or does not fulfill that need is contingent only on whether the entrepreneur “produces a metaphor which we can find a use for.” The entrepreneur’s innovation, like Picasso’s Gertrude Stein, if successful, has “idiosyncrasies which just happen to catch on with other people – happen because of the contingencies of some historical situation, some particular need which a given community happens to have at a given time.” (Rorty, 1989, p. 37). It is this historical embeddedness, this emphatic lack of universality, this rejection of *telos* that the entrepreneurial process implies. It may become one of the main sources to look to for examples of our evolving values, in a “general turn against theory and toward narrative.” (Rorty, 1989: xiv). In a similar way, decision makers within established firms face historical contingencies that they never could have predicted. Their responses often produce new metaphors which we use for some period thereafter. In the next section, we look at six real-life narratives to examine how individual responses to contingency create new value – and new values.

Narratives on contingency

We start with six narratives:

Entrepreneurs

Joe O’Donnell, age 60, founded *Boston Concessions Group Inc.* in 1977. By 2005, the serial entrepreneur had built his privately-held food service company into one of the largest in the industry. With over 10,000 employees in 140 operating units across the United States and hundreds of millions of dollars in annual revenues, BCG had made O’Donnell a wealthy man; he was rumored to have a net worth of over \$1 billion. When he lost his son Joey to cystic fibrosis in 1986, he swore he would “never have anything to do with this disease again.” But shortly after Joey’s death, O’Donnell created the Joey Fund, a foundation dedicated to Cystic Fibrosis causes.

By 2005, the Joey Fund had raised over \$15 million in efforts to fight the devastating disease. (BCG Inc. 2005; O'Donnell, 2001, 2004).

Pierre Omidyar, age 38, launched *eBay* on Labor Day in 1995. By 2005, the company was the world leader in person-to-person trading over the Internet with annual revenues of well over \$3 billion and an annual audience of over 45 million users. The eBay Foundation, which was created with \$40 million worth of eBay shares in 1999, funded projects in cities where the company had a major employment base, and in the areas of childhood education and mentoring, adult job retraining and community revitalization. The Foundation also helped to connect local suppliers and producers of goods in developing countries to eBay buyers in the developed world. (Cohen, 2002; Krishnamurthy, 2004).

Educators

Steve Mariotti, age 54, started the *National Foundation for Teaching Entrepreneurship* (NFTE) in 1987. By 2005, the NFTE curriculum was being taught in hundreds of schools across the United States to over 20,000 students annually. More than 100,000 students had graduated from NFTE. The organization held business plan competitions in every city in which it operated and thousands of students had gone on to compete and place in those competitions, with nearly 50% of the winners continuing their businesses after completing the program. (Mariotti, 1996, 2004).

Dr. Slavica Singer, age 63, founded the *Graduate Program at the University of Osijek* in Eastern Croatia, in 1998 and the first class of 20 students entered in May 2000. Dr. Singer created the program in response to the high unemployment rate in the region, a direct result of the devastating Balkan Wars of the early 1990s. By 2005, 120 students had completed the program and the following comment was typical of the students' reaction: "The program was extremely interesting for me, because I was able to apply in my own company the things we listened to and practiced through the lectures and student

teamwork ... During the program, I felt that I have been changing as a person a lot, and that some ideas were born inside me, about which I hadn't thought before at all ...

... We have also gained the conviction that each one of us can plan and start our own business and be an entrepreneur, that being an entrepreneur isn't something big and unattainable ..." (Oberman, 2004, p. 1)

Whistle blowers

Sherron Watkins, age 46, was a vice president at Enron Corporation. A certified public accountant, Watkins managed Enron's partnership with CalPERS, the California Public Employee Retirement System. While working for COO Andrew Fastow, Watkins was charged with reviewing all assets that Enron considered for sale and determining the likely impact of sale. In this capacity, she discovered that Enron stock was being used to avoid losses on its income statement. She took her concerns to the CEO Kenneth Lay and that action precipitated the colossal accounting scandal that signaled the company's demise. (Lacayo and Ripley, 2002)

Cynthia Cooper, age 40, was WorldCom's internal auditor. In May 2002, Cooper uncovered some of WorldCom's questionable financial practices, namely that the company had been classifying operating costs as capital expenditures, thereby inflating its profits. Days after Cooper took her findings to the audit committee of WorldCom's board in June 2002, CFO Scott Sullivan was fired and an \$11 billion overstatement in profits was revealed. It was the biggest corporate fraud in US history. CEO Bernie Ebbers was recently jailed for his role in the scandal. (Lacayo and Ripley, 2002)

See Appendixes A–F for longer narrative excerpts.

Joe O'Donnell knew he was an entrepreneur from a very early age:

Q: When did you know you were an entrepreneur?

JO: In retrospect, probably when I was nine years old, eight years old ...

Q: You had heard the word *entrepreneur*?

JO: No, but I was – I *was* one. I had two brothers in my family and I lived in a very densely populated neighborhood so we had kids everywhere and I remember I was the only one in the neighborhood who, who got a paper route and it was a *nasty* paper route. And, ah, I remember my first day, when I was nine or ten, and, so all I had to do was deliver the papers. I had to pick the papers up, I had to fold ‘em – it was a job.

It was nasty because it was a lot of work, it was *really* a lot of work ... and I remember it clearly ...

O'Donnell remembered vividly the day when he realized that he wanted the kind of control that he could enjoy by being in business for himself. It was a few more days into the paper route:

JO: ... and I remember it clearly because I was going down a hill, and I was just learning how, you know, the system. Which would mean, I'd get, if it rained, we didn't have plastic bags in those days. But I'd get a cover my basket—a big thing on my bike. And about the fifth or sixth day the first week I was doing that job, I was comin' down a hill and my brake broke on my bike. I must have gone a hundred miles an hour down that hill. You know, hit a tree, you know, wrecked my bike, papers everywhere And I thought, my God ... obviously, I gotta, you know, deliver the mail, but this is not a job that I want to do. I mean, there's gotta be a smarter way for me to grind it out. (O'Donnell, 2004).

O'Donnell graduated from the paper route and went on to start a tuxedo rental business in high school, and then a successful student housing service at Harvard Business School. His career took a new direction when he met then-Boston Bruins president Paul Mooney, who had enrolled in the Harvard Business School's Program for Management Development and who also worked for Sportservice, a major food company. In 1977, O'Donnell went to work for Drive-In Concessions, a small division of Sportservice; he bought that division a year later and changed its name to Boston Concessions Group, the company he built into an enormous food service empire. (Lambert, 2004). In 1986, after the death of his son Joey, O'Donnell founded the Joey Fund, a foundation for cystic fibrosis.

Pierre Omidyar didn't realize his own entrepreneurial intentions until eBay began to take off:

... people often say to me – “when you built the system, you must have known that making it self-sustainable was the only way eBay could grow to serve 40 million users a day.” Well ... nope. I made the system self-sustaining for one reason: Back when I launched eBay on Labor Day 1995, eBay wasn't my business – it was my hobby. I had to build a system that was self-sustaining Because I had a real job to go to every morning. I was working as a software engineer from 10 to 7, and I wanted to have a life on the weekends. So I built a system that could keep working – catching complaints and capturing feedback – even when [my wife] Pam and I were out mountain-biking, and the only one home was our cat. (Omidyar, 2002).

Omidyar's hobby became the business that allowed him to retire in the space in four years with billions of dollars in personal wealth. Omidyar had certainly not expected to be an entrepreneur all along (Cohen, 2002).

Dr. Slavica Singer had been teaching economics at the University of Osijek for many years and so her venture into entrepreneurship education was a natural progression:

Q: Tell me how the program here began and why you wanted to do this in the first place and why here.

SS: I ... most of my life I spent in academia, but I was never actually only a professor, so [I was] always was interested in real-life problems. But also having experience with [the] economy in [the] former Yugoslavia where small businesses, where individual initiatives were neglected by the system; and not only by economic systems ... we started to think about the program almost 12 years ago. Actually, we started at the beginning of the 90's.

Steve Mariotti had had a business career as a financial analyst at the Ford Motor Co. and as the operator of his own import-export company. In the early days of his career, both entrepreneurship and teaching were far from his mind. But a mugging by a group of hoodlums in a tough section of New York convinced Mariotti to pursue a teaching career, and then his own students' misbehavior and boredom spurred him to launch NFTE:

I began to lose control of my classroom almost daily. One student actually set fire to the back of another's coat – the student with the coat was as astonished as I was. In a rage, I ordered the arsonist out of the class, and he was expelled the same day. On another occasion, I was locked out of my eighth-period class. Finally, one of the girls took pity on me and opened the door, just as I was going to admit total defeat and find a security guard. In each of my three remedial classes, there was a group of six or seven kids whose behavior was so disruptive that I had to stop the class every five minutes or so to get them to quiet down. In my third-period class, I once threw all the boys out. Ironically, those young men provided me with the valuable insight that set me on the road to teaching entrepreneurship. I took them out to dinner and asked them why they had acted so badly in class. They said my class was boring, that I had nothing to teach them.

Hadn't anything I'd said in class interested them? I asked. One fellow spoke up: I had caught his attention when I discussed my import-export business. He rattled off various figures I'd mentioned in class, calculated my profit margin, and concluded that my business was doing well. I was dazzled to find such business smarts in a student the public schools had labeled borderline retarded. This was my first inkling that something was wrong not only with my teaching but also with the standard remedial curriculum.

Soon after this revealing conversation, Mariotti launched the National Foundation for Teaching Entrepreneurship.

Proposition 1: Intentions and contingency interplay in how entrepreneurs become entrepreneurs.

Even if the paths entrepreneurs take to entrepreneurship are not the same, with intentions and contingency playing different roles in different cases, contingencies still – always – occur. It was not that O'Donnell or Singer knew exactly what kinds of ventures they wished to start, nor could they predict and plan in advance for everything. They just knew in advance that they wished to start *something*. Omidyar and Mariotti started ventures with little advance planning. But all these new ventures, and the experiences of the whistle blowers as well – involved various responses to contingency: overcoming, adapting, and leveraging.

Overcoming: the heroic response

Joe O'Donnell, on his fifth or sixth day of the paper route, after the fateful accident:

... You know, hit a tree, wrecked my bike, papers everywhere And I thought, my God, obviously, I gotta, you know, deliver the mail, but this is not a job that I want to do. There's gotta be a smarter way for me to grind it out ... And there weren't a lot of paper boys ... I was killing myself going around on my bike. And I saw these others guys who had like Everett Square, you know who picked up their stuff and they stood at a stand and passed it out, the guys who had the church, you know, so every Sunday they'd make more money from ... in those days everybody went to church, and there were five Catholic churches in Everett. So five paper boys had like the greatest thing of all time. There were two masses at 7, 8, 9, one at 10 and 11:30. I still remember it. So ... obviously I morphed into that job. (O'Donnell, 2004)

Dr. Singer, on the devastation of war:

It was 1991, and Serbian troops had begun to attack our town, after leveling Vukovar, only a few kilometers away ... it was physically impossible to function because we were being shelled every day by the Serbian Army, so many companies were physically actually destroyed or shelled. So they had physical damage and because of that, they could not function. But also, Osijek is located in Eastern Croatia – we were on the edge of occupied territory – actually some suburbs of Osijek were occupied. I stayed and watched the physical and emotional devastation the war had caused, particularly on the young people of our town, many of them my students. And then, our university was evacuated so we did not have lectures and exams in 1991 and 1992 and professors actually who stayed here in Osijek, we just tried to read. So I never read actually so much in my life as those two years. I felt I had to do *something*, but I didn't know what it would be. So I read and thought, a lot of the time in the bunker at our university, to escape the every day shelling. I read and I thought, I talked to lots of different people and gathered ideas ... the motivation to make university program, was when we saw that all big companies actually ceased to function during the war and we actually saw that people are suffering because they don't have jobs and it would be extremely difficult to re-start those big companies again ... (Singer, 2003)

The story of how *Cynthia Cooper* found out that all was not right at WorldCom:

It was a fluke, really, that Cooper got wind of the rotten accounting. A worried executive in the wireless division told her in March 2002 that corporate accounting had taken \$400 million out of his reserve account and used it to boost WorldCom's income. But when Cooper went to Andersen to inquire about the maneuver, she was told matter-of-factly that it was not a problem. When she didn't relent, Sullivan angrily told Cooper that everything was fine and she should back off. He was furious at her, according to a person involved in the matter. Cooper, concerned that her job might be in jeopardy, cleaned out personal items from her office.

For many auditors, the word of the CFO and an Andersen partner would have been more than enough to leave the situation alone. "You have to understand," says a WorldCom employee, "Scott was probably the most respected person in the company." But, says Cooper, "when someone is hostile, my instinct is to find out why."

Adjusting: the adaptive response

O'Donnell

So [after] I broke my bike, I went in to the guy, I said, look, I had a disaster. It must have been midnight by the time I got through with all ... he said, look all right. I'll get you a different situation at Everett station. It was a pretty busy station. That was the good news. The bad news was it was about 5 in the morning. I had to go down to the train station where they dropped off the Herald and the Record American and other papers and I'd pick up at 5:30 or something. I'd walk a half a mile down to the train station and 5 or 6 or 7 or 8 or 10 of us would sell papers there. I went down to Everett Station and I made a lot of money. Every day I'd sell out my quota.

It's burned in my memory that, for about five years, I ended up running the whole thing, I got that job, and I did that for probably almost a year, and then my father came, who was a policeman in the square. He said to me, why don't you take the job over here? It was ... at night, selling the Record American, a paper that doesn't exist anymore. Had the results of the pool, an illegal lottery, run by bookies everywhere. It was three

numbers down and one over, the cash receipts. If you hit that for a nickel or a penny, you got hundreds of dollars.

Singer

SS: ... we started to do some surveys among business people in Croatia trying to get information about what they consider as needs for training and education. What they feel that they lacked in their education and what they feel is needed to improve their businesses.

Q: *Now was this before the war or after the war?*

SS: It was just in the beginning of the war so we actually try to make the research but then the war started in 1991, so we actually could not make the whole research. And then, because of the war, we just started to read because we just did not have opportunity.

Singer found out that what students wanted – and needed – was information about how to start and run their own businesses in the face of very high unemployment:

So for us it was a challenge actually to really to first prepare ourselves as lecturers to teach something else. We had actually from the mid-70's courses on marketing, financial management, accounting, of course; but we did not have anything like entrepreneurship ... but also we did not have anything related to the needs and problems of managing small businesses. And, of course, we did not have anything about how to *start* a small business. So those areas were actually the new territory for us in some ways, so we had actually to learn more about that – how to start the business, how to provide resources for the business, how to run the business and how to deal actually with transition from small business to growing or fast-growing business. So all of these kinds of knowledge and skills we did not have. (Singer, 2003).

Watkins, the Enron whistle blower, on how she adapted her own personal knowledge to growing knowledge of what was happening around her:

... In completing my work, certain Enron business units provided me with analyses that showed certain hedged losses incurred by Raptor were actually coming back to Enron. The general explanation was that the Enron stock backstopping the Raptor hedge had declined in value such that Raptor would have

a shortfall and would be unable to fully cover the hedge price that it owed to Enron. I was highly alarmed by the information I was receiving. My understanding as an accountant is that a company could never use its own stock to generate a gain or avoid a loss on its income statement. I continued to ask questions and seek answers, primarily from former co-workers in the global finance group or in the business units that had hedged assets with Raptor. I never heard reassuring explanations ... (Watkins, 2002, Introduction)

Proposition 2: The heroic and the adaptive are not mutually exclusive responses to contingency – they are part of a larger arsenal of strategies in both entrepreneurship and ethics.

Leveraging: contingency as resource

All six of the narratives above show protagonists who proactively *leveraged* contingencies.

O'Donnell, on playing games with the lottery:

I ended up at the square at night ... picking up the same papers, same place, there was a guy there I worked for. I was ten or eleven, and the guy—he was the boss ... He said I got a penny a paper and it was a nickel for the paper. I would sell about a hundred of them and I would get a buck, which was a lot of money in those days. He probably had five stands. I remember thinking, “that bastard, he shows up in his car, and drinks coffee and has doughnuts.” It was a pyramid. It was exactly what I do now. “Every situation is the same,” I thought, “I want to be that guy, but I know I can’t be. I got about an hour and a half a day to do this stuff.” And I liked it. I went into the bar and, because of that lottery number, all the guys wanted the number—they’d say, “what’s the number?” and if I told them the number, they wouldn’t buy the paper. So, I’d walk, in and say, “jeez I don’t know.” I’d play stupid the whole year and a half; no one ever gave me a tip. The paper, if you look back, in 1954, or 55, was a nickel. And then they moved the paper to

7 cents. I went to the guy I worked for and I remember thinking, “I am getting screwed. The paper just went up 40% and I’m getting nothing.” But I was really making a lot because many people would give me a dime and say, ‘keep the change.’ So instead of making a penny, I was making 3 cents on every paper ... (O'Donnell, 2004)

Dr. Singer, on getting billionaire George Soros on board after meeting with one of his deputies in New York:

So many of us living in this part of Europe, we tried to convince Mr. Soros that besides supporting independent media or education or culture that it is really essential to support economic development focused on self-employment, micro-lending, developing this sector of small businesses. And happily, actually, he accepted what many of us from different countries actually were talking to him. And in 1997, he established economic development program at Soros Foundation in New York. (Singer, 2003).

Singer then used the economic development program at the Soros Foundation in New York, a foundation she herself helped bring into existence, as a springboard for her own educational venture.

Pierre Omidyar, when he realized that he couldn’t do a business plan alone:

“I had a vague idea of what I needed to do as an entrepreneur,” Omidyar says. “But I knew I wasn’t going to be able to put together a business plan.” He started looking for someone who could. Omidyar thought immediately of Jeff Skoll, a Stanford MBA he had met through friends two years earlier. Skoll, a slightly built, hyperkinetic Jewish Canadian, was a born entrepreneur. His father sold industrial chemicals and by age twelve, Skoll himself was going door-to-door selling Amway products in Montreal.

Skoll struck Omidyar as an “analytic powerhouse” whose skills would complement his own. But the attraction at least initially was not mutual. The previous Thanksgiving ... Omidyar had tried to interest Skoll in joining the company, but it had not gone well ... Skoll had just come back from the first meeting of CommerceNet, a nonprofit symposium promoting commerce on the Internet. At the symposium, the moderator had asked the crowd of three hundred how many of them had bought or sold anything online, and only three people raised their hands.

Since [then] however, Skoll had reconsidered. He could see from his vantage point at Knight Ridder, that the Internet had the potential to completely transform how goods were sold. (Cohen, 2002, pp. 30–31)

Skoll indeed joined Ebay, becoming its first full-time employee and first President, creating the business plan that the company still follows. He also inspired the

company to create the eBay Foundation through the allocation of pre-IPO shares. That innovation sparked similar initiatives by other young companies in high technology hubs across the United States.

Steve Mariotti, on how he reacted to his students being out of control:

When I had their attention, I moved from the sales talk into a conventional arithmetic lesson: if you buy a watch at \$3 and sell it for \$6, you make \$3 of profit, or 100%. Without realizing it, I was touching on the business fundamentals of buying low and selling high, and on the more advanced concept of return on investment.

I realized I would have to start getting tough – no more Mr. Nice Guy. That evening I practiced my expression in the mirror. I decided I had to come to my classes ready to be instantly angry. I knew I had to stay very alert. I couldn't let a few of these students make me lose my livelihood. Unless I could bring my classes under control, I was of little value to the students who were actually there to learn – and many of them were. Not only would I be tough, I decided, but I would begin to develop a curriculum around my students' obvious interest in business.

They noticed the difference the very next day. The behavior in all my classes immediately improved.

Sherron Watkins, facing the accounting scandals at Enron:

By spring 2001, the technology bubble was bursting, and Enron was slipping along with it. In late June, Watkins went to work directly for Fastow, who charged her with finding some assets to sell off. But everywhere she looked she found the same thing: fuzzy off-the-books arrangements that seemed to be backed by nothing more than now deflated Enron stock. No one she asked could—or cared to—explain what was really going on. Knowing that others had got into trouble after challenging Skilling, who by then was CEO of the entire company, Watkins began scouting for a new job and went on a round of interviews at Reliant Energy. Her plan was to sign a new job contract and confront Skilling on her last day at Enron.

But on Aug. 14, Skilling abruptly quit, and Lay invited employees to put any concerns in a comment box. The next morning Watkins sat at her computer and tapped out her first anonymous one-page memo in a single two-hour flourish. "I am incredibly nervous that we will implode in a wave of accounting scandals," she

wrote. But the next day, when Lay held a company-wide meeting and didn't allude to her concerns, she arranged a face-to-face appointment for Aug. 22. In the intervening days, she shared her worries with a friend at Andersen and drafted a longer, seven-page memo to hand to Lay. It was even more cataclysmic than the first. She had also annotated a document on one of the suspect partnerships, writing in bright blue letters in the margin: "There it is! This is the smoking gun. You cannot do this!"

The story of *Cynthia Cooper* and the final break in WorldCom's accounting scandal, which occurred just months after Enron had collapsed:

As the weeks went on, Cooper directed her team members to widen their net. Having watched the Enron implosion and Andersen's role in it, she was worried they could not necessarily rely on the accounting firm's audits. So they decided to do part of Andersen's job over. She and her team began working late into the night, keeping their project secret. And they had no allies. At one point, one of Cooper's employees bought a CD burner and started copying data, concerned that the information might be destroyed before they could finish.

In late May, Cooper and her group discovered a gaping hole in the books. In public reports the company had categorized billions of dollars as capital expenditures in 2001, meaning the costs could be stretched out over a number of years into the future. But in fact the expenditures were for regular fees WorldCom paid to local telephone companies to complete calls and therefore were not capital outlays but operating costs, which should be expensed in full each year. It was as if an ordinary person had paid his phone bills but written down the payments as if he were building a phone tower in his backyard. The trick allowed WorldCom to turn a \$662 million loss into a \$2.4 billion profit in 2001. (Lacayo and Ripley, 2002, p. 8).

Proposition 3: Contingency is a resource. What individuals do with contingency helps create both new value and new values.

Private obsession and public need

When an individual faces something new – an idea not thought of before, a situation not yet

encountered, then ultimately, he or she takes some action – or none at all – or has some reaction – or none at all. It is at these junctures – where individual meets contingency – that the lines between public and private and business and values recede, and where the similarities in current debates about ethics and entrepreneurship emerge. Once again, contingency in our vision, means *possibility without necessity*.

O'Donnell on creating the Joey Fund:

[I'm] fully cognizant I am asked to do a lot of things in the community because nobody else offers to do the work. Why do I do it? I don't know why but my wife says that I have tremendous low self-esteem and I have to be reinforced all the time and I think I do it because of Joey. He died in my arms; every night I thought he was going to die for 12 years. I said, "the day he dies is the last day I think of this disease." He had a great life, an experience that was the best and the worst. I looked at my wife Kathy and it was a horrible moment and I knew right then that this will be our legacy and we feel good about that. Created the Joey Fund which will make about 20 million dollars, About 10 events a year. "65 roses". Little kids had trouble saying cystic fibrosis so we created "65 roses". Big part of our lives, Kathy and my kids. There isn't a day goes by when I don't do something for that ... I spend an enormous amount of time on CF and funding clinics ...

Watkins on her feelings now about the decision to act:

As deflated as she can sometimes sound, Watkins does not for a moment regret her actions. A few weeks ago, when she was unpacking the boxes she had taken from her Enron office, she happened upon a green sticky-note pad that the firm once handed out to employees. It contains a quote from Martin Luther King Jr.: "Our lives begin to end the day we become silent about things that matter." She smacked her palm against her forehead. "You look at it and you think, 'Oh, my God, look how many people at Enron stayed silent,'" she says, "That's what they wrote. And nobody listened." (Lacayo and Ripley, 2002, p. 6)

Proposition 4: Contingency blurs the distinction between public and private and between "business" and "ethics"

In keeping with the ideas of the pragmatist philosophers outlined above, all six of the individuals

profiled here are as concerned with self-creation as they are with social hope.

O'Donnell on his attitude about money, and the fact that you "can't take it with you:"

Two pairs of shoes, a couple of blazers I wear. [Money] will never be anything but a scorecard ... the easy part is the payback and being able to make a difference. The joke's on them if they live to 150 and hoard [what they have]. Are you going to leave any tracks when you go? You have an opportunity to make a difference.

Omidyar's notions of "community":

Because in the deepest sense, eBay wasn't a hobby. And it wasn't a business. It was – and is – a community: An organic, evolving, self-organizing web of individual relationships, formed around shared interests.

And just as Pam in her life has taken different paths to work on an issue of enduring interest – I've come to see, in terms of my life, that community is the enduring interest in mine. From the earliest days at eBay, I posted five core values on the site – not because they came from some business plan, but because they were values I've lived my life by – values I hoped would help govern the community. These are the five values I saw as essential: We believe people are basically good. We believe everyone has something to contribute. We believe that an honest, open environment can bring out the best in people. We recognize and respect everyone as a unique individual. We encourage you to treat others the way that you want to be treated.

And that's the challenge for all of us: Can we create the proper balance between private pursuits and public service? Can we find the connection, can we build a spirit of community – an ethic of citizenship – that shapes every social unit from the neighborhood to the nation-state? I believe we can – and I know we must.

Singer's conceptualization of entrepreneurship as free choice:

Entrepreneurship means to me really the right to choose, some kind of freedom in doing what you want and the way how also you want to do it ... Maybe it's the part of actually, my experience because we used to live in the system where actually creativity was present – it was not forbidden, of course, to be creative but the environment actually did not support that. And I think

what happened in Eastern Europe is probably really opening [an] enormous pool of energy and enthusiasm to do something on our own. Croatia was [a] part of Yugoslavia and [the] former Yugoslavia had the special kind – I can say – of socialistic, political and economic system because it was based on so called “social ownership”. So actually, people worked in some company – they were entitled [to be] creative but [within] very defined borders in some way. So creativity had limits and I think actually creativity cannot have limits. So I think that’s the way how I feel entrepreneurship ...

Mariotti’s view of entrepreneurial thinking as a ticket out of poverty:

Poor people are desperate to talk about it. If you are in a situation where you don’t have any money – the stress of that is torture. Imagine: you can’t get to a movie, you’re not sure if you can go on the subway, you’re worried about personal hygiene, your pants are dirty. You’re hungry and can’t get a candy bar. Your basketball shoes are old and you can’t keep up Everybody should be flat broke for 3 days and that’s what a lot of kids go through. The stress of that and the damaged psyche if it’s not handled properly – get it out into the open and make it into a fun thing. Don’t make people feel that it’s something you shouldn’t talk about and it’s hidden.

What should be talked about first is how we’re going to make an extra 50 bucks this week. Make it into a game – provide incentives, role models are so important. Kids need to see others’ terrible situations. Instead, it’s never confronted and instead I have endless conversations about where does this fit in and won’t it distract from math, reading, writing. Meanwhile, there’s kids swearing down the hall and people trying to pretend that’s not going on. 40% of the classes are unmanageable and they’re pretending to teach math etc. Part of the school system is in a fantasy.

It’s about wealth. Thoughts not things. Never felt it was control over financial assets. That’s what comes if you want it to. But I always tell the kids that it’s a way to more efficiently control how you spend your life and your time in the environment learning to think entrepreneurially – liberate yourself and achieve more of your goals – I very seldom mention money – more of a tool. Ultimately it’s about your happiness and the entrepreneur is essentially an artist. Having said that, I’m out of poverty but if somebody is struggling and 3 dollars is an issue it’s easy to forget how important it is

to figure out a way to get 80 dollars but there is something about the reality of being able to buy somebody else’s direct labor and scarce resources – very alluring. I can think about how I could spend one million dollars.

Both *Watkins* and *Cooper* faced gnawing personal dilemmas in the face of their decision to act. Both feared losing their jobs, which were the main source of income for their families. Both questioned what would have happened had they not acted – would their companies have somehow weathered the storms? Would all their fellow employees have been spared? In the end, both took the step of acting upon contingency, reconciling their own personal values with society’s public need.

Proposition 5: To the extent that our best values reconcile differences in self-interest and public welfare, contingency once again serves as a resource. Contingency can be leveraged to embody new values and new business models that solve problems in human hope while reconciling the individual’s private interests and personal beliefs.

Conclusion

The great American literary critic Harold Bloom wrote a series of books beginning in the late 1960s that focused on the way in which poets struggle to create their own poetic visions without being overcome by the influence of the previous poets who inspired them to write in the first place (1982, 1997). *The Anxiety of Influence*, which Bloom started writing in 1967, set out his new doctrine in systematic form. In that book, Bloom traced the psychological process through which a poet broke free from his precursors to achieve his own poetic vision. He made a clear distinction between “strong poets” who perform “strong misreadings” of their precursors and “weak poets” who simply repeat the ideas of their precursors as though they were accepted doctrine.

In this paper, we have tried to show how decision makers in both entrepreneurship and ethics act as strong poets in their own age. By looking carefully at the nature of contingency, we have begun to connect a number of strands of management theory that

have developed separately until now. We have suggested asking more interesting questions that may lead to better theories and more productive research. For example, in showing answers for questions such as, “What do entrepreneurs and educators and whistle blowers have in common?” we have moved past debates like the ones suggested in this paper, debates that we believe rest on distinctions that are no longer useful.

In addition, we can understand individual phenomena such as entrepreneurship and value creation, or whistle blowing, in more depth, by reconciling the debates which have in large measure spawned our common understandings of these phenomena.

Finally, we suggest that there is a meaningful role for “the strong poet” in ethics, entrepreneurship, and even management studies. The strong poet can be a whistle blower, showing us that the world is not as it appears, that there is more going on under the surface. The strong poet can be an entrepreneur, trying to remake the world in a vision that only she sees at first; her vision expands into value for others as her own version of the good life merges with the public need. And, perhaps most interesting, the strong poet can be the theorist who connects the seemingly unconnectable ... whose ideas may seem like nonsense at first glance (especially to management journals) but who offers fresh insights and new “instrumental” narratives. Such narratives – like those we present in this paper – serve the dual purpose of reflecting “reality” and allowing us to imagine new and better worlds. In presenting these narratives, we have heeded the suggestion of the late Sumantra Ghoshal, a strong poet himself, who called for a more positive management scholarship based on “intellectual pluralism” and, most importantly, on “broadened usefulness.” (2005, p. 88).

Notes

¹ In a discussion of the failure of business ethics in addressing the problems brought on by globalization, Manuel Velasquez writes that “principles based on human rights, utilitarianism or justice are all based on metaphysical assumptions that are embedded in Western cultural ways of thinking”, and “to assume that all cultures must submit to these principles is simply a form of ethnocentrism.” However, he has little more esteem for

ISCT, skeptical that the theory will prove to be “any less of a failure” than its metaphysical predecessors, arguing that since the theory incorporates both absolutist and relativist elements, it will simply “inherit the deficiencies of both kinds of theories.” (2000, pp. 346, 349). The authors of this paper find a bit of a different challenge in the ISCT model: its complexity renders it a bit difficult for practitioners to actually employ.

² In the 2004 Jefferson lecture on the arts, the literary critic Helen Vendler asserted that other fields are also mired in an inevitable repetition and imitation of the past. For example, she suggested that policy makers ought to primarily learn from art and poetry, imagining how to live better, rather than from history which, she said, we “seem doomed to repeat anyway” (Kennicott, 2004).

³ He writes that we cannot devise an outlook that “would let us hold self-creation and justice, private perfection and human solidarity, in a single vision. There is no way in which philosophy, or any other theoretical discipline, will ever let us do that.”

⁴ Venkataraman (2002) makes the distinction between the weak equilibrating force and the strong equilibrating force. The weak force refers to relatively minor corrections in market inefficiencies, while the strong force calls for “fundamental qualitative change of the kind Schumpeter envisioned. (2002, p. 53).

⁵ “What is a dramatic rehearsal? It is a series of imaginary experiments carried out in order to discover what various modes of action and different end states would actually be like. It is the creation and mental rehearsal of alternative strategies for resolving a new situation, and it entails an active mental and emotional engagement with the characters and relationships of the real actors who would be affected by each of these strategies. The power of dramatic rehearsal is that it allows us to experience various possibilities that may help us re-evaluate our initial judgments or realize new possibilities beyond the initial alternatives, without yet committing us to action or consequences.” (McVea, 2007).

Appendix A

Joe O'Donnell

Excerpts from interview with O'Donnell, January 14, 2004

When did you know you were an entrepreneur?

In retrospect, probably when I was nine years old, eight years old ...

You had heard the word entrepreneur?

No, but I was – I *was* one. Because I had two brothers in my family and I lived in a very densely populated neighborhood so we had kids everywhere and, ah, I remember I was the only one in the neighborhood who, who got a paper route and it was a *nasty* paper route. And, ah, I remember my first day, when I was nine or ten, and, so all I had to do was deliver the papers, right? I had to pick the papers up, I had to fold ‘em – it was a job.

It was nasty because it was a lot of work, it was *really* a lot of work. And when I say a lot of work, kids don’t do that today. In fact, their mothers drive them around. I had a *bike* and in Everett, it was, you know, hilly and I had the worst territory because I was the last one in, so it wasn’t even my neighborhood, and I had to go, but it’s dense everywhere, so getting, you know, 100 papers out was not difficult in itself. But I had a big basket in front of my bike with all the papers in it.

And I remember it clearly, because I was going down a hill, and I was just learning how, you know, the system. Which would mean, I’d get, if it rained, we didn’t have plastic bags in those days. But I’d get a cover my basket – a big thing on my bike. And about the fifth or sixth day the first week I was doing that job, I was comin’ down a hill and my brake broke on my bike. I must have gone a hundred miles an hour down that hill. You know, hit a tree, you know, wrecked my bike, papers everywhere And I thought, my God, ah you know, obviously, I gotta, you know, deliver the mail, but this is not a job that I want to do. I mean, there’s gotta be a smarter way for me to grind it out. And there weren’t a lot of paper boys ... I was killing myself going around on my bike. And I saw these others guys who had like Everett Square, you know who picked up their stuff and they stood at a stand and passed it out, the guys who had the church, you know, so every Sunday they’d make more money from ... in those days everybody went to church, and there were five Catholic churches in Everett. So five paper boys had like the greatest thing of all time. There were two masses at 7, 8, 9, one at 10 and 11:30. I still remember it. So you’d work from, so I obviously morphed into that job. I made twice as much on the Sunday paper ...

So I broke my bike, I went in to the guy, I said, look, I had a disaster. It must have been midnight by the time I got through with all We didn’t have a

car so my father wasn’t about to pick me up and drive me around. We didn’t have a car, and I don’t think there were any parents who drove the kids around in those days. I ended up saying to the manager who liked me immediately, mostly because I killed myself and wrecked my bike, and I ended up ... he said, look all right. I’ll get you a different situation at Everett station. It was a pretty busy station. That was the good news. The bad news was it was about 5 in the morning. I had to go down to the train station where they dropped off the Herald and the Record American and other papers and I’d pick up at 5:30 or something. I’d walk a half a mile down to the train station and 5 or 6 or 7 or 8 or 10 of us would sell papers there. I went down to Everett Station and I made a lot of money. Every day I’d sell out my quota.

I don’t remember the exact day I got a paper route, but it’s burned in my memory that, for about five years, I ended up running the whole thing, I got that job, and I did that for probably almost a year, and then my father came, who was a policeman in the square. He said to me, why don’t you take the job over here? It was the opposite, at night, selling the Record American, a paper that doesn’t exist anymore. Had the results of the pool, an illegal lottery, run by bookies everywhere. It was three numbers down and one over, the cash receipts. If you hit that for a nickel or a penny, you got hundreds of dollars. I ended up at the square at night. I ended up picking up the same papers, same place, there was a guy there I worked for. I was ten or eleven, and the guy—He was the boss. He had a bunch of things in Everett Square. He said I got a penny a paper and it was a nickel for the paper. I would sell about a hundred of them and I would get a buck which was a lot of money in those days. He probably had five stands. I remember thinking, “that bastard, he shows up in his car, and drinks coffee and has doughnuts. It was a pyramid. It was exactly what I do now. Every situation is the same. I thought. I want to be that guy, but I know I can’t be. I got about an hour and a half a day to do this stuff. And I liked it. I went into the bar and, because of that number, all the guys wanted the number – they’d say, “what’s the number?” and if I told them the number, they wouldn’t buy the paper. So, I’d walk, in and say jeez I don’t know. I’d play stupid the whole year and a half. No one ever gave me

a tip. The paper, if you look back, in 1954, or 55, was a nickel. And then they moved the paper to 7 cents. I went to the guy and I remember thinking I am getting screwed. The paper just went up 40% and I'm getting nothing. But I was really making a lot because many people would give me a dime and say keep the change. So instead of making a penny, I was making 3 cents on every paper. I would get \$3.50 at the end of the day.

It's just like today. Two pairs of shoes, a couple of blazers I wear. It will never be anything but a scorecard.

When I was at Harvard Business School, I would get the highest raise, and I didn't deserve it. There was no chart on the wall to say, I did five times better and so I got this raise.

[I'm] fully cognizant I am asked to do a lot of things in the community because nobody else offers to do the work. Why do I do it? I don't know why but my wife says that I have tremendous low self-esteem and I have to be reinforced all the time and I think I do it because of Joey. He died in my arms; every night I thought he was going to die for 12 years. I said, "the day he dies is the last day I think of this disease." He had a great life, an experience that was the best and the worst. I looked at my wife Kathy and it was a horrible moment and I knew right then that this will be our legacy and we feel good about that. Created the Joey Fund which will make about 20 million dollars, About 10 events a year. "65 roses". Little kids had trouble saying cystic fibrosis so we created "65 roses". Big part of our lives, Kathy and my kids. There isn't a day goes by when I don't do something for that ... I spend an enormous amount of time on CF and funding clinics ...

The easy part is the payback and being able to make a difference. The joke's on them if they live to 150 and hoard. Are you going to leave any tracks when you go? You have an opportunity to make a difference.

Appendix B

Pierre Omidyar

Excerpts from Omidyar's keynote address at Tufts University's Commencement ceremonies on May 19, 2002

I can tell you, without the ability to prepare for the unexpected ... There wouldn't be an eBay today. The key is recognizing that no matter how convinced you are in the power of your own ideas ... Sometimes, ideas have ideas of their own. That's certainly true in terms of system design. Almost every industry analyst and business reporter I talk to observes that eBay's strength is that its system is self-sustaining – able to adapt to user needs, without any heavy intervention from a central authority of some sort. So people often say to me – "when you built the system, you must have known that making it self-sustainable was the only way eBay could grow to serve 40 million users a day." Well ... nope. I made the system self-sustaining for one reason: Back when I launched eBay on Labor Day 1995, eBay wasn't my business – it was my hobby. I had to build a system that was self-sustaining ... Because I had a real job to go to every morning. I was working as a software engineer from 10 to 7, and I wanted to have a life on the weekends. So I built a system that could keep working – catching complaints and capturing feedback – even when Pam and I were out mountain-biking, and the only one home was our cat.

If I had had a blank check from a big VC, and a big staff running around – things might have gone much worse. I would have probably put together a very complex, elaborate system – something that justified all the investment. But because I had to operate on a tight budget – tight in terms of money and tight in terms of time – necessity focused me on simplicity: So I built a system simple enough to sustain itself.

By building a simple system, with just a few guiding principles, eBay was open to organic growth – it could achieve a certain degree of self-organization. So I guess what I'm trying to tell you is: Whatever future you're building ... Don't try to program everything. 5 Year Plans never worked for the Soviet Union – in fact, if anything, central planning contributed to its fall. Chances are, central planning won't work any better for any of us.

Build a platform – prepare for the unexpected ... And you'll know you're successful when the platform you've built serves you in unexpected ways. That's certainly true of the lessons I've learned in the process of building eBay. Because in the deepest sense, eBay wasn't a hobby. And it wasn't

a business. It was – and is – a community: An organic, evolving, self-organizing web of individual relationships, formed around shared interests.

And just as Pam in her life has taken different paths to work on an issue of enduring interest – I’ve come to see, in terms of my life, that community is the enduring interest in mine. From the earliest days at eBay, I posted five core values on the site – not because they came from some business plan, but because they were values I’ve lived my life by – values I hoped would help govern the community. These are the five values I saw as essential: We believe people are basically good. We believe everyone has something to contribute. We believe that an honest, open environment can bring out the best in people. We recognize and respect everyone as a unique individual. We encourage you to treat others the way that you want to be treated.

I’ll be honest: My motive in posting those core values was utopian – but at the same time utilitarian. After all, if people are basically good and treat others the way they want to be treated – then the system works better for everyone. But what gratifies me most is just how much those values have been embraced by the people who’ve embraced eBay – and how those values have become a platform for an evolving, adaptive community.

Which leads me to the last lesson I want to share today from my eBay experience. When you’re looking at the way a collection of isolated individuals coalesces into a community ... When you’re trying to understand what makes a network work – what I’ve learned is that it comes down to this: Can the system embrace diversity? And not just accept diversity – but embrace diversity – as the value of difference. To understand that what today seems odd, unnecessary, off-beat – maybe even outrageous – may prove integral to solving tomorrow’s problems. It’s a matter of finding the connections that make community – not just forging them, but finding them, because I think they already exist – and encouraging each individual to think from self to society to service.

And that’s the challenge for all of us: Can we create the proper balance between private pursuits and public service? Can we find the connection, can we build a spirit of community – an ethic of citizenship – that shapes every social unit from the neighborhood to the nation-state? I believe we can – and I know we must.

Appendix C

Steve Mariotti

Excerpts from Mariotti’s (1996) book, The Young Entrepreneur’s Guide to Starting and Running a Business

I began to lose control of my classroom almost daily. One student actually set fire to the back of another’s coat – the student with the coat was as astonished as I was. In a rage, I ordered the arsonist out of the class, and he was expelled the same day. On another occasion, I was locked out of my eighth-period class. Finally, one of the girls took pity on me and opened the door, just as I was going to admit total defeat and find a security guard. In each of my three remedial classes, there was a group of six or seven kids whose behavior was so disruptive that I had to stop the class every five minutes or so to get them to quiet down. In my third-period class, I once threw all the boys out. Ironically, those young men provided me with the valuable insight that set me on the road to teaching entrepreneurship. I took them out to dinner and asked them why they had acted so badly in class. They said my class was boring, that I had nothing to teach them.

Hadn’t anything I’d said in class interested them? I asked. One fellow spoke up: I had caught his attention when I discussed my import-export business. He rattled off various figures I’d mentioned in class, calculated my profit margin, and concluded that my business was doing well. I was dazzled to find such business smarts in a student the public schools had labeled borderline retarded. This was my first inkling that something was wrong not only with my teaching but also with the standard remedial curriculum.

I didn’t know how to deal with the situation. I wanted to leave the school and call it quits, but I realized that I couldn’t do that. As I stepped into the hallway to regain my composure, I thought about that dinner with my third-period students. They had said I was boring – except when I talked about business, about money. After about three minutes in the hall, I walked back into the classroom and, with no introductory comments, started a mock sales pitch, hypothetically selling the class my own watch. I enumerated the benefits of the watch, explaining why the students should purchase it from me at the low price of only \$6. I noticed immediately that as

soon as I started to talk about money, and how to make money by selling something, they actually quieted down and became interested. I didn't know it at the time, but that incident, born of desperation, pointed me toward my real vocation – teaching entrepreneurship to inner-city kids.

When I had their attention, I moved from the sales talk into a conventional arithmetic lesson: if you buy a watch at \$3 and sell it for \$6, you make \$3 of profit, or 100%. Without realizing it, I was touching on the business fundamentals of buying low and selling high, and on the more advanced concept of return on investment.

I realized I would have to start getting tough – no more Mr. Nice Guy. That evening I practiced my expression in the mirror. I decided I had to come to my classes ready to be instantly angry. I knew I had to stay very alert. I couldn't let a few of these students make me lose my livelihood. Unless I could bring my classes under control, I was of little value to the students who were actually there to learn – and many of them were. Not only would I be tough, I decided, but I would begin to develop a curriculum around my students' obvious interest in business.

They noticed the difference the very next day. The behavior in all my classes immediately improved.

Excerpt from interview with Mariotti, November 2004

Poor people are desperate to talk about it. If you are in a situation where you don't have any money – the stress of that is torture. Imagine: you can't get to a movie, you're not sure if you can go on the subway, you're worried about personal hygiene, your pants are dirty. You're hungry and can't get a candy bar. Your basketball shoes are old and you can't keep up

Everybody should be flat broke for 3 days and that's what a lot of kids go through. The stress of that and the damaged psyche if it's not handled properly – get it out into the open and make it into a fun thing. Don't make people feel that it's something you shouldn't talk about and it's hidden.

What should be talked about first is how we're going to make an extra 50 bucks this week. Make it into a game – provide incentives, role models are so important. Kids need to see others' terrible situations. Instead, it's never confronted and instead I have endless conversations about where does this fit

in and won't it distract from math, reading, writing. Meanwhile, there's kids swearing down the hall and people trying to pretend that's not going on. 40% of the classes are unmanageable and they're pretending to teach math etc. Part of the school system is in a fantasy.

It's about wealth. Thoughts not things. Never felt it was control over financial assets. That's what comes if you want it to. But I always tell the kids that it's a way to more efficiently control how you spend your life and your time in the environment learning to think entrepreneurially – liberate yourself and achieve more of your goals – I very seldom mention money – more of a tool. Ultimately it's about your happiness and the entrepreneur is essentially an artist. Having said that, I'm out of poverty but if somebody is struggling and 3 dollars is an issue it's easy to forget how important it is to figure out a way to get 80 dollars but there is something about the reality of being able to buy somebody else's direct labor and scarce resources – very alluring. I can think about how I could spend one million dollars.

Appendix D

Dr. Slavica Singer

Excerpts from interview with Dr. Singer, March 2003

Entrepreneurship means to me really the right to choose. Some kind of freedom in doing what you want and the way how also you want to do it ... Maybe it's the part of actually, my experience because we used to live in the system where actually creativity was present – it was not forbidden, of course, to be creative but the environment actually did not support that. And I think what happened in Eastern Europe is probably really opening enormous pool of energy and enthusiasm to do something on our own. Croatia was the part of Yugoslavia and former Yugoslavia had the special kind – I can say – of socialistic, political and economic system because it was based on so called social ownership. So actually, people worked in some company – they were entitled on being creative but in a very defined borders in some way. So creativity had limits and I think actually creativity cannot have limits. So I think that's the way how I feel entrepreneurship ...

... my own background is that I ... most of my life I spent in academia, but I was never actually only professor, so always was interested in real life problems. But also having experience with economy in former Yugoslavia where small businesses, where individual initiatives were neglected by the systems; and not only by economic systems, but ... actually we started to think about the program almost 12 years ago. Actually, we started at the beginning of the 90's, we started to do some surveys among business people in Croatia trying to get information which what they consider as needs for training and education. What they feel that they lacked in their education and what they feel is needed to improve their businesses.

It was just in the beginning of the war so we actually try to make the research but then the war started in 1991, so we actually could not make the whole research. And then, because of the war, we just started to read because we just did not have opportunity. For example, our university was evacuated so we did not have lectures and exams in 1991 and 1992 and professors actually who stayed here in Osijek, we just tried to read. So I never read actually so much in my life as those two years ... this small group of my colleagues and me, we actually tried to understand what is entrepreneurship. So we started with Schumpeter and all other orders talking about innovation and entrepreneurship; so that was some kind of developing the basis of understanding. But immediate motivation to make university program, was when we saw that all big companies actually ceased to function during the war and we actually saw that people are suffering because they don't have jobs and it would be extremely difficult to re-start those big companies again. ... First of all, it was physically impossible to function because we were being shelled every day by the Serbian Army, so many companies were physically actually destroyed or shelled. So they had physical damage so because of that, they could not function. But also, Osijek is located in Eastern Croatia – we were on the edge of occupied territory actually some suburbs of Osijek were occupied. it was impossible to function on just a normal way. For example, some foreign trucks delivering some even humanitarian aid were not allowed to come to Osijek, but they stayed in Hungary because insurance did not want to cover the risk of coming here.

But anyway, we ... I thought we should do something to make possible for people who will lose or who already lost their jobs to start something on their own. So actually I started to talk to many foreign humanitarian organizations about starting some economic development program, but all of them, actually, refused to talk about this saying that it's too early. So it's the beginning of ... it was 1992, 1993 and they thought that the time is for humanitarian aid; not for development aid. But unfortunately, this part of Croatia actually stayed in such a "neither war nor peace" situation until January 1998. So it was absolutely impossible just to wait without doing something.

And so for us, as we saw the group of people who I was actually dealing with, we thought that one important solution is really to prepare people to start some business ... to go into self-employment – to start the businesses by themselves ... We had business education but it's not in the terms as you have, for example, in the States. Usually people who became business people or managers in their companies, usually they had education provided by economic departments. So it's a little bit different than in the States so it's some kind of combination of micro-economic and macro-economic topics. ... So for us it was a challenge actually to really to first prepare ourselves as lecturers to teach something else. We had actually from mid-70's courses on marketing, financial management, accounting, of course; but we did not have anything like entrepreneurship or if you ... I don't think that it's the same thing. But in ... We did not have anything related to entrepreneurship, but also we did not have anything related to needs and problems of managing small businesses. And, of course, we did not have anything about how to start the small business. So those areas were actually the new territory for us in some ways, so we had actually to learn more about that – how to start the business, how to provide resources for the business, how to run the business and how to deal actually with transition from small business to growing or fast-growing business ... So all of those kinds of knowledge and skills we did not have.

... So many of us living in this part of Europe, we tried to convince Mr. Soros that besides supporting independent media or education or culture that it is really

essential to support economic development focused on self-employment, micro-lending, developing this sector of small businesses. And happily, actually, he accepted what many of us from different countries actually were talking to him. And in 1997, he established economic development program at Soros Foundation in New York

Appendix E

Sherron Watkins

Excerpts from Lacayo and Ripley (2002)

On Feb. 13, the day before she gave the first of two damning testimonials to Congress, Enron vice president Sherron Watkins spent the afternoon in a cluttered conference room in the Rayburn House building on Capitol Hill. It was a cram session of sorts, a final chance for Watkins, her attorney and congressional staff members to review the dozens of subpoenaed documents she would be quizzed on the next morning. As they ate cold pizza, someone drew her attention to an e-mail titled "Confidential Employee Matter" that had been written by one of Enron's external lawyers. "Per your request," it began, "the following are some bullet thoughts on how to manage the case with the employee who made the sensitive report." Her eyes skipped halfway down the page: "Texas law does not currently protect corporate whistle-blowers. The Supreme Court has twice declined to create a cause of action for whistle-blowers who are discharged ..."

Her pulse quickened. "I'm reading this and I'm thinking, Oh my God, it's [dated] two days after I met with Ken Lay. Talk about shoot the messenger. I can't believe they looked into firing me," she says, sounding wounded even now in the retelling. "It was a horrible response. There's nothing in there to remind them to remember the code of conduct, the vision and values." This was how hard Watkins had fallen for Enron. Here she was, almost six months to the day since she first warned chairman Kenneth Lay of "an elaborate accounting hoax." Her boss had long ago confiscated her hard drive, and she had been demoted 33 floors from her mahogany executive suite to a "skanky office" with a rickety metal desk and a pile of make-work projects. The atmosphere had grown so ominous that she had called

office security for advice on self-defense. But still, Watkins simply could not fathom that this company, the one she had tried to save from itself, had considered taking away the job she loved.

The next morning Watkins appeared before the tangle of cameras in her periwinkle blazer, with her pastor seated directly behind her. For five hours, she patiently explained the intricacies of the financial schemes that had allowed the energy giant to conceal billions of dollars of debt in dubious partnerships. Though Watkins had not worked in accounting for a decade, she knew the arcane material cold, making it sound as simple and intelligible as long division. She was relaxed enough to give the Representatives a taste of her piercing Texas wit. But her square jaw clenched whenever she spoke about her feelings for the company. She firmly indicted several top executives, yet she insisted that Lay was a "man of integrity." And she spoke almost wistfully of Enron's "electric" atmosphere, of people "energized to change the world." It was Valentine's Day, and she was still very much in love.

For months afterward, Watkins faithfully went to work each day. In the absence of any real assignments, she could only bear witness to all that she had wrought, looking on as Enron auctioned off everything down to the sign at its headquarters (price: \$44,000) and as the firm's esteemed accountants, Arthur Andersen, went down in their own wave of scandal.

Only now, a year later, has she begun to think of fashioning a life without Enron. In November, she left her \$165,000 job. But her future is shaky. She plans to start a global consulting firm to advise company boards on governance and ethics, though CEOs privately chuckle at the thought of opening up to the gimlet-eyed Watkins. The first to speak out, Watkins has had the most time to acclimatize to her strange new existence. Unlike the FBI's Coleen Rowley and WorldCom's Cynthia Cooper, she does not shy away from describing herself as a whistle-blower or suggesting that her gender may have played a role in her decision to act. She alone has been flirting with celebrity, earning up to \$25,000 on the speaking circuit and sharing a \$500,000 advance to co-author a book.

At the same time, Watkins is the most self-critical of the three. She regrets "naively [thinking] that I would be handing Ken Lay his leadership moment," regrets not taking her concerns to a higher authority. To get

by, she has cloaked herself in her family and church. "Her faith," says William Vanderbloemen, her pastor at Houston's First Presbyterian, "was sharpened." But so, markedly, was her despair. "There were some very bleak moments throughout when you're just so disappointed with human nature, with the power of greed and the power of denial, trying to rationalize that you've done nothing wrong," she says.

Appendix F

Cynthia Cooper

Excerpts from Lacayo and Ripley (2002)

It was a fluke, really, that Cooper got wind of the rotten accounting. A worried executive in the wireless division told her in March 2002 that corporate accounting had taken \$400 million out of his reserve account and used it to boost WorldCom's income. But when Cooper went to Andersen to inquire about the maneuver, she was told matter-of-factly that it was not a problem. When she didn't relent, Sullivan angrily told Cooper that everything was fine and she should back off. He was furious at her, according to a person involved in the matter. Cooper, concerned that her job might be in jeopardy, cleaned out personal items from her office.

For many auditors, the word of the CFO and an Andersen partner would have been more than enough to leave the situation alone. "You have to understand," says a WorldCom employee, "Scott was probably the most respected person in the company." But, says Cooper, "when someone is hostile, my instinct is to find out why."

As the weeks went on, Cooper directed her team members to widen their net. Having watched the Enron implosion and Andersen's role in it, she was worried they could not necessarily rely on the accounting firm's audits. So they decided to do part of Andersen's job over. She and her team began working late into the night, keeping their project secret. And they had no allies. At one point, one of Cooper's employees bought a CD burner and started copying data, concerned that the information might be destroyed before they could finish. In late May, Cooper and her group discovered a gaping hole in the books. In public reports the company had categorized billions of

dollars as capital expenditures in 2001, meaning the costs could be stretched out over a number of years into the future. But in fact the expenditures were for regular fees WorldCom paid to local telephone companies to complete calls and therefore were not capital outlays but operating costs, which should be expensed in full each year. It was as if an ordinary person had paid his phone bills but written down the payments as if he were building a phone tower in his backyard. The trick allowed WorldCom to turn a \$662 million loss into a \$2.4 billion profit in 2001.

Internal auditors, by definition, work in pursuit of a gotcha. So discoveries like this produce a strange "adrenaline rush," says a WorldCom audit employee, "and at the same time, there's a great sadness." Cooper's mother Patsy could see that the investigation had taken its toll. "I noticed a change in her countenance," she says. "There was no cadence to her speech. I noticed a lack of, well, it seemed to be energy."

On June 11, Sullivan called Cooper and gave her 10 minutes to come to his office and describe what her team was up to, says a source involved with the case. She did, and Sullivan, known for his poker face, remained calm. He then asked her to delay the audit, according to a WorldCom timeline of events filed with the sec. She told him that would not happen. The meeting was a turning point for her because she, like her colleagues in the industry, considered Sullivan the gold standard. "It was terribly disappointing," says Cooper.

The next day, Cooper told the head of the audit committee about her findings, but she still held out hope that there was a reasonable explanation. She and her team began looking for ways to somehow justify what they had found in the books. Finally, they confronted WorldCom's controller, David Myers, who admitted he knew the accounting could not be justified, according to an internal-audit memo.

That's when Cooper's heart sank. Soon after, she called her mother in exhaustion. "There are some things terribly, terribly wrong at WorldCom," Patsy remembers her daughter saying. "And I was just pained at the tone of her voice." Several times Cooper told her colleagues she was concerned about what this would mean for the families of implicated WorldCom executives. "One of the things about Cynthia," says an employee who has worked closely with her, "is that if she has to step on toes, she's not

uncomfortable doing that. But at the same time, she has great empathy. Those are two things that don't always go together."

A showdown was scheduled for June 20. Cooper and a member of her team headed to Washington for an audit-committee meeting of WorldCom's board of directors. Sullivan would be there to present his side of the story. "We kept waiting up until the very end for Scott to pull a rabbit out of a hat," says a person close to the case. Relations had become so tense that at the last minute, when Cooper and her colleague learned that the management team was booked at the same hotel, they switched to another one.

At the meeting, Sullivan tried to explain the accounting strategy and asked for more time to fully support his argument. The committee members gave him the weekend. But he could not convince them. On June 24 the audit committee told Sullivan and controller Myers that they would be terminated if they did not resign before the board meeting the next day.

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