THE DARK SIDE OF GROUPS: A 'GANG AT WORK' IN ENRON

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ABSTRACT

The purpose of this paper is to develop our understanding of the gang aspects of work organizations. By applying a psychoanalytic lens, we formulate the ideas of the 'gang at work' and 'intra-organizational ganging dynamics', thereby initiating a research stream on the "dark side of groups". We illustrate our conceptual development by drawing on the Enron case thereby contributing unique group-level insights that complement other analyses of the phenomenon. We conclude by identifying areas for further research, and arguing that gang phenomena may also have been present among many of the key organizations at the centre of the credit crisis, such as Lehman Brothers.

Key Words: psychodynamics, ganging, Enron

Over the last few years management scholars have been increasingly focused on the "dark side" of various aspects of management and business. Interest areas in this stream include: "the dark side of organizational behaviour" (Griffin & O'Leary-Kelly, 2004), "the dark side of organizations" (Vaughan, 1999), the "dark side of leadership" (Conger, 1990), the "dark side of new organizational forms" (Victor & Stephens, 1994), the "dark side of internal capital markets" (Scharfstein & Stein, 2000), "the dark side of social capital" (Deuchar, 2008), and the "dark side of high self-esteem" (Baumeister, Smart, & Boden, 1996). Although these interest areas are at various levels of analysis, the group-level is conspicuous by its absence. We contribute to this stream by focusing on the "dark side of groups", and drawing on the psychodynamics literature, develop two constructs, i.e., the *gang at work* and *intra-organizational ganging*, which we illustrate using Enron as a case study.

Much has already been written about the 2001 Enron collapse (Boje, Rosile, Durant, & Luhman, 2004; Bryce, 2002; Cruver, 2002; Fox, 2003; Hamilton, 2006; McLean & Elkind, 2003; Levine, 2005; Partnoy, 2003; Stein, 2007; Swartz & Watkins, 2003), and this new study therefore requires some justification. First, as the biggest-ever corporate failure at that point in history, Enron is a case of considerable significance and complexity, and we believe the understanding of what transpired at Enron is by no means complete. Second, although a variety of perspectives have been applied to the Enron case, the group-level has been relatively neglected (see O'Connor, 2002 for an exception). We argue in this paper that this neglect is particularly unfortunate, and show how group-level aspects played a key role in Enron's demise. Third, we believe the lessons from Enron can be generalized to other 'dark side' situations including the 2008 credit crisis, and we provide here an indication of some of the parallels that exist between these scenarios.

Our theorizing is built on the Kleinian psychoanalytic theory which distinguishes between work groups and gangs (Bion, 1961) and their corresponding group and gang states

of mind (Canham, 2002). We are therefore attempting to not only bring a fresh perspective to the subject of organizational corruption, but also contribute to extending the boundaries of traditional organizational scholarship by introducing concepts from the field of psychoanalysis. There has already been some work in this direction, including psychodynamic perspectives on organizational identity and learning (Brown & Starkey, 2000), psychoanalytic views of bureaucratic and postbureaucratic organizations (Styhre, 2008), psychodynamics of regression in work groups (Diamond & Allcorn, 1987), clinical assessment methods in negotiation research (Greenhalgh & Gilkey, 1997), and scholarship on the neurotic organization (Kets de Vries & Miller, 1984), psychotic organizations (Sievers, 1999), and "the organization shadow" (Bowles, 1991; Kociatkiewicz & Kostera, 2010).

Our paper not only draws on the literature on the psychoanalytic study of organizational and social dynamics (Gabriel, 2001; Obholzer & Roberts, 1994), but makes an important contribution to it. Our conceptualization of the "gang at work", and its dynamics in an organizational context based on psychoanalytic theory, is analogous to the conceptualization of the "dynamics of culture" based on cultural anthropology (Hatch, 1993), and the conceptualization of "the dynamics of organizational identity" based on social identity theory (Hatch & Schultz, 2002). Even though the group-level is our primary level of analysis, since the 'gang at work' formation dynamics (which we term 'intra-organizational ganging dynamics') play themselves out in an organizational context, the organization-level is involved as well. This focus on the group- and organization-levels, in that order, makes our paper particularly apt for this journal. Our approach is an example of meso-level theorizing, in which two or more levels are investigated simultaneously (House, Rousseau, & Thomas-Hunt, 1995). Other works that have investigated constructs at multiple levels include understanding narcissism at individual-, group-, and organization-levels (Brown, 1997), anxiety at individual- and organization-levels (Baruch & Lambert, 2007), and

counterproductive work behaviour at individual-, group- and organization-levels (O'Boyle, Forsyth & O'Boyle, 2011).

THE PSYCHODYNAMICS OF 'GANGING'

According to Gabriel (2001), *psychoanalysis* can provide a better understanding of organizational phenomena by addressing not just the behavior of individuals in organizations but rather the meaning of their behavior and the deeper motives for their actions. In particular, the field of *psychodynamics* has developed psychoanalytic insights into the unconscious life of groups and organizations seeking to identify what forces influence group functioning (Gabriel, 2001). According to Canham (2002, p. 113), "the psychoanalytic approach to understanding group processes tends to use as its basis experience of intra-psychic processes in the individual".

Melanie Klein's work reframed psychoanalytic thought by suggesting that human development was related to different primitive states of mind, each typified by particular anxieties and qualities of relationship (Waddell, 1996). Some of these states of mind are referred to as 'perverse' because they contain elements of negativism, sado-masochism and caricature, and are devoted to distortion and attacks on truth (Waddell & Williams, 1991). These states of mind are present from birth and persist throughout life, but certain situations bring one or another to the fore (Canham, 2002).

Bion (1961), drawing on this theory, posited that whereas "a constructive, caring and creative work group is strived for, the seemingly unbearable emotional discomfort evoked by primitive anxieties such as rejection, starvation, annihilation and loss of love causes group participants to behave in ways that render this impossible" (Sayder, 2008, p. 115). Building on this, psychoanalytic scholars distinguish between a functional *group state of mind* (Canham, 2002), which corresponds to Klein's (1940 and 1945) description of the depressive

position, and its perverse antithesis the *gang state of mind* (Canham, 2002), which corresponds to Klein's (1946) paranoid-schizoid position.

Just as individuals gang together, usually out of insecurity (borne out of feeling excluded or different), or out of confusion about who they are and where they belong, so too, aspects of the personality gang together, deriving a precarious sense of identity and safety by keeping out any overt traces of weakness, uncertainty, or vulnerability (Waddell, 2007). Canham uses the term *ganging* to describe this "gathering together in a malignant huddle of parts of the personality" (2002, p. 115), which constitutes the gang state of mind.

According to Cregeen (2008, p. 176), "in essence, group and gang states of mind may be perceived as present within individuals, and within groups, and they reflect and produce dynamics intra-psychically and inter-psychically". One of these inter-psychic dynamics is when the gang state of mind sometimes gets exported to the public sphere and leads individuals to form an *external gang* (Waddell & Williams, 1991), which resembles the more familiar concept of the "street gang" (Deuchar, 2008), and is the antithesis of the "work group" (Bion, 1961), or the "intentional work group" (Diamond & Allcorn, 1987), which has a group state of mind.

According to Sayder (2008), when individuals join a group, *intra*-psychic parts of those involved can express themselves *inter*-psychically through *projective identification* (Klein, 1946). Extensive and extreme use of projective identification results in a flight from the individual-level to the group-level where various parts of the self can be externalized into various group members (Meltzer, 1979). As parts of the personality are split off, someone who has receptivity for that particular characteristic will become a vessel for the projection (Sayder, 2008). "As a result, it is common in groups for one person to be singled out as the 'the knowledgeable one', 'the bossy one', 'the irritating one', 'the selfish one', 'the chatty one' and so on" (Sayder, 2008, p. 115). Because the recipients of these projections are felt to

have these characteristics, those doing the projecting unconsciously identify with these recipients - hence the term "projective identification". Both positive and negative traits can get projected, rather than recognized and owned (Canham, 2002), but "since it is the most disturbed, psychotic parts of ourselves that we find hardest to deal with, these tended to be projected primarily into groups" (Segal, 1993, p. 61), and it is the projection of these that result in the formation of an external gang.

"Whether one is thinking in terms of the internal (i.e. gang state of mind) or external gangs, the main objective seems to be one of maintaining a dominant position either by inducing in others, or by leaving discarded or marginalized, parts of the self, feelings which are too painful to bear, ones which are not felt to be integratable into the personality without excessive disruption to the psychic equilibrium" (Waddell, 2007, p. 202). Thus, heroic, wanted aspects are projected onto the external gang in general, and the gang leader in particular, whereas denigrated, unwanted aspects are projected onto those outside the gang.

As the leaders are the recipients of the extreme 'wanted' and heroic characteristics, they become dominant and exercise a "tyrannical hold" (Waddell & Williams, 1991) over gang members. This tyranny extends to controlling the gang members to ensure that they "support one another in making the criminal destructive work more effective and powerful" (Rosenfeld, 1987, p. 111) and "do not desert the destructive organization and join the positive parts of the self or betray the secrets of the gang" (Rosenfeld, 1971, p. 174). The 'ganging' process therefore creates an atmosphere of "intimidation, fear or reprisal and a coercion to conform" (Canham, 2002, p. 115) and the gang becomes a vehicle for the expression of masculine aggression and power (Deuchar, 2008; Murray, 2000; Patrick, 1973).

The culture generated by the external gang is thus likely to create fractures in relationships with other individuals and groups (Canham, 2002). The external gang engages in denigrating and attacking, possibly involving acts of "brutal savagery" (Canham, 2002),

others outside the gang who undertake more ordinary forms of activity and who are concerned with more healthy attempts to survive. This results in the severance of ties (Nitsun, 1996) and the damaging of the work and activities of these others.

Once these fractures have been created, the external gang may develop the idea that its survival depends on the destruction of these other individuals or groups. This may become an *idée fixe* which the gang becomes obsessed about, and concerning which, it will not relent (Canham, 2002, p. 119) and culminates in the destruction of these others. Steiner, for example, writes of "gangs [that] are experts in revenge" and promise the "destruction of … enemies" (1993, p. 86). While this promise may well be fulfilled, this is undertaken in the absence of any awareness of the wider problems, including for the external gang itself, that may be created.

To sum up, 'ganging' typically results in the values of the work group being turned upside down, such that external appearance, individual success, status and money replace internal feelings, co-operative work, friendship and thinking (Canham, 2002). External gangs also differ markedly from work groups, in terms of both individual-level aspects (e.g., personality, identity, cognition), and group-level aspects (e.g., composition, atmosphere, interpersonal concern, function, and leadership), as depicted in Table 1.

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THE 'GANG AT WORK' AND INTRA-ORGANIZATIONAL GANGING

In the previous section we delineated the 'external gang' based on the psychodynamic literature on the 'gang state of mind'. We now migrate the 'external gang' construct to the organizational domain by developing the *gang at work* construct. Further, since organizational phenomena are by definition, the result of an interplay among various levels of

analysis (Rousseau, 1985), we once again draw on the psychodynamics literature on ganging to delineate the *intra-organizational ganging dynamics* conceptualization which involves interplay between the group-level (i.e., the gang at work) and the organization-level.

Gang at work. A 'gang at work' is a cohesive group of employees, led by a tyrannical leader, who seek to maintain a dominant position in the organization by actively engaging in and encouraging "dark side" (i.e., immoral, and/or illegitimate, and/or illegal) behaviours, while simultaneously denigrating ordinary and organizationally-healthy behaviours.

By defining 'dark side' behaviors as encompassing one or more categories from three (immoral, illegitimate, and illegitimate) we are following the whistleblower literature (Near & Miceli, 1985) and toxic leadership literature (Lipman-Blumen, 2005), which take a similar approach. Near and Miceli (1985, p. 4) define whistleblowing as "the disclosure by organizational members (former or current) of *illegal, immoral,* or *illegitimate* practices" (emphasis added). Among the behaviours included under the "toxic leader" construct (Lipman-Blumen, 2005, p. 18), are "corruption, hypocrisy, sabotage and manipulation, as well as other assorted *unethical, illegal,* and *criminal* acts" (emphasis added). Having said that, it would be instructive to explore, in future work, the boundary conditions of our definition – would just one of these be sufficient or would it require at least two? Based on the organizations that we have studied we believe that in gang-at-work situations at least two of the three, and typically all three forms of 'dark side' behaviors tend to co-occur.

Intra-organizational ganging dynamics. Based on the psychodynamics literature on 'ganging' and once again reasoning by analogy, we delineate the following five intra-organizational ganging dynamics: (1) just as individuals gang together out of confusion about who they are and where they belong, an organization which does not have a clear and coherent identity could leave the space for negative forces to gain ascendance; (2) just as the gang derives a precarious sense of identity and safety by keeping out any overt traces of

weakness, uncertainty, or vulnerability, organizations which cultivate a masculine, macho culture would facilitate the formation of gangs; (3) just as individuals come together in a malignant huddle to form a gang headed by a leader, some individual employees may form a de facto gang (termed "gang at work") headed by a gang leader; (4) just as individuals project heroic and wanted aspects onto the gang and its leader, while simultaneously projecting ordinary and unwanted aspects onto those outside the gang, the 'gang at work' projects what they consider to be desirable aspects (which are in fact undesirable for the organization) onto themselves and their leader, while simultaneously deriding and denigrating the other parts of the organization that are engaged in the ordinary aspects (which are in fact healthy for the organization); and (5) just as excessive projective identification involves the radical splitting into good and bad, the organization develops a schism and gets fractured between the gang at work (as well as those bearing allegiance to them) and the rest of the organization, which results in adverse consequences such as the decline, and perhaps even death, of the organization.

We have developed our conceptualizations by drawing on psychodynamics literature which is at the individual-level and applying them to the group- and organization-levels. However, in order to both, reinforce the explanation of our conceptualization, and illustrate how they play out in real-life, we apply them here to the Enron case. In our concluding "Discussion" section we point out other cases where our conceptualizations would apply.

RESEARCH DESIGN

Our focus on Enron is located within the burgeoning tradition of papers in organization and management studies that use text-based research to understand specific cases (Brown, 2003, 2005; Brown & Jones, 2000; Gephart, 1993; Weick, 1993). Central to this stream of work is the notion of man as a story-telling animal who needs to make sense of his life. By focusing on human narratives within the context of organizations that can be seen as

collective storytelling systems, this paper follows this tradition by presenting "a narrative constructed from textual sources" (Brown & Jones, 2000, p. 657). A sub-stream of such text-based research applies the lens of psychoanalysis to cases, and the present paper follows this specific sub-stream (Levine, 2005; Long, 2002: Stein, 2000, 2003, 2007). By using such a lens, this paper "adds the further dimension of a deep structure interpretation that draws inspiration from a particular theoretical perspective" (Stein, 2007, p. 1405). Psychoanalysis provides a particularly useful theoretical perspective because, following Gabriel (2001), and as we have already argued, it is especially helpful in facilitating an understanding of the less obvious meanings and motivations that underlie human activity.

A wide range of sources was used in the exploration of the Enron case. Books include a work on the history of the gas processing industry (Cannon, 1993); a book by a US academic who testified at the Senate's Enron hearings (Partnoy, 2003); and seven volumes – drawing collectively on hundreds of interviews – that focus exclusively on the Enron case (Bryce, 2002; Cruver, 2002; Eichenwald, 2005; Fox, 2003; Fusaro & Miller, 2002; McLean & Elkind, 2003; Swartz & Watkins, 2003). Using keyword searches, a substantial range of newspaper articles and academic papers were also located and examined. Journal articles included those that view the Enron case from a variety of other perspectives (Benston & Hartgraves, 2002; Boje et al., 2004; Currall & Epstein, 2003; Healy & Palepu, 2003; Levine, 2005; Long, 2002; O'Connor, 2002; Sims & Brinkmann, 2003; Stein, 2007), as well as those that shed further light on the role and thoughts of Enron's whistleblower, Sherron Watkins (Beenen & Pinto, 2009; Watkins, 2003). Official reports, databases, and a variety of websites were also examined.

Using these sources, we developed a variety of provisional themes that encapsulated key features of the case. Burgess' (1991) method of distinguishing between substantive (observational) notes, analytic notes (concerning preliminary analysis) and methodological

notes (concerning impressions) was used. Following Brown, rather than using a quantitative analysis, a qualitative approach "highlighting …nuances of meaning" (2003, p. 108) was taken. The themes generated were then subject iteratively to several further cycles of examination, modification, and refinement (Brown & Jones, 2000; Burgess, 1991). On the basis of these themes, five dynamics – that shed light on Enron's gang-like features – were selected for discussion in this paper. Although we believe that the themes used in this paper offer an important and credible way to understand the Enron case, we also acknowledge that there are other dimensions to the saga and other ways to view what occurred.

THE ENRON CASE

Authors and academics from a variety of backgrounds have identified a variety of antecedents and mechanisms at various levels of analysis to try and understand what happened at Enron. Some of the individual-level factors include: greed (Cruver, 2002; Levine, 2005; Partnoy, 2003), hubris (Levine, 2005; Long, 2002), trust (Currall & Epstein, 2003), and the inclination to undermine external authority (Stein, 2007). At the organizational-level, scholars have made the case for corporate governance and financial and accounting practices (Benston & Hartgraves, 2002; Healy & Palepu, 2003), incentive systems (Healy & Palepu, 2003), ethical failure (du Plessis, 2008), organizational culture (Sims & Brinkmann, 2003) and leadership (Sims & Brinkmann, 2003). However, the group-level factors have been relatively neglected. An exception is O'Connor's (2002) analysis of groupthink in the Enron boardroom.

Formed from the merger of Houston Natural Gas and InterNorth (a natural gas pipeline company), Enron was created in 1986, with Ken Lay as its Chairman and CEO. Shortly after its founding it diversified by creating Enron Oil, a petroleum business. Later, it further diversified into other utilities by initiating a number of large ventures in the electricity and water industries. Initially, John Wing, head of the massive UK Teesside project, played a key

role in Enron's utility businesses, but in the early 1990s much of the control of the utilities was bequeathed to his lover, Rebecca Mark. However, under the influence of Jeffrey Skilling, Enron entered the rather different area of trading and finance. With a culture that was closer to Wall Street than a traditional utility company, Enron would in due course trade in metals, plastics, coal, pulp, paper, weather derivatives and bandwidth capacity.

As Enron expanded, its recorded profits and revenues soared. In August 2000, Enron's recorded revenues reached a massive $100 billion (almost entirely based on its purported revenues in trading), making it the seventh largest company in the Fortune 500. During this entire period a wide range of external parties and stakeholders celebrated Enron as one of the most promising companies in the US. It was particularly praised as a company with an exemplary 'innovative' quality: in reality, this 'innovative' label masked a situation that was chaotic, disorganized and internally highly rivalrous.

Remarkably, this adulation lasted almost until Enron's collapse, in December 2001, when it filed for bankruptcy. Following the collapse of the firm, CEO Jeffrey Skilling and CFO Andrew Fastow were jailed for fraud and other offences for 24 and 6 years respectively. Former Chairman Ken Lay was found guilty of 10 counts of securities fraud and related charges, and legal experts estimate Lay could have faced 20 to 30 years in prison. However, he died of a heart attack before his sentencing, which was scheduled for October 26, 2006. The Enron scandal had a significant impact on corporate America and, in an attempt to forestall a recurrence, the 2002 Sarbanes-Oxley Act was passed, requiring stricter reporting standards and other structural changes in publicly owned companies.

Dynamic 1: *The lack of a clear and coherent organizational identity.*

The lack of a clear and coherent organizational identity at Enron manifested itself in two ways. Firstly, the organization allowed, if not encouraged, an atmosphere of eccentricity and illegitimate behaviors. Secondly, there was organizational hypocrisy (Simons, 2002;

Trevino & Brown, 2004) insofar as there was a disconnect between the stated or espoused values and actual enacted values.

Eccentricity and illegitimacy: An atmosphere was engendered at Enron whereby "being ordinary was the kiss of death" (Swartz & Watkins, 2003, p. 190). For example, Ken Rice, head of Enron Broadband Services, was reputed to have watched cartoons during meetings, encouraging others to watch as well (Bryce, 2002), and was out racing his cars when he should have been in the office preparing for Enron's crucial annual conference (Bryce, 2002). Then there was Andrew Fastow, whose pranks included driving a small remote-controlled car up the legs of female colleagues (Swartz & Watkins, 2003, p. 73). Jeffrey Skilling, who "had an instinct for misfits …[and]…was untroubled by eccentricity" (Swartz & Watkins, 2003, p. 57), also paraded his own eccentricity by cultivating the image of Darth Vader, the iconic Star Wars villain, dressing as him at company functions, and decorating his mansion in the black and white of the Darth Vader style (Boje et al., 2004). Indeed, Enron was full of Star Wars imagery, with a key deal being named JEDI, a partnership being called Chewco, and business entities being named Kenobe Inc and Obi-1 Holdings.

Organizational hypocrisy: Enron's statement of 'Vision and Values' comprised four principles, the first of which was 'respect' and the second 'integrity' (the others being 'communication' and 'excellence'). 'Integrity' and 'respect', the top two espoused values, were being steadily undermined and contradicted, and this indicates that the actual values were different. The real core values were that immoral, illegitimate, and illegal activities were tolerated, if not downright encouraged.

While much of what happened at Enron undermined the core value of 'respect', the behaviour of Jeffrey Skilling was emblematic of it. Following a conference call comment by Richard Grubman of Highfields Capital Management that Enron was the only financial institution not to provide a balance sheet or cash flow statement, Skilling – in the earshot of

investors and Enron staff alike – responded "Well, thank you very much. We appreciate that, *asshole*" (Cruver, 2002, p. 54 – emphasis added). Then, having deliberately plundered the energy markets and engineered an energy crisis in California that led to rolling black-outs and enormous hardship for its residents, Skilling made a notorious hypocritical press conference joke – that the difference between California and the *Titanic* was "at least the lights were on when the *Titanic* went down" (McLean & Elkind, 2003, p. 281).

As far as 'integrity' is concerned, Enron's history is riddled with questionable events and decisions including the use of fraudster Michael Milken to underwrite Enron's debt, and the continuation of employment of the traders and convicted felons, Borget and Mastroeni. Lay kept Borget and Mastroeni on the Enron payroll because "he need[ed] their earnings" (Bryce, 2002, p. 39). Further, following their conviction, Mick Seidl, Lay's close friend and former number two, sent them a telex thanking them for their perseverance and imploring them to "[p]lease keep making us millions" (McLean & Elkind, 2003, p. 20). These actions signaled to the rest of Enron that lack of integrity was not punished, but in fact rewarded.

A more direct cue came from Lay's insistence that all Enron travel be booked through his sister's firm, earning her vast amounts of money. Sherron Watkins, Enron's whistleblower, who worked for Andy Fastow, commented: "In some perverse way, Andy Fastow might have justified his behaviour by saying to himself, '…Why can't I just take a little for myself, just like Lay has been taking a little Enron money and transferring it to his sister for all these years?'" (Watkins, 2003, p. 123).

Dynamic 2: *The engendering of a masculine, macho culture which disowned weakness, uncertainty, and vulnerability.*

Enron had an extremely masculine, macho culture. One manifestation was in its highly competitive culture where, rather than managing conflict (Tekleab, Quigley & Tesluk, 2009), there appeared to be an active attempt to provoke it. In particular, Enron's performance

review system, involving all managers giving and receiving 360-degree feedback on a 6-monthly basis, was explicitly designed and used to get rid of unwanted people (Swartz & Watkins, 2003). The performance review system – "a Jeff Skilling thing" (Cruver, 2002, p. 63) – resulted in the bottom 15 per cent heading off to "redeployment land… or … Siberia" (Cruver, 2002, p. 63), which referred to an area of desks, where they were tasked, within the following few weeks, to find a new job within or outside of Enron.

There was also evidence of aggressiveness both with regard to financial planning and in a physical sense. According to Sherron Watkins, Andy Fastow "didn't have a risk-control bone in his body" (McLean & Elkind 2003, p. 140), but this did not prevent him from becoming Enron's CFO. Fastow is also reputed to have yelled out obscenities in meetings (Bryce, 2002, p. 202) and to have had "tirades [that were] … interminable" (Swartz & Watkins, 2003, p. 74). John Wing, head of the Teesside project, was also an extreme character who has been described as "volcanic" (McLean & Elkind, 2003, p. 44), "crazy" and "loud and profane" (Bryce, 2002, p. 71). As Wing himself acknowledged, "[e]veryone I've worked with, I've sledgehammered a bunch of times" (quoted in McLean and Elkind, 2003, p. 51). On one occasion, Wing threatened to blow up the car of an accountant because he was slow to pay his expenses (Swartz & Watkins, 2003, pp. 36-7). Wing's behaviour included "screaming fits that were designed to intimidate" (Bryce, 2002, p. 70), as well as telling anyone who did not measure up that he was a "pencil dick" (Bryce, 2002, p. 70).

The highly masculine, aggressive culture at Enron was also supported by a range of "macho" activities that were regularly organized by the company, some of which took on a mythic status in its culture. Hosted by Skilling, these included "extreme adventures … bungee jumping, rock climbing, Jeep races through the desert" (Swartz & Watkins, 2003, p. 111), paintball wars and "daredevil expeditions to the Australian outback; to Baja, Mexico; and to the glaciers of Patagonia" (McLean & Elkind, 2003, p. 122) where, according to Ken

Rice, the goal was to find an adventure "where someone could actually get killed" (quoted in McLean & Elkind, 2003, p. 122).

The "boys club" atmosphere was also manifested in that sexual misconduct was not only acceptable but widespread within the firm. Although sexual misconduct in the workplace is not unusual, at Enron it was said to be "like a humidifier ….in the air", according to one executive (quoted in Bryce, 2002, p. 145). Enron's leaders – such as Ken Lay, Jeff Skilling, Rich Kinder, Lou Pai, Ken Rice and John Wing – engaged in extra-marital relationships with Enron women, with many of these being multiple and flagrant affairs that set a tone that infidelity was the norm. "Even married traders and executives", reports Fox, "boasted of womanizing" (2003, p. 93). Ken Rice not only bragged about his infidelities (Bryce, 2002, p. 145), but reputedly questioned a newly-married colleague about why he had not cheated on his wife yet (Bryce, 2002, p. 146).

Another aspect of the macho culture was the use of "Hottie Boards" and the "Women of Enron Calendar" that involved, for example, yelling out "August" when "Miss August" appeared (Cruver, 2002, p. 38). Strip-clubs were regularly used as luncheon and dinner venues (often charged to Enron as expenses). Lou Pai, Chairman of Enron Energy Services, regularly took Enron traders on company funded visits to Houston's strip-clubs, and was once caught bringing strippers into Enron premises (Swartz & Watkins, 2003, p. 81); it is alleged that he even had sex with the strippers on Enron's conference table (Bryce, 2002, p. 146).

Dynamic 3: *The emergence of the "gang at work" and its leader.*

Although Ken Lay's leadership was not exemplary, the key driver of the practices that killed Enron was not him, but rather Skilling. Skilling had, to quote one colleague, "tremendous juice within the company" (Bryce, 2002, p. 58), and "played a dominant role in steering the company along a path which involved persuading, cajoling, evading or corrupting its regulatory authorities" (Stein, 2007, p. 1403). Indeed, under the "Reign of

Skilling" (Bryce, 2002, p. 120), the culture at Enron was powerfully shaped, and its identity activated (Riantoputra, 2010), so that its prevailing ethos was consistent with his character. Skilling's fascination with Darth Vader (the leader of the 'dark side of the force' and a specialist in destruction) does not appear to be accidental. Thus, under Skilling's leadership, a 'gang at work' – including Ken Lay, Lou Pai, Andy Fastow, Ken Rice and John Wing – was formed. This group was kept together by the promise of substantial reward on the one hand, and brutal punishment on the other.

On the one hand, Skilling "promoted his closest cronies … to top spots in the company" (Bryce, 2002, p. 137-8) and lavished them with vast salaries, bonuses and extraordinary expense accounts. Further, in a company that was akin to "a French court under Louis the Fourteenth" (Bryce, 2002, p. 145), mistresses were given rapid promotions – with associated bonuses and expense accounts – to the highest echelons of the company.

On the other hand, the gang had a savage side that sent a strong message to members not to dissent. In particular, Skilling's intimidating leadership style strongly stifled questioning and opposition. "If you were going to ask a bunch of questions, he would intimidate you and make you feel you were not smart enough to get it. You are either in our smart guy club or not. That is how he suckered people in. 'Ah! You are smart like me'" (Beenen & Pinto, 2009, p. 279). Further, the power of the Performance Review Committee (PRC) and the associated 360 degree feedback led to a situation where, whatever misgivings employees may have about a deal, they should "not stand in front of a deal because [they] could get killed in the PRC" (Bryce, 2002, p. 131). Skilling's acolytes replicated his brutal ways, with John Wing, for example, intimidating his subordinates into line by firing each of them "at least ten times" (McLean & Elkind, 2003, p. 51). Even trusted employees were told that they were failures, stripped of their titles, or made to report to someone junior, so that abusive supervision (Wu & Hu, 2009) was widespread.

The bonding of the gang was strengthened by a deep adulation for Skilling, who "engendered a kind of loyalty that … was almost cultlike" (Swartz & Watkins, 2003, p. 57). One executive, for example, described him as the "smartest son of a bitch I've ever met" (Bryce, 2002, p. 44); Mark Palmer, Enron's head of PR, exclaimed that he was "long [on] Jeff Skilling" (McLean & Elkind, 2003, p. 349); while CFO Andy Fastow even went as far as naming his first son after Skilling (McLean & Elkind, 2003, p. 139).

Dynamic 4: *The projection of the wanted aspects onto the "asset-light" business and the unwanted aspects onto the "asset-heavy" business.*

At the outset, Enron and its predecessor companies (Houston Natural Gas and InterNorth) were quintessentially asset-heavy utilities, and their core competence (Prahalad & Hamel, 1990) lay in this area. With the exception of the period when the US government and its regulatory authorities had caused major problems in the gas industry (Cannon, 1993; MacAvoy, 2000; Stein, 2007), the asset-heavy utilities were "Enron's cash cow" (Bryce, 2002, p. 116) with Enron Oil and Gas being "one of its best-run and most reliable businesses" (Bryce 2002, p. 288).

However, all this changed with the arrival in 1990 of Jeffrey Skilling. Skilling joined to create the asset-light Gas Bank, a brilliant financial innovation that functioned as a new market mechanism between gas producers and consumers. As Bryce puts it, "[t]he Gas Bank was a smash … [and] a turning point for Enron" (2002, pp. 54-5), heralding the beginning of a major shift towards asset-light trading. Skilling then used the Gas Bank and related initiatives to try to persuade Enron that it could overcome several of its problems by re-inventing itself as a financial services company.

Enron's response was to embrace this new approach, but not – a point overlooked by a number of authors – to diminish the asset-heavy approach: instead, it engendered a highly competitive rivalry between the two. Specifically, from the early 1990s there were two

competing approaches in the company: the traditional 'asset-heavy' approach, involving the ownership of physical heavy assets, headed largely by Rebecca Mark, and 'asset-light' trading, headed by Jeff Skilling.

However, enthused by the exciting world of trading, and Skilling's aura of invincibility, unconscious splitting took place whereby a perception was generated according to which the wanted aspects of the organization were progressively seen to be associated with the asset-light business, while the unwanted aspects were projected onto the asset-heavy business. Thus, in spite of Enron's success being largely associated with its work in utilities, and in spite of much of its expertise lying in this area, the asset-heavy business was increasingly viewed as problematic and disdainful. According to Swartz and Watkins, "the word pipeline seemed like an embarrassment" in Enron's 1999 Annual Report (2003, p. 177). As Bryce argues, pipelines and pipeliners became Enron's "ugly stepchildren" (2002, p. 123), with methods – especially Enron's performance review system – being used to get rid of pipeline "deadwood" (Swartz & Watkins, 2003). The problem was that utilities, and gas pipeline companies in particular, were viewed as "stodgy" (Swartz & Watkins, 2003), "boring" (Bryce, 2002), "colorless" (Swartz & Watkins, 2003) and "dirty and dull" (Partnoy, 2003).

The splitting process was exacerbated by Skilling's use of highly immodest descriptions of the asset-light aspects of the business, frequently proclaiming that the increasingly asset-light Enron was "on the side of the angels" (Swartz & Watkins, 2003, p. 65), and arguing that "[w]e're up here – and everybody else is down there" (McLean & Elkind, 2003, p. 241). This led to Enron engaging in a massive shift towards trading, almost doubling both capital expenditure and long–term debt during 1997 (Bryce, 2002, p. 133), and dramatically increasing employee numbers from 7,500 in 1996 to 20,600 in 2000, largely in the area of trading (Bryce, 2002, p. 134). Such increases were extraordinary not only because many of Enron's trading ventures (such as broadband) were in areas that were largely

unknown, but because the wider context of trading was, and remains, highly vulnerable to "normal accidents" (Perrow, 1999) and disaster (Hirschhorn, 1997).

Dynamic 5: *The fracturing of the organization into "asset-heavy" and "asset-light".*

Competition between asset-heavy and asset-light was exacerbated by a highly personal conflict between their leaders, with Skilling and Mark being the same age, both Harvard Business School graduates, highly ambitious, and wanting the top job at Enron. By the mid-1990s, the leaders of the two approaches were arch-enemies: as Fox puts it, Mark was "the personification of the asset-heavy philosophy, juxtaposed against Skilling's asset-light philosophy … the two divisions were competing for the soul of Enron" (2003, p. 58).

Matters came to a head in November 1996 with the resignation of Rich Kinder, Chief Operating Officer (COO), a pipeline man and the "embodiment of the 'old economy'" (Fusaro & Miller, 2002, p. 57), also known as "'Doctor Discipline' …[because of]…his obsession with cash and cash flow" (Bryce, 2002, pp. 112-4). When Skilling was appointed as COO, Mark is reputed to have been furious, storming out of a meeting with Ken Lay (McLean & Elkind, 2003, pp. 110-1). Skilling had neither Kinder's commitment to asset-heavy industry nor his caution to inhibit him.

Skilling would "attack, attack, attack" Mark (McLean & Elkind, 2003, p. 255), show feelings of contempt towards her (Eichenwald, 2005, p. 361), and frequently referred to her work as a "mess" (McLean & Elkind, 2003, p. 260). Throughout his time at Enron, he also made more general comments disparaging the asset-heavy focus of other utility companies. While the explicit targets of Skilling's attacks were asset-heavy firms like Exxon, it is clear that, by implication, they were also directed at Rebecca Mark and the asset-heavy part of Enron. As a result, by August 1999, around the time of Skilling's promotion to CEO, Enron had "withdrawn entirely from oil and natural-gas production" (Partnoy, 2003, p. 307), selling its stake in Enron Oil and Gas for approximately $600 million.

When, in August 2000, Mark finally tendered her resignation, Skilling could not hide his sense of satisfaction: what happened with Mark's asset-heavy work, he asserted, was *"probably good* … it was absolutely clear it was not the direction to go" (McLean & Elkind, 2003, p. 246 – emphasis added). While it is true that Mark's projects had yielded losses, the implication that his asset-light option was better was entirely illusory, buoyed up by mark-to-market accounting and a variety of dishonest and illegal practices. Yet, Skilling believed that asset-light trading could not go wrong, and, consequently, no limits or constraints should be placed on it. Following Mark's departure, Skilling kept further diminishing the asset-heavy business, and substantially increasing asset-light risk-taking, so that by the end of 2000, the notional value of Enron's derivatives were a staggering $758 billion (Bryce, 2002, p. 242).

In the end, the unraveling of Enron occurred very quickly. Its risks were substantially increased by the highly dangerous terms of some of its loans: when, for example, the company was downgraded by the credit rating agencies to below investment grade, it and its partnerships immediately owed over four and a half billion dollars (Partnoy, 2003, p. 336). By the time of Enron's bankruptcy, its derivatives liabilities exceeded $18.7 billion: as Bryce argues, this "played a key role in pushing the company into bankruptcy" (2002, p. 6). We summarize the intra-organizational dynamics at Enron in Table 2.

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Insert Table 2 about here

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DISCUSSION

In this paper we have attempted to enrich mainstream theorizing on the "dark side of organizations" in general, and corruption in particular, by conceptual development of the 'gang at work' and 'intra-organizational ganging dynamics' based on psychoanalytic theories. In so doing, we have addressed the group-level lacuna both with regard to the 'dark

side' literature stream and the burgeoning Enron-related research stream, as well as contributing to the psychoanalytic literature on organizational and social dynamics.

Although we have bounded our conceptual development to intra-organizational gangs and ganging dynamics, future work can consider extending this approach to gangs that work across organizations (cf. illegal networks; Baker & Faulkner, 1993) and extra-organizational ganging dynamics. There is data that suggests these aspects were at play as well at Enron. According to whistleblower Sherron Watkins Enron's legal counsel Vinson & Elkins, auditors Arthur Andersen, and consultants McKinsey & Co., were all in cahoots with Enron's top brass in powerful and highly dangerous ways (Beenen & Pinto, 2009). Whether these across organizational relationships are cohesive enough for the individuals involved to be considered a "gang at work", could be explored in future work. If they are, then the delineation of the ganging dynamics would necessarily be different from the intra-organizational ones we have delineated here (since the first two are organization-specific).

This paper also has implications for our understanding of organizational identity, understood as that which is relatively stable and enduring in an organization (Albert & Whetten, 1985), and that involves the creation of an ensemble of action dispositions regularly undertaken (Birnholtz, Cohen, & Hoch, 2007). The subject of organizational identity has been studied both from a psychodynamics perspective (Brown & Starkey, 2000) and from a metaphor-approach to theorizing (Cornelissen, 2006). Brown (1997) argued that groups and organizations use ego defences to ameliorate anxiety and maintain the continuity of existing organizational identity, whereas Brown and Starkey (2000) have emphasized how such defences may be dysfunctional when they militate against appropriate organizational change. Future work could examine how the group-level ganging dynamics interact with, and impact, identity dynamics at the organizational level (Hatch & Schultz, 2002).

Our paper complements work on organizations that make strong efforts to narrate a clear organizational identity in the pursuit of organizational legitimacy (He & Baruch, 2010) by examining an organization in which there is a lack of a coherent identity and the establishment of an atmosphere of eccentricity and illegitimacy. Our paper also builds on work that argues that organizational identity may be somewhat more fluid than hitherto thought (Gioia, Schultz & Corley, 2000; He & Baruch, 2009) and that organizations may have multiple identities (Pratt & Foreman, 2000). We show how an organization characterized by a gang culture may be made up by different parts with their own competing identities, and go on to argue that a gang leader may attempt to destroy those parts associated with one identity, while boosting and entrenching those parts associated with another. This complements the themes of organizational identity formation and maintenance (Birnholtz et al., 2007; Riantoputra, 2010) by illuminating the processes and dynamics connected with their converse, that of organizational identity destruction. This also has specific connections with the understanding of key decision moments, which, as Riantoputra (2010) has shown, are used by senior people to activate positive organizational identity concepts. Our paper also shows that key decision moments – such as Jeffrey Skilling's decision to diminish Enron's utility businesses around the time of Rebecca Mark's departure – may be used as a platform to erode an organizational identity concept, once again the converse of organizational identity activation and maintenance. In our analysis, the rivalry between Jeff Skilling and Rebecca Mark was a by-product of the ganging dynamics. However, this aspect of "competitive wars" (Rindova, Becerra, & Contardo, 2004) and "the psychology of rivalry" (Kilduff, Elfenbein, & Staw, 2010) is gaining currency, particularly when leaders disagree about organizational identity (Voss, Cable, &Voss, 2006).

This paper also has implications for the wide range of debates about organizational crisis and risk, so diverse that, in a landmark UK Royal Society report on risk, they have been

referred to as the "risk archipelago" (Hood, Jones, Pidgeon, Turner, & Gibson, 1992, p. 135). Although these debates focus on a variety of issues, one central concern has been the "incubation period" (Turner, 1976; Turner & Pidgeon, 1997) of organizational crises, collapse and disaster. While many of the debates concerning the incubation and prevention of crisis and disaster – especially those relating to the 'homeostatic' approach (Hood, & Jones, 1996, p. 206) – pivot on the use of quantitative data, the Enron case shows the importance of qualitative factors in the management of risk. Specifically, understanding the organization's culture, including recognizing its fault lines and the nature of its leadership, involves qualitative matters that cannot be made sense of using numbers and that have few if any direct quantitative correlates. It is also striking that the 2002 Sarbanes-Oxley Act, inspired by widespread risk management concerns in the wake of the Enron collapse, seems to have done little to help the situation. Indeed, as du Plessis (2008) has argued, by focusing on changes to roles and procedures, the Sarbanes-Oxley legislation enacted an "agency logic" that militated against the possibility of effective learning. Following Elliott and Macpherson (2010), one could take this theme further by arguing that the "lessons learnt" from the Enron crisis were simply institutionalized by the Sarbanes-Oxley Act so that the real issues – which were about gang culture and leadership – were obfuscated. Any more thorough learning was thus not possible, paving the way for the conditions that led to the 2008 credit crisis.

This then leads on to a further set of implications, those concerning our understanding of the organizations that were at the centre of the global financial crisis. In particular, at Lehman Brothers, whose September 2008 collapse triggered the crisis, gang-like features had been present for a substantial period of time. Long-running feuds between the trading and merchant bank factions during the decade 1983-1993 sustained a culture that was "notoriously fractious... [and]... defined by its internecine warfare" (Serwer, 2006), one that came close to destroying it (Auletta, 1986). In 1993 Dick Fuld, the "Bruiser of Wall Street"

(Bawden, 2008), also known as "'The Gorilla' for his intimidating presence" (Plumb & Wilchins, 2008) took over as CEO and Chairman. Fuld was able to quell some of the factional conflict, but only by "intimidating everyone and wresting power through acts of sheer will" (Partnoy, 2008). Fuld's "pugnacious" (Sender, Guerrera, Larsen, & Silverman, 2008) and "combative" (Serwer, 2006) style was well known, and set a highly damaging and macho tone in the company.

While Fuld played the central role in taking on dangerous risks and creating vulnerabilities at Lehman, he laid the blame for the company's problems elsewhere, firing his successor Joe Gregory and CFO Erin Callan in June 2008. He also spent a great deal of energy blaming short sellers for Lehman's problems, but his "crusade [against the short sellers] … only served to confirm the anxieties of [his] critics" (Sender et al., 2008). At a spring 2008 conference of Lehman managing directors in London, Fuld declared that, if he found a short seller working against Lehman, he would want to "tear his heart out and eat it before his eyes while he is still alive" (quoted in Stern, 2009). It was Fuld's need to blame others rather than address the problems Lehman had created for itself – as well as his hubris and highly aggressive macho style – that prevented him from avoiding what would become the largest financial collapse in history. These gang-like features of Lehman Brothers suggest that it could usefully be explored in future work, using the concepts developed in this paper.

It is also clear that gang-like features in the organizations involved in the credit crisis were by no means confined to Lehman Brothers. Fracturing, for example, was a central feature of Citigroup, the world's largest bank that, following calamitous losses during the 2008 credit crisis, received hundreds of billions of dollars as part of a US Federal bailout package. Citigroup was a highly divided organization created in 1998 in what "is regarded by some as one of the worst mergers of all time" (Dash, 2008), and has been described as a "behemoth ….[that]…seems to lumber from one crisis to another …[and was characterized

by] …political infighting" (Dash, 2008). If fracturing was present at Citigroup, Jeffrey Skilling-like gang leadership was present at Bear Stearns, the company whose March 2008 collapse levered the global economy into the early phases of the credit crisis. Specifically, Bear Stearns' CEO James Cayne was known to be a "maverick" (Kelly, 2007) who, for example, branded those who crossed him as "cocks" and "bully pricks" (Economist, 2009). Over 10 critical days in July 2007 when two of Bear hedge funds collapsed, Cayne was playing in a bridge tournament in Nashville "without a cellphone or an email device" (Kelly, 2007). Cayne's bizarre behaviour has been seen to have played a significant role in Bear Stearns' demise. While a systematic study of these and other organizations involved in the credit crisis lies beyond the scope of this paper, our preliminary investigations into their gang-like features suggest that this could be a fruitful area of exploration.

The gang at work and intra-organizational ganging dynamics constructs may also be relevant to the psychology, psychodynamics, and political science literatures which have studied related "dark side" topics such as bullying (Waddell, 2007), psychotic organizations (Sievers, 1999), high toxicity leadership (Goldman, 2006), internal terrorists (Van Fleet & Van Fleet, 2006) and "guerilla groups" (Zawodny, 1962).

Our hope is that this paper draws attention to the field of psychodynamics and how the organizational manifestation of unconscious processes could result in the formation of "gangs-at-work", which inevitably contribute to negative consequences for organizations, employees, and investors, to name just a few key stakeholders. Practicing managers in general, and senior managers in particular, could be alerted to these dynamics and nip them in the bud, thereby inhibiting their role in the decline and death of organizations, and preventing enormous negative social and economic consequences.

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Table 1: Comparison between "Work group" and "External Gang"

	Work groups	External Gangs
Individual-level/ State of mind		
State of mind	Group state of mind	Gang state of mind; Basic assumption mentality
Psychoanalytic position	Depressive	Paranoid-schizoid
Personality aspects	Individuals able to acknowledge and own different aspects of their personality without splitting these off	Gathering of certain parts of the self or personality in a malignant huddle
Projective processes	Minimal	Excessive
Identity	Capacity to know honestly who you are and to recognize that the self comprises a multiplicity of aspects	Identification with destructive narcissistic part of the self
Cognition	Capacity to reflect, to think symbolically	Under the sway of anxious states, inability to think rationally, reflectively or symbolically
Group-level		
Atmosphere	Benevolent: Can tolerate, explore and value difference, alternative viewpoints and the tensions and potential for creativity these throw up	Malevolent: Under pressure of anxiety, perceived or real threats
Interpersonal concern	Concern among members for one another	Concern only for members of the gang, and hatred for those outside the gang
Composition	Need for a mix of people with different qualities in order for multiplicity of perspectives	One of the notable characteristics of gangs is that the individuals in it behave like a single organism
Function	Forum in which individual members can explore themselves through one another's experience of being with them	Pulling away from freedom, individuality, intimacy and aesthetic sensibility, into the mindlessness of group conformity
Main aims	Cooperative work, friendship, and thinking	To prevent the weakening of the gang and to control members so that they will not desert the gang and join the positive parts of the self or betray the gang's secrets
Affect	Pleasure in being member of the group and for being known for who they really are	Struggle between destructive and libidinal impulses
Leadership	Authority figures who maintain a thoughtful and considerate attitude towards all those for whom they have responsibility	Submission to tyranny by a leader who controls all the gang members to ensure that they support one another in making the criminal destructive work more effective and powerful

Table 2: Comparison between the "External Gang" and the "Gang at work" (*illustrations from Enron case*)

	External Gang	**Gang at work**
Definition	Individuals come together for a variety of social and psychological reasons (e.g., group identity, excitement from the expression of masculine aggression) and engage in a wide range of activities alongside criminal ones	Cohesive group of individuals, led by a tyrannical leader, who seek to maintain a dominant position in the organization by actively engaging in, and encouraging, "dark side" behaviours, while simultaneously denigrating ordinary and organizationally-healthy behaviours
Located in	Society	Organization (*Enron*)
Bounded by	Territory (e.g. "street gangs)"	Organization (*Enron*)
Members	Individuals	Individual employees (*Enron senior management*)
Dynamic 1 - "incoherence"	Insecurity, not knowing who they are and where they belong	Lack of clear and coherent organizational identity (*hypocrisy, eccentricity*)
Dynamic 2 - "macho identity"	Derive precarious sense of identity and safety by keeping out any overt traces of weakness, uncertainty, or vulnerability	Masculine, macho culture which keeps out any overt traces of weakness, uncertainty, or vulnerability (*highly competitive, use of "strippers" and "prostitutes", aggressive behaviour and financial risk-taking*)
Dynamic 3 - "gang emergence"	Formation of the gang headed by a leader	Formation of a 'gang at work' (*Lay, Fastow, Wing, etc.*) headed by a leader (*Skilling*)
Dynamic 4 - "projecting"	Project wanted aspects within the gang and unwanted aspects outside the gang	Project macho, aggressive, eccentric, organizational damaging aspects within the gang and denigrate unwanted ordinary, organizational-healthy aspects to the rest of the organization *("ugly step-children"*)
Dynamic 5 - "fracturing"	Excessive projecting resulting in splitting off	Schisms develop in the organization between the 'gang at work' on one side and the rest of the organization on the other (*fracturing of the organization between "asset heavy" and "asset light"*)