

# C.S. Lewis's Concept of the Inner Ring and the Problem of Evil in Corporate Governance

By Stephen Copp

The present wave of corporate scandals, such as Enron and Worldcom has resulted in wide ranging calls for greater corporate accountability and greater corporate social responsibility<sup>1</sup>. Given the nature of the problems that have emerged and the number of individuals, companies and institutions affected by such scandals, this is of little surprise. The real weakness of the responses, however, is that they are based on overly simplistic views of human nature.

In corporate governance, two theories dominate debate. The first is the economic theory that a company's directors should be seen through the lens of a principal-agent relationship where the directors must constantly be incentivised or constrained to put the company's interests ahead of their own. The second is the management theory that a company's directors should be seen as responsible for balancing a range of stakeholder interests – which, by and large, it is assumed they will do in an impartial and altruistic fashion<sup>2</sup>. However, when the history of corporate scandals is reviewed, going well beyond the present crop and including Maxwell, BCCI and so on, it becomes clear that the standard explanations of motivation simply fail to provide a good fit for many of the people



actually involved. For example, economic theory may well explain the motivation of fraudsters, such as in the Barlow Clowes affair, where the benefits included a 101 feet long yacht costing \$2.5 million moored off Gibraltar. But it is less effective in explaining the motivation of others who tolerate and even cover up for fraudulent behaviour<sup>3</sup>. What I would like to suggest in this article is that the idea of the “inner ring”, put forward by C.S. Lewis more than 50 years ago, could provide an interesting alternative explanation for some of the participants in corporate scandal - as well as introducing a valuable Christian element into the debate.

C.S. Lewis rather mischievously developed the idea of “the inner ring” in two works. First in his essay of that

title to be found in *Screwtape Proposes a Toast and Other Pieces*, based on a Memorial Oration at Kings College, London, 1944<sup>4</sup>, and secondly in *That Hideous Strength* first published by John Lane the Bodley Head Ltd in 1945<sup>5</sup>. He saw within organisations two different systems or hierarchies, one public and constant, the other spontaneous and informal. The latter calls itself “we” when very secure and comparatively stable in membership<sup>6</sup>. This “we” constitutes the “Inner Ring”.

## Morally Neutral?

Lewis thought the existence of Inner Rings was morally neutral. As he says: “... *it is perhaps impossible that the official hierarchy of any organisation should quite coincide with its actual workings. If the wisest and most energetic people invariably held the highest posts, it might coincide; since they often do not, there must be people in high positions who are really deadweights and people in lower positions who are more important than their rank and seniority would lead you to suppose.*” However, the desire to be inside the Inner Ring, and the terror of being left outside, was for many one of the dominant elements in life<sup>7</sup>. It was this desire, this longing to enter the Inner Ring that was dangerous<sup>8</sup>. This accounts for the fact that CS Lewis' overall description of Inner Rings inclines

in a negative direction. Whilst people hoped for tangible profits (power, money, liberty to break rules, avoidance of routine duties and evasion of discipline)<sup>9</sup> from each Inner Ring they penetrated, the only real satisfaction was the delicious sense of secret intimacy gained. Yet pursuit of Inner Rings had to be avoided: first, it made those who were not yet bad do very bad things; secondly, the essence of an Inner Ring was exclusion.

C.S. Lewis illustrated the corrosive effects of the pursuit of membership of the Inner Ring in *That Hideous Strength*. He picked upon the unfortunate figure of Mark Studdock, a Fellow in Sociology in Bracton College, Edgestow, the smallest of universities. In his determination to enter the Inner Ring, Mark had joined the N.I.C.E. (the National Institute of Co-ordinated Experiments) established by the state to mobilise all the UK's talent with 15 departmental directors, its own legal staff, its own institutional police force and 40 interlocking committees sitting every day. Mark's ego was flattered as he became party to more of the N.I.C.E.'s secrets until eventually he was trusted with writing lies for the newspapers about the N.I.C.E.'s activities. What would seem to those on the outside to be the beginning of a painful descent into sin was for Mark splendid and triumphant - at last all N.I.C.E.'s Inner Ring depended upon him, no-one could consider him a non-entity<sup>10</sup>. Time and time again Mark had opportunities to turn; early on when he realised he could not believe a word of what the Inner Ring told him;<sup>11</sup> when despite being immersed in the sour and crooked, he saw a vision of

the sweet and straight, the "Normal"<sup>12</sup>; and later when he was expected to stamp on the face of a crucifix as part of the N.I.C.E.'s training programme to demonstrate his liberation and objectivity<sup>13</sup>. Despite Mark's inner struggle, he became a candidate for admission to the Inner Ring. He discovered, with



a mixture of excitement and horror, that N.I.C.E.'s real Head was literally the human head of a criminal, Alcasan, kept alive to act as a conduit for the will of the macrobes, a higher form of life intent on the destruction of the human race<sup>14</sup>. But with the help of Merlin, who willingly gave up his life, and another higher form of life, the Oyeresu, the N.I.C.E. was destroyed and Mark enabled to escape and return to his wife, who had become a Christian and had helped overthrow the N.I.C.E. with her prophetic gift.

The concept of the Inner Ring is intuitively obvious: most people will have experience of cliques in or outside of a business context and their evaluation from a Christian perspective is straightforward and rather negative<sup>15</sup>. The apocalyptic imagery of *That Hideous Strength* poses greater difficulties but contains rather greater depth as a consequence. Three issues emerge from it to explore further in the context of corporate governance. Firstly, the idea that "beliefs matter" in corporate governance; second, whether inner rings being the essence of corporate governance can be morally neutral; and third, that there is an - often overlooked - spiritual dimension to corporate governance.

The idea that "beliefs matter" underpins both C.S. Lewis's ambivalence on the moral neutrality of Inner Rings and his treatment of Mark Studdock's struggle with the N.I.C.E. Accordingly, it was a vital part of Mark Studdock's initiation into the Inner Ring that he was required to share its values, including his training in the "objective room". When Mark asked Professor Frost how in the future actions were to be justified or condemned he is told that his question was meaningless. It presupposed a means-and-end pattern of thought descended from Aristotle who had merely been hypostatizing elements in the experience of an iron-age agricultural community: motives were not the real causes of action but its by-products. Accordingly, when Mark attained real objectivity he would recognise all motives as subjective

epiphenomena and would neither have no motives nor need any<sup>16</sup>.

Yet the N.I.C.E. was not, of course, value-free. Its one value was itself and its pursuit of the destruction of mankind to which all other considerations were subject. In contrast, Christian values can be summed up in the commandments “Love the Lord your God with all your heart and with all your soul and with all your mind” and “Love your neighbour as yourself”<sup>17</sup>. Similarly, corporate governance is not value-free and the beliefs of those in governance matter. The prevalent assumptions that the dominant values held by those in corporate governance equate to greed or altruism – the two over-simple views I referred to in my opening paragraph – are valuably supplemented or replaced by the idea that many are motivated by a striving to join the Inner Ring of companies.

The idea that inner rings are inescapable and not necessarily good or bad runs through C.S. Lewis’ writing. It is difficult to reconcile this with his damning condemnation of their consequences. From a Christian perspective, the problem is that in general the Bible encourages “good” relationships<sup>18</sup>. The goal of the commandments to love must be an end result of good relationships. Admittedly, it is easy to compare Jesus’ own relationships with the 12 disciples with the creation of an “inner ring”. Yet these relationships were very different. The disciples were chosen by Jesus and did not need to strive to gain their status. Indeed the disciples were called to give up much to take on their role; it was not seen as conferring

advantages of status upon them<sup>19</sup>. When James and John sought to use their position, they were sharply rebuked by Jesus<sup>20</sup>. Information was passed to the disciples so that it might be shared with others<sup>21</sup>. The contrast with the “inner ring” as it operates so often is immediate. The sin is its exclusivity, its conferral of improper advantages and the desire to become part of it. The reason for this is that the very existence of an inner ring presents a powerful incentive to sin. An inner ring confers power over others, access to information not available to others and the power to exclude others. Good people might be able to resist this; many will fall.

### The Demonic Dimension

Beyond this however C.S. Lewis pointed to another spiritual dimension. The “inner ring” in *That Hideous Strength* had a demonic quality to it. Generally, this is seen

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by C.S. Lewis as personal in nature, hence the intense discourse on the fate of Mark Studdock (and the countervailing role of his wife). This is a controversial notion<sup>22</sup> and one which merits further exploration and debate, especially when applied to corporate governance. Certainly, a number of corporate scandals, business disputes and workplace situations contain elements which may be regarded as verging on the demonic.

Firstly, Satan is associated with making people captives<sup>23</sup>. In a

number of situations there is evidence of people becoming trapped and becoming exploited and abused as a consequence.

- In a small company, a shareholder/ director may be unable to sell his shares and “exit” because of transfer restrictions.
- There may be litigation between parties which cannot be walked away from.
- Financial difficulties may mean that a person feels obliged to remain a director to minimise the risk of personal liability for wrongful trading.

In *That Hideous Strength* Mark Studdock was early on made aware in a sinister fashion that if he left N.I.C.E. he would be leaving his Fellowship at Bracton College as well<sup>24</sup>.

Second, Satan is associated with temptation<sup>25</sup>, and it is unsurprising that in corporate scandals we see systems put into place which would incentivise people to sin and discourage them from acting with integrity. Such systems can be seen to have operated within Enron, although any judgment as to whether there was any spiritual component to this cannot be made by one distant from the scandal.

Third, Satan is associated with accusation and lies<sup>26</sup>. It is unsurprising then to see the attempts to discredit those who refuse to go along with or even blow the whistle on fraud or other misconduct. In *That Hideous Strength* a key aspect of the plot is the attempt by N.I.C.E. to smear Mark Studdock with trumped up criminal charges<sup>27</sup>.

All this paints a rather bleak picture of corporate governance from a Christian perspective. After all corporate governance is concerned with the functioning of inner rings *par excellence*. Indeed, the Biblical response to this analysis is to emphasise the importance of identifying the spiritual aspect of the problem. Hence Paul argues that “... our struggle is not with flesh and blood, but against the rulers, against the authorities, against the powers of this dark world and against the spiritual forces of evil in the heavenly realms”<sup>28</sup> and it can be argued that “inner rings” may well be influenced by such as these.

In contrast to what is associated with Satan, we associate Jesus with bringing freedom to captives, empowering people by the Holy Spirit and bringing truth. The response to the spiritual dimension of the “inner ring” in corporate governance is then to “put on the full armour of God”, entailing truth, righteousness, readiness, faith, salvation, alertness and prayer”<sup>29</sup>, some of which are of a “spiritual” nature but others of which may impact even at a secular level. It goes without saying that at no point are Christians actively called to disengage from corporate governance, but their engagement must be visible<sup>30</sup>. It is also important to emphasise that Christians should not take an unhealthy interest in the possibility of demonic involvement with business situations. Such a dimension is likely to be untypical and should be obvious when encountered. Furthermore, insofar as being visible as a Christian tends to be inconsistent with membership of an inner ring, this may well mean

that Christians will often find themselves excluded from such inner rings – a potentially tragic loss both for business where integrity is essential - and the Kingdom of God.

## Practical Implications

Despite this focus on the spiritual aspects of the impact of inner rings on corporate governance, such an analysis can provide a useful foundation for a secular response to corporate scandals, business disputes and workplace situations. Let’s start with the idea that beliefs matter and that a person who is motivated by an overwhelming desire to be a part of the inner ring is dangerous. Firstly, this could bear on the decision as to

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whom to appoint<sup>31</sup>. Psychological tests could be employed to filter out potential board members with this trait, particularly relevant to potential non-executive directors where a significant reason for their appointment is (or should be) their ability to hold the board accountable, for example, on audit or remuneration issues. A non-executive director with an undue desire to “fit in” would be undesirable. Secondly, this could bear on the procedures for non-executive appointments. It could be required that these are publicly advertised in order to bring in fresh blood from outside any inner ring<sup>32</sup>. Tests of independence used for corporate governance purposes might more usefully focus on the presence of social links, for example,

common educational background, rather than more sterile financial tests. Thirdly, let us say that we are too squeamish to deal with recruitment and would rather change the structure. The solution might be to recognise that inner rings are unavoidable and affirm them in the cause of what is right. So a new inner ring could be created for potential non-executive directors, say by the creation of a shareholder committee to supervise the board on which the desire to be on the inner ring might have a better chance of producing desirable outcomes.

Moving towards the morality of inner rings themselves, let us consider how this might be applied to the role of the board of directors itself. The possession of power, information and exclusiveness and the possibility of the improper use of these provide the temptation and the opportunity for sin.

For example, they allow the liberty to break rules. There are two different levels of response to this. At a structural level power in companies might be decentralised as far as possible and rendered as diffuse as possible. To adopt a vogue term, employees should be “empowered”, preferably in a real way including some ownership rights so as to avoid tokenism. Information in companies might be more widely shared consistent with greater ownership of the organisation by employees. The board itself might be made more inclusive, perhaps by far greater rotation of membership: much of present board structures have more to do with the desire to preserve an inner ring than commercial necessity. Incentive and disciplinary structures and their practical operation should

be revisited, both as to their theoretical and practical operation.

C.S. Lewis' thinking on the "inner ring" - like so much of his work - manages to combine both clarity and a prophetic nature. Much contemporary thinking on problems of corporate governance suffers from possessing either too high or too low a view of human nature. In pointing to the need to recognise the human desire to be part of the inner ring, C.S. Lewis provides a useful basis for thinking about the calls for greater corporate accountability and social responsibility. By identifying why people may be tempted to act unethically in a corporate context he provides a useful way of enabling us to improve corporate accountability. It also points us to the spiritual significance of corporate governance, something which the church might do well to recognise, since a spiritual response is required. However, it should also cause us to carefully question the ways in which companies might be encouraged to become more socially responsible.

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## Notes

1. For a Christian perspective on the Enron scandal see "The Enron Scandal" by the author in *Faith in Business Quarterly*, 6:1, pp. 8-13.
2. For a brief review of these theories see Pettet, B. *Company Law* (Harlow: Longman, 2001), Chapter 3.5 and 3.6. There are, in addition, a range of alternative theories to explain corporate governance deriving from both economics and management. In particular, there is a large and diffuse literature on the subject of informal organisations and informal groups which encompasses sociology, management science, organisation theory and political science. Whilst much of this literature can be distinguished from the concept of the "inner ring" because it concerns sub-governance issues, there is an interesting resemblance to that concerned with elite groups. See for example Lindblom, C.E., 'The Policy Making Process' (1968) in McGrew, A.G. and Wilson, M.J. *Decision Making - Approaches and Analysis* (Manchester: University Press, 1982), pp. 112 - 113. Needless to say there is also a huge literature relevant to employee motivation, including the well-known work of Maslow, *Motivation and Personality* (New York: Harper & Row, 1954) and Herzberg, *Work and the Nature of Man* (London: Crosby Lockwood Staples, 1968), which is often neglected in writing on corporate governance. I am grateful to the Editorial Team and Dr J. Navari, Bournemouth University, for their contributions on the subject of informal organisations and groups.
3. For a useful summary of the Barlow Clowes and other major corporate scandals, see M. Killick, *Fraudbusters* (London: Victor Gollancz, 1998).
4. References in this article are to the Fount edition, 1965.
5. References in this article are to the Pan edition, 1955.
6. C.S. Lewis "The Inner Ring", op. cit., pp. 29 - 30.
7. Ibid., pp. 31 - 32.
8. Ibid., pp. 33 - 34.
9. Ibid., p. 35.
10. C.S. Lewis, *That Hideous Strength*, pp. 80 - 81.
11. Ibid., p. 154.
12. Ibid., p. 184.
13. Ibid., p. 211.
14. Ibid., pp. 154 - 157.
15. 1 Corinthians 3; James 2.
16. C.S. Lewis *That Hideous Strength*, p. 181.
17. Matthew 22:37 - 38.
18. For a more detailed critique by the author of Christian perspectives on good relationships, in the context of contract law, see S.F. Copp "Developing a Relationally Based Law of Contract: A Question of Good Faith" in *Christian Perspectives on Law and Relationism* (Carlisle: Paternoster Press, 2000).
19. Matthew 8:18 - 22.
20. Mark 10:35 - 45.
21. Matthew 10.
22. It is interesting to observe how C.S. Lewis anticipated this when, following a number of bad reviews, he wrote to Dorothy L. Sayers on 6th December 1945 saying: "Apparently reviewers *will not* tolerate a mixture of the realistic and the supernatural. Which is a pity, because (a) It's just the mixture I like, and (b) We have to put up with it in real life". Cited in Hooper, W., *C.S. Lewis, A Companion & Guide* (London: HarperCollins, 1996), p. 231.
23. Luke 4: 18.
24. C.S. Lewis *That Hideous Strength*, p. 71.
25. Matthew 4:1.
26. John 8:44.
27. C.S. Lewis, *That Hideous Strength*, p. 134.
28. Ephesians 6:12.
29. Ephesians 6:13 - 18.
30. Matthew 5:13 - 16.
31. Indeed, a Consultation Paper "Review of the Role and Effectiveness of Non-Executive Directors" has been issued on 7th June 2002 by the "Higgs Committee", the origins of which lie in concerns arising from the Enron scandal. It can be found on [www.dti.gov.uk/cld/non\\_exec\\_review](http://www.dti.gov.uk/cld/non_exec_review). The Terms of Reference for the Review included an assessment of "the population of non-executive directors in the UK - who they are, how they are appointed and how they can be drawn from a wider pool of talent."
32. See footnote 31 above.