Ethikos

DEMONSTRATING THE VALUE OF BUSINESS ETHICS

On ethics: Jeffrey Moriarty

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AT: **First, congratulations on your new position as executive director of the W. Michael Hoffman Center for Business Ethics at Bentley University. I have a special affinity for the center, I have to admit. When I first started working in compliance and ethics about 20 years ago, Mike Hoffman was one of the first people I got to know. He was a great teacher for me and, I have no doubt, for his students. Can you start by giving us some background on the center and its mission?**

JM: Thank you! The mission of the W. Michael Hoffman Center for Business Ethics (HCBE) is "to give leadership in the creation of organizational cultures that align effective business performance with ethical business conduct."[1] Put a

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bit more simply, we try to make the business world more ethical. Bentley University is an educational institution, so the way we do this is through education. We produce and share knowledge in business ethics with multiple audiences, including undergraduates, graduate students, and professionals.

AT: **What are some of the major areas of focus for the center today?**

JM: HCBE is best understood as a collection of people who are committed to business ethics in their research, teaching, and professional activities. At the present moment, HCBE has just two full-time staff, but we are enriched by a group of eight faculty fellows and 24 advisory board members. Our faculty fellows hail from a variety of departments on campus, including philosophy, law, management, and accountancy. Our advisory board members come from a variety of organizations, including Raytheon Technologies, NAVEX Global, and Beth Israel Deaconess Medical Center. So, there is no single project or set of projects HCBE is working on. Rather, individuals who are part of our community each pursue their own projects in their own unique ways, trading ideas with and getting feedback from each other.

As far as HCBE's activities go, we host speakers and conferences throughout the year. Typically, we have monthly brown-bag seminars geared toward faculty; two major outside speakers, especially for students; and conferences for faculty and professionals. We have been lucky to have great corporate sponsors for our events, including Raytheon, Verizon, and State Street. We also successfully transformed our executive education course "Managing Ethics in Organizations," which we have offered continuously since 1995, from a five-day, in-person program to a three-day, online program. We are really pleased with the results.

AT: Let's talk about your background a bit. Can you share with us your journey to Bentley and what you've been teaching there?

JM: I received a PhD in philosophy in 2002 and got my first job at California State University, Long Beach. They advertised for a specialist in business ethics, and I wasn't really that. I wrote my dissertation on distributive justice, in the area of political philosophy. But I had taught a course in business ethics a few times, and that was good enough. I don't think the department cared what field I published in, but since I was hired to do business ethics, I figured I'd give that a try. I found that I liked it and had something to say and just ran with it. I continue to publish on and off in political philosophy, but now almost all of my research is in business ethics. In truth, the problems I work on in business aren't so different from the ones I worked on in politics. I remain interested in distributive justice, but instead of asking, "What are fair distributions in states?" I ask, "What are fair distributions in markets and firms?" I left California State University, Long Beach for Bowling Green State University in 2005. Bowling Green State University was a fabulous place, teeming with outstanding young-ish moral and political philosophers. I landed in the philosophy department at Bentley University in 2009, where I've remained ever since. Bentley is great. It's a smaller institution than I was used to, but I value the collegiality among the faculty, the excellence of the students, and the chance to take on a variety of leadership roles. The HCBE regularly brought in major speakers (still does!), and it was great to attend those events as well. At Bentley, I've taught all kinds of courses, from introduction to philosophy to first-year undergraduates to seminars in ethics and corporate social responsibility to doctoral students. I regularly teach business ethics as well as environmental ethics and the philosophy of sport. I served as chair of the philosophy department from 2013 to 2020 but didn't have any formal connection to the HCBE until 2019, when I became interim director. In 2020, I was appointed executive director.

AT: Bentley University is a business school, so I would imagine that your work in ethics is very much focused not

on the theoretical but the practical. What are some of the practical issues that you see students struggling with?

JM: My work in ethics is very much focused on practical issues. But you can't get too far away from theory. If you want to justify a course of action—explain why it was morally required or morally permissible—you will appeal to moral ideals and principles, and these will have their source in ethical theories. You might appeal to concepts like justice, truth, harm, or respect, and soon you may even be talking about Aristotle, Mill, and Kant.

AT: The school teaches both graduates and undergraduates. Are there differences you see in perspective? The graduate students, I imagine, have a bit more experience in the real world.

JM: There are two kinds of graduate students. First, there are doctoral students. They have little or no work experience. They are like undergraduates, though very eager and advanced ones. Second, there are graduate students getting professional degrees like our master of business administration or one of our specialized master's programs. These students do have a lot of experience, and this is useful in the classroom. They sometimes point out unforeseen issues or share how problems were managed in their organizations. I adapt my teaching to each audience, spending more time on theoretical issues with the first group and more time on practical issues with the second.

AT: Businesses are struggling these days. The pandemic has caused tremendous disruption and hardship. There are countless questions being raised by businesses about the right thing to do for shareholders, employees, and customers. What's the best way for businesses to go about making these decisions from an ethics perspective?

JM: I would rephrase the question as follows: "What's the best way for businesses to go about making these decisions?" It would be a mistake to say that there is a business way of looking at certain decisions and an ethics way. That makes it seem as if you have to choose between different ways of making decisions—and the people in charge will almost always choose business.

I would say that the best way to make decisions takes into account all kinds of considerations, including ethical considerations. Ethics and business are always mixed up together. Suppose a firm is contemplating whether to switch suppliers. It needs to consider the financial impact of this choice. But it needs to do so not just on business grounds, but on ethics grounds too, because firms are obligated to provide reasonable returns to their owners. At the same time, the firm needs to consider the human impact of its choice. But it needs to do so not just on ethics grounds, but on business grounds too, because the firm needs to maintain a reputation as a trustworthy and caring partner. To be clear, I haven't actually answered your question. I could plead space limitations, but this is one of the central questions of business ethics, and it can't be answered in a few words. Perhaps the

only (unhelpful) thing I would say is: These decisions must be made thoughtfully, on a case-by-case basis, taking into account one's obligations to all parties.

AT: You've done a great deal of scholarly writing about wages. Can you share with us some of the issues you have examined?

JM: Everyone also thinks about their pay in moral terms: as just or unjust, fair or unfair. But there hasn't been a lot of research on the moral dimensions of wages. (By contrast, there has been a lot of research on the economics of pay, especially in the context of executive compensation.) I am interested in exploring these issues. I've written about ethical issues in pay at the top (CEOs), at the bottom (sweatshop workers), and those in between (intraorganizational pay disparities). In one of my recent publications, I consider different aspects, or "faces," of wages.[2] A wage can be understood as a reward, in which case it seems appropriate for it to match the value of the employee's work. A wage can also be understood as an incentive, in which case the right wage is the effective one. Finally, a wage can also be understood as a price, in which case it seems appropriate for it to be determined by the free choices of buyers (firms) and sellers (workers). A lot of the disagreement about the justice or fairness of people's wages can be traced, I argue, to people's conceiving of wages in different ways.

AT: One area of compensation that has long troubled me is the incentive plan. On the one hand, it's reasonable for businesses to set goals and reward employees for achieving them. On the other hand, incentive plans have often worked out as a road map for wrongdoing. Employees too often are tempted to cheat to achieve their goals. How do we balance the need to set goals and the temptation to cheat to achieve them?

JM: There is no simple answer to this question. But a few things should be taken into consideration. First, goals need to be reasonable. If goals can only be achieved through cheating, you can expect employees to cheat. Second, the consequences of failing to meet goals should not be too severe. If employees are desperate to achieve goals—perhaps because they will be fired if they don't—you can expect them to take desperate measures to achieve them, including cheating. We saw both of these problems at Wells Fargo. Third, companies need the right kinds of goals. They shouldn't just set goals relating to sales or revenue; they should set goals relating to doing the right thing.

AT: Many businesses have cut wages to survive and/or preserve jobs. It leads me to two questions. First, how should businesses approach decisions to reduce wages?

JM: Ideally, businesses will make these decisions collaboratively, including input from all employees. This is something that businesses rarely do, however. In most firms, people don't even talk about pay. So, it is unlikely that managers and employees will talk together about reductions in pay. But minimally, managers need to explain their decisions to employees. This is a basic requirement of respect for persons. If a decision you make significantly affects someone in your organization, and you do not explain the decision to them, you treat them as undeserving of an explanation. It would be like a coach benching a player without telling them why. The player deserves an explanation from the coach, and if they don't get one, they are likely to lose trust in the coach.

AT: Second, when the pandemic wanes and the economy begins improving, at that point businesses will have to decide the right time to start increasing wages again. When is the right time? And how is it best to structure these decisions?

JM: If only I knew! As to how these decisions should be made: ideally, collaboratively. Managers should understand their employees' point of view, and employees should understand the constraints that managers face. Two-way communication is essential. This is required by respect for persons and is necessary to build trust.

AT: Finally, let's look beyond the storm cloud–filled immediate horizon. Ethics issues change over time. Social expectations rise, and we are made aware of practices that seemed normal but, when they are pointed out to us, we realize they are morally unacceptable. Sometimes the changes to the ethical equation are incremental, and as we have seen with the Black Lives Matter movement, sometimes they happen quickly and dramatically. How do you see the moral equation changing over the next five years?

JM: I see three big topics on the horizon in business ethics. One is the nature of work. We all know that employees don't work for the same firms for 30 or 40 years anymore. Increasingly, workers don't have traditional jobs at all. They are contractors who work on a project, and when that is done, they move to the next project. Questions we need to ask are: What are firms' duties to workers whom they hire to perform a specific project? Are they different from their duties to their employees? If so, how? A second big topic is technology and privacy. Firms have access to technologies that allow them to learn more about their employees and customers. They might want to use this technology, but should they? The law moves slowly; firms will need to make these decisions on their own before receiving guidance from the state. A third big topic is politics. This applies mainly to large corporations. Corporations can wield enormous political power. They can get governments to adjust their laws and regulations simply by putting out a message on Twitter. When it comes to engaging with more local government, to what extent should corporations pursue their self-interest, and to what extent should they try to conform their behavior to what they see as the will of the people?

AT: Thank you, Jeffrey. ❙❙

Endnotes

1. "W. Michael Hoffman Center for Business Ethics," Bentley University, accessed September 2, 2021, https://bit.ly/3jDsGyP.
2. Jeffrey Moriarty, "What's in a Wage? A New Approach to the Justification of Pay," *Business Ethics Quarterly* 30, no. 1, 119–137.

Checkmates and ethical dilemmas—both require skill and practice

by Aaron Miller, JD, MPA, and Brad Agle, PhD

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A former business student of ours—we'll call him Clyde—faced a small but important ethical dilemma early in his career. At the time, he was a purchasing agent for a major retailer. After a successful effort to rebuild a relationship with a large flatware manufacturer, this vendor sent him a set of colorful flatware for his newborn son. It was a thoughtful gift and worth just $25, but accepting the gift violated his company policy. Clyde hesitated returning it for fear of damaging this renewed relationship. To make matters worse, Clyde's boss recently accepted a gift from the same vendor contrary to company policy. There was no easy way to return it without drawing attention to his boss's error.

What would you do in this situation? Clyde decided to keep the gift, and he never thanked the vendor or even told his boss about it. Instead, he put the unopened flatware set in a closet at home, where it sat for years. Eventually, Clyde gave it away to a thrift store charity.

According to Clyde, this decision still bothers him to this day. He was scared of offending the vendor and his boss, so he kept the gift, knowing it was the wrong thing to do.

Decisions like this should vex everyone who works in ethics and compliance. Clyde is not lacking in good character, by any reasonable measure—bad character is often how mistakes like this are explained—and we know he had all the knowledge and resources anyone might need to navigate this dilemma—he couldn't claim ignorance—so why did he make this decision?

Because Clyde was lacking *skills*.

This idea became apparent to us in our research for *The Business Ethics Field Guide*.[1] Using a data set of hundreds of dilemmas that people faced at work, along with how they acted to resolve their dilemma, we identified the 13 most common dilemmas. These dilemma categories, like "Standing up to power" and "Showing mercy," require skilled approaches for resolving them.

Ethics as a skill

During our research, we saw a clear pattern emerge. Clyde's story was just one of many we heard of where people of good character made unethical decisions. The mistakes were large and small, but, interestingly, it was extremely rare that they were made by people you might consider to be unethical.

Hands down, the most common misconception we encounter about ethics is that ethical choices are simply a function of knowledge and character: Good people trained on the right standards are expected to make good choices; bad choices result either from incomplete knowledge or bad character. Instead, the truth is that many ethical failures happen even when people (1) know what they should do and (2) want to do the right thing, but they lack expertise in *how* to make the right decision. When they imagine the difficult conversation or confront the messy details, their skill sets are no match.

Chess is a useful metaphor. A complete knowledge of the rules and the desire to become an expert don't automatically make someone a skilled player. Chess is incredibly complex; there are more possible games than there are atoms in the known universe! (In fact, there are 10^{123} possible games in chess, but "only" around 10^{80} atoms.)[2] Playing chess well involves a range of skills, like a mastery of openings, endgame strategies, and checkmate patterns.

Like a game of chess, ethics present complex situations and call for expert skills, like effective communication, wise decision-making, and a mastery of one's values; knowledge of the rules and a desire to make ethical choices are not enough. Luckily, ethical skills are more accessible than the many hours of practice needed to become an expert chess player.

'Training' ethics

If ethics truly are a skill, how should that change the way we train ethics in the workplace?

First, we recommend rethinking the word training. In a typical compliance function, training is primarily *knowledge acquisition*, where people are asked to learn about rules and expectations for ethical behavior. But in many other fields, like sports, chess, or music, training means *skill acquisition*. At these trainings, people are asked to practice skills so they can hone them with repetition, reflection, and feedback for improvement. Viewing ethics as a skill means training people through skill acquisition.

Training strategies that consider ethics as a learned skill have been implemented in, among other organizations, the U.S. Special Operations Forces, for which we developed a handbook called *A Special Operations Forces Ethics Field Guide*,[3] built around real dilemmas faced by special operators like Green Berets and Navy SEALs. The resource offers 13 ethical battle drills that are now being used by commanders and personnel through the Special Operations Forces community, with the goal of maintaining the integrity of our servicemembers as they defend our country.

With this new understanding of ethics training in mind, a few relevant insights can help guide effective ethical training.

Skills take practice

Research in deliberate practice, pioneered by the psychologist Anders Ericsson, shows that skills are improved when practiced under a particular model.[4] People need repeated experience trying the skill, along with expert feedback. The time needed and the nature of the feedback depend on the skill, but what is indisputably clear is that all skills take practice to improve.

We believe that improving one's ethics follows the same pattern. Nearly everyone begins their ethical training as children, learning by experience which choices are admirable and which are unethical. And as children, we get repeated feedback on our choices from parents, teachers, coaches, and friends. But these relationships change in adulthood, when receiving feedback on our ethics becomes far more rare; people are more likely to talk about us than *to* us. As a result, our ethical training slows considerably.

What's needed is a practice environment that professionals can use to hone their ethical skills, where they can attempt strategies and get feedback. If your employees only engage with ethics when facing an actual dilemma, it resembles fielding a professional football team before it has had a chance to run drills.

Mistakes are part of skill development

Skill development also requires space to make mistakes. No one learns a Bach piano piece, a dropshot in tennis, or a new chess opening without making repeated errors in the process. With ethics, however, the stakes for our decisions are much higher than where a tennis ball lands or where a pawn is placed, so we need safe ways to practice and learn.

Dilemma exercises help with this. For example, by using real dilemmas from our research, we provide our business students with impromptu exercises that require them to respond to a tough situation with limited time. We then discuss their anonymized responses in class together, reflecting on which of their strategies work and which fall short. As you might imagine, these exercises become rich learning opportunities that the students remember well after the class has ended. We've helped organizations use a similar approach in the workplace with excellent results.

Progress should be measurable

Skills can only reliably improve if progress is being measured in a reliable way. Over time, a chess student would see the positive effects of practice on their performance in the form of more strategic moves and games won. How can ethical skills be similarly measured?

All of us have made ethical mistakes we would never repeat, but with regular practice via dilemma exercises, there are useful and innovative ways to measure our growing ethical skills. An ethics expert could evaluate responses to ethical dilemmas or catalog evidence of effective strategies that involve creativity, resourcefulness, and communication. In strong ethical cultures, peer evaluation of dilemma responses can also be evidence of improvement over time.

Other benefits of ethical skill development

Training ethics as a skill enhances any compliance program as they are essential regardless of a compliance program's strength. No matter how much time or effort is spent teaching employees about rules, procedures, and regulations, they are sure to encounter a dilemma that is difficult to resolve. Just look at the plethora of ethics scandals in companies with best-in-class compliance programs.

Ethical skills also offer an additional, exciting benefit. Many of the skills that help someone get an ethical outcome are the same skills that make someone a better leader. Hearing multiple perspectives, creative problem-solving, value-driven decision-making, and effective communication all spill beyond ethics into effective leadership. An organization that invests in these skills is certain to see other areas of performance improve in tandem.

Understanding ethics as a skill will prove useful in guiding training and development strategies at all levels of your organization. In fact, it should be part of every

What is indisputably clear is that all skills take practice to improve.

organization's ethics strategy, since it reflects the reality that good people—like Clyde—can still make ethical mistakes if they lack the right skills to navigate the dilemma. Once they learn these skills, they will be better able to act in a way that matches their good character. **//**

Takeaways

» Ethics are a skill, not just a matter of character and knowledge. This explains why good people make ethical mistakes.

» Developing ethics skills requires regular training through deliberate practice, similar to how other skills are developed. Dilemma exercises are good practice tools.

Endnotes

1. Brad Agle, Aaron Miller, and Bill O'Rourke, *The Business Ethics Field Guide: The Essential Companion to Leading Your Career and Your Organization to Greatness* (Sundance: Merit Leadership, 2016).
2. Christof Koch, "How the Computer Beat the Go Master," *Scientific American*, March 19, 2016, https://bit.ly/3yLfht6.
3. Brad Agle and Aaron Miller, *A Special Operations Forces Ethics Field Guide: 13 Ethical Battle Drills for SOF Leaders* (Tampa: USSOCOM & Merit Leadership, 2020).
4. Anders Ericsson and Robert Pool, *Peak: Secrets from the New Science of Expertise* (New York: Mariner Books, 2016).

The rewards—and risks—of implementing diversity and inclusion values

by J. Veronica Xu and Daniel Lopez

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Undoubtedly, we, as a society, are living in unparalleled times, with the pandemic, civil unrest, social injustices, and everything else showing up in our daily news. Among all this activity, diversity and inclusion (D&I)—the words we have heard quite often in recent years—are more important than ever, because we are in a world made up of diverse cultures shaped and shared by people with various experiences and backgrounds. But although it is not a new concept, there is no easy answer or solution for achieving it.

According to *Merriam-Webster*, diversity is defined as "the condition of having or being composed of differing elements." In our society, people are those elements, including their race, gender, sexual orientation, religious beliefs, and countless other aspects. Inclusion, on the other hand, is about how diversity is applied to create an equitable corporate culture or fair workplace where people are treated with dignity and respect, regardless of how they are different from the majority or whether they express different professional opinions.

Here, we will discuss how D&I can be achieved in a work culture and the benefits and obstacles that may be encountered during the development and implementation phases.

J. Veronica Xu

Laying the groundwork of your program

The implementation process needs to start somewhere, so build on what has been acquired to date and get management's buy-in on D&I. Buy-in is extremely important as it helps validate and support the meaning and existence of your efforts, which can reflect and connect with the company's values and help further solidify management's support of the D&I mission. A vice president of a large construction company once

Daniel Lopez

said that a D&I program was not needed because the company was welcoming to all people. I (Daniel) pointed out to him that the painted murals in the company entryway were of only Caucasian workers and asked how he would feel if he was a person of color in this environment. He then said he understood and would update some of the murals to reflect diversity as a company value.

Another important action to help further D&I in your workplace is to foster an inclusive culture and healthy work environment where everyone feels safe, respected, and valued. An inclusive and safe environment does not mean that everyone must agree with each other; everyone's experiences, cultures, and values are different, so it is unwise and impossible to mandate that everyone think or act in the same way. Rather, a healthy work environment is a place where everyone is allowed to speak and share their opinions on projects without the fear of feeling belittled and disregarded, or being reprimanded for making good faith comments on work-related matters. Although it can be practically impossible to put into action every opinion and suggestion, we can at least let employees know their voices are heard. The ultimate goal is to create a sense of belonging in a professional setting so everyone can enjoy their work. As an American politician once said, "We can disagree with each other without being disagreeable." To take this one step further, employees should also be encouraged to inquire and understand the reasons behind someone's opinion or suggestion, which can help the team think more critically and see aspects of an issue that were previously

overlooked and effectively avoid misunderstandings and delays in decision-making.

This is about how people collaborate and accept the differences among them. A workplace consists of many people with many views, but accomplishing a task and doing a good job are common goals, so encourage employees to build trust and collaboration, despite all the differences they have, to achieve more and go further.

The pros and cons of implementing D&I measures

Every coin has two sides; implementing D&I measures is no exception. With every new concept, measure, or policy, there's a new set of benefits and challenges. During a live survey we conducted during a virtual presentation at an annual healthcare conference, 81% of the attendees agreed that diversity and inclusion may create certain challenges and pressures, while 19% did not think so.

Let's examine the obstacles and benefits that your efforts may bring.

D&I measures can potentially disrupt a current workplace practice or culture; the new change may cause discomfort, resistance, or even alienation of certain employees. For instance, in a predominately young workforce, an older employee may feel all this talk about diversity and inclusion puts too much focus on their age. Likewise, people with disabilities may feel more in the spotlight without wanting to be, and people who disagree with certain diversity and inclusion efforts may feel isolated.

Along with potentially making people feel uncomfortable initially, it is not uncommon to hear comments when rolling out new measures like, "It's not who we are," and, "We have always done it this way." Additionally, well-intentioned people may prematurely implement not-yet-established changes without thinking through the process, thus resulting in hiring or promoting less qualified candidates and employees. Depending on what type of D&I program or action item you wish to initiate, it may cause a great deal of anxiety, defensiveness, and confusion, and how it is implemented can determine the success of your D&I mission. This is normal and should be expected, because when people are exposed to new perspectives and ideas—including organizational changes—uncertainty and doubt often arise.

Cancel culture can also result in a person or group labeling someone, an item, or a company as unacceptable because it differs from their point of view. If your D&I efforts get labeled in a negative way, it may be hard to proceed. If someone goes to a NASCAR race, for example, and takes pictures of themself in front of a car representing a racially controversial company, people who viewed the photos may have—and may publicly share—their negative impressions of that person. If not handled properly, diversity and inclusion can cause or exacerbate any hostility and mistrust in the workplace that were not known or previously addressed.

But despite these few cons, the positive impacts of a strong D&I culture far outweighs the negative ones.

Because of individuals' unique experiences and backgrounds, your D&I program may cause disagreements and even arguments, but often, it broadens a team's view on subject matters. Having a diverse workforce and being inclusive allows everyone to develop, contribute, and appreciate new ideas, thus enhancing innovation and productivity. Understanding and respecting people who are different from ourselves can help prevent and potentially eliminate misunderstanding and unpleasant encounters.

> *...accomplishing a task and doing a good job are common goals, so encourage employees to build trust and collaboration...*

Moreover, practicing diversity and inclusion can help businesses expand their customer bases and reach far more groups and people. When you have a diverse workforce consisting of younger and older employees, for example, your organization has a better idea of what that broader consumer age range prefers, which can directly affect your business revenues and profits. In a healthcare setting, having a diverse and inclusive workforce helps eliminate a lot of negative encounters between patients and staff. Likewise, employees with different cultural backgrounds and language abilities can help bring cultural sensitivity and clear communication to the operations, both internally with cross-functional teams and externally with customers around the world.

Diversity and inclusion can also help you meet any legal and regulatory requirements, such as the objectives mandated by the U.S. Equal Employment Opportunity Commission. In the US, companies that have a contract or a subcontract with the federal government are required to "recruit and advance qualified minorities, women, persons with disabilities, and covered veterans,"[1] which is incorporated into the companies' affirmative action plan and the implementation thereof. Through more diverse hiring practices and outreach, companies can achieve their affirmative action plan goals. Also, by diversifying the workforce and adding such elements to the mix, companies can increase the talents and skill sets of the workforce. But in order to hire the most qualified and talented candidates available, the company needs to gain access to a larger talent pool, and this starts with building strong working relationships with minority organizations and reaching out to them for potential hires. This demonstrates the company's

willingness to hire qualified minority candidates, which in turn will help attract more talented individuals in the long term.

Last but not least, making efforts to further diversity and inclusion is the right thing to do. Many of us were taught by our parents and teachers that we should treat others the way we want to be treated. The end goal of diversity and inclusion is not to agree on everything; it is about understanding our colleagues and how we can acknowledge and respect them.

A cornerstone to your work culture

Ultimately, your D&I program should encourage people to stay open-minded and dissect D&I elements to help your colleagues build a positive work environment where everyone can thrive and succeed, regardless of their religious beliefs, cultural background, race, gender, age, or other characteristics. The point is not to change employees' opinions or lifestyles outside the workplace, but to have everyone get along to succeed in achieving company goals. The common goal is to accomplish business objectives effectively and efficiently while being respectful to those with whom we interact. Dignity and respect are cornerstones of any good work culture, and diversity and inclusion are an integral part. **//**

Takeaways

» Promoting diversity and inclusion is a way to build trust and collaboration, which helps foster a healthy corporate culture that benefits employees and the company.

» Implementing diversity and inclusion in the workplace can be challenging, so employees' understanding is crucial for successful implementation.

Endnotes

1. "Affirmative Action," U.S. Department of Labor, accessed September 2, 2021, https://bit.ly/3DIH5lt.

Dignity and respect are cornerstones of any good work culture, and diversity and inclusion are an integral part.

Shape a desirable workplace — even with undesirable employees
by Carl R. Oliver, PhD, MAOD, MBA

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A recent magazine article headlined "Jaw-dropping study: Executives who manipulate earnings are hired for their lack of ethics"[1] steered readers to psychology research. In a laboratory experiment, when a company felt pressure to "manage earnings" (i.e., unethically inflate earnings reports), recruiters tended to recommend — and experienced executives tended to hire — candidates

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with undesirable personality traits. The authors noted this is usually seen as an accidental byproduct of hiring strong leaders, but they concluded some organizations purposely hire managers willing to "push ethical boundaries."[2]

The research focused on *traits*, usually defined as genetic characteristics impossible for an individual to change at will. But the observable effects attributed to those traits are *behaviors* like ethics and leadership that individuals often change at will. Understanding this distinction between traits and behaviors is critical to successful corporate business ethics programs.

Similar to the hiring process, companies that promote managers who get results sometimes appear to ignore repeated complaints about the behaviors those managers exhibited to get those results. It may be that senior managers in the loop for promotions do not routinely monitor behavior complaints, and people who handle behavior complaints are not in the promotion coordination loop to begin with.

So what is the reason behind the hiring and promoting of individuals who have exhibited undesirable traits and behaviors? One explanation is that there is a purposeful intent to use these unethical people to benefit the organization. But nothing in the research indicates recruiters or corporate executives who operate in real-world hiring or promotion situations are even aware of the undesirable traits, much less trying to detect or measure them. A second explanation would be that there is an inadvertent outcome of selecting candidates for the *positive* aspects of behaviors such as confidence, creativity, and an aggressive pursuit of business opportunities. The steps in the hiring or promotion process likely do not make visible any *negative* aspects of these same behaviors; thus, hiring or promoting people with undesirable personalities may be an unintentional result of the process. A third explanation might be the influence of the organizational culture. That is, a candidate may show

desirable behaviors and fit well in the organization's existing corporate culture, but depending on the health of this environment, undesirable traits may remain hidden.

Even small companies usually have employees who have some undesirable personality traits—perhaps hidden from plain view—that could potentially surface in the form of an ethics violation. This article explores that reality and what a company can do to help such employees avoid ethics violations and foster their productivity and success.

How undesirable personality traits can be desirable to employers

Everyone has personality traits that include different degrees of Machiavellianism, narcissism, and psychopathy—traits that psychologists labeled undesirable because they tend to make people callous, selfish, and malevolent. A 20-year stream of psychology literature often labels those traits the "dark triad." Three reasons this paper avoids that label are that (1) everyone can be rated on these traits on a scale ranging from low to high, (2) "dark" can be an offensive word because it has links to racism, and (3) research finds the three traits are not a single entity; rather, they are somewhat related but very independent. All three traits can lead to socially aversive behavior, so people with high amounts tend to hide them from others and even themselves, demonstrating a sort of self-deception.

If trait strength conforms to the statistical normal distribution—the bell curve—then a workplace with 2,000 employees might expect about 50 high scorers, but the percentage might vary by jobs and industry. People who exhibit strong undesirable traits may gravitate to certain jobs like supervisor and manager, and industries like politics, law enforcement, and stock brokerage.

Below we cover both the desirable business behaviors and the negative workplace behaviors that stem from the undesirable trait.

Machiavellianism

When "Mach" (researchers' one-syllable shorthand for the eight-syllable tongue twister Machiavellianism) is high, people display behaviors of a strong leader: they think strategically and are not impulsive. They plan ahead, build social networks and alliances, and are careful to establish and maintain a good reputation. They display skill in handling people; interest in organizational politics; ability to base decisions on objective standards rather than loyalty or emotions; and strong desire for status, control, success, and achievement. They gain trust and respect, achieve goals and noteworthy successes, and rise to leadership positions.

High-Mach people also tend to display aversive behaviors. They think it is okay to manipulate others to attain goals. They are cynical. They believe other people are gullible and foolish. They put expediency above principle—they will do anything to win. They are likely to cheat, lie, and with calculated strategic purpose betray others and seek revenge.

Narcissism

When this trait is high, people may emerge as leaders. They appear charismatic, inspirational, creative, and able to cope with organizational change.

Highly narcissistic people also tend to display a grandiose sense of self-importance, superiority, and dominance. They think everything should be about them. They boast and appear to believe their boasts even if evidence shows the boasts are untrue. They have a sense of entitlement, promote their own interests, exaggerate their achievements, and expect special treatment. They tend to mistreat subordinates, create unhappy workplaces, and ignore negative feedback. They are likely to disregard company ethical standards, become hostile and aggressive when they feel threats to their egos; they may even engage in embezzlement, incivility, bullying, and white-collar crime.

Consider the climate and culture gap

Tracy's manager asks her to do something discreetly so no one else will be aware of it and the department can meet expected quarterly numbers. That manager's bonus is on the line. What should Tracy do?

Psychopathy

When this trait is of a high level, people may show leadership behaviors. They seek positions of influence, display good communication skills, are good workers, and often show decisiveness and a willingness to take risks. They may be able to control their impulsivity and antisocial actions.

On the flip side, these individuals use a mask of normalcy to hide damaging behaviors. They can be impulsive, elevate the importance of their own wishes and well-being, minimize the rights and the well-being of others, and show little concern for social regulatory mechanisms. They are routinely untruthful and willing to use dishonesty to their personal advantage. Their charm is superficial. They lack empathy and guilt and are manipulative, egocentric, dishonest, callous, thrill seeking, and prone to criminal behavior.

Consider the climate and culture gap

Sandy works at one of your company's retail stores. When Sandy's boss does not like a customer, she encourages Sandy to be rude and not help them. The boss also racially profiles customers, assuming some will steal merchandise, and then orders Sandy to supervise them closely. What should Sandy do?

Do the undesirable traits predict future misconduct?

The short answer to this question is no, none of the undesirable traits predict that any individual will commit ethics violations in the future. Psychology research to date only shows that *some* people who committed ethics violations displayed high levels of undesirable personality traits. Further, no research has shown that *all* people who have committed ethics violations demonstrated high

levels of undesirable traits, or that all ethics violations are committed by people who have these traits.

Can the undesirable traits be used for hiring or promotion decisions?

It's important to remember that while psychology research agrees that those who score high on the undesirable traits are more likely to behave unethically, they may not in the end, as other conditions, like self-awareness and context, are influential. People who score high at least sometimes appear aware enough of their undesirable tendencies to hide them, deliberately or intuitively, especially when they are promoted to a position of power.

Research suggests two approaches to undesirable personality issues. The first approach is to avoid such people: fire them and don't hire them. But, of course, that's not realistic. Even for experts, current tools to measure Machiavellianism, narcissism, and psychopathy appear inadequate; high scores fail to clearly identify who can and will work ethically or unethically, so using these traits for employment decisions would violate a moral norm—utilitarianism. That norm, widely used in business, supports decisions creating the greatest good for the greatest number of people, but a well-known corollary is that creating the greatest good for the greatest number of people may cause unfair treatment of some individuals/groups, a harmful side-effect that ought to be avoided.

Further, while these undesirable traits affect interpersonal relations and ethics,[3] they do not appear to affect job performance. The reality is that companies probably have many employees with undesirable personality traits who are successful in their jobs.

The second approach draws on research illustrating that work cultures that encourage safe, open communication are less likely to tolerate undesirable behaviors. That is, employees in this environment are more able to identify undesirable personality traits, so they expect their coworkers to control their behaviors—and it works. Practical guidance came from Kent Kresa when he was CEO of Northrop Grumman and led an ethics turnaround.[4] He said business ethics is not a *police* function; it is better viewed as a *mentoring* function. The role of business ethics is to create the kind of organizational climate and culture that enable and encourage everyone to make the right decisions.

Tools fostering everyone's ethical behavior

As previously stated, it's not just people with high Machiavellianism, narcissism, and psychopathy scores who commit ethics violations; everyone has potential to make ethics errors. Good organizational climate and culture are protective and can guide everyone away from unethical decisions. Experience shows the following tools help an organization foster everyone's ethical behavior to achieve the goal of making climate and culture congruent.

A fleet of 'ethics boats'

A rowboat analogy can help illustrate how organizational culture can protect individuals and the organization from ethics violations. If you were in a helicopter hovering high over any corporation and looked down through a lens that reveals a company's culture, you would see a fleet of ethics rowboats, each one representing a person.

If everyone rows in the same (ethically correct) direction, progress will be smooth, but if just one boat rows in a different direction, conflicts arise, boats collide and may sink, and people may get hurt. The first people to detect off-course ethics boats are the employees rowing nearby, people within hollering range who can sound the alarm and call for an immediate correction in course. This is the capability of an effective culture with safe, open communication—it can effectively enable just one, two, or a few employees to protect each other and their company from ethical missteps.

Consider the climate and culture gap

Several calls to an ethics helpline reported that a new manager set up an off-the-books account. Employees tried to tell the manager that the account was an improper slush fund, but the manager retorted that it was similar to the account they used at their previous company. In response, a senior manager explained to the new manager that off-the-book accounts are not acceptable at the company, and the company promises employees who voice concerns or call the ethics helpline are safe from retaliation. The account was immediately closed, and no employee suffered retaliation.

Corporate values

Corporate values are the foundation of climate and culture—and a yardstick by which everyone can evaluate ideas and conduct. Corporate climate is what a company tells employees they *should* do, and corporate culture is what employees *actually* do. People aspire to work for a thriving company they can be proud of. They want their work to feel meaningful, productive, contribute good to the world, and promote values they hold dear. If a company's climate and culture do not meet those needs, people look for work elsewhere.

To make climate and culture congruent, the best practice is to generate corporate values from the grass roots—focus groups composed of employees from all ranks of the company, who are asked two questions:

1. What values do you bring from home when you come to work?
2. What do you want your company to be known for?

The answers can identify the most widely shared values. It's an iterative process; the finished values should be reviewed by focus groups periodically to see whether employees still agree with them. Apple's website, for example, currently lists four values: honesty, respect, confidentiality, and compliance.[5] However, CEO Tim Cook

gives major voice to sustainability. Do employees feel sustainability should become Apple's fifth value?

Ethics training

Ethics training should aim to shape the culture to match the climate and empower them both to prevent ethics failures. Consider these three expressions of the importance of shaping organizational culture:

» Judge Richard P. Conaboy, as chairman of the U.S. Sentencing Commission, called on business leaders to place "at the very top of your companies' priorities the basic good citizenship values that make law abidance possible."[6]
» Arthur Levitt, as chair of the U.S. Securities and Exchange Commission, called for "nothing less than a fundamental cultural change on the part of corporate management."[7]
» The 2004 revision to the U.S. Sentencing Guidelines for Organizations added a requirement: To have an effective compliance and ethics program, a company shall "promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law."[8]

Shaping a new corporate climate and culture takes time but can yield results. For example, after employees in an ethics training session were led through a hypothetical scenario in which one employee sexually harassed another, one woman shared her real-life experience: "That used to happen here all the time, but not anymore!" She said that any woman who was a victim of sexual harassment in her workplace used to have to make this choice: keep quiet and keep her job or speak up and start looking for a new job. She said the company put all its managers through extensive ethics and leadership training, and now harassment is far less common. If harassment happens again in this workplace, the victim can feel secure in reporting it and trust that the company will clearly address it.

Consider the climate and culture gap

A man who works for you confides that a female employee invited him to "rub up against her if I want to." He told the woman no, and she laughed it off. Almost every time she encounters him now, she asks him the same offensive question. What must you do? And, in addition, how should you address workplace harassment in your training program?

Safe, open communication

Open communication without fear of reprisal is an important part of climate and culture and a best practice goal. Every employee should feel safe raising questions and concerns with their manager, but for those who do not feel safe, there should be alternate channels such as an ethics telephone, email, or online helpline.

Small-group, face-to-face discussions

In-person discussions led by the employees' manager are a best practice for ethics training, as they open a channel for safe, direct communication. Employees learn to not fear raising ethics issues with their manager, and managers learn to not fear hearing "bad" news from their employees and how to properly refer the news to action specialists.

Though a recent trend is that companies are increasingly relying on online training in all topics—and ethics training should be no different—the reality is that face-to-face meetings are also needed. Underlining the importance of the face-to-face training format, the Rudman study of Boeing's ethics program in 2003[9] noted that:

» Boeing employees repeatedly said training was most effectively presented in person in a small-group format, with give-and-take discussions. Reliance on online training did not encourage in-depth consideration that is warranted.
» Discussion of real-world issues and examples in a group setting is most effective, not only in imparting information, but in ensuring that management at all levels is seen to view these issues with the utmost seriousness.
» To the extent practicable, ethics training should rely primarily on group discussions led by the relevant business unit manager, with assistance from the appropriate ethics advisor.

> *Open communication without fear of reprisal is an important part of climate and culture and a best practice goal.*

Focus on employee behaviors, not traits

Business ethics failures can arise from many causes: bad apples (people who are less than noble), bad cases (issues that are difficult), or bad barrels (poor organizational culture). In every instance, the trigger is not traits but the *behaviors* of people. In fact, it is too often the behaviors of good people trying too hard to live up to what they think the company wants so they can contribute to company success and profits, but they end up doing so in the wrong way. For example, a student of mine shared this anecdote:

> My father worked for one of the big accounting firms. His manager divided audit employees into two teams: the 'dumb team' and the 'smart team.' He gave the dumb team all the work until they screwed it up so badly that the smart team had to go in and fix everything. Because of the way the

manager coordinated these teams, each auditing job required more time, and each client was billed more. My father described this manager as the most unethical person he ever worked for.

The manager thought he was contributing to company success by maximizing employees' billable hours, yet the focus of company values was on maximizing customer satisfaction and building the company's reputation by doing audits right the first time and without excessive charges.

It seems ill advised for a company to single out employees' traits for special attention, so focus instead on employees' *behaviors* — and not just those that are undesirable. For decades now, ethics program best practices for building a healthy corporate culture have stressed the need for a broad focus on encouraging *all* employees to help prevent ethics violation behaviors. ▮▮

Takeaways

» All workplaces employ individuals who exhibit Machiavellianism, narcissism, and psychopathy — traits that tend to make people callous, selfish, and malevolent.

» It's not just people with these traits who commit ethics violations; everyone has the potential to do so, which healthy organizational climates and cultures can help prevent.

Endnotes

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Help employees turn values into action with the OODA loop

by G. Richard Shell

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I recently heard from a former student, "Beth," about an awkward situation she had encountered at work. Beth is a remarkable young woman: a Wharton School graduate who went back to school at the New York University to get a second undergraduate degree, this time in nursing. She is now an award-winning emergency room nurse in New York. Her educational background is unusual, but her passion for

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values is typical of her generation. She reported that a new supervisor had called a team meeting to go over some routine scheduling issues, and near the end of the meeting, the supervisor asked everyone, "as a favor," to sign off on paperwork related to safety checks of emergency room equipment. Someone had dropped the ball. The supervisor needed the team to cover for them.
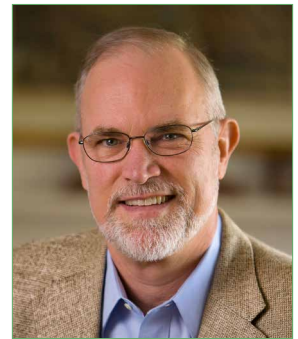
"I looked at the forms," Beth said. "And I realized I was being asked to say I had done safety checks on days I had not been at work. There was no way I was going to do that, so I refused. The supervisor tried to shame me in front of the group for not being a team player, but I held my ground. It was awkward, but I knew I was right to say no. And once I did, the rest of the team said they felt the same way."

Research suggests that millennial and Gen Z employees like Beth are passionate about finding work that has personal meaning.[1] But I think Beth's story carries another lesson: People who find their work meaningful are especially determined advocates for the core values that give that work dignity. After all, people who care deeply about nature do not trash their campsites, and it is the same for employees who are proud of the work they do; they see wrongdoing by colleagues as a type of pollution of their work environment. They want to prevent it if they can and fix it if they must.

So here is a tip: As your firm brings people back to the normal routine of the office, try targeting these leaders to become champions for your ethical culture.

Below, I present a simple, four-stage framework I have developed in partnership with the millennial and Gen Z students I teach. A more extensive treatment of it can be

found in my book, *The Conscience Code: Lead with Your Values. Advance Your Career.*[2]

Keep employees like Beth in mind as you review this model. People like her do not need to be trained in ethics and compliance. They need to be inspired, empowered, and then strongly supported.

A strategy for ethical influence: The OODA loop

In the 1970s, a US military strategist, Air Force Colonel John Boyd, developed a simple four-stage model for adaptive warfare that I think applies (with one adjustment) to problems of ethical conflict within organizations. It is called the "OODA loop" (i.e., observe, orient, decide, act, then loop around for another action cycle based on what happens). My one adjustment to Boyd's model: where combat operations require decision makers to orient toward their targets, employees facing an ethical conflict must take *ownership* of the situation before they can move forward to decisions and actions. The four stages of the values-to-action OODA loop are thus: observe, own, decide, act, then loop.

My millennial and Gen Z students like this model because it places the individual rather than the system at the center of the action. People like Beth value autonomy in all aspects of their lives, and standing up for values is no exception. They want to see themselves as owners of their ethical culture, not just workers who comply with it. From this point of view, the robust compliance systems you have in place provide the options your employees have available when they reach the decision stage of the OODA loop.

Moreover, your value leaders are relying on your systems to have their back. Beth's stand against signing off on phantom safety checks illustrates this well. She **observed** a rule violation, **owned** the problem by taking responsibility for it, **decided** to speak up, and **acted** by refusing to sign a false statement (thus inspiring her team to follow her). But her supervisor was publicly embarrassed. At the "Loop" stage, he may retaliate against her, setting off a new sequence where her decision options will depend heavily on the protections her organization has in place to support her.

Stage 1: Observe that an ethical standard is at risk

Beth became suspicious as soon as her supervisor tried to slip his "just sign these papers" request into an otherwise routine team meeting. Employees become aware of many ethical issues this way; that is, at the periphery rather than at the center of their attention. A little-known facet of the famous WorldCom scandal from the early 2000s is its humble origins. The fraud began when two low-level bookkeepers were asked by the controller and chief financial officer to make a few "gray area" accounting entries as the quarter was closing. The bookkeepers felt uneasy about this request but went ahead anyway. Once they became complicit, they found themselves helping to cover up the ensuing fraud. The judge who later sentenced them noted that they had been in unique positions to save the firm before the scandal got off the ground, but they had chosen not to speak up.

Thus, the first step in the OODA loop process is to establish a rule: *always* listen to that still, small voice. Then, when bosses try to pass off extraordinary requests with a business-as-usual, be-a-team-player shrug, value leaders will be primed for action.

Practice the CRAFT of ethics

It will help your value leaders to be on the lookout for the values that you want them to pay special attention to. In my classes, I provide students with a short list of the common-sense values they already hold dear and that most firms will want them to align with. I use the acronym CRAFT to help students remember them:

» **C**oncern for peoples' safety and well-being;
» **R**espect and dignity;
» **A**ccountability;
» **F**airness, including social justice; and
» **T**ruth.

In Beth's case, three values were in play: patient safety, accountability, and truth. Little wonder that her moral alarm bells went off so quickly.

Pressure points

In addition to highlighting the values you want your value leaders to champion, you will help them gain confidence as value advocates by showcasing the situational pressures they will face to violate those values. The whistleblower of the Enron scandal, Sherron Watkins, once said that only three things are required for corporate wrongdoing to flourish: pressure, opportunity, and a face-saving rationalization. In my class, I provide students with a short, easy-to-remember list of the five forces that will push them to become complicit in wrongdoing. The acronym PAIRS captures these:

» **P**eer pressure;
» **A**uthority pressure;
» **I**ncentives—especially those misaligned with your code of conduct;
» **R**ole pressures based on social expectations that employees should "follow orders," "be team players," or do "whatever it takes" to achieve a goal;
» **S**ystemic pressures such as global bribery/corruption, sexism, racism, or industry-wide unethical practices.

Beth's boss asserted authority pressure, followed by an attempt to shame her into compliance using peer pressure. By giving voice to her values, she attracted allies (see "The power of two" below), turning the power dynamics of her situation decisively in her favor.

Stage 2: Own the situation

This can be the toughest of the four stages because it requires people to be aware of—and overcome—three key obstacles. It is also at this stage that one best practice can help mitigate all three of these barriers.

Anxiety and fear

Ethical conflicts are usually unexpected and always unwelcome. The first sign that one is happening is usually physical, such as a racing heart or a sweaty palm—predictable fight or flight responses. Help your employees realize that their anxiety is both predictable and entirely understandable. After all, their job security may be at risk if they take action. A few coaching notes can help them get through this initial reaction: consider what a respected role model would do in the situation; ask what their duties are as a "person of conscience" (i.e., someone who prioritizes their moral values of right vs. wrong over deference to peers or bosses pressuring them to "get things done" quickly or improperly); ask who the potential victims of this behavior might be if it continues and nothing is done e.g., (clients, customers, other employees). A few deep breaths may help them break the emotional spiral long enough to commit to owning the situation instead of running from it.

Personality

People back away from ethical conflicts for many reasons, one of which can be based in personality. For example, many people are conflict averse in *all* situations that pose a risk of interpersonal disagreement, from asking for a raise to calling out a boss or peer for misconduct. Employees with this trait need to be aware of it before ethical conflicts arise so they can learn to recognize the response and weigh their personality quirk against the moral or ethical stakes involved in the situation.

Rationalizations

The above two responses can motivate the mind to produce—sometimes at light speed—a host of plausible rationalizations for doing nothing: "Everybody does it," "The boss has the big picture," "It's no big deal," "It's just this once," "Nobody will notice." Help employees anticipate these comforting-but-flimsy phrases so they can push back on them with skillful self-talk. For example: "No, everybody does *not* do it, because I don't."

One best practice: The power of two

The classic research on authority and peer pressure reveals an important caveat. Yes, people can be pressured into doing things that defy both common and moral sense, but they are most vulnerable to these pressures *when they think they are facing them alone*. Thus, an essential step at the ownership stage of the OODA loop values-to-action process is to seek an ally—a trusted partner with whom to share the burden and gain perspective from. It will help them overcome their anxieties, gain confidence, supplement personality weaknesses, and reveal rationalizations for what they really are—weak cover stories to justify bad behavior.

Stage 3: Decide

Stage 3 of the OODA loop deals with surveying available options and deciding which might present the best courses of action to solve the ethical problem. This is where your

ethics and compliance systems may come into play. I teach my students that there are usually four options on the table when they observe or are pressured to engage in wrongdoing, though the details of each require more space that I have available here. A quick checklist worth remembering is the CLIP framework. "CLIP" stands for:

- » **C**onsequences,
- » **L**oyalties,
- » **I**dentity-based considerations ("How will I feel about myself if I decide this one way or the other?"), and
- » **P**rinciples.

With those factors in mind, I ask students to think through the following four possible action paths.

Direct engagement

One option is to engage in a direct dialogue with the person applying the pressure. Some requests to behave badly are made by otherwise good people who are acting in haste under deadline or other pressures. A direct dialogue can often bring them to their senses and open the way for constructive, win-win solutions to the underlying problem. I emphasize that "The power of two" applies to this option with special force. You seldom want your employees to take on powerful decision makers about sensitive ethical issues alone. Indeed, the more people who speak up on behalf of the ethical value, the better. Although Beth acted alone when she resisted her supervisor, she did this in a public setting and quickly gained the support of her team.

Elevate the matter

Appeals to higher authority—with or without the permission of the person applying the pressure—is the most common action step when direct dialogue is impossible or fails to work. This is where open-door policies to higher levels and mentoring systems can prove especially helpful. Hotlines, tip lines, and other anonymous reporting systems are also ways to elevate a matter.

Escalate pressure

If employees do not trust the ethical culture of an organization to provide reliable ways to elevate an issue, they may escalate pressure by using political tools. The Google employees who staged a global walkout to protest the firm's handling of sexual harassment a few years ago were using this option. Escalation tactics may sound aggressive to a risk-minded ethics and compliance officer, but consider the alternative: The firm may be sitting on a time bomb of unethical practices that the employees know about, but which the compliance system is not dealing with. If your social media savvy millennial and Gen Z employees become frustrated by systemic violations of their core values, expect them to use this tool.

Go outside the organization

In extreme cases of corporate crime or corruption, there is always the option of blowing the whistle to regulators, the press, and other outside stakeholders. I do not recommend

this step unless every other option has been exhausted. First, it almost always requires the employee to quit—a high price to pay for doing the right thing. Second, I am an optimist. I like to think that there is *always* an internal way to fix an ethical problem, if only the employee can find the right like-minded champion to back them up.

Stage 4: Act—Then adjust via the loop

With a decision made, the final step is to act on it. Crucially, the OODA loop model is a dynamic model. It assumes that the first move will not be the last. So, after employees act, they must monitor what happens, assess how well the problem has been addressed, own the new situation, and decide what to do next. By encouraging your employees to be persistent as they champion your ethical culture, you will empower them to be true stakeholders.

It's the little decisions

The OODA loop model has a final virtue: it treats relatively minor ethical issues with the same respect and attention as more obvious cases of wrongdoing—and isn't this really the way ethical cultures are built and maintained? I conclude my course with the advice of one of my favorite authors, C.S. Lewis, of the famous *Narnia* books. As Lewis memorably put it, "Good and evil both increase at compound interest. That is why the little decisions you make every day are of such infinite importance." ▌

Takeaways

» Encourage every employee to bring their conscience to work.
» When employees face ethical situational pressures, they can turn their values into action with the OODA loop: observe, own, decide, act, then loop.

Endnotes

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By encouraging your employees to be persistent as they champion your ethical culture, you will empower them to be true stakeholders.

Pioneers in business ethics: Emmanuel Lulin

Emmanuel Lulin (emmanuellulin@gmail.com), LLM, is Chief Ethics Officer for L'Oréal, based in Paris. Lulin was interviewed by *Joan Dubinsky*, JD.

A note on this series: In the last 40 years or so, an entirely new academic and occupational niche for practicing ethics in business has emerged. Many of the original academic business ethicists came to the field through philosophy, then brought their thinking and research into business schools. Many of the original practitioners came to the field through the law and remain close to the practice of law.

In an effort to preserve and share this knowledge and practical experience, the Center for Professional Responsibility in Business and Society at the University of Illinois Gies College of Business has filmed and transcribed the oral histories of these pioneers and early adopters. To date, almost 50 academics and practitioners have been interviewed, each with 25 years or more of experience in the field of business ethics. This series aims to provide a better understanding of how the business ethics field and profession have evolved over the decades, through the interviewees' own experiences. For more details on the series, contact Gretchen Winter (gwinter@illinois.edu), JD, the Center's Executive Director. This interview was condensed for clarity and brevity.

JD: **What is your personal backstory?**

EL: I come from a regular French middle-class family with a robust background. I was born and raised in Paris but educated partly in the US. I started my legal career with American law firm Debevoise & Plimpton. When we discussed whether to start in New York or in Paris, I thought it was better to make my first mistakes in

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Paris, in my home country. After ten years, I joined L'Oréal. Two things influenced my career choices: First, my parents were self-made people. They lived through the Shoah (the Holocaust). My mother was a brilliant pupil but was banished out of school by Vichy. Both started very early in their life to work. They remarkably showed my brothers and me how to behave appropriately, what forgiveness means, and the beauty of humanism. When I was ten, they sent me on vacation with a German family that didn't speak French. Second, for about ten years, I worked with Serge and Beate Klarsfeld, who hunted Nazis in Europe and helped bring those criminals to justice after the Second World War. I started to work with them when I was 16 or 17. I made extensive trips on the other side of the Iron Curtain,

sometimes missing school, to search for remains of the decimated Jewish communities. It led to the discovery of the Auschwitz Album, the only pictures taken by the Nazis themselves in the camp, now in Yad Vashem. The Klarsfelds made me understand very early in my life that you can be alone, but nevertheless, with a strong will, you can move things and eventually prevail.

JD: Working to address the evil of the Holocaust shaped your work in business ethics. What is your philosophy?

EL: I think that individuals can move things. And often, in conversation with colleagues or with students, I tell them that to become a reasonably good ethics officer, they should learn old authors, philosophy, rhetoric, history, sociology, etc., and this would be, at least, as necessary as studying law.

> *Things can be lawful but awful. Ethics addresses the awful part of things.*

JD: How did you develop both a legal and an ethics portfolio at L'Oréal?

EL: At the end of my work with Debevoise & Plimpton, I had the opportunity in 1999 to work for L'Oréal and become global general counsel for human resources. I created an internal legal department patterned after this fine American law firm. I was always concerned about the ethical issues, about the moral side of things. At that time, when we talked about ethical issues, it was human resources issues like sexual harassment, mobbing, bullying, and discrimination. In early 2000, L'Oréal published its first code of ethics. I was part of the team that reviewed the code. It was superbly well-drafted in a traditional French way. It was a piece of excellent literature, but few would read it. So, I started to review the code, and it just seemed obvious to everyone that if there were an issue to be interpreted, I would be the one in charge to do so, even though I had only spent one year with L'Oréal at that time. In 2006, Jean-Paul Agon became chief executive officer of L'Oréal, and after that, he also became chairman. One day he asked me, "Emmanuel, what do you want to do?" And this was only a quick conversation, and I said "Ethics. We should create ethics: it will add value to the company, in a good sense, not only economically, but it will add values, I mean, moral values to the company; it will help develop the right culture." So Agon was quite enthusiastic and said, "Okay, but just show me what you will do." He strongly supported the mission as much as he could and

got involved himself on numerous occasions. Same for the board of directors. It was rare at the time.

JD: So many of the early ethics questions were human resources (HR) related. Why was that?

EL: In the early 2000s, we did not yet realize that the challenging ethical issues are business issues and often have little to do with HR. But HR issues are visible, numerous, and need to be addressed promptly. And even today, probably 70% of the ethics issues raised are HR-related issues. But these issues are not the ones that can make a company fail. They can make individuals fail, sometimes high-ranking individuals, influential people, but not the company. We used HR to open the minds to ethics and to get businesspeople more comfortable with the field.

JD: So, early on you encountered some resistance. What did you do to break through?

EL: Resistance is a normal part of the change process. Several people felt that they were nicely educated, that they had good morals and manners, that it would be inappropriate to have anyone tell *them* what they should do or even refer to a code of ethics. For some of them, our conversations about ethics contradicted their personal or religious beliefs. I did not let myself get discouraged. If there is a mountain, let's go around the mountain, don't sacrifice yourself going straight at the mountain.

Early on, I knew I had the support of the CEO. But I realized that I would lose all my energy if I tried to convince corporate headquarters to change and then call upon the 65 countries where we operate and then ask them to follow. That would not work because you had several people in HR, legal, marketing, and finance who felt a bit threatened by ethics. If they did not see the legitimacy of the voice for ethics, we would fail. So, I did not try to change the brain of the corporation. I choose to lead the change by gathering the support of the countries first and expecting them to radiate. I started to visit each country to talk to people at every level of the organization. The CEO agreed that I would visit countries with him. So, I was in the presidential circle going on tour, but these visits occur in a carefully controlled bubble. This would have been a loss of time. It was not the proper positioning. I wanted my moment to talk to people, understand their real issues, and feel whether they're interested in developing the right culture.

Eventually, I organized these trips alone. You go to a country, have a meeting with the general manager on Sunday evening, and then Monday morning, you work with the ethics ambassador for a couple of hours to discuss issues in the country. After that we have a meeting with the management committee of the country. During this meeting, I do the business case for ethics. Even after ten years, it is still helpful to do it. The meeting with the management committee lasts three hours. At the beginning of the meeting, you can see that some are already bored. But in the end, they would say that they have discovered how powerful it can be and how

powerful it can be for their work. And they almost always say we should have had a longer meeting and addressed more actual cases.

We worked on real dilemmas—issues that happened in the company—including complex situations or crises where we don't look that nice, or where it was difficult to explain our position and why we did things a certain way. And colleagues loved it because they realized what it takes to make an ethical decision in grey areas. An individual meeting with every single member of the management committee always followed the joint session. The purpose of those interviews is to discuss what they wish and what they can do to exercise their ethical leadership to make an impact.

JD: What ideas did your general managers bring forward?

EL: We discuss what they can do to encourage the teams to speak up. To speak up, there are two sides to the coin: speaking up and listening actively. One cannot ask people to speak up if there's no active listening. L'Oréal has four core ethical values: integrity, respect, courage, and transparency. I helped managers see that when they make a difficult decision, they have to explain how they reached that decision and which value prevailed. I encourage them to use our four principles in their day-to-day speaking. I tell them, "Your employees will love you for that."

JD: How has your strategy worked?

EL: Resistance has substantially decreased, and the strategy to rely on the countries to push the rest of the company to move has been quite successful. So, I think there is a change in L'Oréal's culture, and today there is a vast pride in the ethical culture. But at the same time, I'm never satisfied where we are. I am talking more these days about balancing power and responsibility.

JD: Which ethics matters are you willing to push forward, even if they could be career threatening but important to the longevity of the organization?

EL: In my opinion, sincerity in what we do is a key component of what a company does: it concerns HR, marketing, operations, research, etc. One of the significant flaws today is that when you want to assess a company, you look at the chairs, you look at the tables, you look at the machines, the factories, the financial results, and you think you have a pretty good understanding of the company's worth. But suppose you want to know how this company is likely to do in the future and whether it will be sustainable. In that case, you also need to look at a second set of metrics; metrics about the culture of the organization and its genuine commitment to integrity and transparency. What we do is more telling than what we say.

JD: So, one of the challenges is the metrics around ethical culture.

EL: A company where individuals feel free to speak up will make better decisions. So, speaking up is not about denouncing. It's about being able to express ourselves. The issue is then about what a company does with it. Sincerity is something to assess continuously.

JD: How do you talk about the difference between ethics and compliance?

EL: Fake eyelashes are used by some companies in their ads. Now, is this ethically proper or improper? I think there's no problem using fake eyelashes to the extent that they're no longer than natural eyelashes. If they are substantially bigger than natural eyelashes, I don't see any problem here either because the lie is so big that no one will believe that it has anything to do with reality. But what if it is a fraction of a millimeter longer than natural eyelashes? That's where the ethical issue lies. A way to solve this is to be transparent about the use of fake eyelashes. I had a conversation with a friend on the legal side, and he told me, "Emmanuel, there is no issue, as we have the right to do it." He thought that because we had the right to do it, which was accurate at the time, there was no problem. So, I told him, "Thank you so much. If we have the right to do it, we can now start the ethics conversation and talk about whether this is the right thing to do." And for a legal mind, this approach was a big surprise, a change in the game rules that raised some skepticism. This issue around mascara has been in many of our conversations, and it helped people understand the difference between compliance and ethics. Things can be lawful but awful. Ethics addresses the awful part of things. It's why the ethical approach is more or less popular, depending on whom you talk to in a given situation.

JD: Let's look toward the next generation, who will champion ethics inside of organizations. What secrets would you like them to know?

EL: One secret is not to ask for permission. For most of the programs we developed in the last ten years, I didn't ask first. When you ask for permission, you are trying to find someone who will say no, and that you can blame for not doing something. So, as we commonly say, if you believe in it, do it. And what is fantastic is that you have a better chance of success when you dare to do things. If you have the will, you have influence, and you can contribute to change. Large organizations are much weaker than we think, and there are plenty of possibilities to move them in the right direction.

When you are an ethics officer, the personal relationship you have with the number one in the organization is essential, particularly when power is concentrated. If there is no trust, you will suffer. I fought for respect. I didn't impose a decision on the CEO, but I continue to insist that we engage, using an ethical thinking process' until the right decision is evident.

JD: What's your legacy?

EL: Well, to start with, there's no legacy because I'm too young for that. Almost everything has already been said or done before, often centuries ago. You don't need to have a huge budget. You need a huge will and the inner strength to resist cynicism and skepticism. If consultants are processed food, homemade food is better. I think that we should, to

the extent possible, do things homemade. Real ethics, like beauty, comes from within. It should be an organic growth. You cannot buy your ethics.

We discuss real or theoretical stories, difficult subjects, and address them in all their complexity. Imagine that you operate in a country where adultery is prohibited, and you are the boss of this country. Two of your employees, married to other people, are in an adulterous relationship. According to the laws of that country, these two employees could be sentenced to death by stoning. As adultery is a crime in this country, you must denounce it. So, what do you do? I'm sure you have a poster that reminds everyone to respect the law. If you respect the law, you go straight to the local police, and you denounce your two employees, and you know that they could be stoned to death. If you do not denounce them, you are personally liable for failing to denounce a crime to the authorities. It is a tricky issue. When you are the boss, you have to boss. It's your job to decide. To discuss this type of dilemma in management training is powerful and reveals characters.

We need to educate a new generation of ethics officers with a broad culture to develop honest women and men for the 21st century. To address today's challenges, I also

expect boards to include seasoned ethics experts. It's more a question of maturity and experience than of age.

When ethics is concerned, silence is not an option. That's key. When I look at history, including my own family's history, I know deep inside how much harm silence can do. We cannot remain silent. We must speak up. We must stand up for what is right, and the best way is to do it from the inside.

Do we uphold local law, or do we protect our employees' human rights? What are the consequences of each perspective? To discuss real ethical dilemmas with workers working on the line in a factory in remote areas brings them a lot of pride. Now, don't be mistaken. No organization is perfect. Often ethics officers live with a certain ambiguity in their professional relationships and at times feel powerless and discouraged. What is good in the organization I have been working for is that it's a continuously learning organization and that it does its best to confront the challenging issues it faces. Down the road, success is almost all about the people's characters. **//**