



The Role of Ethics and Personal Integrity in Organizations
by
Jack Gilbert, Ed.D.

Companies today live in a pressure-cooker of expectations, personal and organizational, and often financial. At the same time it is clear that there are persistent concerns about corporate ethics that raise important questions about whether there is a sufficient commitment to ethical decision-making and, frequently, a cynicism that there is not. This article explores ways to strengthen and assure a high standard of ethical conduct, and the role of leaders in making this happen.

The issue is complicated because the pressure for revenue and profits can dominate discussion within an organization to such a high degree that there is no time for leaders to consider the role of ethics in decision-making and what actions are needed to promote ethical behavior. There seems to be no good time for the conversation until a crisis such as a legal action against the organization presents itself. When times are good nobody wants to hear news that might rock the boat. When times are bad, nobody wants to raise a topic that may not be viewed as dampening the prospects for survival and prosperity. Delicate issues of ethical conduct may take place in private conversations but not in any productive organizational forum.

When ethical issues are not openly and thoroughly discussed, it does not mean that they are not having a damaging effect on the organization, its effectiveness, and its standards of behavior. Ethical problems don't go away if little attention is paid to them. Indeed, the damaging effects of unethical behavior only increase in such an environment.

The poster child for this cold reality is the accounting firm of Arthur Andersen. Barbara Toffler in her book *Final Accounting* said the following about leadership action at Andersen in 1998, four years before the demise of the firm. "Becoming a tougher audit organization might have meant losing some major clients, and that would have had a direct financial impact on (the leadership's) livelihood. So the leaders did what, unfortunately, many leaders do when times are tough: They punted the ball. They released a few warning memos and essentially crossed their fingers and hoped things would work out." We now know the results were disastrous. You may not think it can happen to you. Then again, the leadership of Arthur Andersen, a proud and substantive organization with an illustrious history and enjoying great success, didn't think it could happen to them.

Ethics Beyond Compliance and Codes

The very term *ethics* is open to many interpretations, which is in itself a problem if an organization doesn't have its own clear, shared understanding of what it means for itself. For the purpose of this article, *ethics* is a system of moral principles and the methods for applying them, and *moral principles* are the values formally adopted by the organization to promote ethical practices and activities.

In this article, we are exploring ethics beyond compliance programs, ethics training, codes of conduct, values statements, and company policy. Well-used these are important contributors to an ethical environment, but our focus is the everyday life of the organization where our values rub up against reality. Here is a sampling of some of these everyday issues and dilemmas:

- A company is seeking a large contract with a governmental organization and is asked to make a donation to a political campaign while the selection process is under way. The connection to the selection process is vague but nevertheless sensed. Nothing illegal is being asked and no company policy exists to guide action;
- A salesperson in order to win a contract over-promises on the benefits the customer will realize. Those providing the product are now faced with confronting this performance gap and having the company contradict itself before the client;
- A partner in one part of a consulting firm charged with providing impartial advice is incentivised and expected to recommend a service of another part of their firm to a client, but knows that a competitor provides a superior service that will better serve the client;
- A leader suspects that a long time colleague, good friend, and valued member of the organization is cheating on their expense reports; an offence for which a junior member of the organization would be terminated without hesitation.

Taking Action: Four Starting Points

There is no universally accepted standard for organizational ethics beyond the limited world of legality and regulation. Meaningful action rests therefore in the hands of the leadership of individual organizations. What meaningful action should that leadership take?

This article proposes four broad sets of action as a strong foundation for clarifying and strengthening the role of ethics in decision-making: (1) make the role of ethics in decision-making a regular part of leadership discussions using current, real-life ethical dilemmas to continually clarify what everyday ethical conduct is expected throughout the organization; (2) understand the nature of unethical acts; (3) implement processes and structures that support an environment of open communication within the organization at all levels to surface and to resolve ethical dilemmas; (4) act with equal decisiveness when senior staff breach the ethical standards of the organization as when other staff do so.

(1) Make the Role of Ethics a Regular Part of Leadership Discussions

In most leadership discussions, the dominant subject is progress toward achieving or exceeding financial goals. This is no surprise given the pressure, short-term and long-term, for revenues and profits organization-wide and for individual leaders.

Devoting time to discussion of ethical issues and dilemmas the organization is experiencing will get fundamental questions about the organization's values on the table which will clarify those relevant to the organization and those that are not. No matter how the conversations conclude, they will be worth having. The shared understanding that emerges will make for clearly articulated values throughout the organization that extend beyond rhetoric into the everyday life of the organization. And such an environment is supportive and more conducive to higher performance, to a workplace where issues needing to be discussed are put on the table rather than suppressed, a workplace that attracts qualified people of integrity, and an organization known in the marketplace for fair and ethical dealing.

Questions that might be addressed through real-life examples are, "What freedom do those working in the organization have to challenge a superior?" or "Can we personally reject revenue opportunities on the basis of ethical doubts without suffering averse career consequences?" or "Do we speak and act in different ways: talking about values but not acting decisively when a successful and well-liked leader or manager breaches those values?" or "On what basis do we think we can successfully promote ethics in decision-making when we don't talk about it regularly throughout the organization and we have no regular measures for our ethical performance?"

(2) Understand the Nature of Unethical Acts - The Myth of the Bad Apple

A recent press release from Public Agenda discussed the views of citizens and business leaders on business ethics. For their part, business leaders were

especially concerned that the actions of a few bad apples had done much to tarnish the reputation of the vast majority of honest and ethical executives.

No doubt there are unethical leaders in the executive suites of America and elsewhere. And they should be rooted out. But to assume that they are the fundamental problem is to miss the point. Gross unethical acts do not happen out of thin air. They are typically the result of an accumulation of small, almost unnoticeable, steps that weaken ethical conduct a little, each step making the next larger unethical step permissible. Gross unethical acts are commonly the result of erosion and as such they are not a function of personality but of systemic characteristics that allow erosion to occur and to persist.

A graphic example of this is the Challenger disaster. Diane Vaughan, who wrote an analysis of decision-making leading up to the disaster, noted “how small changes—new behaviors that were slight deviations from the normal course of events—gradually became the norm, providing the basis for accepting additional deviance... the responsible organizations proceeded as if nothing was wrong in the face of evidence that something was wrong.”

To quote a senior executive in an interview I conducted, “Very few of us are evil at our core. If you’re evil at your core you’ll cross the line. I think what’s really going on is that you’re not evil at your core, you’re just eroding your values over time, and you don’t know you’re doing that. I mean, at some point in time, it’s like obesity. When do you realize you’re fat?”

(3) Implement Processes and Structures that Support an Environment of Open Communication to Identify and Manage Ethical Dilemmas

Taking the view that strengthening the role of ethics in decision-making is a systemic challenge requires a re-examination of basic organizational elements. These include compliance programs, performance management processes, and hiring and promotion criteria. They also include company policies and procedures, company and individual incentives, and critical company goals as they relate to ethical behavior and the organization’s core values.

All of these elements are, in fact, opportunities for strengthening or weakening ethical conduct. For example, an executive who excels at generating business but who is considered by peers to be reckless in making client promises is promoted, strengthening the value of making money and weakening the value of integrity in dealing with clients. Or conversely, company goals can include a substantial commitment to strengthening the role of ethics in decision-making, thus strengthening everyday ethical action and lessening the organization’s exposure to the consequences of unethical acts.

Novel processes may also be brought to bear. For example, a valuable methodology for surfacing and reversing erosion can be found in the work of Karl Weick and Kathleen Sutcliffe on High Reliability Organizations, a methodology which has been applied most often in manufacturing or industrial settings often to increase safety. Some of the key principles of the methodology and its application to ethical conduct are:

1. **Mindfulness:** The ability of individuals and the organization to be awake to ethical issues as opposed to letting them slip into the background (consistent with the role of ethics being an active leadership and organizational conversation).
2. **Attention to Weak Signals:** The willingness to surface minor, potentially unethical actions so they can be examined (consistent with the need to interrupt the small, almost imperceptible, acts that erode ethical conduct).
3. **Reluctance to Simplify Interpretations:** Taking problematic situations to their root cause rather than explaining them away quickly (consistent with looking at ethical conduct systemically rather than focusing on a few individuals).

There is more to say about this methodology. However, the purpose of this article is to introduce it as an example of a novel process and not to expound on it.

(4) Act with Equal Decisiveness when Senior Staff Breach the Ethical Standards of the Organization as When Other Staff Do So

Executives in organizations share certain characteristics. They love the autonomy their position gives them. They don't like to be closely managed. Often officers of the organization, they may make promises for which all other officers are accountable whether or not any other officer knows about those promises. They tend to run their areas the way they wish and may have an individual style to which they expect those who work for them to adapt.

Many organizations have formal and informal processes to regulate the actions of executives. For example, in a consulting firm no one partner may commit to a contract over a certain amount without at least one other partner's approval. Peer review processes may be in place. Executives may be encouraged to seek help from others at times when ethical dilemmas present themselves and company policy is unclear on the matter.

However, while they provide the greatest exposure to the organization in terms of the consequences of any of their unethical acts, executives are typically the least

well-managed group in an organization. An executive who produces big numbers but does not reflect the values of the organization may be tolerated. Some may create personal fiefdoms in which their people learn to work by local rules and are supported for doing so. Some are unfair in the treatment of their staff. Some treat their position as one of entitlement. And some make unilateral promises to clients or customers that their organization cannot keep.

Employees anxious to rise in the organization are learning from what they see and hear, not from the code of ethics or values statement of the organization. And if what they see rewarded or tolerated is inconsistent with these documents, they will surely not feel bound by them.

Another critical leadership question regarding the role and modeling of ethics in the organization is “What behaviors have we tolerated at senior levels until now that we can no longer tolerate if we are to strengthen the role of ethics throughout our organization?”

It is a question the leadership of Arthur Andersen could have usefully asked. At the time of their collapse they had been accused of improper auditing practices at Waste Management, Sunbeam, The Baptist Foundation of Arizona, McKesson-HBOC, Boston Chicken, Global Crossing, Qwest Communications, WorldCom, and, of course, Enron. In all this, David Duncan, in charge of the Enron account, was the only senior member of the organization who was fired.

Last But Not Least, Personal Integrity

There are deep personal factors at play in the arena of ethical conduct and it is important to acknowledge them. Most of us have been at times driven by a perceived need for self-preservation, leading us to act in ways that may offend our own sense of personal integrity but which we judge necessary to save our jobs, to take care of our family, to get the rewards we have earned by our efforts, and so on. Indeed, some reward systems play on this need for self-preservation by making it clear that if you do not achieve your organizational objectives you will not remain with the organization.

Most of us have an instinctive feeling about whether an action might be wrong, meaning a violation of the organization’s values or our personal values. We might literally have a gut feeling. An issue may continue to play on our minds, unresolved. We might have trouble sleeping or be short tempered. We can pay attention to these visceral signals and raise the issue at hand, or we can suppress them because to face the questions they pose is too uncomfortable for us.

If you value your personal integrity, and surely most of us do, and the decisions being made at work contradict that integrity then, no matter how well-justified you may be in staying, being a good soldier, and not speaking up, consider in the long view the price to your vitality and well-being in taking that route. Just as organizational ethics can be eroded, so too can our sense of personal integrity, bit by bit over time.

The possibility - and regrettably without certainty of an immediate positive outcome - is that by speaking up you will give voice to something on the minds of many that needs to be discussed in the organization. Consider that your voice may be more influential than you think. Each of us has to make our own decision about this, and we do so, often unconsciously, every day.

Jack Gilbert, Ed.D. President of New Page Consulting, Inc., is a consultant, author, and presenter on issues of leadership and ethics. He can be reached at jack@newpageconsulting.com.