



Doing the Right Thing: How Organizations Can Help us Make Ethical Decisions

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1955 Tareyton Twosome Cigarette Twins
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Editor's note. This is a reprise of Art Kleiner's remarks at a [Workshops for Ethics in Business](#) event on January 13, 2009. For the complete panel discussion, go to [Top Risks and Ethical Decisions](#).

It's 1953. You are a senior executive at a major manufacturer of a beloved product, known for health, conviviality, sophistication and glamour. Major parts of the economy in at least two states depend on this product; so does the livelihood of everyone you work with, and the prosperity of your own family. And a report comes across your desk that says this product is carcinogenic and addictive: it will hook people and kill them. What do you do?

The product, of course, is a cigarette, and exactly this choice faced executives of tobacco companies in the mid-1950s. They had a lot of options, including the search for healthier (such as filtered) cigarettes, but ultimately, if you're in such a position, the options come down to two. You can tell the truth to the world at large; or you can obfuscate, avoid, hide the evidence and hope for the best. It may take 40 years or more for the truth to come to light in a way that actually forces you and the society around you to change your behavior—or it might be sooner, or it might never happen.

Neither option, of course, is desirable. Both entail a huge amount of risk. The option you want most—not to have this problem in the first place, to have cigarettes be pleasurable and life-enhancing, with no side effects—is not available. In that light, what we call "ethics" is really a set of decisions about which risk is easier to sleep with at night: telling the truth about an uncertain situation, or trying to hide the worst of it from yourself and everyone else.

Now imagine that you're an auditor at [Arthur Andersen for Enron](#) in 2000; or an [Army Corps of Engineers officer, studying the levees in New Orleans](#) in 2004; or a funds manager selling derivatives (or [Bernard Madoff](#) investments) in 2007; or any of hundreds of thousands of others in various organizations across the world. A report crosses your desk—or, worse still, doesn't cross your desk. You don't know for sure how dangerous the situation is, and you don't really know if you and your organization will be held responsible. But in the end, the basic choice remains the same. Do you tell yourself and others the truth about the risk? Or do you obfuscate and hide?

The Organizational Issue

Most ethics debates leave it to the individual to make a choice, and history tends to side with the truth-tellers. But our society is fundamentally collective. No decision-maker stands alone, in facing a choice like this. So if we care about the ultimate effect, there's a more important question to answer, a question that

is rarely asked: What sorts of features must we instill in a collective—a team, an organization, a nation, a culture, or a society—to make it easier for people to make the decision to tell the truth? What can we do, as a group, so we don't have to rely on the ethical compass of individuals?

To answer this question, you have to deal with the problem of feedback. Consider, for example, that you're a decision maker in a cell phone manufacturing company. A report crosses your desk saying that exposure to this electronic wave-emitting device, especially when held next to the ear, produces brain damage, especially in children. As a corporate executive, you have three ways of raising this issue.

The first way is to talk about it within the company: to feel people out. And the feedback there is immediate: you will instantly learn that most people around you don't think the risk is great enough to deserve consideration. Or if they do think it's risky, they feel vulnerable talking about it.

The second way, a time-honored approach in places where engineers work, is to raise the solution as you raise the problem. The solution here might be to propose a product for children: a cell phone which only works through a separate headset, so the phone isn't held next to the ear. But to test this solution, you have to introduce it in the market. It will take two or three years to learn whether it will be a success; and you might find, as McDonald's found with the [McLean burger](#), that the virtuous solution is too unpopular to be successful.

And the third way is to seek proof. But it could take a generation to find out, through epidemiological testing, if the cell phones really do cause brain damage. Even then, it may be almost impossible to separate cell phone usage from all other potential causal factors. Like [lead poisoning in the Roman Empire](#), the mind-numbing quality of cell phones may be visible only to historians far in the future. In the meantime, you hardly have the requisite information you need to make an appropriate decision.

All of this places ample pressure on you to obfuscate that report, to say it doesn't matter, to say it's not an issue, to try to come up with countervailing proposals. You have every reason in the world to ignore the risk. And the rest of us will suffer accordingly.

Three Features of the Ethical Organization

Human beings in the seat of ethical decision-making need support, to keep the pressures of feedback from overwhelming them. Most of our articles in [strategy+business](#), and most of the heretics whose stories I told in [The Age of Heretics](#), had to do with developing the kinds of robust support to help people make the right decisions. Over time, I've come to feel that three types of support are all critical for this:

Consciousness is ingrained awareness of the ramifications of our collective action. One of the great corporate examples of consciousness is Toyota. The company's famous original chief engineer Taiichi Ohno was known for drawing a chalk circle on the floor and asking newly hired engineers to stand there for hours, watching the assembly line at work. Then Ohno would return and ask, "What do you see?" It was a first lesson in becoming continually observant.

Similarly, the well-known andon cord—the cord that any employee can pull to stop the assembly line if there's a problem—is testament to the amount of consciousness people are expected to bring to work. Each individual is continually looking at the vehicles going by, judging whether they are flawed, and whether they fit the customer's mandate. If they try to do this without consciousness, just going through the motions, then problems will be caught at the next station. The only way to survive is to cultivate a dispassionate but intensely focused attention on the work.

The second quality is *discipline*. Neuroscience research over the last decade has demonstrated that continual, intensive focus changes the pattern of neurons within the human brain. If you want to change an organization, the way to do it is not to lecture people about the "[burning platform](#)," but to set up practices and processes that literally force people to do things differently day after day after day. Gradually, their neurons will change, and eventually it will become second nature. Unfortunately, before

the neurons change, it may just feel like living hell.

One company that does this well is SRC, a group of remanufacturing companies in Springfield, Missouri. Once a week, these companies shut down operations during lunch, and everyone sits down together to go through the financial numbers: What are the costs and revenues this week, where are the margins going, how is our cash flow, what are our efficiencies? Everyone joins in. Over the years, SRC has spun out more than 20 successful businesses, precisely because the place's discipline makes it an incubator for effective business acumen.

Finally, *empathy* is important. For a corporation, this is not so much the recognition of other peoples' value, but the continued level of engagement with people, so that they are always taking part in your work and life, and you are always taking part in theirs.

Procter & Gamble, under its current CEO A.G. Lafley, is famous for this. When Lafley became CEO, according to the magazine of his alma mater, Hamilton College, he removed the oak-paneled executive offices on the 11th floor of P&G's Cincinnati headquarters, lending the paintings that hung there to a local museum. He moved the divisional presidents' offices nearer those of their staffs and converted the former executive space to an employee learning center. He did it, Lafley said, "So people understand we're in the business of leading change." And then he, and his whole company, put in place a variety of ways of thinking together more often with staff, customers, suppliers, innovators around the world, and even competitors.

Does it take that kind of intensive, almost obsessive-compulsive consciousness, discipline, and empathy to meet the kinds of ethical challenges facing companies today? Probably they're not needed in run-of-the-mill times. But arguably, we haven't been in run-of-the-mill times since at least 2001, and perhaps since 1973.

In the face of extraordinary challenges, ethics doesn't mean making decisions; it means instilling a way of behavior. The most critical challenge that we will see in our society and in the societies around us, is not coming from outside but from within: How to instill a way of behavior, probably starting in a few organizations and then, hopefully, expanding to the culture at large.

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