

# The Worklife Journey: Journal

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## Leadership: Facing Moral and Ethical Dilemmas

*"We need a Nobel Prize in business, awarded to organizations that demonstrate how business effectiveness (meaning survival, market share, profits, and stock value) results directly from ethical behavior. A society that is not built on ethics- on fairness, freedom, and mature hearts and minds- cannot survive for long."*

Peter Koestenbaum, 2002 ([read entire article online](#))

In 2001 in the U.S. alone 257 public companies with \$258 billion in assets declared bankruptcy. This was a huge increase over the previous year's record of 176 companies with \$95 billion. But big Fortune 500 companies aren't supposed to collapse - are they?

Taking a look at why these companies failed reveals fundamental moral and ethical shortcomings. Many negative factors may have contributed to their demise: a bad economy, financial risks that didn't pay off, accounting manipulations that seemed smart at the time, loss of competitive advantage, breakdowns in execution, growing too fast, and rapidly changing market preferences. But to truly understand, one must look deeper, into the very hearts and souls of the leadership that guides corporate responsibility. One must look at the moral and ethical stance of an organization and the role of leadership in creating core cultural values.

Several key questions emerge from the rubble:

- How do large organizations get to that point virtually overnight?
- What creates the organizational culture that allows a house of cards to be built in the first place?
- What drives good leaders to make unethical choices?

To assume that all of the leaders in Enron were evil, greedy and selfish is too simplistic. There is much more to the story, and we must work to understand how such ethical violations and consequent collapses occur .

### How Does it Happen?

When the space shuttle Challenger exploded in 1986, the death of the seven astronauts left an indelible mark in the collective mind of the world. While tragic, the subsequent investigation of the culture at NASA revealed important lessons. There were no errors in the launch, and none of the managers intentionally committed any wrongdoing. Yet it could have been prevented. The errors were years in the making. NASA engineers noticed damage to crucial O-rings yet they repeatedly convinced themselves that this level of damage was acceptable. One analyst described it as "an incremental descent into poor judgment."

The culture at NASA was extremely success-oriented. They had hired the best of the best, and had set highly complex and sophisticated performance goals. The pressure to succeed gradually mounted until minor violations of standards became the new standard. Nothing looked wrong until it was all over.

The culture at Enron was very similar. They hired the brightest from graduate schools. Success was rewarded and non-performers shunned. The emphasis was on the numbers and immediate success rather than on long term values. There was a gradual descent into poor judgment, denial, failure to challenge the system, greed, deceit, ego, wishful thinking, poor communications and lax oversight. But it was apparent only in retrospect. No one noticed it at the time as everyone was immersed in the same go-go culture.

The question we need to ask is not how did this happen at Enron, but how is it happening in one's own organization right now? What are the standards and to what degree are they communicated and reinforced? Where are standards being violated? As a leader anywhere in the organization, in what ways might you be contributing to a loosening of ethical and moral values? It is always the small things -



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### It Takes Guts!

It sure is a lot easier to write about this stuff than it is to do it when the heat is on. Shortcuts are really attractive but rarely safe. Somehow the easy way never quite gets me there. Every day brings interesting object lessons in this struggle for ethical behavior - today's news included the lifting of a 20 month ban on Boeing for having stolen Lockheed documents (\$2 mil fine) and Martha's return from prison (ankle collar for house arrest). I've included a [link](#) and the transcript of the intro to a radio series called "This I Believe" by the late great Edward R. Murrow on the core beliefs of people and also a [link](#) to a discussion with Mark Gunther on his book "Faith & Fortune" on the slow shift toward the improved corporate ethics environment. There is so much discussion around and outside of me but what of the discussion inside of me? How do I find the time and courage to address the many small challenges to my sense of "doing the right thing"? How do I see through the cloud of fear that frequently engulfs my better judgment?

My answer lies in advice I received from Mom a long time ago. When faced with the enormous difficulties of fickle friends, first dates, late assignments or sneaky behavior,

the O-rings - that get overlooked or dismissed. Organizational interfaces and handoffs where interdependencies are crucial, the seemingly insignificant compromises that suddenly become the norm - these are the loose tiles on the underwing of the second shuttle disaster. What have you let slide lately? What can you do before it is too late?

### Facing Ethical Dilemmas: Living in the Grey

In business, not only are we faced with questions between right and wrong, but between right and right. According to Joseph Badaracco (1998), "We have all experienced situations in which our professional responsibilities unexpectedly come into conflict with our deepest values: we are caught in a conflict between right and right...no matter which option we choose, we feel like we've come up short."

**" Between right and wrong is a troublesome gray area ."**  
-- Boeing ethics poster

Research on moral standards and business ethics is sparse at best. Weber in 1998 found that 85.9 percent of managers claim that they draw their moral standards at work from the expectations perceived in the work environment. Trevino (1990) adds that organizational norms that are embodied by the corporation's culture are strong determinants of individual thought and behavior in the workplace. Gillespie (1997) notes that corporate culture is recognized as a key contextual influence in establishing and maintaining norms.

### Responsibility for Trust and Values

Leadership is the most important and powerful influence on the culture of an organization and is responsible for creating credibility and trust. It is obvious that employees contribute more when they are working for something they believe in. Kouzes and Posner (1987) put it well:

**"There is more to work than is commonly assumed. There is rich opportunity here for leaders to appeal to more than just the material rewards. Great leaders, like great companies and countries, create meaning, not just money."**

When employees have no clear picture of the moral or ethical stance of the organization, they tend to operate at the lowest perceived level. Creating and promoting institutional integrity becomes one of the most important functions of leadership. Moral and ethical stances need to be consistently reiterated and clarified. What can be done to foster a clear and consistent moral and ethical stance for an organization's culture?

1. Leadership development must include programs on ethical reasoning and decision-making. This must be an ongoing process, not one-shot affair at fulfilling a requirement. The most effective leadership development programs include coaching and/or mentoring. Through these initiatives, issues of personal ethics and moral responsibility can be explored, fostered and aligned with organizational values.
2. Leadership programs must include selection, development, evaluation and rewards policies that are aligned in such a way as to reflect their support of the values of the organization. When a person is selected for promotion, or is rewarded, the organization is making a statement: "This person represents our values and standards."

There are powerful economic, political, social and cultural forces at play in our lives today that may lead us to feel powerless to oppose them. It may seem easier to go along rather than to speak out. Each person must weigh alternatives and make choices in light of personal values and goals, but also with consideration to organizational and professional success.

As leaders wake up to needed reforms, there will be an increased emphasis on the need for leadership development programs that include coaching on ethical and moral values. There must be a drive for ethical responsibility if organizations are to thrive - or even survive!

***"Never doubt that a small group of committed people can change the world; indeed, it is the only thing that ever has." --Margaret Mead***

to do". I've come to realize more than ever what this Yoda-like advice meant. We don't need tons of research or endless, sleepless nights to know what's right - we need to cut through the bull and listen to our guts.

Here is what listening to your G-U-T-S means to me:

1. **G**et into the moment - see **right now** as clearly as is humanly possible.
2. **U**nderstand the subtleties, use your powerful intuition to overcome preconceived ideas. Imagine your way into the situation and be empathetic.
3. **T**est your options & decisions down deep. See if it feels right. In the end, you will know the right thing to do, in your gut!
4. **S**tay the course. Take Heart, be courageous and don't let the Sirens on the shore pull you off course. Lash yourself to the mast of your core beliefs and head into the storm.

Years later, I now know what she was talking about. It starts in my gut and goes to my heart. (Thanks Mom) **I'd love to hear your stories on this subject. Email me at [info@worklifeonline.com](mailto:info@worklifeonline.com)**

## The "Best of" Worklife

Movie	Book	Website
The China Syndrome	The Ethics of Star Trek by Judy Barad Faith and Fortune by Marc Gunther	Koestenbaum Institute Take the ethics self-assessment!