

A Question of Ethics

What's Your M.Q. (Morality Quotient)?

"Integrity without knowledge is weak and useless, and knowledge without integrity is dangerous and dreadful."

—Samuel Johnson
English writer and lexicographer
(1709-1784)

As far back in time as Confucius, wherever people have recorded their thoughts and histories, issues related to ethics and integrity have been debated and noted. Since the heyday of the Robber Barons, people have been writing about the failure of ethics and integrity in business. The great number of highly publicized and egregious corporate scandals taking place over the last several years has resulted in thousands of books, articles, and blog entries addressing those subjects.

It seems, however, that even as ethical watchdogs continue to clamor for legislation, mandatory training and independent directors; even as one C-level executive after another is carted off to prison or quietly sent away with his exorbitant termination clause winnings; even as we elect not to patronize certain retail outlets due to our disapproval of their practices, we seem to be missing the boat. We focus on the aberrations of the few and the failures of the institutions, but ignore the responsibility of the many when it comes to business ethics.

The Problem with the Corporation

In *The Corporation: The Pathological Pursuit of Profit and Power*, **Joel Bakan** of the University of Toronto argues passionately that the very nature of the institution we know as "corporation" is the problem. He states that a corporation's "legally defined mandate is to pursue relentlessly and without exception its own economic self-interest, regardless of the harmful consequences it might cause to others."



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According to definition, the corporation is legally bound to behave as an *amoral* institution. It's not a person or a collection of people—it's an *entity*. Its owners have *limited liability* for their actions. When you consider the magnifying impact of institutional shareholders, many corporate decisions are being directed, or at least influenced, by powers that are *amoral-squared*. Accountability for those decisions is tempered by two layers of limited liability. We should probably not look to corporations for moral guidance.

Clearly, discussion of the idea that corporations may be pathological is too broad for this forum. It is introduced here to suggest that rather than looking to legislation or business institutions for leadership and change regarding business ethics, it might be wiser to start with ourselves. And just in case "Big Brother" is reading this over your shoulder, note that there is a growing body of research demonstrating that ethical behavior positively impacts sustainability, customer satisfaction, and the almighty bottom line.

Hope Springs Eternal

Not surprisingly, there seems to be renewed interest in the role of morality in management. Since the twenty-first century spate of scandals began, accounts of the role of moral behavior in both corporate and personal success have been surfacing. One article published by The Wharton School at the University

of Pennsylvania addresses a number of institutional aspects of business ethics, including trust in individual managers, disconnects between companies and their customers, board governance and compliance policies, but this simple statement from the director of the Center for Applied Ethics at the University of Virginia's Darden School of Business hits home:

Our idea of what good management is has been hijacked. We pay attention to shareholder value and managing value. If you give a small boy a hammer, the world looks like a nail.

In *Winners Never Cheat*, **Jon Huntsman** presents principles that led to his company's success (\$12 billion in annual revenues), stressing the importance of treating customers, colleagues, employees, and competitors with respect. He also highlights the power of observable behavior: "Children observe their elders so they know how to act . . . Employees watch supervisors. If these leaders and role models set bad examples, those following frequently follow suit. It's that simple."

Robert Sutton of Stanford University approaches the impact of personal integrity from a different angle in *The No Asshole Rule*, where he describes how managers who make others feel bad about themselves and who focus their aggression on the less powerful poison the work environment,

decrease productivity, make effective employees quit, and therefore are detrimental to businesses, regardless of their individual effectiveness. Sutton provides a metric by which companies can measure the impact of these undesirables on the bottom line, as well as an online, self-administered diagnostic to help leaders identify and modify their own problematic behavior.

What Is Moral Intelligence?

Doug Lennick and Fred Kiel provide strong support for morality in management in *Moral Intelligence*. The authors demonstrate that top-performing companies have leaders who promote moral intelligence throughout their organizations "... because they believe it's the right thing to do . . . they [also] produce consistently high performance almost any way you can measure it—gross sales, profits, talent retention, company reputation and customer satisfaction." Like *Emotional Intelligence* before it, this book presents moral intelligence as a differentiating competency—one that is difficult for competitors to copy. The authors define moral intelligence as the "... mental capacity to determine how universal human principles—like those embodied by the 'golden rule'—should be applied to our personal values, goals and actions." Hmm . . . The Golden Rule. It may not be bleeding edge, but it certainly resonates.

Four principles make up moral intelligence: integrity, responsibility, compassion, and forgiveness. As with many valuable leadership competencies that fall into the category of "soft skills," it is easier to identify failures of these qualities than their effective practice. Moral stupidity sells papers, magazines, and seminars. Leaders who act with integrity may not get as much "ink" as those who don't, but they do get better results. Where an amoral leader gets things done by destroying confidence, trust, hope, optimism, innovation, and creativity, a leader exercising moral intelligence builds those qualities and focuses them on

positive outcomes. Lennick and Kiel state that moral intelligence "is the 'central intelligence' for all humans" because it makes worthwhile outcomes possible.

Increasing Your M.Q.

When it comes to moral behavior, immoral actions must be extinguished—they cannot peacefully coexist with moral actions, nor can they be "made up for" with "extra" moral actions. We humans are not programmed to be able to accept some unethical behavior along with some that is ethical. Think about a time when you experienced a breach of trust. Did you decide that the person who created the breach was basically an OK guy or gal, just not very trustworthy? When people or groups of people betray each others' trust, the fundamental fabric of the relationship is altered. It takes a long time to build trust, one moment to breach it, and it's rare that it can be rebuilt. The same goes for the principles that make up moral intelligence—integrity, responsibility, compassion, and forgiveness cannot be developed or demonstrated on a part-time basis, or trotted out of the stable for the occasional show. They are only believable when they are seen as integral parts of the character of an individual or organization.

Sutton offers a list of the "dirty dozen" actions that, um, *jerks* take in the workplace. Each item can be considered along the continuum from individual to organizational interactions. Take a look at these examples and consider whether you've been the target—or the jerk. If you exhibit or experience these behaviors with your employees, colleagues, and leadership, or if you witness them without objecting, consider the impacts they have at all of those levels, and how they could contribute over time to the appearance of a corporation's CEO in a courtroom:

- personal insults
- threats and intimidation
- sarcastic "jokes" and "teasing" used as insult-delivery systems

- public shaming
- two-faced attacks

Ultimately, our day-to-day experiences in corporations are made up of multiple interactions with other people. It is here, in meetings, conversations, and e-mail exchanges, that leaders exert the most influence. It is in these interactions that our colleagues and direct reports experience our values. Our behavior in staff meetings, our reactions to others' missteps, and our responses to our own disappointments reveal our character. Based on these experiences, people divine what the organization's values *really* are, codes of ethics notwithstanding. The values we express when we are going about our ordinary workdays resonate much more with others than the official statements we make at mandatory ethics training events. That's why moral intelligence matters.

Suggested Reading

Joel Bakan, *The Corporation: The Pathological Pursuit of Profit and Power* (Free Press, 2004).

Jon M. Huntsman, *Winners Never Cheat: Everyday Values We Learned as Children (But May Have Forgotten)* (Wharton School Publishing, 2005).

David Batstone, *Saving the Corporate Soul: Combining Corporate Integrity With the Bottom Line* (Wharton School Publishing, 2003).

Editor's note: The opinions expressed in this column are those of the author and do not necessarily reflect the views of the CPCU Society membership, the Society's Ethics Committee, or the author's employer. In upcoming issues of CPCU News, the authorship of the "Question of Ethics" column will rotate among members of the Ethics Committee. If you have suggestions for upcoming articles or comments about the "Question of Ethics" column, please contact **Steve G. Brown, CPCU**, Ethics Committee chairman, at steve.brown.bid2@statefarm.com.