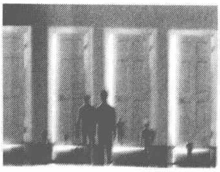
ETHICS IN THE WORKPLACE

A SYSTEMS PERSPECTIVE

WILLIAM F. ROTH



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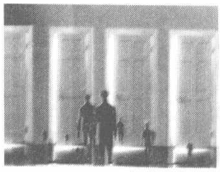
I dedicate this book to Eric Trist,
my teacher, my friend;
a man who remains for me an ongoing model
for humility and completeness.

With thanks.



Preface

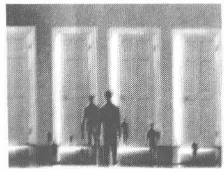
Ethics in the Workplace: A Systems Perspective delves into the realm of organization ethics. Beginning with a discussion of management characteristics the text uses case studies to demonstrate how most current approaches to improving ethics are seriously flawed, and why they rarely produce, the desired results. If organizations want to improve their ethical climate, the focus should not be on *changing the individual employee*. Rather, it should be on designing organization systems correctly. If this is done, the need or the temptation for employees to behave unethically, will in most cases, disappear.

This book explores the role philosophy and religion have played historically in society's search for the best approach to ethics. The four major schools of ethical thought—utilitarianism, egoism, deontology, and relativism—are outlined and discussed. The book identifies the weaknesses exhibited when each school of thought is put into practice and shows us that a generic standard of ethical criteria is necessary if we are to get beyond the traditional arguments. The book identifies such a standard and shows how it supports each of the four major schools, merging them so that they are no longer contradictory.

At this point *Ethics in the Workplace: A Systems Perspective* introduces the systems approach as the best vehicle for reshaping our workplace culture according to our new standard. The systemic characteristics necessary to the creation of a more ethical environment are discussed with a focus on empowerment. Finally, the systemic designs necessary to the realization of these characteristics in key organization processes—evaluation and reward, training, and teambuilding—are laid out.

Good reading, and take care.

William F. Roth
DeSales University



Acknowledgments

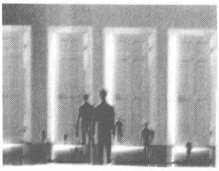
My education in the systems approach is based on the work of many outstanding thinkers. Those who took the lead in my case, however, those who taught me face to face and gradually molded my thinking were members of a small, select group of men gathered together at the University of Pennsylvania Social Systems Sciences Ph.D. program. One of the leaders of that group was Eric Trist, who took me under his wing and got me headed in the right direction. Another was Russell Ackoff, who continued to shape and to hone rough edges until the job was done. I owe them both a great deal.

I am indebted to the following reviewers: Roy Bywaters, Ursinus College; John Pourdehnad, Ackoff Center for Advancement of Systems Approaches.

There is one other acknowledgment concerning *Ethics in the Workplace: A Systems Perspective* that gives me great pleasure. I would like to thank my two sons. Ian, currently the philosopher in our family, helped me understand existentialism and its relevance to the field of ethics. Dane, the younger, helped with the editing. It was good to have them working with me.

Contents

Chapter 1



Shortcuts To Failure

THE HARD LESSONS

Which comes first, the chicken or the egg? Which comes first, ethical behavior or systems thinking?

Ethical behavior can be found in companies where the management philosophy is not systemic. Many such organizations exist. Most are led by an extremely powerful, visible father figure or by father figures who provide an example and encourage everyone to follow suit. Most such companies also depend on fear of punishment to help discourage unethical behavior. I would relate this characteristic to traditional religions where a paternalistic system of leaders is in place, where a father figure or a hierarchy of father figures defines the standards that everyone else is expected to follow. Emphasis is on encouraging employees to make the "right" decision and to deny the temptation that always exists.

Systems practitioners believe that rather than placing emphasis on fortifying the individual, it should be placed on correctly defining management philosophy and on designing key organization processes in ways that keep temptation from arising. This is because unethical behavior in organizations that have adopted a true and comprehensive systems approach to management is unnecessary. The situations that encourage it in traditional organizations are not present, they have been designed out of existence.

Is this too good to be true? Not really. Proof exists. A growing number of organizations are now run systemically. While they might have adopted this model for a variety of reasons, all are enjoying increased success and fewer ethical breakdowns as a result. The problem is that the number of companies using the systems approach to management remains relatively small. Most have been unwilling to make the leap despite the growing evidence of its value. They like what they hear in terms of the resulting increased profits, the improved morale, and the heightened ethical workforce behavior. They make a point of reading up on it. But when it comes time to put the approach into place, to actually make the necessary changes, they hesitate, or go at it piecemeal, implementing only those parts that feel comfortable. They resist and reshape the essence of the systems change model. They twist the rules to meet their own immediate needs when these rules cannot be twisted, when the situation is all or nothing. Then, when the desired changes do not occur, they say that the model does not work, or that it takes too long to produce results. So they drop it and move on to the next quick fix.

I recently asked a group of fifteen middle managers representing fifteen organizations why their companies' efforts to improve ethics and to modernize procedures were not producing the desired results. The list of answers included the following:

1. Lack of commitment and lack of a believable message from the top
2. No real effort to get buy-in from employees
3. Companies have not stuck to one approach
4. Companies are focused on short-term rather than long-term results, which makes it more difficult *not* to cheat
5. Companies use the threat of punishment as their prime motivator
6. Employees are too busy dealing with intimidation by bosses and fierce in-house competition
7. Old habits are difficult to change
8. Turnover occurs in key process figures with the new ones changing the rules of the game to demonstrate ownership
9. Companies are unwilling to take the necessary "risks"
10. Companies are unwilling to argue with the success previously enjoyed by doing things the old way
11. Companies are unable or unwilling to learn from the success of other companies

Sound familiar? All of the above are common and valid criticisms. But all of the above are also just symptoms; they are not the cause. The cause lies much deeper. It lies in the culture of the organization, in the management system. Also, the "cause" is not just one cause. It is a collection of intertwined, inseparable factors called "producers" that reinforce each other. These producers are so tightly meshed that even if it was of value they could not be separated. Drawing a definitive boundary around their outermost perimeter would be impossible because that perimeter invades every facet of the organization. One would be forced to say that the entire organization is the "producer," which is, in fact, the truth.

In order to truly improve the ethical climate of an organization we have to change the entire organization. We have to change its culture, its mindset, the way employees (on all levels) think. However, organizations have not yet figured this out. Instead, they jump unprepared into efforts to improve ethics and organization performance, over-complicating the process, oversimplifying it, fragmenting it, customizing it to death, faking it, and spending frightening amounts of money to do so.

We have all heard that successful organization transitions involve cultural change. We nod our heads "yes." Yet we don't really understand. In truth, we don't really want to understand. In most cases understanding would present an overwhelming challenge and we are already overwhelmed. So we fudge it. We go through the motions. We do make some changes but they are isolated, more superficial than foundational. We paint the room a lighter shade of blue to make it appear bigger rather than actually knocking a wall out. And we get away with it, at least in the short run, because our peers are not interested in knocking out walls either.

In the meantime, frustration levels in all segments of the workforce continue to rise as the company is forced by market conditions to focus increasingly on the numbers and decreasingly on the human side—the ethical side of the equation. Management experts say that empowerment, sharing information, and decision-making authority lead to improved ethics, but we follow our gut instinct instead. We tighten controls and spell out ethical requirements more specifically. We depend increasingly on threat and punishment to improve the situation.

And the problem starts at the top.

THE SOURCE

As an advocate of the systems approach I find it interesting that most companies periodically require lower-level employees to sit through ethics training. However, I have also observed that the real problems do not originate with these workers. Rather, most of the real ethical problems originate further up the hierarchy. Has the reader ever heard of an executive corps being required to attend ethics training? I haven't. Anyway, it would be a waste of time. Usually the problem is not with individual executives. Rather, the problem is with the management philosophy they are weaned on or with the management processes they have designed.

Executives and other managers do not warp this philosophy and these systems intentionally. Rather they frequently do not understand the ethical implications of design decisions. Or they *do* understand the implications, they know the effect these decisions will have on the activities of employees but cannot come up with a better alternative.

A factor further complicating the situation is the current, sharp disagreement concerning who ultimately should be in charge of defining what is ethical, defining what is acceptable, defining what is "right." This disagreement is not new to corporate America but has been escalating in recent years as employees have begun demanding more autonomy. It now seems to be coming to a head in light of Enron, Adelphia, Communications Martha Stewart, Tyco International, WorldCom, etc. and is the source of a great deal of confusion.

Traditional "bosses" continue to believe that they should do the defining in terms of what is right. These bosses view employees mainly as another set of machine parts to be manipulated in any way necessary to increase *efficiency* and to improve the bottom line. This philosophy is epitomized by "tough guys" such as Albert J. Dunlap, better known as "Chain Saw Al" who, according to the *New York Times* article, "Sunbeam Board, in Revolt, Ousts Job-Cutting Chairman," laid off about 20 percent of the workforce at Crown Zellerbach, one third of the workforce at Scott Paper, and more than 6,000 at Sunbeam before being fired.[1] Note that Dunlap was not fired because of his tactics but because he didn't produce the promised bottom-line results. In his book, *Mean Business,* Dunlap states, "If you see an annual report with the term 'stakeholder' in it, put the report down and run, don't walk away from the company... Companies such as these make major decisions that are more in tune with employees and the community than with stockholders... Employees are stakeholders, but they don't deserve rights the way shareholders do, unless they've invested some money in the company. We've gone way overboard in creating rights for everybody, and companies have been pulled into that mess... They keep thousands of people on their payrolls even when they clearly cannot afford such largesse and are putting the entire operation at risk... If you're in business, you're in business for one thing—to make money."[2]

These bosses are currently being confronted by a growing band of others who are thinking more in terms of *effectiveness* and who realize that the key to success is bringing the employees Mr. Dunlap feels such disdain for, to life. One side of the disagreement is held by the tough guys, such as Al Dunlap, who are locked into the "growth ethic" mentality and can think only in terms of *quantities* and *value-free* numbers (excluding the human values that shape the ethical climate of an organization). The other side is represented by managers moving toward the "development ethic" (which includes growth but also much more) who are beginning to think more in terms of *quality* and the importance of *value-full* employees to improved performance.

The confrontation is between the tough guys featured in a recent issue of a popular business journal who received recognition because they had the guts to wade into troubled company waters, take matters into their own hands, make the hard decisions, and cut hundreds or thousands of jobs; and the growing number of "not-so-tough" managers that Tom Peters talks about who instead see employees as the answer to the company's economic success, as a largely untapped reservoir of potential.

Finally, in the worst-case scenario, the confrontation is between the "me-I" egoists and the "we" leaders. The "me-I" managers see efforts to improve their organization's ethical climate, modernization efforts, quality improvement efforts, and reengineering efforts mainly as ways of demonstrating personal superiority. Such efforts provide ways to show the world that the managers are once again out ahead, on the cutting edge. The "we" managers are those who understand that in order to succeed such efforts require leaders who are willing to step back and to share the spotlight with their workforce.

It is relatively easy to tell these two groups apart. First the "me-I" bosses tend to be workaholics. They are driven to succeed, to win. They never stop competing. They have to beat everyone on the block. I do not know whether the cause is genetic or environmental but these people are unrelenting. The company is their lives; everything else is secondary. The worst part is that they expect and frequently demand that other employees demonstrate the same priorities. They look for lieutenants who have complete faith in their commander's judgment and who will leap to obey orders.

A second common characteristic is that "me-I" bosses overpay themselves. This group believes they deserve more dollars than anyone else because they make all the decisions. They believe they deserve continual salary increases despite the fact that the company (once you get past the hype and short-term number juggling) is not really doing too well. The "me-I" bosses firmly believe that they work harder, contribute more than anyone else, and therefore, earn what they are paid. The other side of the coin is that such outlandish salaries are one of the few success symbols "me-I" bosses enjoy. They cannot count on the workforce to applaud. They are not liked or respected by their employees. Feared, perhaps, but not respected.

As a result of this relationship, "me-I" bosses characteristically tend to spend as little time as possible with employees. When they *do* make business-hour appearances the purpose is to reaffirm the fact that they are in charge, not to win friends. The people they want to spend time with are other growth-oriented executives so they can compare salaries and numbers, so they can reinforce the belief that because their numbers are bigger than everyone else's, they have succeeded. Growth-oriented bosses also like to hang out with the Wall Street crowd. These people talk their language and are the key to realizing their wildest dreams in terms of compensation. If someone is called a "darling of Wall Street" you can be sure they're on the "me-I", growth-ethic side of the fence.

A fourth general characteristic of "me-I" bosses is that they like publicity and believe they deserve to be the organization's spokesperson. When an announcement is to be made, they make it. They are the ones who get interviewed. They are the ones who tour the country touting the success of their organization's change effort, even though it isn't really succeeding. Again, because they are not very popular in the workplace and because their personal lives have frequently atrophied, such recognition is critical to them. It helps them maintain the belief that they are successful.

One last characteristic is that "me-I" bosses are often consummate politicians. They spend a lot of time schmoozing. They are extremely good at networking. They belong to the right clubs. They sit on the right boards. They know whose support is needed to become more powerful and they know how to gain it. Everyone is a pawn in their game and they are the master, sliding about the board, manipulating, flattering, and bullying without any doubt or hesitation. They also tend to be paranoid. As a result, they are the most cunning and ruthless of street fighters.

Are "me-I" bosses considered unethical? Not by most accepted criteria. They might be disliked, but their behavior is not necessarily unethical. They are playing according to the rules introduced more than 100 years ago. At that point in history the concept of *laissez-faire* economics was introduced saying that *if we encourage every individual to pursue his or her own selfish interest, with as few restrictions and as little regulation as possible, society will benefit the most*. The workplace, therefore, should be viewed as an every-man-for-himself, dog-eat-dog arena where the strongest (the most ruthless?) feed off anyone they need to, jungle-style, in their rise to the top. In essence, you do what it takes to win.

BRINGING THE DARK SIDE TO LIFE

Now let us tie all this together into a fictional "me-I" boss so that we can gain a more focused perspective in terms of ethics. We will call our tough guy "Stanley." Stanley took over a Fortune 500 company several years ago that was in serious financial trouble due largely to increased foreign competition and the company's inability to adapt to a changing market environment.

The first thing Stanley did upon assuming command was to begin downsizing. He wanted to show rapid improvement in the bottom line by reducing salaries. Stanley, however, did not downsize all at once. Instead, he let it be known that everyone was expendable, then fired people whenever he felt the need. He said that his decisions were based on performance, although he was rarely present to see what employees were actually doing. When Stanley did make appearances it sent shock waves through the troops. He was known to throw people out of meetings when they disagreed with him. He was known to bawl out workers on the factory floor in front of peers, even to fire them on the spot to make a point.

When Stanley got an idea and wanted to discuss it, he did not hesitate to phone anyone he wanted as listeners, day or night, telling them where to meet him and how many minutes they had to get there. Intimidation was obviously a key ingredient of Stanley's management style. In part it was necessary because of the unreasonable situation he had put his employees in. He had cut staff mainly to improve the bottom line, not just to get rid of fat, so he had cut a lot of "muscle" away too. Employees able to quit and find new jobs on their own did so. The result was that the workload for those remaining increased tremendously. Stanley announced that the employees he favored would be those willing to work twelve hour days and seven-day weeks.

Stanley's need to succeed was compulsive. He was at the office constantly. He had little family life. If Stanley was willing to sacrifice his family life and perhaps his health for success he was certainly willing to sacrifice his workforce. The severance packages awarded to those laid off were one example of this willingness. At first the packages were reasonable, based on years of service and such. But then Stanley decided the company could not afford this expense and instead of laying employees off directly, he gave them a two-year, unpaid leave of absence. If they found another job during this period and were eventually called back, they lost their package. Most employees, of course, were forced to find another job. Most received calls shortly after doing so to come back, thus losing their package.

Despite, or more likely due to Stanley's efforts, the fortunes of the company continued to deteriorate. Eventually he and several Wall Street buddies decided that the best alternative was to buy it. Several years later, after the numbers at least had improved, this group of associates and shadow figures sold the company. Stanley made millions. And that is just the sad part of the story. The really sad part is that during this same period Stanley became a respected leader in the community. When Stanley was not at work, he was attending meetings. Stanley was a tireless go-toer. Or he would gather Rob and Stu and Jim together for a discussion over breakfast, gradually surrounded himself with a core of like-minded "me-I" guys, using these associates in tandem with well-placed but relatively small donations to help convince other community leaders of his eagerness and ability to guide their futures. His picture began to appear regularly in the local newspaper showing him introducing or discussing his latest project. Eventually he began lecturing wherever he could find an audience. One of his topics was the need to improve organizational ethics.

Despite the reality of his career, despite the obvious hypocrisy, despite the fact that most of the projects he took control of produced little besides more time in the spotlight for Stanley, a majority of the townspeople bought it. What we have here, once again, is the old story of the emperor's new clothes. People wanted to believe in Stanley because by laissez-faire standards, by the economic standards that businesses in the United States have been suckled on, he had succeeded. There were, of course, also plenty of less sophisticated gawkers in the crowd, current employees and ex-employees who saw that the regalness was merely a façade and sometimes said so. However, they said so in whispered voices hushed by fear of the retribution that would inevitably follow if they were heard.

So Stanley went happily on his way. He was now a "me-I" boss in his community as well and ran it basically the same way he had run his company, surrounding himself with loyal lieutenants who jumped to do his bidding, bullying or trying to discredit those who dared to oppose him. Eventually, however, the inevitable happened. People began to look beyond the talk and to realize that despite all the meetings, despite all the publicity, despite all the new efforts, very little of value was actually materializing. Stanley began to lose credibility. When he realized that fame and control were slipping away our hero took it with uncharacteristic, philosophical nonchalance. During an interview, when a reporter mentioned that people were beginning to suspect that his own agenda was more important to him than the community's Stanley simply shrugged his shoulders and said, "I'm about to retire. Why should I care?" Then he gathered up his millions and moved to Florida, perhaps to find a new challenge there.

LOOKING AT THE OTHER SIDE

Sound familiar? We all knows Stanleys, or milder versions of Stanley. Most of us do not like them, and do not want them for leaders. But they are going to be difficult to get rid of until we develop an appropriate standard by which to judge management's behavior. The "me-I" bosses have played by the rules and won. They have proven themselves the toughest of the tough. And they will not be denied.

So, once again, is their approach, or their attitude unethical? Stanley was a "winner" by currently popular standards. He did not break any laws, or at least none that can be proven. The public seemed to accept his behavior, even to honor it. However, there are still nagging doubts in the back of our minds. The way he won doesn't seem quite right for some reason.

Now let us move to the other end of the spectrum to talk about the not-so-tough guys who treat employees like human beings, who offer employees respect, who do not feel the need to dominate, and most amazingly, who allow their own success to be dependent on the character and expertise of their employees. In this instance we do not need to make up a fictional character. There are a growing number of live ones around who easily fill the bill. My count includes the top-level management of Motorola, W. L. Gore, Solectron, Harley Davidson, Semco, Men's Warehouse, Wegman's Food Market, Johnsonville Sausage, and L. L. Bean.

This list, fortunately, is getting longer each year. Perhaps the most prominent characteristics shared by these leaders are their inherent or learned respect for employees, their respect for employee potential, and their belief that management is responsible for facilitating the realization of that potential. Ralph Stayer, the CEO of Johnsonville Sausage, said that he believes it *immoral* for business leaders not to allow and encourage employees to develop their talents as fully as possible. And although what Stayer said may sound altruistic, it is not. Instead, in terms of effective management, it is good common sense.

The Hawthorne Study is the best-known of many such management studies proving beyond a doubt that people make more of an effort and accomplish more when they feel they are part of the team, when their opinion is sought and listened to. Employees try harder when management trusts them enough to couple authority with responsibility, when management identifies and addresses their needs in return for them working to meet the company's needs.

And, again, this attitude is not new. Not-so-tough-guys have been pop-