Why good people sometimes do bad things:

52 reflections on ethics at work

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Introduction

Why do even the most honest and conscientious employees sometimes go off the rails?

What pushes upstanding and intelligent managers over the edge?

What causes benevolent organizations to lead their customers, employees, and shareholders up the garden path?

These questions of the twists and turns of right and wrong in the workplace are intriguing, frightening, and more timely than ever.

Firstly these questions are *intriguing*. How do trusted people and organizations become cheats? Not just once, but repeatedly and systematically. What motivates and possesses them? What explains these twists and turns? How come factory workers went so far as to regularly bind a colleague naked to a push cart and push it through the production room as a joke to lighten the mood? How did a manager, having skirted around environmental regulations year after year to the benefit of his employer, eventually reach a point where he was able to boast about it? How did a director come to pay a customer under the table, by way of friendly service, and still tell the tale dry-eyed? What led teachers to the point that they announced with pride that they had boosted their students' grades so that they could graduate quicker? And what inspired Jeffrey Skilling, president of American energy company Enron, bankrupted in 2001 because of the biggest case of accounting fraud in history at the time, to say shortly before its downfall: 'We are doing something special. Magical. It isn't a job – it is a mission. We are changing the world. We are doing God's work.' They did indeed change the world, as it is partly due to this fraud case that the Sarbanes-Oxley Act was introduced, an Act which had implications for the governance of companies worldwide.

These observations on the behavior of 'good' people, however, are also. If they unconsciously and unintentionally do wrong, then you and I might also dupe others without knowing it, overlook important matters, and miss the point entirely. This is scary because it means that when we think we are doing the right thing the opposite might be the case. In spite of our good intentions, things may go wrong and we might even be forced to pack up and leave. Take, for example, the senior executive, celebrated one day and maligned the next, after it became known that he had been selling substandard products for years, in the genuine belief that he was offering customers a good deal. And what to think of the vendor who always made a big turnover, but was arrested after it became apparent that he had been fixing prices with the competition for years. He truly thought that this was normal and to the benefit of the economy. Then we have the chief financial officer who always achieved good financial figures, but had to pack his bags when it turned out he had been fiddling the books for years. He had actually been under the impression that creative bookkeeping was part and parcel of his organization's mores.

Unfortunately these questions regarding the behavior of people and organizations are *more timely than ever.* The recent financial and economic crisis has exposed the human factor in the inner workings of organizations as never before. Society thought it had organizations well in hand, with the Sarbanes-Oxley Act and various other legislation and governance codes, but fencing organizations in with procedures, systems and structures provides no guarantee that people will do the right thing. Indeed, it may well make matters worse (as we will see later in this book). Since the crisis, regulators have paid considerably closer attention to human behavior within organizations and what causes this behavior. Fields of study dealing with behavior within organizations, such as behavioral risk management, behavioral compliance, behavioral sustainability, behavioral auditing, and behavioral business ethics, have all been booming ever since. Organizations also pay more attention to behavior by investing in cultural programs, professional development, codes of conduct, and soft controls. The question underlying all these efforts and activities is what the explanations are for the behavior of people in organizations, and how we can use this knowledge and insight to protect ourselves and others from future disasters.

This book

For all those who work in or for organizations and for anyone dependent on them, it is essential to know what explains the good and bad behavior of people within those organizations. If we can explain this, we are better placed to judge, predict and influence both our own behavior and that of others. Social psychology offers a wealth of answers to the question of why people do bad things, some of them very surprising, thereby explaining the way in which social mechanisms influence the psyche and thereby people's behavior. This book therefore examines the reasons people succeed or fail at staying on track from the perspective of social psychology.

The book draws on both classic and recent experiments. In each chapter at least one experiment will be discussed. Although there is always something artificial about experiments, they offer the advantage that, with all other factors kept constant, the relation between a limited number of factors can be studied in detail. Both laboratory experiments and field experiments come under review, and are applied to current developments, issues and challenges.

This book consists of 52 short chapters in total, each of which can be read individually, but which also complement one another. The first eight chapters lay the foundation for examining the behavior of organizations and individuals. This introductory section discusses matters such as people's moral nature and how their environment influences their behavior.

The remaining chapters are organized according to seven factors which influence people's behavior within organizations. I discovered these factors in the course of my doctoral research, when I analyzed 150 different derailments within organizations. Since then, these factors have been tested in various studies. In a recently published article in an international journal I show, on the basis of a survey of managers and employees, that the more prominent these factors are, the less unethical behavior takes place at work. The factors are as follows:

1. *Clarity* for directors, managers and employees as to what constitutes desirable and undesirable behavior: the clearer the expectations, the better people know what they must do and the more likely they are to do it.

2. *Role-modeling* among administrators, management or immediate supervisors: the better the examples given in an organization, the better people behave, while the worse the example, the worse the behavior.
3. *Achievability* of goals, tasks and responsibilities set: the better equipped people in an organization are, the better they are able to do what is expected of them.
4. *Commitment* on the part of directors, managers and employees in the organization: the more the organization treats its people with respect and involves them in the organization, the more these people will try to serve the interests of the organization.
5. *Transparency* of behavior: the better people observe their own and others' behavior, and its effects, the more they take this into account and the better they are able to control and adjust their behavior to the expectations of others.
6. *Openness* to discussion of viewpoints, emotions, dilemmas and transgressions: the more room people within the organization have to talk about moral issues, the more they do this, and the more they learn from one another.
7. *Enforcement* of behavior, such as appreciation or even reward for desirable behavior, sanctioning of undesirable behavior and the extent to which people learn from mistakes, near misses, incidents, and accidents: the better the enforcement, the more people tend towards what will be rewarded and avoid what will be punished.

Finally, in chapter 52 an experiment is presented which explains how people deal with ethical dilemmas by means of a combination of the above factors.

The factors are not discussed exhaustively. The experiments discussed are, however, selected so as to illustrate important points in relation to the factors listed, and more importantly, are looked at from a different perspective, so that in reading this book you will gain a broad view of the significance of these factors for your own behavior, the behavior of others and the behavior of organizations. The parts of the book which address the factors are not all of equal size, because some factors are more complex than others, and some factors have been the subject of more interesting experiments.

Enough introduction, let us begin on what I hope will be a morally stimulating journey.

The context

The following eight chapters lay the foundation which enables us to better examine the behavior of organizations and individuals. We discuss the moral nature of people and the influence of the environment on their behavior. We shall see that concepts such as ‘right’ and ‘wrong’ are present from an early age and that the environment plays a significant role. This knowledge forms the foundation for examining in the rest of the book how organizations influence people’s behavior and how we can use this for good.

Chapter 1 discusses the fundamental question of the extent to which people are good or bad by nature. Chapter 2 shows that the goodness of people depends on the price one is prepared to pay for it. The question is then not so much whether a person is honest, but rather in what situation and to what extent. There is also the question of whether people are better able to resist big or small temptations. Chapter 3 shows that this is a nuanced issue. Chapter 4 then addresses the question of the extent to which people are helpful and altruistic by nature, and thereby do good, even when it conflicts with their own interests.

How we see people affects the way we treat them. Chapter 5 is about how we can set up a ‘self-fulfilling prophecy’: whether people do right or wrong depends in part on how we see them. Chapter 6 looks at the way in which our image of ourselves affects our own behavior and asks to what extent people are capable of self-knowledge. In chapter 7 it will become clear that we have our own prejudices, which distort our perspective and raise all kinds of problems. Chapter 8 finally examines the extent to which people’s environment influences their behavior. Here a distinction is made between ‘situational’ and ‘systematic’ influences.

1. Good or bad by nature? Empathy and sympathy

'We must stop seeing the people behind the counter as criminals.' These are not the words of a prison director or police chief. They are the words of a chairman of a big bank, and at a significant moment too: at the low point of the financial crisis in 2009. 'It's time we started trusting our employees and clients.'

What was up with this chairman? Had he completely lost the plot? Had he been living on another planet? Had the crisis not just exposed the fact that people are egotistical, and only out for themselves? Bankers had sold defective products on a grand scale to maximize their own bonuses. This was the quintessential white-collar crime, the greatest in history, according to the film *Plunder*: *The Crime of Our Time*. And according to United States president Barack Obama the cause of the crisis was 'excessive greed', which had been completely unjustified. Had this chairman understood nothing of the words of the American president?

In explaining and influencing people's behavior, we must first address a fundamental question: How do we regard 'people'? If the management of an organization see their employees and customers as criminals, then strict measures must be taken to keep them in check. Their freedom of action is restricted and supervision and control are intensified. The company quickly becomes a prison, with the management seeing themselves as the guards. The outside world, however, is bound to view the situation differently, seeing the directors as top criminals, and is therefore particularly keen to restrict their power.

As long as science has existed people have debated whether humankind is good or evil, and whether this is a matter of nature, or comes from upbringing, education and environment: the nature-nurture debate. Classical economic theories would have us believe that man is egotistical, and focused on satisfying his own needs. If we can choose, for example, between two products of the same quality, then we choose the product with the lowest price, because this is to our advantage. According to the English philosopher Thomas Hobbes (1588-1679), people are wolves: the bestial nature of man means that we are purely focused on our own interest. We are heedless of others and competitive to the core. We only behave socially and cooperatively out of a sense of self-preservation. Without the intervention of a higher authority there would be permanent war.

At the opposite end of the spectrum from Hobbes was the French philosopher Jean-Jacques Rousseau (1712-1778). Rousseau was of the opinion that people have a preference for good: 'Man is by nature good and happy; it is society which destroys original happiness.' According to Rousseau it is the corrupting influence of the environment, of society, which incites man to do wrong and therefore makes him unhappy.

The question as to who is right is not an easy one. Recent research by Kiley Hamlin and colleagues gives us a hint at the answer. They were interested in the question of the extent to which people are naturally able to distinguish right and wrong. Only if people can make this distinction can they determine whether they want to behave accordingly. In order to establish this, research was carried out among young children, because they are not yet fully formed.

In the study babies aged six months had a large wooden board placed before them. To the left on the board was a picture of a mountain. A wooden figure with two big round eyes then moved towards the mountain. The figure was controlled by the researchers on the other side of the board, out of sight of the baby. The figure tried to climb the mountain, but fell down when it reached half way. This happened again on a second attempt. When the figure climbed the mountain for the third time, another figure was added: the helper or hinderer. The helper also came from the right and pushed the figure to the top. The hinderer came from the left, from the top of the mountain, and pushed the figure down, so that it failed to reach the top for a third time.

Both figures were then placed in front of the babies on a tray. The researchers were curious as to which figure the babies would pick up. Would it be the hinderer or the helper? And what happened? In all cases the babies picked up the helper and left the hinderer. Even when the researchers varied the colors and shapes of the helper and hinderer, the results were the same.

According to the researchers this is evidence that people are capable of distinguishing right and wrong from a very early age, even before they can speak. We are able to determine what is good and what is harmful for others. Evidently we possess empathy from a young age. But not only that: we also have a tendency to choose the good. However limited the experiment may have been, and however primitive the distinction here between good and evil, this suggests we feel sympathy for what is good.

This positive observation is an important starting point for the rest of the book. If people feel empathy by nature, then that helps us to determine how we should set up organizations and how we can best do business and work together. It is then not just a question of imposing and enforcing (the so-called ‘compliance-approach’ of rules, controls and sanctions) but also, or even primarily, of cultivating what is already present in the seed (the so-called ‘integrity approach’ of virtues, reflection, and appreciation).

Was the chairman of the bank quoted at the start of this chapter a wolf in sheep’s clothing? Did he pull the wool over everyone’s eyes in pleading for management on the basis of trust? The research of Hamlin and colleagues does not provide support for this. What we can suppose is that he had not lost his childlike, positive view of the world.

2. What is my price?
Integrity as supply and demand

The book started on a positive note, and that's lucky, as we have some terrible examples to get through. The fact that people can tell right from wrong from a young age, and also have a preference for right, does not mean that they always do right. Wrong can sometimes be very attractive.

Before becoming president of the United States, Abraham Lincoln (1809-1865) was a respected lawyer in Illinois. One day a criminal came to him. 'I would like to ask you to defend me', said the man. Lincoln, who had a sneaking suspicion of the kind of person he was dealing with, replied with the question: 'Are you guilty?' 'Of course I'm guilty. That's why I want to hire you; to get me free.' 'If you admit guilt to me', Lincoln explained, 'then I can't defend you'. The man reacted with amazement: 'But you don't understand. I'm offering you a thousand dollars for your services!' Although a thousand dollars was a large sum of money at the time, Lincoln resolutely refused. The criminal replied, 'Mr Lincoln, I'll offer you two thousand dollars if you defend me!' Again Lincoln refused. In desperation, the criminal played his trump card: 'Mr Lincoln, you're the best lawyer in the area. I can't have travelled all this way for nothing. I'll give you four thousand dollars.' At that moment Lincoln flew from his seat, grabbed the man by his collar, dragged him out of the office and threw him into the street. When the man had stood up and pulled his clothes straight, he asked Lincoln: 'Why did you throw me out when I offered four thousand dollars? Why not for one or two thousand, or when I admitted guilt in the first place?' Lincoln replied: 'You were nearing my price!'

Apparently Lincoln's integrity had a price: he was 'for sale'. For a certain price he was prepared to throw his principles overboard. The question is whether everyone has a price. In order to answer this question, as in the previous chapter, we should perhaps start by exploring our innate qualities.

Michael Lewis and colleagues researched the extent to which people have an innate ability to resist temptation. For this purpose he took children of three and five years of age as his subjects. Each time a child was led into a room and asked to go and sit at the table. The researcher then walked behind the child's back to set up a large toy. He asked the child not to look around. They would be allowed to see the toy later. Having set up the toy, the researcher said that he needed to leave for a moment. On leaving he asked the child again not to look around. The child was now alone in the room and was exposed to the temptation of looking around. After a maximum of 5 minutes the researcher came back and asked the child whether he or she had looked.

38 percent of the three-year-olds said they had looked, even though this was not the agreement; quite a letdown. Lewis had, however, filmed the children when the researcher left the room. What did he discover? The footage showed indisputably that almost all the three-years-olds had looked. Only 10 percent had not. It turns out that most of the children who claimed not to have looked behind them were lying. Half of the children had therefore not only broken the agreement, but had also subsequently lied about it. What about the five-year-olds? They all denied looking behind them, while two-thirds had actually done so. So over time lying increases, though fortunately it seems so does the ability to resist temptation.

According to Lewis, lying begins with learning to speak. Of course the offense of looking around in the experiment and lying about it is pretty innocent in the scheme of things. No one was put at a disadvantage by it. It does, however, show that most people are unable to resist temptation by nature and that lying starts at an early age.

Lewis incidentally found that children with a high IQ lied more often. That does not bode well if it is people with a high IQ who hold positions of responsibility later in life. All the more so, since temptations also increase. At work there are countless temptations. It is quite a challenge to keep on the straight and narrow when major interests are at stake: that sorely needed contract that can only be won with a backhander, that fall in the share price that can only be avoided by slightly distorting the figures in the annual report, that mass lay-off that can only be prevented by temporarily skirting around environmental law, or the fiercely desired promotion that can only be achieved by sabotaging the other candidate.

The good thing about Lincoln was that he did not allow himself to be bribed. He knew his price and acted accordingly. When we know the price, which is established according to supply and demand, we can work out which situations we must avoid in order not to fall prey to temptation. If money burns a hole in your pocket, it would be wise not to take on a financial role. A reckless person would do best to avoid becoming a risk manager. Those with a tendency to lash out would do better to avoid stressful jobs. These are important matters. Because the same goes for both the economic market and the market of integrity: sold out is sold out.

The question is not so much whether people are honest, as how long and under what conditions, what temptations they can resist, and at what point they relinquish their integrity. As William Shakespeare put it, ‘For who so firm that cannot be seduced?’ Everybody has a price; the question is what that price is. Lincoln knew his price. Do you know yours? How much can you be bought for? And what is the price of people you depend on, or for whom you are responsible? How ‘price-elastic’ are they?

3. Bagels at work: honesty and dishonesty

Many company canteens are currently experimenting with self-service checkout systems. The classic situation forces employees, after selecting their meal, to pass a cashier before sitting down to eat. But a cashier costs money, and for that reason many businesses have converted to another system: employees must use a self-checkout system, without the involvement of a cashier. Some supermarket chains are also experimenting with this. Can people cope with the responsibility? In this case no large sums of money are involved, such as those that Lincoln was exposed to in the previous chapter.

The story of the 'bagel man', described by Steven Levitt and Stephen Dubner, is very enlightening. Out of the blue they received a call from a certain Paul Feldman offering his sales figures. Who was Paul Feldman, what did he sell and what did he have to show them?

Paul Feldman had worked for the Center for Naval Analyses in Washington since the 1960s. He had acquired the habit of buying bagels for everyone whenever his department won a new research contract. Because this proved popular with his colleagues, Feldman decided to bring some in every Friday. This quickly became a success, also attracting colleagues from other departments. Eventually Feldman was taking fifteen boxes of bagels to his office every week. To cover the costs he placed a money box with the price next to the bagels.

In the eighties, when new management took over, Feldman decided to leave and make selling bagels his profession. He went around offices in Washington with a simple proposition. Every morning he would put down one or more trays of bagels by the entrance to the canteen, and beside it a wooden box with a slot in which consumers could put money. It turned out to be a gap in the market. Within a few years he was supplying 8,400 bagels to 140 offices.

Because Feldman kept track of how much he picked up from each company, he collected interesting data and a fine experiment was created: stealing was simple, so the only thing that counted was the integrity of the consumer. In his old department takings were 95 percent. Everyone knew Feldman, so why wouldn't they pay? Feldman therefore blames the remaining

5 percent on carelessness on the part of his colleagues. But what was the yield when he made this his profession? When he began it was 91 percent, and that fell gradually over 20 years to 87 percent, although there was a 2 percent recovery after the 9/11 terrorist attacks. Only one money box was stolen each year.

The facts of the bagel man case show that, when it comes to paying for a bagel, most people act honestly. Clearly many people, once they have reached adulthood, are able to resist this small temptation. Nonetheless, one in seven people abuses the opportunity and does not pay.

It is therefore naïve to assume that everyone is always honest, even in small matters. Pinching a little piece of the pie, bending a rule once in a while, occasionally telling a white lie, just looking the other way for a moment, that's all it takes. Some companies that had decided to get rid of cashiers in their restaurants therefore changed their minds. Initially the payment behavior remained the same and in some cases even increased, but after a while standards dropped so low that the losses were greater than the cost of the cashiers. The trusted cashiers have therefore reestablished their place in these companies.

But are they really trusted? Research by Thomas Gabor and colleagues shows that cashiers too are only human. Researchers visited a shop as a customer, bought a newspaper for 30 cents, paid the cashier with a dollar bill, and walked slowly out of the shop, seemingly absent-mindedly, without waiting for the change. There was plenty of time for the cashier to call the customer back and give them their change. Still 16 percent did not, which incidentally fits in nicely with Paul Feldman's figures. Another study shows that in more than three-fifths of cases not giving change results from carelessness or sloppiness on the part of the cashiers, and in the other cases from dishonesty.

All this raises the question whether people are more prone to be dishonest when it comes to petty misdemeanors, odds and ends (where both the misdemeanor and the gain are small), or when it comes to serious transgressions (where both the damage and its fruits are significant). Is it easier to resist small or large temptations? Little research has been carried out in this area. An exception is research by Ephraim Yuchtman-Yaar and Giora Rahav. They had bus drivers in Israel give back too much change to passengers and varied the amounts involved. They found that the more change was given back, and therefore the greater the temptation for the