

Culture & Change
by Art Kleiner

The Bottom Line on Ethics

For executives who want to do good and do well, some long-awaited guidebooks.

Fast Food Nation: *The Dark Side of the All-American Meal* (Houghton Mifflin Co., 2001) is one of this year's best-selling books.

In a winking, post-modernish style, the book brings to light a range of labor, animal, health, and environmental abuses in the supply and production chains of McDonald's, Taco Bell, Pizza Hut, and other large restaurant chains. Author Eric Schlosser backed up his work with so much research that any meat eater or seller should have cause for concern. Indeed, the book's popularity should have represented a wake-up call to the industry.

But it didn't.

There was hardly a murmur from any fast-food executives and little sign that anyone in the industry had taken the book seriously. After all, McDonald's had already tried to serve a healthy hamburger. But consumers had rejected the McLean Deluxe. And most of the other abuses articulated by Mr. Schlosser — the contamination of meatpacking plants, for instance —

are so ingrained and habitual that no company could undo them unilaterally. For his part, Mr. Schlosser washed his hands of any possibility that this business could learn to reform itself. And his book offered nothing to help any manager who might try to change the system from within. Only government regulators, he argued, could stop the abuses described in *Fast Food Nation*. Given the American propensity for political gridlock, that would probably require a salmonella or *E. coli* epidemic.

To writers like Mr. Schlosser, the root of the problem is the profit motive. Businesspeople can't help but fall into exploitative patterns when they are driven by the need to raise surplus cash. But this perspective represents a limited understanding of the role of profit. In reality, when people in business take the need for social reform seriously, the *first* thing they need is profit — money to fund the extra investment it takes to replace old approaches with new and better ones. Any change in, say, the way meat is slaughtered represents just as much of an investment in innovation as

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the introduction of a new product line, and this cannot be sustained without some assurance of cash flow and profitability.

On the other hand, managers these days cannot whitewash or ignore the ethical abuses of their own industries. Those who do run the risk of finding themselves on the wrong side of an accusation, a protest, a lawsuit, or a moral battle with their teenage children.

More seriously, the more comfortable managers grow with the ingrained abuses of their businesses, the harder it is to make any changes, and the more vulnerable their companies become to uncertainties around the corner.

Dos and Don'ts

Imagine you are a McDonald’s executive committed to reforming the industry from inside. Given the fierce competition for every nickel, you already know that reform will not be easy. Where will you turn for help? There is a literature of business-ethics guidance that argues unconvincingly that “doing good” means “doing well,” and thus will benefit the bottom line. That argument may be true, but no one has ever systematically proven it. Un-

fortunately, in the absence of proof, these books tend to celebrate the imperfect efforts of a few visible proactive standard-bearers (such as Patagonia Inc. and The Body Shop International PLC) or a few individual ethical innovators within large corporate systems. By drawing up indiscriminate lists of examples to benchmark, and ethical “dos” and “don’ts” based on these cases, the business-ethics movement has made itself preachy, superficial, and hard to take seriously.

In the end, ethical perspective, like all forms of strategic awareness, can’t be learned through prescription. Business draws its vitality from the fact that the rules are always changing. (A powerful recent example is the battle over universal broadband service, in which the high road shifts, moment by moment.) If there were rules for high-mindedness in the fast-food industry, they would soon be broken — as soon as some new restaurant-chain entrepreneur realized there was a market to be won by breaking free of the truces and balances that all the other companies had agreed to follow.

In this situation, all a businessperson can do is act on hunches.

Some internal reformers try to chart an ethical course for their companies through alliances with nonprofits, through public relations campaigns, or by proclaiming a bold new goal with the hope of inspiring everyone’s involvement. But these efforts tend to get swallowed up in day-to-day pressures, because there are no reliable theories or tools to help businesses simultaneously do well and do good.

What might such theories look like? Three new books, coming from three very different directions, offer some clues. They suggest the types of changes that would have to take place — in the profession of management, in the measurement of business results, and within the hearts and minds of individual managers — for ethically oriented systems to truly take root.

Think Like Professionals

Good Work: When Excellence and Ethics Meet (Basic Books, 2001) is based on an extensive five-year study by research labs at Harvard University, Stanford University, and Claremont College. It suggests that business won’t truly be ethical until business management becomes a profession with the same kind of pedigree and code of ethics as, say, medicine or law.

The coauthors of *Good Work* are three of today’s most influential psychologists: Howard Gardner, author of eminent work on intelligence, leadership, and education; Mihaly Csikszentmihalyi, whose book *Flow: The Psychology of Optimal Experience* (Harper & Row, 1990) has been used as an argument on behalf of immersion in work as a vehicle for high performance and quality of life; and William Damon, author of *The Moral Child: Nurtur-*

ing *Children's Natural Moral Growth* (Macmillan, 1990) and spokesman against the “self-esteem”-style of indulgent child rearing. In the early 1990s, these three individuals decided to investigate the slippage of ethical standards in the culture at large in America, particularly in the professions they knew well: law, medicine, theater, higher education, and philanthropy.

They chose two professions to examine in detail: genetic research and journalism. They interviewed practitioners in depth about the reasons for the decisions they made and the ethical questions they faced. Their conclusion: One cannot be ethical in a vacuum. The heart of a profession is precisely those traditions, customs, and longstanding attitudes that become so ingrained that they prevent us from falling prey to destructive temptations.

One anecdote in *Good Work* portrays George Packer Berry, dean of Harvard Medical School in the early 1950s, lecturing incoming freshmen: “A profession is ... a code of behavior above the marketplace. You do not lie to your patients. You do not deceive them. You do not overcharge them, and you do not abandon them.” Similarly, in journalism, every editor and writer follows certain codes, such as the “Chinese Wall” between the newsroom and the advertising office. When these standards are violated (as they were at the *Los Angeles Times* a couple of years ago when a new publisher tried to harmonize the two sides), professional perspective is the last line of defense. This is why professionals seem so persnickety about their codes of conduct. When professionals become creative with their ethics, they immediately and visibly lose credibility.

Good Work deals with the ethics of corporate managers only in passing, which is a serious limitation in the book. The authors say that businesses will become ethical only when traditions are “embodied by teachers, mentors, or paragons whom you admire and from whom you have learned.” But business can never be a traditional profession like law or medicine. Why can't business follow Dean Berry's advice and stand above the marketplace? Because it *is* the marketplace.

Measures That Matter

The closest thing there is to a professional tradition of business ethics is, in fact, the discipline of accounting. *Counting What Counts: Turning Corporate Accountability to Competitive Advantage* (Perseus Books, 1999) represents a practical and valuable guide to business ethics, precisely because it focuses on the long-term impact of the measures that businesses use — and the measures they avoid.

The authors are a management academic at Rice University, Marc Epstein, and a veteran business journalist, Bill Birchard; they draw on a variety of approaches and systems for deepening understanding of the data generated throughout an organization. These approaches include open-book management and the Balanced Scorecard. Their particu-

lar contribution, however, is to portray ethics as an institutional infrastructure, above and beyond the judgment of any individual.

They do this by proposing a kind of ethical audit trail — not for professional auditors (like the “social accountability” standard SA8000, which tracks workplace and child-labor practices), but for ordinary managers. Like many such forms of reportage, this audit trail can be set up like a management checklist, in which case it becomes a vehicle for ensuring compliance, controlling people, making workplaces miserable, and driving out creativity. Or it can be set up as a system of inquiry, a set of questions through which managers can develop an ethical sensibility together.

To work through the chapters of *Counting What Counts* is to look

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freshly at the financial, operational, and social indicators through which businesses measure themselves — for instance, earnings per share, quality statistics, and employee turnover — with an eye toward the benefits of shareholders, customers, employees, and communities, respectively. The most unfamiliar measures, and the ones requiring the most thought, are the social measures: corporate reputation, the quality of education in communities affected by the company, and data on the diversity of the work force.

Underneath all of this is the basic question: As businesspeople, to whom are we accountable and for what? The answer that any company develops is probably less important than the simple act of taking the question seriously.

A Firm Persuasion

To assess the ethical implications of the numbers, however, a highly developed degree of personal awareness is required. Managers must look beyond quantitative reports, and, more importantly, beyond the superficial understanding of a subject that people consider acceptable when they are under pressure.

Hence the value of *Crossing the*

Unknown Sea: Work as a Pilgrimage of Identity (Putnam Publishing Group, 2001), poet and lecturer David Whyte's second book of essays for a corporate audience. Mr. Whyte's previous book, *The Heart Aroused: Poetry and the Preservation of the Soul in Corporate America* (Doubleday Currency, 1994), was self-important and irritating, but it was also popular with businesspeople, for good reason. It described the experience of work precisely as many people feel it: a place where it is difficult to be oneself.

Crossing the Unknown Sea goes deeper. It is an exploratory voyage, charting the inner resources available to people facing ambiguity, which, by definition, includes managers who have to make ethical decisions. It is particularly valuable for people who assume that their inner and emotional resources (and those of their colleagues) are unimportant. This is a guide for developing what the poet William Blake called "a firm persuasion," or the in-depth knowledge of the world that comes from cultivating a heightened sensitivity to everything around us.

We read of a Turkish water-utility executive who spends weeks helping his region recover from an earthquake. Amid this terrible tragedy, he wonders if he will ever feel so fulfilled again at work. We listen to one of Great Britain's most accomplished landscape architects describe how, facedown in the mud of a large window box during a fumbled suicide attempt, he finds his calling and suddenly becomes keenly aware of his future. And we experience the uncanny moment of a near-death experience from a freak wave on the Galápagos Islands, and the even more uncanny aftermath, when Mr. Whyte learns exactly how

much his fate depends on, of all things, his mother's intuition. The reader comes away from these stories with an appreciation for the unseen forces that exist in every life, influencing our trajectories, and an appreciation for the impossibility of controlling them.

Professional Soul

Corporate critics like Eric Schlosser and preachers of business ethics have the same basic problem: They attempt to make business better by controlling its behavior, through either punishment and government regulation (Mr. Schlosser) or advice, rewards, and recognition (the various books of guidance).

By contrast, books such as *Good Work, Counting What Counts*, and *Crossing the Unknown Sea* are more effective precisely because they teach us how to surrender — not to a higher power, but to an ongoing conversation with ourselves and the people around us. Muckrakers are important because they show us what the stakes are, but to meet the challenges they offer, we need help we don't currently have.

We won't find it in examples of other companies that have succeeded at ethical practice. We have to look for it in our identity as professionals, the language of our business, and our personal growth.

Ethics, in the end, is not something we do. It is something we become. If you want to change the industry you work for, you must start by finding a professional mindset that will allow you to measure results creatively, and learning to cultivate and follow your best instincts. +

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