

***Why Do Good People  
Do Bad Things? –  
The Challenge of  
Business Ethics  
and Corporate Leadership***

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**The Good News**

- **Most businesses, organizations, and government agencies are well-run by intelligent and ethical managers.**
- **Collins and Porras *Built to Last* conclusions**

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**The Bad News**

- **Enron, WorldCom, etc.**
- **HealthSouth**
- **Long Term Capital Management**
- **Columbia Mission explosion**
- **Etc.**

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## Why?

- "Good Old-Fashioned Greed?"
- Media coverage of bad news?
- Poor moral development of some managers?
- Poor ethics training in companies?

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## The problem or the excuse?

- Managing organizations is complex, difficult, and competitive.
- So good people get trapped into situations that make "doing the right thing" difficult, Or,
- It is not clear what "the right thing" is.

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## The "mind set" problem and role morality

- Eichmann
- Gioia
- "We have always done it this way..."
- The means/ends problem: "Achieving certain ends justifies the means."
- "It's just business...."
- Mafia Mentality
- Practical Constraints

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### Practical Constraints [or excuses?]

- **Uncertainty**
- **Lack of ability**
- **"Rambo mentality"**
- **Professional or role constraints**
- **Decision paralysis**
- **Institutional restraints**
- **Systemic constraints**

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### Other Reasons

- **The division of ethics from compliance**
- **The division of corporate social responsibility (CSR) from corporate moral responsibility**
- **Paucity of moral imagination**
  - **Individually**
  - **Systemically**

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## The Effectiveness of Ethics Programs

- Compliance programs w/o ethics programs are less effective at *compliance*.
- Corporate compliance improves when accompanied with an ethics program.
  - Trevino and Weaver, 2000
- Why, then, do ethics programs fail to prevent corporate moral infernos?

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## CSR—an add on?

- Is serious business conduct different from CSR?
- Is CSR an add-on?
  - “nice to do...”
- Externally directed?
  - Charity, philanthropy, citizenship
  - Enron, HealthSouth, and Adelphia Cable

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## The Connect--

- Business conduct, CSR and CMR are all “of a piece”—the same piece---
- What IS a corporation’s CSR?
  - To avoid increasing harms
  - To create value-added
  - To do what it does best
  - To envision CSR/CMR as standard operating procedures---all the way through

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## An Example: Exxon/Mobil

- **Merger of two old oil companies**
- **CSR: Opera, symphonies, Mobil Masterpiece Theatre, etc.**
- **Past "history" of CMR:**
  - **Valdez; Mobil in Kazakhstan**
- **Chad/Cameroon: \$3.5 billion cost**
  - **ROI: \$5.7B**
  - **\$2b for Chad, \$½ b for Cameroon**

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## ExxonMobil in Chad/Cameroon

- **Exemplifies placing ethics before compliance**
- **Exemplifies linking CSR with CMR**
- **Exemplifies moral imagination and a systems approach**

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## Moral Imagination

- **The ability in particular circumstances to discover and evaluate possibilities not merely determined by that circumstance, or limited by its operative mental models, or merely framed by a set of rules or rule-governed concerns.**

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## Moral Imagination

### Moral imagination includes:

- Self-reflection ("What's going on here?")
- Evaluation of operative mind sets
- Questioning roles
- The ability to translate and project personal integrity into management strategies and decision-making
- Asking questions of "standard procedures"
- Constructive change

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**A truly systemic view thus considers how...[a company]...operates in a system with certain characteristics. The system involves interactions extending over time, a complex set of interrelated decision points, an array of actors with conflicting interests, ...and a number of feedback loops. ...**(Wolf, 1999, 144)

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## *A Systems Approach*

### Stakeholder networks

- Facts of "the story" from different perspectives
- Evaluation of stakeholder perspectives, values, & accountability
- New models & fresh thinking

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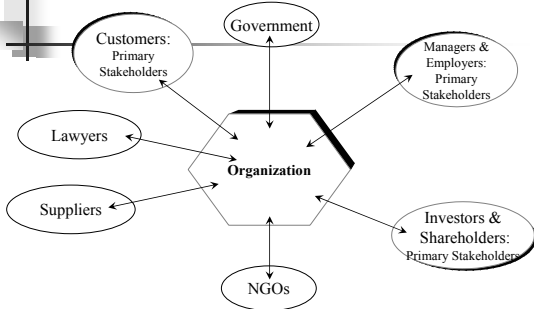
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# Standard Stakeholder "Map"



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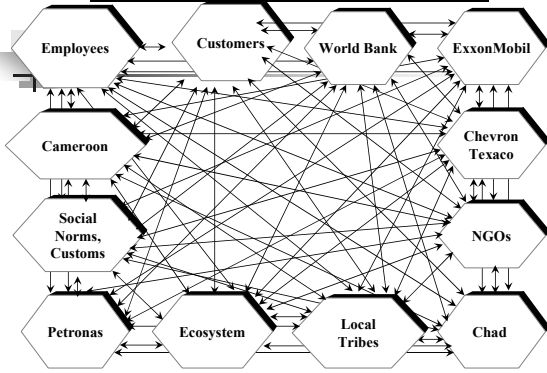
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# ExxonMobil Stakeholder Networks



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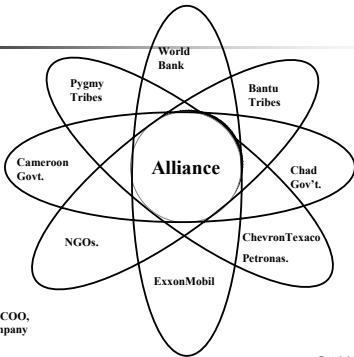
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# An Alliance Model



Model Courtesy of  
Mary Ann Leeper, COO,  
Female Health Company

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**"[t]his project could transform the economy of Chad....By 2004, the pipeline would increase Government revenues by 45-50% per year and allow it to use those resources for important investments in health, education, environment, infrastructure, and rural development, necessary to reduce poverty."**

([www.worldbank.org/afr/ccproj/project/pro\\_overview.htm](http://www.worldbank.org/afr/ccproj/project/pro_overview.htm))ne

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**But.....**

- Chad government: no rule of law
- Disease, etc. through exploration
- Adequate compensation for the tribes?
  - Bush meat
  - Traditional cultures
- Environmental damage?
  - Rain forest, etc.

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**"The Chad/Cameroon project is not the help we asked for or needed. In the absence of the rule of law and respect for human rights [in both countries] and the environment, financing of large-scale development is destroying the environment and us."**

**--Archbishop Desmond Tutu**

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**"The project is expected to deliver to markets for consumption 800-1,000 million barrels [of oil] over the 28-year production life of the fields. However, given existing consumption levels, this supply of oil is expected to have a minimal impact, if any, on the global level of oil consumption."**

(World Bank AFTE1, 2000, 76, my emphasis)

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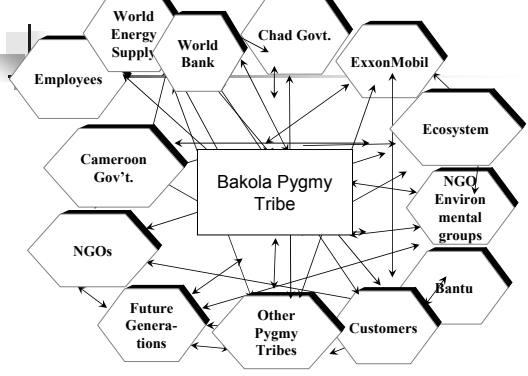
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### Rights & Obligations Network



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## Is ExxonMobil really thinking "out of the box?"

- **Would \$3.7 billion (the investment in Chad/Cameroon) be better spent on new energy exploration?**
- **Are the trade-off losses to Chad and Cameroon balanced by this long-term investigation?**
- **What IS Exxon/Mobil's CSR/CMR?**

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