Business Ethics:

A View From the Trenches

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Research and writing in the field of business ethics typically takes the viewpoint of a senior executive or, on occasion, a middle manager. But aside from several questionnaire-based studies, there are no in-depth examinations of how young managers[1] define ethical issues, think about them, and resolve them. This article aims to remedy this skewed perspective. In essence, it sketches a picture of business ethics as viewed not from the generals' headquarters, but from the trenches.[2]

The conventional wisdom and practice of management business ethics is now familiar. Well-intentioned business executives rely on some mix of corporate credos, statements of their own convictions, ethics hotlines, ombudsmen, and training programs to set the ethical standards for their organizations. Scholars study deviance, corporate crime, and the effectiveness of efforts to shape a company's ethical climate. In business ethics classrooms, students learn the basic principles of utilitarianism and deontology and practice applying them to contemporary management dilemmas such as affirmative action, pollution, layoffs, and take-over battles.

The view from the trenches is very different, and it offers little comfort for senior executives who are trying to implement corporate ethics programs, for academics developing philosophy-based approaches to business ethics, or for those who hope that communitarian values will soon take root in corporate soil.

This article, which is based principally upon in-depth interviews with thirty recent graduates of the Harvard MBA Program, reveals several disturbing patterns. First, in many cases, young managers received explicit instructions from their middle-manager bosses or felt strong organizational pressures to do things that they believed were sleazy, unethical, or sometimes illegal. Second, corporate ethics programs, codes of conduct, mission statements, hot lines, and the like provided little help. Third, many of the young managers believed that their company's executives were out-of-touch on ethical issues, either because they were too busy or because they sought to avoid responsibility. Fourth, the young managers resolved the dilemmas they faced largely on the basis of personal reflection and individual values, not through reliance on corporate credos, company loyalty, the exhortations of senior executives, philosophical principles, or religious reflection.

Ironically, however, while many of the interviewees described their experiences as difficult or even traumatic, many believed they learned important lessons about themselves and the world of work. In particular, they came to see themselves even more clearly as self-reliant, mobile, autonomous moral agents in an intensely competitive, sometimes unethical business world.

The thirty young managers interviewed for this study had all taken an elective course on business ethics and had written papers about ethical dilemmas they had faced in their first jobs. These young men and women-and, most importantly, the disheartening answers they gave to our questions—seemed typical of young management candidates. Two-thirds of the interviewees were men and one-third women; four of the thirty were African Americans. Half of the students, at the time of the incident they described, were working for commercial or investment banks, or consulting, accounting, or advertising firms. The young managers' views of organizations, senior executives, and the pressures of management life confirm what several large-sample, questionnaire studies of young managers have found.[3] What the in-depth interviews add, however, is an understanding of what lies behind the questionnaire results.

"Just Do It"

The young managers described a variety of situations. For example, a management trainee at a well-known consumer products company was told by his boss to make up data to support a new product introduction. When he began to object, his boss cut him off and said "Just do it." A young financial analyst had calculated that the return on a significant investment at a refinery was approximately 12%. His boss explained to him that no project could be approved without a 25% return and told him to redo his numbers and get them right. In other situations, young employees were asked or expected to overlook kickback schemes, fill out time sheets inaccurately (at consulting and accounting firms), overlook safety defects in products, ship products that clearly did not meet customer specifications, or find ways to fire employees in violation of company policies. In several cases, young women reported that they were victims of sexual harassment, sometimes by their immediate superiors, and that they were later expected or asked to acquiesce in cover-ups of these incidents.[4]

For most of the young managers, such situations proved to be "wake-up calls"—difficult, sometimes traumatic learning experiences in both personal and professional terms. One young woman, once she realized what was happening to her, said that "her body felt as if all the life had been drained from it. . . . I felt as if I were in a dream and trying very hard to awaken, but to no avail." Other interviewees used these phrases: "I felt as if I had been physically punched in the stomach," "It was shattering," "I was white-knuckled incensed at this slap in my face." Most of the interviewees said that they frequently recalled the episode or thought about it whenever they confronted another difficult ethical situation. In general, the interviewees believed that the situations they faced were crises in their careers and important tests of their character.

Despite these strong feelings, the young managers were not cynics and did not blame the flaws of human nature for their predicaments. Few of them believed that the people who pressured them to act unethically were evil. Some, they believed, had been promoted according to the Peter Principle and had responsibilities they could not handle; others were facing personal difficulties; many were themselves under intense organizational pressure.

Indeed, most of the interviewees had optimistic views of human nature. For example, one of the interview questions asked "What percent of people do their work honestly? What percent are sleazy? What percent are in between—they want to be honest, and basically are, but may need help?" A strong majority of the interviewees said that only a few people in their companies were fundamentally unethical.[5] A clear majority believed that organizational pressures—not character flaws—had led people in their organizations to act unethically. This was a typical comment:

> "I fundamentally believe that all people want to do their jobs. I've met very few complete sleazes—50% to 60% try real hard, 2% to 3% are sleazes. And then there's the muddy people. These are people who started in the first group, but have been beaten up, or presented with an opportunity to do something sleazy."

Four Commandments

The young managers believed, in effect, that the people who pressured them to act in sleazy ways were responding to four powerful organizational commandments. First, performance is what really counts, so make your numbers. Second, be loyal and show us that you're a team player. Third, don't break the law. Fourth, don't over-invest in ethical behavior. Taken by themselves, the first three commandments are hardly immoral. But while they are almost certainly necessary for a successful organization, they are hardly sufficient for creating an ethical or responsible one, especially when a fourth powerful norm encourages sleazy behavior.

The first three commandments were described by the interviewees in the following ways:

> "There was always pressure to demonstrate that you weren't out of line with your budget. Management took notice of this and had severe action plans if you were spending too much, or weren't spending enough."
>
> "I felt that the code was you do what you have to in order to satisfy client needs. Period. If it was illegal, not just unethical, they wouldn't tolerate it."
>
> "There's the big benefit of being viewed as a team player, someone who is concerned with making sure that the company remained profitable."
>
> "[Ethics are] not a high priority of theirs. They're interested in making money. Either you're on the team and producing, or you're not. That's it."

Many of the interviewees shared the same view of how these organizational pressures worked. Intense competition was the starting point. Clients, customers, and competitors demanded ever lower costs, higher quality, and faster action. One interviewee said, "These pressures are translated straight through the organization." Another said, "There was so much revenue pressure. . . . There was this aura of pressure around everybody." Another added, "It was a tough place to work. . . . The stress level at this office is so high that three of the partners have died in the last five years. These were guys under 35!" One interviewee, speaking from the perspective of the military, said:

> "Because of the downsizing in the military, and because everything you do has such an impact on your evaluations, I think one of the dangers we face is that people are going to take the easier wrong, rather than the tougher right because they are very worried about their careers. This is especially true for young officers. In the past, they could make mistakes without having it become a career-stopper. Today, make a mistake and you're gone. . . . Because your boss is also worried about his job, there is a lot of pressure on people at the lowest levels to make things happen. So they are doing things they might not otherwise do."

Whether and how a young manager responds to the three commandments is crucial. The interviewees believed that a young manager's reputation begins to take shape very early in a career. The "grapevine" lets others know who makes his or her numbers and whether someone is a candidate for the fast track and a team player. Personal reputation is, in effect, a brand name to be carefully developed and safeguarded. Bosses have power not because they can threaten to fire or demote people, but because they can damage or strengthen these reputations. One young manager, who persistently called attention to bogus numbers that her boss insisted on using, reported that:

> He started treating other people better. He wasn't on my side anymore, and you needed him on your side to do things. He wasn't my buddy anymore. . . . There were other cases of this. He did it by acting like you weren't that smart anymore. It made it really difficult to get the kind of support you needed to be a really top performer."

The young managers believed that their bosses, who were typically middle managers, confronted the same basic commandments but with ever more acute pressures.[6] Taken together, the following quotations present a composite picture of middle management life as viewed from the trenches:

> "I really feel for people who are middle management, with a wife and four kids, under financial strain. . . . You see it happen all the time, that people are indicted for fraud or larceny. You can empathize with their situation. The world is changing fast. And a lot of people have been blindsided by it—so they've done things that they don't like. I can't say that will never happen to me. It's easy for me as a single person . . . but when you're desperate, you're desperate."

> "[My boss] was not willfully unethical. It was the pressure of the time. . . . I have no idea what pressures were on him to drive the project. It probably wasn't [his] initiative to fudge the numbers. There may have been a good intention at some point in the organization. But as it got filtered through the organization, it changed. Some executive may have said, 'This is an interesting project.' Unfortunately this got translated as, 'The vice president really wants this project.' This sort of thing can happen a lot. Things start on high. As they go down they are filtered, modified. What was a positive comment several levels above becomes 'do this or die' several levels down."

The first three commandments become troublesome when coupled with the fourth: don't over-invest in ethical behavior. In fact, two of our interview questions revealed strong pressures to act unethically. One asked, "Do sleazy people get ahead faster or slower?" Only a handful of the interviewees responded with unambiguous "no's." In essence, only a few believed that sleazy behavior was a drag on a career in their organizations. In other words, only a small minority believed that "ethics pays" in terms of career advancement. A larger number had firm convictions that sleazy people progressed faster. This was a typical comment:

> "It depends on how smart they are. If they're smart, they get ahead fast. If they're not smart, they get caught and they get fired, or they get ahead more slowly."

The majority also believed that sleaze advanced careers, but they qualified their comments. Most of them believed that sleazy behavior involved significant risks, particularly in the long run. The remainder simply believed that ethical behavior made no difference.

We also asked about whistleblowers. Less than a third of the interviewees believed that their organizations respected or encouraged whistleblowing. A similar number were unsure how whistleblowers would be treated, and the other interviewees believed that whistleblowing was dangerous:

> "If I had been a whistleblower, nothing positive would have happened. The senior VP who was harassing me would have undermined me. I knew someone else who had complained . . . and he gunned for her. I don't remember anything else. This woman was forced out . . . and people were warned off. It was terrible."

> "I've had a few experiences. In the Army—fraud, misuse of government property—they always lost, and lost big. People always encouraged them to do it. But in every case they were hung out to dry. Then the people who encouraged them

backed off. The whistleblowers are devastated by the experience. Some will never recover. I would never recommend that someone be a whistleblower."

The interviewees' own experiences underscored the more pessimistic views. Only a handful (one in ten) reported that their supervisor or the promoter or perpetrator of the unethical activity they confronted was seriously punished.[7] Several expressed deep concern that no action was taken:

> "Nothing ever happened to him. I felt bad, because I heard he went after other people, too."

> "It's really awful that there was no resolution. Who won? I didn't. I had to leave something I loved. He didn't. That's the weird part of all of this. He was stripped of his client responsibilities in _______; that's how we kept this client. He couldn't be fired, but he was made a research partner—ironically enough, he was supposed to deal with the most technical issues. He is still with _______, but in a different office. He left before I came to HBS, which contributed to my belief that the firm was a good place. I thought he'd been fired until I got back. That's what I'd been told, because I'd threatened to sue if nothing was done. Now I question whether the whole thing was an attempt to keep me from suing—I even question my own mentor."

We also asked, "For what sorts of offenses do you remember your company punishing people?" We learned that the first "three commandments" typically drove the process of discipline. In essence, the young managers learned they could avoid punishment by doing their jobs, listening to their bosses, and not rocking the boat. Failure to perform, be a team player, or avoid gross transgressions such as stealing, lying, or drinking on the job was hazardous. Poor performance was the surest way of earning discipline. In contrast, unethical behavior was rarely mentioned.

When we asked the young managers "Did fear of punishment motivate you to do the right thing?", the answers were astounding. Only five interviewees said that they were more inclined to do the right thing because they feared the consequences if they did not. More than half of the 30 stood our question on its head. They feared the repercussions of doing *what they saw as "the right thing."* These were some typical comments:

> "There is a great deal of general fear of the partners. We had CLMs—Career Limiting Moves. That was mentioned to me in my first week at the firm. It was never defined. But whistleblowing was definitely on the list."

> "I've seen the opposite. In every organization, someone's been screwed for standing up."

> "No one was ever punished for sexual harassment. I had always heard that at companies in general your reputation would be lost if you created a stir about being harassed. I was very concerned that my own reputation would be besmirched. People would have seen me as a problem because it happened to me. I had always heard this."

> "I would have been punished. If I stood up, I would have lost my job."

> "If anything, I figured that by taking a strong stand I might get myself in trouble. People might look at me as a 'goody two shoes.' Someone might try to force me out."

In short, a clear pattern of implicit norms and values had taken shape in the minds of many of these young managers. This pattern is what we have called the "fourth commandment." In only a minority of cases did ethics seem to pay. Middle managers who pressed subordinates for sleazy or illegal behavior went unpunished. Whistleblowing was often a professional hazard. And sleazy behavior didn't hurt or even seemed to accelerate career advancement, especially in the short run and sometimes in the long run too.

Feckless Ethics Programs

Roughly half of the young managers we interviewed had worked for companies with a formal ethics program of some sort. In general, these ethics programs seemed to make little difference. Indeed, their impact was often described in terms like those that H.L. Menken suggested as an epitaph for Calvin Coolidge: "He did no harm and was not a nuisance." Only four of the interviewees whose organizations had formal ethics programs actually consulted them while grappling with the episode they described. Remarkably, three of these four were serving in branches of the U.S. military at the time and had been inculcated with the code of ethics from the age of 18, when they entered military academics. In short, only one young manager in a corporate setting actually tried to make use of a code of conduct or any other corporate ethics device.

The young managers were dubious about ethics programs for several reasons. The programs failed to address the issues commonly faced by young managers, other people in the organization paid no attention to them, and the principles espoused in the codes and programs seemed inconsistent with "what the company was all about." To the extent there was an implicit ethics codes, it reinforced the first three commandments—don't break the law, rock the boat, or fail to make your numbers.

> "There was a code of conduct you read when you came in. They were mostly based on legal issues—what you could and shouldn't do with customers. There wasn't a whole lot above that said. I had to sign a code saying I wouldn't take gifts from customers. But ethics weren't discussed with my group."

> "There was a formal code responding to statutory pressure [insider trading] at that time. Outside of that, there really wasn't anything."

> "There was an unwritten code of conduct. Don't steal. It's easy to do in a refinery. Operators who drove company vehicles around might fill up their gas tanks free. This was fine. Others, however, did it with their own cars. Others "borrowed"

tools. There was an unwritten code not to do this. No one ever commented to me about what you should and shouldn't do. It was just handed down."

Some companies tried to link ethics with the commandments to be loyal and perform well. One common approach was making a corporate code of conduct one plank of a "total quality" push. Another was to focus efforts entirely on "serving the customer," with a passing reference to the types of behavior that constituted ethical service. The young managers often expressed skepticism at the company's commitments to these hybrid efforts:

> "It's all part of TQM. We hired a company called ____. Five or six years ago, they started with us. The central part of the program is "THE BIG Q." This means doing the right things right, the first time. Our ethics "module" falls under the auspices of the big Q. When we're in Big Q training sessions, we talk about it. But it's only 1 of 15 things. It doesn't receive the treatment that I would hope it would."

> "As far as I know, there was nothing [no code of ethics]. Ethics had to do with clients. Protect clients interests. Client confidentiality. Serve the clients. I don't remember any other type of ethics statements. Just protect the client. That's paramount at _______."

Many interviewees indicted their company's ethics effort more harshly:

> "I saw it as total hypocrisy. The woman writing documents about total quality was now asking me to fabricate data!"

> "I'm cynical. To me, corporate codes of conduct exist to cover the potential problems companies may have. It provides deniability. It gives the employers an excuse. . . . The top officers can say, 'These employees messed up. They violated our way of doing business.'"

> "After the whole Drexel Burnham thing exploded, there was a push to codify ethics. A big-ass policy book came out. No one read it. People said, 'If we were doing anything illegal, we would have been caught.' Investment banking isn't like Johnson and Johnson with this phony-ass ethics stuff pinned to the wall. There may be a book. But I'll bet 90% of the revenue-generating professionals don't even know that it exists."

The handful of young managers who found themselves in cultures they believed to be ethical *did* respect their organizations' ethics efforts. In essence, what many young managers were criticizing were ethics programs that existed in vacuums. For them, the main value of these devices was confirming and reinforcing an ethical climate that already existed, not creating one.

Out-Of-Touch Senior Executives

The desire of young managers to work in companies with healthy ethical climates is hardly surprising. Most CEOs would like to preside over such organizations, and the difficult task, of course, is creating them. In general, the young managers believed that corporate cultures were set, not by the intentions and pronouncements of those at the top, but by their actions. The message for executives was that they were being watched all the time. One young manager said, "Never forget that there is not a moment that goes by when the people who work for you aren't looking at you and listening."

> "Most important: What many managers miss is that there is a very tight, silent, observational relationship between bosses and subordinates. Because subordinates want to be promoted and get higher pay and status. You want to offer people an opportunity to see good conduct in action—and to emphasize that this is part of how you got where you are."

Unfortunately, senior executives often set poor examples for their organizations; in common parlance, they "just don't get it"—or perhaps they don't want to. Not all of the interviewees were critical of the senior executives of their organizations or cynical about them, but a clear majority were.

In the minds of the young managers, there were several reasons why senior executives were out of touch. For several of the interviewees, company size was a crucial factor. Interviewees said:

> "It's such a huge organization. . . . When you're in a branch, you couldn't be further away from where the real minds of the business are. You're just executing. It shows why it's so hard to communicate ethics in a big company."

> "There are so many layers of management. Consultants. Associates. Managers. Senior managers. Partners. Partners who run offices. Partners who run the firm. By the time you reach the top, you have no memory of what it's like at the bottom. You rarely have a case where the staff meets the partner. If the staff does work with a partner, that means it's not an important partner. . . . There is this feeling that a partner shouldn't deal with the staff. It's your turn to enjoy it once you're a partner."

Other interviewees believed senior managers had simply forgotten what life was like in the trenches or had become jaded as their careers advanced. They made comments like these:

> "One of the sad things that I've observed, and I hope I don't fall prey to this, is that experience jades you. Good people see things . . . and each time they become less sensitive. There are lots of things that go on that to me aren't illegal, immoral, but they make me and the people who do them uncomfortable. Experience really hardens your heart."

> "The bank was huge, had a lot of employees and bureaucracy. Senior management was very detached from day-to-day ethical issues. I never really had a direct response from any of the senior people in the organization after my decision. I don't think they realized something like that might even come up."

> "Top management in an organization like _______ doesn't walk among the masses. People report to them. But they can't see or understand what's happening. Also, no one wants to report bad news up. What they should be hearing gets filtered. I doubt that any senior management would want any ethical violations to happen."

Other interviewees were more cynical, believing that senior managers were sometimes wanting to be out of touch. In other words, they sought to isolate themselves from certain decisions and used management layers and other organizational devices as protective cover. These are some of the young managers' comments:

> "I would have to say that a partner has to be a complete idiot not to know what is going on. But they keep their noses clean. . . . Managers often hope you will do the wrong thing. They hope you can get away with it, that it will work out. But they will deny it if it doesn't."

> "A lot of upper level managers only want to hear the good news. No one wants to be the bearer of bad news. The messenger gets shot a lot."

Other interviewees believed that a combination of generational and gender issues left senior executives out of touch:

> "There's always going to be a generational difference. There are people who didn't have to deal with competition. A lot of older managers got out of college and started working at good jobs. It was an easier time. They didn't need a master's degree. They went to work and worked eight hours a day. And they got ahead. They thought they were doing great work. These older managers are now competing in a world we are accustomed to. We're quicker on our feet. They're slower."

> "Older managers, in their fifties and sixties, have come from a more traditional world. Banking was dominated by men. . . . They aren't as comfortable with women. This feels unnatural to them. They look at women as 'ladies,' not as business peers."

> "I sometimes feel sorry for men at the tops of companies who are in their fifties because they just don't think they're doing things that are wrong. . . . But I think it would be immature not to recognize that it is hard. It's hard to foresee what the world will be like when I'm fifty-five. Attitudes are generational. . . . It's a generational gap. Who knows how difficult it will be for me to adjust."

> "You know, a lot of this comes down to what club you're in. What you end up with is a homogeneous environment where it's all white men in their 50s and 60s from the midwest, who develop a certain culture. That is the company's mind-set."

Not all of the interviewees were critical of senior managers. A few acknowledged that senior executives brought more experience and a broader perspective on difficult issues. However, even these generally positive comments were tempered with ambivalence; for example:

> "The biggest reason is that they [senior managers] have the benefit of experience. They've seen the repercussions which come from making decisions. They see the bigger picture. . . . In the military, as you progress through certain ranks, you realize that you have only enough time and energy to put your heart and soul into so many decisions. You are so busy, have total responsibility for whole groups of people. So you recognize that things are relatively more important or less

important over time. You've been beaten up enough that you realize concessions have to be made . . . not just on ethical lines . . . that whole aspect of gaining experience continues through your career."

Finally, it is important to note what the young managers did not say. Like the dog that did not bark in the Sherlock Holmes story, this omission may be as significant as some of their actual statements. Only two of the interviewees expressed admiration for the senior executives of their organizations. In both cases, the young managers said that they respected certain senior managers for their unambiguous commitments to ethical values and for the persistent, conspicuous adherence to these values that was displayed in their actions and decisions. In all the other cases, there seemed to be a significant "disconnect" between the younger managers and senior executives.[8] Perhaps this is unsurprising in view of the feckless ethics efforts many of these executives had sponsored and the immunity that many companies, even those with elaborate ethics program, seem to have granted to sleazy, but high-performing middle and upper managers.

The "Sleep Test"

How did the young managers resolve the dilemmas they faced? Their basic approach emphasized simple, quasi-intuitive decision making based on what many of them called the "sleep test." In general, they were confident that by listening to their hearts and avoiding activities that made them feel uncomfortable, they could lead ethical lives. They often expressed this approach in simple formulas: "If I do this, can I sleep at night?" "Can I look at myself in the mirror in the morning?" "Will I be the kind of person I want to be?" It was questions such as these—not corporate credos, the exhortations and examples of senior executives, or philosophical principles or religious reflection—that guided the young managers' thinking. Here are some typical comments:

> "The other guide [for young managers], and this sounds hokey, is how they feel. If someone makes you feel bad, that's untenable. If you feel weird, then that's the guide."
>
> "One of the things I like to think about is, am I comfortable with this decision? Can I live with it? Will it bother me? If it will, then rethink it. Maybe there's something wrong with it."
>
> "Can you sleep easily at night?"
>
> "I guess my thought is, "how does it make you feel?" If it's being done to you, "how does it make you feel?" If you're getting sick all the time, that tells you something. It has to be wrong. You've got to get past the rationalization. I got sick every morning on the way to work. That's wrong."
>
> "The bottom line is what you're comfortable with. I want to know that in a year, I want to be able to both meet my house payments, and have some dignity left."

> "They [young managers] should use their gut feel. If you feel something is awkward, there's nothing wrong with that. Once you feel that way, take the time for yourself to see why you feel that. Is it what you're being asked to do? Why you're being asked? How you're being asked?"

"Gut feel" is a deceptively simple term. Reliance on one's "heart" or "gut" begs questions of how a person has acquired his or her intuitions and whether they are morally sound. For most of the young managers, simple phrases such as the "sleep test" were actually proxies for more complex considerations, largely derived from traditional sources of values—fidelity to family values, long-standing moral maxims, and advice from trusted individuals—as well as reputational concerns. Moreover, as we asked about the sleep test and gut feel, we learned that it was not a substitute for reflection but a way of validating or confirming personal deliberation. Many of the young managers emphasized the importance of thinking carefully about ethical difficulties.

The most important single source of ethical wisdom was the family, particularly the young managers' parents:

> "Values from upbringing [should guide ethical decision making]."

> "Ummm. . . . This is going to sound sort of trite. But if you can comfortably tell your parents, I think you are probably doing the right thing."

> "You can't go out and build a sense of morality in someone if they weren't brought up with it."

> "Can you tell your grandfather about it and be proud? Upbringing is important. What do you perceive as right and wrong?"

> "I think your own family values are most important. I hate to sound like Dan Quayle. That was the only thing that helped me through this. I knew we might never get caught, but at the end of the day, I felt like I didn't want to do it. Yuck! That's what helps when you start in business. Have a strong knowledge of what those convictions are. We have them, but we don't know it until they are tested. At this time, I was tested, and at first I didn't act on them. I kept the options open too long."

> "Fundamentally, it has to be personal integrity, meaning the way they were raised, their religion, their level of social consciousness. . . . That should be the fallback. That's all you have."

Only two of the young managers explicitly cited their religious beliefs as important sources of ethical guidance. However, four or five of the interviewees mentioned their reliance upon simple moral principles that were variants of the "Golden Rule."

Many interviewees recognized that they could make better decisions with help from others. They strongly recommended that young managers seek advice, though they also stressed the pitfalls of talking openly with others—particularly older managers—in their companies. The young managers often felt more comfortable seeking advice from parents, friends, or peers in the organization than they did talking to their bosses. Nevertheless, even their endorsements of external advice are laced with affirmations of the importance of relying upon one's own values. This was a typical comment:

> "It's always been my experience that whenever you find yourself in a situation where there is no obvious choice, you need to talk to people you trust, get advice, and use that as a guidepost. It's ultimately up to you, and you have to live with it. But don't do it in a vacuum. You need to figure out what the questions are that you should be asking, and you may need help answering them."

The "sleep test" was also a proxy for how the world would view their actions. The young managers we spoke to believed that their reputations in the eyes of others were extremely important. Clearly, the principal loyalty of these young managers–as they see themselves, at least–is to their own sense of integrity and, to a lesser degree, to their careers.

> "If you wouldn't share it with a '60 Minutes' news camera, don't do it."

> "Probably, the best compass is: 'Imagine that whatever you did was going to be reported on the front page of the *New York Times*. How would you like that? Would you be comfortable?' People use that rule in a lot of organizations. If anybody that you told would find that to be a horrendous way to conduct yourself, then you probably shouldn't do it."

> "It was a lot easier for me to come to a conclusion than you might think. I've seen other circumstances that would have been a lot tougher. Mine wouldn't have had any bad ramifications for my career had I pursued it, but there may have been reputational issues at stake. For me, that was a big deal. For someone else, they might not have been. But I just couldn't violate the trust of the entrepreneur whom I'd been dealing with."

Resilience, Confidence, and Mobility

How did the young managers look back upon their experiences? What did they hope and fear for the future? In several important and surprising ways, their difficult experiences proved to be valuable:[9]

> "You mature. You get a better perspective. . . . You learn so much about yourself, as well as about how to handle situations. That's were the growing comes. It helps you with other tough situations down the road."

> "It made me step back and ask, 'What matters to me in life. What are the things that I want to do?' . . . It made me more willing to ask in advance and to try to prevent situations from evolving. It made me more proactive."

> "It's made me a lot tougher. Every time I meet someone new in the company—a new manager or a co-worker—I'm careful. I'm a lot tougher. This is unfortunate. I don't trust people as much as I used to. . . . Before, I thought everything was done on the up and up. Now I know a lot things are done on the sly, through blackmail. Deals are cut every which way behind closed doors."

"I learned a lot from it. The whole concept of picking your battles. . . . People who think they will be true to their ethics have probably never examined their ethics. Very few people have never winked."

"I had a very idealistic view of the way things worked. This woke me up to the fact that there are times when projects don't go forward not because of their merits, but rather because of politics, the desire of many managers to see lots of projects done on their watch so they'll get promoted. . . . I'm likely to be more wary when people asked me to do things."

"It was a wake-up call in a lot of ways. Definitely on how organizations work. You can get stranded alone. It showed me that you alone are responsible for yourself, for your professional and personal development. It gave me a bit of distance on people. But I don't overwhelmingly distrust people."

"Perhaps I was a bit naive about how the business world worked. This hardened me, and it also made me realize how inexperienced I was. "

"It showed me that not all people in the business world are adults. It's a dog-eat-dog world. You really have to watch out."

"It made me realize how naive I was. This was literally my first job. I had previously worked at summer camps. After this happened, I said to myself, 'This is the real world now.'"

After living through these difficult, sometimes traumatic, experiences, many of the interviewees defined professional ethics in terms of self-reliance and mobility rather than community and commitment. Throughout the interviews, the young managers expressed a willingness to walk out the door rather than compromise their values. For them, being ethical involves fidelity to one's own values and willingness to leave an organization that fails to match these values. In short, it means being able to take a stand and walk away. Ethics was a matter of exit, rather than loyalty or voice:

"The main thing [is] . . . you've got to be able to live with yourself. How many of these situations are going to be career makers or breakers? If it is a clear-cut career breaker, then in my opinion, you need to re-think whether that's the kind of organization you want to be in."

"A professor once gave my class some great advice: Get a 'go to hell account.' Get three to six months pay in the bank. Be prepared to tell someone to 'go to hell,' and then walk."

"Thank God we're not Japan, and can move in and out of organizations. It's self-selecting. At some point, when people realize they're in a bad environment, they move. That's better than in our parents' day, I think."

The young managers believed out that it was necessary to look closely at organizations before joining them and to be willing to walk away from them if the "fit" turned out to be poor. For these young people, changing a large organization's ethical climate from within was a futile challenge.

When we asked them to discuss the future, many of the young managers were confident they could maintain their personal integrity, but mainly because they believed that age brought status, wealth, and the ability to ignore problems that occurred further down in the organization. For example:

"If you're lucky, and you become well off, and have the luxury of being able to make tough choices, then it's easier to do the right thing. When you're stretched all of the time, then it's really tough. It's not age, but how constrained are you? I'm not constrained now. I'm single. If I go bankrupt, it's no big deal. I'd feel differently if I had 2 kids, a wife, a mortgage out the butt. . . . And that will happen to me (I hope). That's one thing you see."

"It seems like a lot of people, like that guy at Johnson and Johnson . . . it's easy for him to preach ethics. He's got 50 million bucks in the bank. It's tougher when you're struggling. You can't classify people as young or old. For example, when I was 23, I had no experience, no money. . . . I was more willing to compromise than I am now. HBS, some financial comfort, more self-confidence—those things have given me a higher risk profile."

"The choices may be hard, but the challenges become less significant relative to your career. . . . As you rise, you have more control over the conduct around you. It is less likely to impact negatively on your job. When you're younger, you have a livelihood issue that is much more pressing. You have a much greater likelihood of damaging your career when you're young."

The interviewees' confidence about their ability to remain self-reliant and ethical had one significant qualification, the perils of middle management.[10] Middle managers, they believed, were often squeezed from above and below. Often, they also had family commitments that restricted their ability to walk away from an employer; in effect, their families were held hostage. The young managers frequently emphasized how easy it was for people in this situation to start cutting corners and progressively do things that were worse and worse.

"Once you're older, it's harder, you've invested more. You're further along. You have more to lose. But you've also been bloodied. So you're more careful."

"It's tougher if you're a middle manager than if you're in an entry-level position. That's because there is less to lose when you're young. If you're 2 or 3 rungs from the top, you have the most to lose."

"I can't say it [career advancement] should have no impact. At the youngest age, this should be a smaller concern. The real struggles come when you're 45 years old, and don't know where to go next."

"It's something I keep in mind all of the time. The challenges are, as you enter middle management, you have people tugging at you from both ends: top and bottom. You want to become a top executive. It's easy to say 'this one thing will help me, I've been good for so long. This can't hurt.' There is always pressure to cross the line in order to advance [your] career."

"Yes [it becomes more difficult to behave ethically as one ages]. Family responsibilities take over. You make one slip at one level, then you think you can tell a bigger lie, then a bigger lie. Soon it's one big lie, and you're at the top of the company. . . ."

"Yes [it becomes more difficult to behave ethically as one ages]. There is more pressure. So you have to actively check yourself to avoid doing shady things. I am conscious of doing this more often now than when I was younger. . . ."

"I don't think I can iterate strongly enough the problem from an economic standpoint . . . the problem of how people may conduct themselves when they feel there is no effective out for them." Only four of our 30 interviewees described the top management of their employers in positive terms. Far more of the interviewees had serious misgivings about top management and the likely reactions of their organizations to employees who might take difficult moral stands.

Perhaps as significant as the young managers' negative statements about the companies they had worked in and their willingness to leave them was what was missing from their remarks. There was very little idealism about corporate visions, the values of top managers, or the role of companies in society. When such statements appeared, they were in stark contrast to the bulk of the comments we heard.

The bottom line for many interviewees was that very few companies embodied values consistent with those they hoped to live by. In essence, as the interviewees anticipated the pressures, constraints, and slippery slopes of middle management, they feared becoming like their bosses. This presumably reinforced their reluctance to commit themselves to particular companies. Many of the young managers were willing to change jobs in search of one that did. Many of those who were relatively happy with their employer worked for smaller companies and believed that this was a significant advantage in the maintenance of an ethical culture.

Given the importance our interviewees attached to corporate culture, their willingness to move about in search of one, and the fact that many believed "small is beautiful," we wonder whether prevailing organizational realities in corporate America discourage bright young managers who might shake things up from considering employment with traditional, large firms. If this is the case, then the ethical concerns we have highlighted may be self-perpetuating.

Implications

The implications of this study run in several important directions. For business managers and executives, the following seem especially important:

- The difficulty of establishing sound ethical norms for an organization, especially a large one, can hardly be underestimated. The task requires unremitting effort.
- Many people, perhaps most, in business organizations are intensely concerned about their careers and about their job performance. This creates

strong pressures to choose the easier wrong rather than the tougher right in a difficult situation.

- Ethics codes can be helpful, though not decisive, particularly if they are specific about acceptable and unacceptable behavior and provide advice on handling "gray area" matters.
- The ethical climate of an organization is extremely fragile. The "grapevine" quickly communicates situations in which executives have chosen the expedient action over the right one. This, in turn, significantly undermines the credibility of subsequent pronouncements by senior executives of their commitment to ethics.
- Young managers are much more likely to believe that a code means what it says if the code is enforced. This means punishing individuals who are guilty of violating the code; it also means letting the organization know that these infractions have been punished. Our interviewees came the closest to unanimity when answering the question "Do you think companies should punish managers who ask people to do sleazy things?" In contrast, when violations go unpunished, codes become simply another wall decoration or file-drawer filler.
- In a culture of suspicion, both inside organizations and in the general culture, the pronouncements of senior executives on business ethics, no matter how heartfelt, count for very little. Actions are what matter. And when senior executives do choose the right thing over the expedient or profitable, they are much more likely to be sending a signal that will be clearly understood. One interviewee said he worked in a company where the CEO had made it clear through a series of decisions that he would say "good-bye in a heartbeat" to a $20 million deal if it were not ethically sound.
- If a company's leaders are not going to make an unremitting effort to high ethical standards, and if they will not investigate and discipline violators of codes of conduct, they should abandon or avoid creating company ethics credos, announcing their personal dedication to high ethical standards, and implementing other parts of the standard, corporate business ethics program. They may simply be setting themselves up to be viewed with suspicion and cynicism.

For those who teach in the field of business ethics, and perhaps for those who teach in other general management areas, this study suggests:

- While the focus on moral dilemmas—situations in which one genuine moral claim conflicts with another—is valuable in conceptual, pedagogical, and practical terms, it may be valuable to spend larger portions of courses on issues of "right versus wrong" rather than issues of "right versus right." The reason is simply that many students have been or will be in situations where they are strongly pressured to do something sleazy or worse.

- Parts of ethics courses could be oriented towards teaching students what to do in these situations: advising them on various ways of exerting organizational pressure to defend themselves, or explaining the various ways of blowing the whistle and the hazards that typically accompanies such efforts.
- Inevitably, the task of teaching business ethics will become more difficult, if these first two guidelines are followed, because teachers will have to tread a fine line between being usefully realistic, on the one hand, and further encouraging cynicism, pessimism, and the sleazy sorts of behavior that they hope young managers and organizations will avoid.
- The two favorite philosophers of business ethics—Mill and Kant—should perhaps share the spotlight with Aristotle and Machiavelli. (It is telling that the tables of contents, indexes, and teaching material in most of the major textbooks and casebooks on ethics contain only a handful of references to either of these philosophers.) Aristotle's emphasis on the role of character and the influence of a community on the shaping of one's values and virtues may be a powerful starting point for teaching ethics to young people who instinctively prefer the individualistic, "sleep test" to ethical issues. Machiavelli—whose ideas could, of course, be viewed as corrupting the young—may nevertheless be another plausible starting point since he expresses a world view that is consistent with the experiences that many students have had or anticipate.
- Nevertheless, it remains valuable to teach deontology and utilitarianism, though not simply as analytical principles, but as ways of helping students to understand the broader ramifications of their actions. This could serve as a valuable counterbalance to the highly individualistic and potentially solipsistic views that lie behind the "sleep test" and the preference for doing things that "*I* can live with."

Finally, we believe that there are many important studies yet to be done that would be variants of this one. These would rely upon in-depth interviews rather than questionnaires, and they would examine business ethics from the viewpoint of people at lower levels of an organization. Our belief is that these studies—for understanding the role of business ethics in organizations and for making it more effective—could prove quite significant.

References

1. For simplicity, we refer to the interviewees as "young managers." This is not accurate in every case since some of the interviewees faced dilemmas when they were working as analysts or loan officers or in other positions in which they did not supervise other people. Also, a few had management responsibilities in non-business organizations, such as branches of the U.S. Armed Forces.
2. Except for a handful of articles in scholarly journals, most of which are cited below, the principal focus of research on managerial wrongdoing has focused

on senior and middle managers and on issues of illegal behavior, also known as white-collar crime, corporate crime, and corporate deviance. The seminal work in this field was carried out by Edwin H. Sutherland whose classic, *White Collar Crime*, examined court decisions over a span of four decades and focused upon the incidence, pattern, and causes of illegal activity by large corporations. In contrast to the sleazy behavior which many of our interviewees described, Sutherland focused upon legal violations such as actions in restraint of trade, advertising, misrepresentation, copyright and patent infringement, and unfair labor practices. See Edwin H. Sutherland, *White Collar Crime* (New Haven, CT: Yale University Press, 1983). Other important books in this field are Marshall B. Clinard, *Corporate Corruption* (New York, NY: Praeger, 1990); Marshall B. Clinard and Peter C. Yeager, *Corporate Crime* (New York, NY: The Free Press, 1983); N. David Ermann and Richard J. Lundman, *Corporate and Governmental Deviance* (New York, NY: Oxford University Press, 1992). Middle management deviance is examined in Marshall B. Clinard, *Corporate Ethics and Crime* (Beverly Hills, CA: Sage Publications, 1983): Earl Shorris, *The Oppressed Middle* (Garden City, NY: Anchor Press/Doubleday, 1981).

3. These studies are cited at various points in this article. Our findings were also consistent with three other sets of data. First, we analyzed all fifty-seven papers about personal ethical dilemmas written for a second-year MBA elective at Harvard called "Moral Dilemmas of Management." Thirty-nine of these papers described dilemmas the students had faced at work. Of these, eighteen involved situations in which a young manager received direct orders from his or her boss to do something that seemed uncomfortable, sleazy, or worse. In eleven other cases, there was no direct order, but the young manager reported clear, strong organizational pressure to do something that he or she believed to be inappropriate or wrong.

   The same pattern appeared in a second and much more extensive body of data. We randomly selected and analyzed ten percent of the applications submitted by the 820 applicants accepted in a recent year by the Harvard MBA Program. The application form asked candidates to describe an ethical dilemma they had confronted. Approximately 75% of the applicants in our sample described episodes at work. A full two-thirds of the work-related dilemmas involved strong organizational pressures to act—in the minds of the applicants—in inappropriate ways. In more than half the cases, they had been given explicit instructions by their bosses. Additional confirmation of this pattern appeared in a third sample, our interviews. A strong majority of the interviewees said they knew of other cases, involving other young people in their organizations, who had to deal with situations like theirs.

4. In principle, it is possible that some young and inexperienced managers may perceive ethical problems where they do not exist, or they may perceive an implicit order when there is none—a phenomenon typically called "anticipatory socialization." Young managers today might have been lead to such expectations through the consistent portrayal of business executives on television as crooks of various kinds and through the highly publicized scandals of recent years business leaders. Nevertheless, in all the incidents they reported to us, the interviewees could cite other evidence—such as indications that the behavior they were asked to engage

in was common in their organizations—which at least corroborated their perception of the situations they faced.

5. It is impossible to determine whether corporate crime, or lower-grade nefarious activity—i.e., "corporate sleaze"—has become more common or less common in recent years. The difficulties of making statistical comparisons are discussed in Irwin Ross, *Shady Business* (New York, NY: The Twentieth Century Fund Press, 1992), pp. 6-15. Ross does, however, reach this tentative conclusion:

   > Business crime today is rarely as blatant and is hardly as pervasive as in the post-Civil War era or the robber barons or the manic years of the 1920s stock market boom. On the other hand, the corporate delinquencies of the past, however outrageous, were not always perceived as criminal when they occurred. They often enjoyed de facto legality. . . . Today, by contrast, both the common and the more exotic forms of corporate misbehavior have long been statutorily illegal, and are almost universally condemned as unethical. . . . Judged by the shifting criteria of social acceptability, corporate criminality today is worse than in the past. [p. 15]

   Raymond C. Baumhart, S.J., has examined survey data on business ethics since the 1960s, and he concluded in 1977 that "business behavior is more ethical than it was 15 years ago, but that the expectations of a better educated and ethically sensitized public have risen more rapidly than the behavior." See Steven E. Brenner and Early A. Molander, "Is the Ethics of Business Changing?" *Harvard Business Review* (January/February 1977), p. 68.

6. Several studies provide evidence that managers and other employees often feel pressure to compromise their personal principles, and some of these studies indicate that these pressures are even more severe at lower levels of the organization. See, for example, Archie B. Carroll, "Linking Business Ethics to Behavior in Organizations," *S.A.N. Advanced Management Journal* (Summer 1978), pp. 4-11; James R. Harris, "Ethical Values of Individuals at Different Levels in the Organization Hierarchy of a Single Firm," *Journal of Business Ethics*, 9 (1990): 741-750; Douglas J. Lincoln et al., "Ethical Beliefs and Personal Values of Top Level Executives," *Journal of Business Research*, 10 (1982): 475-487; and Barry Z. Posner and Warren H. Schmidt, "Values and the American Manager: An Update," *California Management Review*, 26/3 (Spring 1984): 202-216.

7. The difficulties of relying upon punishment to deter corporate crime have been examined in John C. Coffee, Jr., "Making the Punishment Fit The Corporation: The Problems of Finding an Optimal Corporation Criminal Sanction," *Northern Illinois University Law Review* (Fall 1980), pp. 3-55; John C. Coffee, Jr., "Corporate Crime and Punishment: A Non-Chicago View of the Economics of Criminal Sanctions," *American Criminal Law Review*, 17 (1980): 419-471; and John C. Coffee, Jr., "'No Soul to Damn: No Body to Kick': An Unscandalized Inquiry into the Problem of Corporate Punishment," *Michigan Law Review*, January 1981, pp. 386-459.

   To our knowledge, only one study has examined the frequency of with which senior executives have been punished for serious infractions. Robert Nathan found that only half of all the senior executives indicted for or convicted of serious offenses—such as illegal, political contributions, fraud, price-fixing, or securities violations—had not been retained or rehired by their firms. See Robert Stuart Nathan, Corporate Criminals Who Kept Their Jobs," *Business and Society Review* (Spring 1980), pp. 19-21.

8. The Ethics Resource Center, in a recent survey of 700 U.S. companies, the firms with the most important ethics issues facing these firms were: drug and alcohol abuse, employee theft, conflicts of interest, quality control, discrimination, abuse of proprietary information, abuse of expense accounts, plant closings and layoffs, misuse of company assets, and environmental pollution. Few of these issues figured prominently in the dilemmas described by the interviewees, suggesting again a significant difference between the way ethics is viewed at the top of an organization and a view from the trenches. See *Ethics Policies and Programs*, a report by the Ethics Resource Center and the Behavior Research Center, Washington, D.C., 1990, pp. 4-5.
9. The young managers' less trusting, more skeptical attitudes may indeed be sound preparation for at least some of the individuals they will meet in their professional lives. John Wood's study of 2,500 students and managers and their approach to ethical reasoning concluded that 8%-10% of both groups were "strongly unprincipled and egoistic." See John Wood, "Ethical Attitudes of Students and Business Professionals: A Study of Moral Reasoning," *Journal of Business* (1988), pp. 249-257. These skeptical or cynical views are hardly a recent phenomenon even though there are many reasons to think that these viewpoints have become more widespread. Evidence of "growing cynicism" among business managers appears, for example, in studies conducted during the 1950s. See Brenner and Molander, op. cit.
10. The young managers' views of themselves, as well as their views of their middle-manager bosses, is consistent with Phillip Lewis's longitudinal study of the ethical principles used by executives, middle managers, and students as guidelines for making decisions. He characterized the students as "self-reliant ethical seekers," while describing the middle managers he studied as "organizational realists." See Phillip V. Lewis, "Ethical Principles for Decision Makers: A Longitudinal Survey" *Journal of Business Ethics* (1989), pp. 271-278. John Wood's survey of more than 2,000 business professionals and business students concluded that the students were more individualistic and egoistic in their ethical reasoning than the managers. See Wood et al., op. cit.