

**Verizon Visiting Professorship in Business Ethics**

# The Six Ethical Dilemmas Every Professional Faces

**Kirk O. Hanson**

Executive Director, Markkula Center for Applied Ethics, and  
John Courtney Murray S.J. University Professor of Social Ethics  
Santa Clara University

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**BENTLEY**  
UNIVERSITY

**Center for  
Business Ethics**



**BENTLEY UNIVERSITY** is a leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the Graduate School of Business emphasizes the impact of technology on business practice. They include MBA and Master of Science programs, PhD programs in accountancy and business and selected executive programs. The university is located in Waltham, Mass., minutes west of Boston. It enrolls nearly 4,200 full-time and 140 part-time undergraduate students and 1,400 graduate and 43 doctoral students.

**THE CENTER FOR BUSINESS ETHICS** at Bentley University is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to provide leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by applying expertise, research and education and taking a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an extensive multimedia library, the center offers an international forum for benchmarking and research in business ethics.

Through educational programs such as the Verizon Visiting Professorship in Business Ethics, the center is helping to educate a new generation of business leaders who understand from the start of their careers the importance of ethics in developing strong business and organizational cultures.



## W. Michael Hoffman, PhD

Executive Director  
Center for Business Ethics and  
Hieken Professor of Business  
and Professional Ethics  
Bentley University

In 1977, early days in the business ethics movement, the Center for Business Ethics held its first in a series of “National Conferences on Business Ethics.” The distinguished attendees included Kirk O. Hanson, this year’s Verizon Visiting Professor of Business Ethics. Back then, business ethics was still a puzzling novelty to most, but those of us present sensed we were witnessing the start of a revolution destined to dramatically change the face of business worldwide. Although partly correct, almost four decades later, Hanson’s talk serves as a kind of front-line report on the state of that revolution, and it is a sobering one.

The progress made in the practice of business ethics has been laborious and hard fought. Along with the defeats, countless battles have been won. And yet, the enemy we are fighting — humanity’s capacity to exploit business as a vehicle to extract personal gain at the price of social good — is a wily and creative critter always poised to invent new stratagems for twisting business for its own gain ... stakeholders be damned.

Hanson’s talk is a “realistic” assessment of the state of business ethics, fully cognizant of our spotty record of success. Speaking with the tone of inevitability one might expect from a developmental psychologist, he identifies six dilemmas that virtually all professionals will face over a career. He describes archetypal challenges that are part of the human condition for businesspeople irrespective of time or geography. He argues that the final determinant of ethical success or failure comes down to individual integrity and character. Individuals, he argues, will ultimately have to decide how to face the dilemmas that life presents and determine whether business ethics succeeds or fails.

There is some irony here; after all, Hanson heads one of the largest and most highly regarded ethics centers in the world, the Markkula Center for Applied Ethics, which is dedicated to strengthening ethical awareness and practice across society. Surely, he must believe that institutions make a difference. He does not address this apparent paradox, but he does present a compelling case for recognizing that ethical dilemmas are neither random nor unpredictable. For this reason, it follows that business must either help prepare members of its community to face these issues or face the consequences.

Hanson’s talk provides a kind of road map to the rough terrain of business ethics. May your voyage be well navigated.

The **Verizon Visiting Professorship in Business Ethics**

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**Kirk O. Hanson delivers the Verizon Lecture in Business Ethics to students, faculty, staff and friends at Bentley University.**



## **Kirk O. Hanson**

Executive Director  
Markkula Center for Applied Ethics and  
John Courtney Murray S.J. University  
Professor of Social Ethics  
Santa Clara University

KIRK O. HANSON is executive director of the Markkula Center for Applied Ethics and the John Courtney Murray S.J. University Professor of Social Ethics at Santa Clara University. Prior to joining the Santa Clara faculty in 2001, he taught business ethics at the Stanford Graduate School of Business for 23 years. In addition to teaching, Hanson writes and consults on how organizations manage ethics and chairs the Center for International Business Ethics in Beijing. He received the Lifetime Achievement Award from the Aspen Institute's Center for Business Education for his contributions to business and society. A pioneer in the field of business ethics, he co-edited "The Accountable Corporation," a four-volume series released in 2006. His current research interests include the design of corporate ethics programs and the responsibilities of boards for the ethical culture of the organization.



**(From left) Paul McGovern, Manager, Affirmative Action and Equal Opportunity Employment, Verizon Communications; W. Michael Hoffman, PhD, Executive Director, Center for Business Ethics and Hieken Professor of Business and Professional Ethics, Bentley University; Kirk O. Hanson, Executive Director, Markkula Center for Applied Ethics and the John Courtney Murray S.J. University Professor of Social Ethics, Santa Clara University; and Greg Miles, Director, Office of Ethics & Business Conduct, Verizon Communications.**

# The Six Ethical Dilemmas Every Professional Faces

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Executive Director, Markkula Center for Applied Ethics, and  
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**G**ood afternoon. I am honored to have been selected as this year's Verizon Visiting Professor of Business Ethics and pleased to have this opportunity to recognize the work of Bentley's Center for Business Ethics and its distinguished executive director, Michael Hoffman. Michael is a pioneer in business ethics and has contributed greatly to this field. We have been friends since 1977, when I participated in the first Bentley Conference on Business Ethics.

Another pioneer in business ethics, Kenneth Goodpaster of the University of St. Thomas, delivered this lecture last year. He presented a compelling evaluation of the history of corporate responsibility, concluding that "the future of the corporation is tethered to the future of responsible management." He argued that responsible management must be present in order for businesses to thrive and suggested that business managers have done a pretty good job meeting the standard of responsible management over the past 50 years. I am not so sure, as you will see shortly.

I have organized this lecture around three themes:

- My evaluation of the successes and failures

of efforts to promote business ethics over the last 50 years, which shows we have not succeeded overall in integrating ethics into corporate management and business

- The personal challenges each of us face in living a life of integrity in modern institutions, including corporations, law firms, other professional organizations, financial institutions and academia, and
- An admonition for all us to act with integrity when addressing six unavoidable ethical dilemmas that are built into our decisions to become business people and professionals — dilemmas that are mirrored by a set of parallel unavoidable ethical dilemmas we face in our private lives.

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## Part I: The Challenge of Integrating Business Ethics into Corporate Culture and Practices

Let's begin with the first theme, our lack of success in integrating ethics into corporate management and business institutions. I've taught business ethics for 43 years, beginning at Northeastern University here in Boston and continuing for 23 years at Stanford University's Graduate School of Business and 13 years at Santa Clara University. Scholars at other institutions across the country have done likewise. I wish I could report that our teaching and work has spawned a virtuous revolution in business behavior. It has not. By some measures and accounts, business behavior today is worse than it was in the early 1970s when the field of academic business ethics began and worse than it was in the mid-1980s when the deliberate corporate management of ethics and compliance began in earnest.

When we began thinking about the ethical behavior of business in the 1960s, we focused primarily on corporate responsibility for product safety (for example, the Chevrolet Corvair and later the Ford Pinto), environmental threats (as illustrated by the toxic Love Canal site in New York) and the plight of the so-called hard-core unemployed, following the urban riots of 1965 and 1967. Business ethics advocates and others urged the "business statesmen" of that era (including David Rockefeller of Chase Manhattan, Reginald Jones of General Electric, Walter Haas Jr. of Levi Strauss, Joe Wilson and Peter McCullough of Xerox and Frank Cary of IBM) to address these questions of business behavior. Around 1970, we also began to focus on equal opportunity in business for women and minorities.

But let's face it, the environment in which businesses operate has changed dramatically over the past four decades and so has the list of ethical concerns and challenges they face. While the list includes some of the specific

issues I just mentioned, the concerns today are much broader. The "business statesmen" of the 1960s and 1970s have been swept from the field by an intense focus on the bottom line. Business leadership today is dominated by managers preoccupied with quarterly earnings and takeover and hedge-fund specialists who have little time for thinking about and the role of their enterprises in society. We have made some headway in regulating product safety, controlling environmental pollution and integrating women and minorities into business. Nevertheless, a strong case can be made that there is much less room for ethics in business today than there once was. The discipline of the market simply won't permit it.

Corporate interest in deliberately managing ethics began in the 1980s, when a few of the remaining "business statesmen" decided they needed to encourage all their managers and employees to act ethically and follow the rules. I worked with two of the pioneers in this effort, Walter Shipley of Chemical Bank and Sanford McDonnell of McDonnell Douglas, to create company-wide ethics training programs in the early 1980s. The breakthrough came in 1986, when defense industry scandals led to creation of the first ethics officers and the first corporate ethics programs. The Defense Industry Initiative on Business Ethics and Conduct (DII) was created in 1986 to head off legislative pressure for stronger action to address scandals. The DII effort led to creation of the first generation of business ethics officers, primarily in defense-related companies. They were convened and organized by Michael Hoffman and others here at Bentley. These pioneering ethics efforts were idiosyncratic and unique but gradually came to mirror 18 questions on the DII annual reporting document.

Only with the development of the Federal Sentencing Guidelines in 1987 and 1991 and later revisions did a robust ethics program get defined more completely. In the Sentencing Guidelines and a parallel Federal Charging Memo, federal prosecutors and judges were

authorized to give companies more favorable legal treatment if they had in place the elements of a complete ethics program. So, for example, if a company had a good ethics program, prosecutors could “charge” an individual and not the company with a criminal violation, the assumption being that inappropriate conduct resulted from the actions of a bad individual and not a bad corporate culture. Similarly, judges could mitigate corporate fines because the presence of a good ethics program indicated the company had made efforts to manage its ethical culture.

Sadly, to me, this progress toward defining a good ethics program turned gradually toward the management of compliance rather than the promotion of ethics — of “doing the right thing.” These compliance programs emphasized law and regulations binding the enterprise, plus some black-and-white, bright-line standards such as “don’t steal from the company” and “protect the company’s intellectual property.” Today’s corporate ethics and compliance programs do very little to address genuine ethical concerns. Symbolically, the Ethics Officers Association, which started here at Bentley, became the Ethics and Compliance Officers Association.

To be honest, we are all responsible for the failure to build ethics robustly into corporate management. There was no golden era when ethics was dominant. In the 1950s and 1960s, there were many shoddy and unsafe products, women and minorities were deliberately excluded from business opportunity and environmental damage was uncontrolled. “Business statesmen” may have done some creative and enlightened things, but economists argue that was because many companies had oligopolistic profits and slack resources, not because they were highly ethical. While some corporate behaviors are better today, it is primarily due to legislation and regulation. Companies have never managed to define for themselves or their organizations what “being ethical” or “doing the right thing” means. Most corporate leaders today believe ethics means obeying the law

and avoiding behavior that offends customers or outrages public opinion. But these steps are exercises in self-interest, what we sometimes refer to as long-term or “enlightened” self-interest. They are not ethical commitments. There are too few cases in recent corporate history in which a company voluntarily passed up business or profits because they sought to “do the right thing.”

There are many reasons for the stillbirth of real corporate ethics efforts over the past 30 years. Here are a few of the changes in the environment faced by our business leaders that have made real ethics all but impossible.

**Greater and more aggressive competition:**

Companies face unprecedented aggressiveness from their competitors and the willingness of some to run stripped-down businesses, sometimes by cutting R&D, quality assurance, customer service and investment in the health of their communities. With the coming of information technologies, it is easier to create new companies and to disintermediate older ones, which can then become suddenly obsolete. It is a real challenge to be both huge and nimble these days, something Verizon, the sponsor of this lecture series, seems to have accomplished. Arguably, there is much less time and flexibility to “do the right thing.”

**The discipline of quarterly earnings:** Providers of capital seek higher returns and shorter-term payoffs. The era of “patient capital,” if it ever existed, is gone. Investors today have little tolerance for company policies of engagement with and contributions to the community and other non-shareholder stakeholders. The reality of the “miss one quarter’s projections and your stock is hammered” phenomenon leads to an excessive focus on short-term profitability and neglect, if not resistance, toward anything that does not produce short-term benefit.

**The temptations of executive salaries:** The breathtaking rise of salaries for the top executives of most large corporations has changed the motivations and orientation of those who occupy executive offices. CEOs of even medium-sized companies expect hit-the-jackpot, win-the-lottery riches if they get a top corporate job. And they expect to receive the millions even if they fail to produce for the company. Our top corporate executives, and certainly our hedge fund and financial sector executives, are the new nobility of American society. It is possible to garner what has been called “intergenerational wealth” in just a few years as a CEO. How does this change one’s perspective? For one, you are desperate to hold onto the job, cutting everything to show higher quarterly earnings and boost your bonus calculations. Ironically, you work around the clock and don’t really have the time to enjoy your newfound wealth.

**The Globalization of Business:** There is no question that global business operations are more complex and present more ethical dilemmas than operations limited to the United States. Expansion in China, Mexico or India requires confronting dilemmas that are not generally faced in purely domestic operations, including bribery, kickbacks and environmental damage. Moving manufacturing overseas provides opportunities for companies to lower production costs by operating in countries in which environmental standards and labor requirements are lax. And some foreign competitors can now underbid you by exploiting those opportunities more effectively than you.

These four forces become more pressing in tough economic times. Executives feel they have to focus all their efforts on the bottom line if they are going to keep their jobs. Our business school graduates in recent years are much less likely to raise any concern for “doing the right thing” when they simply hope to get and keep a job. A corporate culture that emphasizes short-term returns becomes obsessive in an economic

downturn. Fortunately, the economy appears to have turned the corner, though not quickly enough for any of us.

Many incidents over in recent years demonstrate that corporate ethics are weak, even in the largest and best-managed firms. These include:

- The breathtaking global web of corruption and payoffs by Siemens, uncovered in 2008
- The alleged widespread payment of bribes by Walmart’s Mexico operations to accelerate the company’s growth there, uncovered by the *New York Times* in 2012
- The deliberate sale of flawed mortgage-backed securities by so many of our blue-chip financial firms in the buildup to the financial crisis of 2008
- The wave of insider trading by hedge funds, sometimes involving well-known and previously respected business leaders
- The privacy-be-damned attitude of many of our new social media, Internet and online commerce firms that know the most valuable thing they have is data about your behavior
- The increased tendency to exaggerate one’s background and credentials, to falsify one’s résumé, in order to qualify for one of those highly paid elite corporate jobs

By the way, many old-style ethical failings are still with us.

- Even CEOs are being caught falsifying their expense reports. At times, it seems they are saying, “I am the new nobility, I can do whatever I want.”
- Male and female executives are still using their power and libido to sleep around, often with individuals who report to them.

I am sorry this is such a dreary litany, but I think it is important for us to take a cold hard look at today’s corporate behavior, the weakness of corporate ethics efforts and the pressures that a very changed corporate environment place on ourselves, our friends and our students.

I don’t hold out much hope that corporations and most corporate executives, facing this changed environment, can put ethics at their

center of their professional lives. Kenneth Goodpaster admitted in his Verizon lecture last year said that corporate responsibility efforts were fragile — and that free enterprise could be threatened. I think it is worse than that. I don't expect voluntary corporate behavior or government regulation to be an adequate answer to reign in the bad behavior of companies.

What I do look to are thousands of actions by individual professionals — who “just won't take it anymore.” Individuals can follow their own consciences and make good ethical choices, choose careers that bring integrity as well as financial reward and disrupt the corporate calm by just saying “no.” Already, a growing number of our MBA graduates are choosing careers in which they create or join new enterprises under the banner of social entrepreneurship. The preference among young persons in our area to work for new businesses that hold out hope they can operate differently — and do no evil — is very strong. A small number of companies are reincorporating themselves as “B Corporations,” companies organized explicitly to produce social good. So I place my bet, my hope, on individuals acting with integrity, not with corporations and organizations whose structures and cultures revolve around meeting quarterly earnings targets or growing in Mexico at breakneck speed.

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## Part II: The Six Ethical Dilemmas

This leads me to the title and second theme of this talk, “The Six Ethical Dilemmas Every Professional Faces.” If individuals are to become a force for ethical change, I think you and I — indeed every professional — whether in business, health care, counseling, teaching or law — must respond to those ethical choices hard-wired into our professional lives. And I believe we can identify and prepare for those dilemmas in advance.

How we respond to these dilemmas, from the day we first go to work until the day we retire, will shape our own character and the future of American and global business.

I use the term unavoidable because we cannot prevent these dilemmas from arising, and we cannot really choose whether or not to respond to the questions they pose. To not address them is to answer them in a not so attractive way.

The approach to ethics I am proposing this afternoon starts with our own awareness of our personal values. Each of us holds to a set of values about what constitutes human welfare and what behaviors in our personal and organizational lives promote human welfare. We have a set of beliefs about what is harmful to human welfare — poverty, lack of opportunity, environmental degradation, violations of human rights, lack of medical coverage — and what kinds of behavior improve human welfare — equal treatment, kindness, compassion, forgiveness, providing opportunity to those who lack it. These values are the stuff of ethics and lead us to understand what “doing the right thing” means in each of our professional lives.

Putting those values to work in a professional career or role in business such as salesperson, financial analyst, first line supervisor, management consultant, banker, etc. — is the focus of the rest of my comments. However, the concept of unavoidable ethical dilemmas also applies to our private lives — as husbands and wives, parents, sons and daughters, neighbors, friends, and bystanders.

I believe that with a clear understanding of each role we play in life — some we have chosen and others that have been thrust upon us — we can identify the vast majority of the unavoidable ethical dilemmas we will face in the course of a typical year and a lifetime. Let me illustrate with an example from a personal role: I am a parent of three children, a role I suspect I share with many of you. The students here have observed their parents in this role. There are many unavoidable ethical dilemmas in raising children. My wife and I struggled when the children were young to get the right balance between protecting their physical safety and encouraging them to take risks and fly on their own. Should we let them play on the playground

without standing right behind them to catch them if they fall? Should we let our 10 year old go camping with a troop with just two adults for 10 kids? Should we let our teenager go skydiving? It is an unavoidable ethical dilemma because you have dual and conflicting responsibilities to protect your children while promoting their independence.

Here is another dilemma: Should we enroll our children in private schools with strong academic programs knowing that they will encounter less economic and racial diversity than they would in public schools? Or should we have them attend possibly less academically rigorous public schools where they will be exposed to much more diversity? We want our children to develop their intellectual abilities to succeed in the incredibly intense competition of the modern world. But we also want them to understand those who have less. As parents, there is no avoiding this dilemma and so many others.

The role of a professional in our society — whether in business, law, engineering, health care or service — comes with a lengthy list of unavoidable ethical dilemmas. The six I will now talk about are the most fundamental. To prepare for a career, however, I believe it is critical to understand the longer and more specific list of unavoidable ethical dilemmas. The following six dilemmas, however, are common to charting any life in business or other professional or organizational settings.

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## Dilemma 1: Worthwhile Work

The first dilemma is “What is Worthwhile Work?” When we graduate from school, or whenever we are thinking about changing jobs, we are matching three things in deciding on our “vocation” — the job market (Are there jobs and opportunities?), our skills (Do I have the right skills to succeed in a particular job?) and our passions or beliefs (What do I want to do?).

What is worthwhile spending the majority of my waking time on for the next year — or 30 years? Will my chosen career, company and assignment contribute to human welfare or detract from it? What would it be like to work for the hedge fund that owns the company that charges prisoners in many states \$3 to \$5 per minute phone call — just because they can get away with it? As one of my MBA students put it, do I want to spend my life selling flowered toilet paper over plain toilet paper? Do I think the products and services of my company and industry contribute something to the improvement of the human condition? Am I at least satisfied I am not detracting from the human condition because of safety flaws, environmental damage or violations of human rights in the supply chain?

Answering this first question can come at a real cost, even a substantial cost. For example, imagine that I have a Wall Street offer, but I am really passionate about managing people and thereby improving their lives. I will only get that in a manufacturing job. Or perhaps I am in medical school and attracted by the earnings of various specialties but believe the role of family doctor is the most important one anyone can play. Or imagine that I am getting my law degree and drawn to serve the legal needs of the poor or advance environmental causes, but I have big debts and that corporate law offer is pretty attractive. Should I take the lower salary in each of these cases? What do I do?

Sometimes worthwhile work can be found in working in a corporate culture that respects its workers and their personal lives. You may work where management is supportive and workers thrive and advance, but you can also find yourself working in a toxic environment where human dignity is torn down every day and responding to one’s family commitments is regarded as weaknesses.

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## Dilemma 2: Work vs. Family

The second dilemma is what balance to strike between your commitment to work and to your family. Each of us makes a fundamental decision whether to work excessive hours, neglecting our spouse, children or other loved ones, or to limit our work to achieve a balance with family priorities. Companies and other professional organizations often have insatiable demand for our time. If you are talented and will allow them, they will keep you busy and travelling all the time. And if you do work all the time, they will offer you faster promotions and higher salaries.

This dilemma must be answered both when you choose a job and especially in the first few weeks on any new job. We are eager to show our stuff, and the boss is glad to load more and more work on us to see what we can accomplish. For our own physical health and for the sake of our family we have to regulate that demand. The dilemma may be particularly pronounced when a professional woman decides whether and when to have children. “There is no good time to have children,” says one of my former students. “If it is important to you, you just have to do it.” The reality is that one may give up some advancement opportunities, go on the “mommy track” for a time, or even permanently reduce one’s chances to reach the highest levels of management in one’s profession. It is interesting to watch the next generation navigate this dilemma; they may be wiser than we were in my generation. Some women (and men) have chosen to have children first, planning to take up a more intense career once the children are in school. Others have undertaken entrepreneurial careers or started their own businesses, precisely because it provides more flexibility for setting one’s own balance of work and family.

This dilemma of work/family balance also faces us when we manage the day-to-day conflicts between family obligations and work, such as caring for a sick child, an ill spouse or parent and attending an after-school youth soccer game.

In these moments we answer the values question — what is more important, and what balance do I choose? What really are my values?

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## Dilemma 3: Going Along With the Crowd

The third dilemma is how you will manage the continuing question of whether you will be a “team player” who goes along with whatever the group is doing or someone who actively resists the uglier side of group behavior. Every corporate culture and every small work group has a set of norms and a way of doing things. Unavoidably, some of the values and behaviors are not attractive and may even be improper or illegal.

Work groups demonstrate collective attitudes toward “others,” be they minorities, women, gays, environmentalists or those who are simply “different.” On joining a group, every individual will have a chance to “go along” with these attitudes or to strike an independent tone. Some groups do celebrate diversity, but many make fun of, even harass, those from different groups.

Group norms are also powerful in determining ways of getting things done. In some corporate cultures, fudging financial reports or skirting expense account rules is tolerated, even considered a game; in others, hiding information from corporate or from the boss is encouraged. Every person has the chance to decide whether he or she will go along with the crowd. The other choice is to maintain your own independent values and resist group norms that violate company rules, belittle any subgroup of employees or show intolerance to particular political viewpoints.

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## Dilemma 4: When Leaders Mislead

The fourth dilemma occurs when each of us must decide what to do when confronted by shoddy behavior by our own leaders. Unfortunately, leaders' ethics are not always exemplary. In fact, some leaders' success causes them to believe they are above the law and that the rules do not apply to them. Some leaders have weak values and succumb to the temptation to cut corners or fudge numbers as a quarter comes to a close or their performance becomes shaky. Further, while many bosses and leaders are admirable human beings, others are bullies and intimidate those who are unfortunate enough to work for them.

When leaders require others to go along with their questionable strategies — everything from pressing a technician to skip a required test “just this once,” to asking a young employee to join them in visiting a gentlemen's club or recording a questionable travel expense as directed — employees have the opportunity to resist. No one is encouraging employees to blow the whistle or resign every time they encounter questionable behavior, but instead to find ways to raise questions about the appropriateness of the behavior or decision, or maybe to give the boss an opportunity to rethink his or her own decision and save face. This requires a delicate skill of “giving voice to one's values,” as author Mary Gentile has written.

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## Dilemma 5: Being a Change Agent

The fifth dilemma or choice is whether one initiates positive change in one's organization or profession. Lots of things can be improved in any organization or any profession. And changes in the external environment or in technology can sometimes render traditional ways of doing things inappropriate and even unethical. Sloppiness about client privacy may have been a modest problem in the past, but with the advent

of the Internet and social media, it has become a much more serious problem that can do real harm to real people.

I have found that businesspeople and other professionals have one of two basic assumptions about their task at work. Some view their professional task as simply absorbing the existing values and culture of their organization or profession, while others view their task as learning the norms and helping to shape them for the future. This does not mean they enter the workplace with a chip on their shoulder. It means they understand that every organization and profession, or a particular sub-profession, may have cultural norms that are less than exemplary. The fact that financial reserves on the balance sheet are manipulated to make quarterly earnings come out “right” does not make it acceptable. The fact that so many doctors take gifts and honoraria from pharmaceutical firms does not make that right.

Change is not just the prerogative only of top executives. It is the responsibility of all employees. The successful careers of the future and the successful companies of the future will be those populated by intrapreneurs who make things happen and make their organizations and professions more responsive to public concerns and social responsibility. Nonetheless, change agents will occasionally pay a price for raising the issues they must. They may find their careers derailed by the perception that they are troublemakers. At such times, they may need to move on to other organizations and environments where they can continue to advocate for the change they seek.

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## Dilemma 6: Careers and the Common Good

The sixth dilemma all professionals face is deciding whether to look beyond their immediate organization and apply their professional skills for the benefit of humanity. Accountants have long helped nonprofits, including churches

and governments, in their drive for accurate financial reporting and adequate controls. Some professions, such as law, have developed a tradition of *pro bono* service. The organization Doctors Without Borders represents a response by the medical profession to the broader needs of society by meeting the critical need for clinical staff during incidents of civil strife around the world. Sadly, a growing number of such professionals have lost their lives providing this service for the common good.

Each businessperson, each professional, has talents that can serve the broader society in some concrete way. In shaping a life and one's personal character, one must choose whether to make such service to the common good a part of one's calling.

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### Part III: The Importance of Individual Ethical Choice

My third and final theme in this talk is the critical importance of individual ethical choice in making our organizations, our professions and our culture serve all of humanity. I do not hold out hope that enlightened self-interest in the corporation and the social responsibility of professional societies will address all the many ethical questions and social needs facing society today. I don't have much hope that compliance programs that use the word ethics but never quite manage to address it, or a regulatory structure that is still to a great extent in the hands of corporate interests, can lead companies to act ethically. I believe any hope of influencing corporate behavior resides with hundreds of thousands of individuals, like you and me, making individual ethical choices.

To become part of that movement and to chart a personal life of integrity and satisfaction, we must understand our own values, the multiple roles we play in life and the obligations that come with those roles. Above all, we must anticipate the unavoidable ethical dilemmas we

face in each of those roles because they will test what our values really are.

If we manage to do this, companies and their managers will be held to a higher standard; companies will reflect more on what really are worthwhile products and services; companies will be quicker to clean up "toxic environments" populated by bullies and miscreants. Companies may even begin to select employees and managers for their integrity. They will create ways in which thoughtful employees, and economic and social intrapreneurs, can more easily contribute their ideas. And companies will come to understand that one of the core motivations of all employees is the desire to contribute to the common good, to do something of lasting significance in a professional career.

Our collective mission to improve the ethics of business and of all society's institutions has come back to us individually. We need to prepare for a life of integrity by shaping our values and our character. The importance of individuals to ethics in our society points to the importance of the kind of ethics education that can only occur in educational institutions like Bentley, in religious organizations like churches and synagogues and in the personal and private influence we wield with our children and each other day in and day out.

Thank you to Verizon and to Bentley for this honor of addressing you.

# Q&A

Below are the highlights of Kirk O. Hanson's question-and-answer session with Bentley students, faculty and guests.

**QUESTION:** *Have the views you've presented today been affected by the presence of technology, such as apps designed to report misconduct or engage in whistleblowing, or the use of social media to speak up and call truth to power in ways that couldn't have been done as easily 15 or 20 years ago, or is it just your years of experience that have led you to these views?*

**KIRK HANSON:** I'd say it is, above all, a matter of experience. For a long period of time it was my hope that the enlightened self-interest would suffice to bring companies along. They would see that it was in their self-interests to do good, to be responsive to society, which is the kind of message that Ken Goodpaster gave here last year. This has been my hope for my whole career. I've always said, "Enlightened self-interest will get us 95 percent of the way there." But after working in

this field for over three decades, I no longer think it will get us 95 percent of the way there. I think the record of the last 10 to 15 years has been very discouraging. Maybe it's because globalization and technology make the competitive environment so much tougher. I'm actually quite sympathetic to the executives who say, "I can't afford to do that," and to the ethics officers who have one of the toughest challenges in organizations today. It's very hard to operationalize ethics when even a lot of founders are not able to tell you exactly what it means or CEOs are not able to tell you how far they are really willing to go to give up profit to be ethical. Are they willing to give up business in Asia if they can't do it without bribing? Are they are willing to not release a product because they're not sure what its effect will be, or they're not sure how secure the data about to be collected really is?

It's a very tough world out there, and I think it's not going to take just one or two or 10 people asking these kinds of questions or just the senior management. I think it's going to take senior management asking these kinds of questions along with everybody in the organization... and only then will we have some hope. But I think that the discouragement I've felt in recent years is based on my experience that we didn't make more headway in getting corporate behavior to change more based on enlightened self-interest.

**QUESTION:** *What is your view regarding the issue of balancing a culture of ethical behavior with maximizing profitability and earnings per share? Your talk seemed to suggest that one cannot do both. Do you have any optimism that corporate leaders can engage in ethical business while maximizing shareholder value?*

**KIRK HANSON:** I think there are two answers to that dilemma: I have the sense that it's possible to do both. I once ran an organization called the Business Enterprise Trust, which was made up of American corporate leaders, all household names that almost everyone here would know. They debated this question extensively, and frankly, they were split on the point. We had about 15 CEOs of big, big companies, and about a third of them, when they were out of the public eye, said, "This is going to cost money and it will give me a real problem." A third of them (I hate to say this, but I think they were naïve), said "You always have to do the right thing and it's always going to be the most profitable." I don't believe that. There were some in another group that I think were wise. They said, "You can make a lot of money either by acting ethically or unethically, so why not be ethical?" That suggests that it's possible to have a business that operates ethically and still make money. What I worry about is the temptations at the margins, when things are going great and then the company has a down quarter. This second quarter of 2002 weighs heavily on my mind

because we had so many blue chip companies in Silicon Valley falsify their earnings. A lot of these companies expressed very strong ethical language, but when push came to shove, many of them started manipulating earnings when their wealth was about to evaporate because of the tech bust in 2002. Maybe my discouragement really began at that point.

**QUESTION:** *To what extent do you think companies need to listen to their customers when it comes to ethics, even if they know they can avoid doing what's right and still make a huge profit? Do they have any incentive to act ethically?*

**KIRK HANSON:** Companies generally need to listen to their customers to get good indicators about where people are in pain. One of my favorite columns is "The Hagglers" in *The New York Times*. Yesterday it was about a company that provides prisoner telephone services. That column reports on case after case where companies simply are not listening to their customers and are making suboptimal decisions even for their own long-term profitability. In some cases though, *The Hagglers* shows that there can be a slow process of regulation that is finally going to solve a problem, but companies will hold off for a couple more years so they can continue making obscene profits — in this case by charging exorbitant prices to prisoners. While that kind of attitude discourages me, I think long term. In the case of this particular company, they'll get caught, and regulation will finally resolve the problem. What happened was there was an omnibus bill put through to solve this problem three years ago. The companies defeated a portion of it on the basis that the bill covered interstate phone calls but not intrastate calls, and of course most inmate phone calls are made within the state. So they basically avoided the impact of the regulation, and that was discouraging.

**QUESTION:** *One thing you said was that we've made lots of headway on compliance, but not much headway on ethics. I want to give you an opportunity to revisit that. Many of the examples you gave, such as Enron, WorldCom and Walmart, are all cases of noncompliance — straight up illegality. So what makes you confident that we have made progress on compliance?*

**KIRK HANSON:** Somebody observed that we're making great headway in compliance as it's directed at lower level employees, but not at the senior executives at that moment when monthly earnings are not met. I do think companies have done a good job briefing their employees. It's getting better. About five or six years ago when I was beginning our China work I started to ask big American companies with operations there if they had even translated their code of conduct into the Chinese language. For most of them, the answer was, "No." I would say, "How the hell can you communicate the company's commitment to compliance or ethics if you don't even have it in the local language?" They have made headway on that, and many training programs run by large American companies are now given in Chinese. I think progress is being made. I think that hotlines or helplines or reporting lines constitute a step forward for whistleblowers by having outside vendors act on an employee's behalf so that there's less of a chance for retaliation.

There are a variety of things that I think have improved in terms of compliance management. I just worry that the overall impression given is that we want minimum behavior; we want you to obey the law and regulations, but we don't know what it means to be ethical in any way beyond that. There was this wonderful corporate values statement a few years ago by one of our colleagues and a consultant who helped one of the largest American companies write a values

statement. It said to "reach beyond the minimal." I didn't think that was terribly inspiring, but the concept was right on because he was trying to get them to reach beyond the minimum of compliance and adherence to the law.

**QUESTION:** *I want to pick up on this last point. We talk about companies like Enron and BP as having failed in compliance. However, the point is, they made those decisions when ethics could have helped. They tried to act in ways that would pass a compliance test or the minimum test, but if they really had strong values and were thinking from an ethical point of view, over and above compliance, I think some of those problems would not have occurred.*

**KIRK HANSON:** There used to be a large accounting firm called Arthur Andersen that for years was considered the most ethical and the most distinguished of our accounting firms. It now no longer exists because of Enron. The reason is because their local manager in Houston, where Enron's headquarters were located, got talked into a whole series of interpretations of accounting practices that came back to haunt him. When Arthur Andersen was successfully charged with having gone along with these abuses, it was the second time in three or four years they had run into legal trouble. When the company had been caught in a fraud three years earlier, they had promised that if they ever got caught in another big one, they would allow revocation of their license to do business. They thought this was the ultimate commitment to "We're going to be ethical from here forward." When they had another serious malfeasance with Enron in 2001, Arthur Andersen had to be dissolved. It was a sad, sad case because it was a very distinguished firm with many really ethical and exemplary partners.

**QUESTION:** *What advice would you give to employees whose employers put them in a position where they are expected either to act unethically or get fired?*

**KIRK HANSON:** We have a colleague by the name of Mary Gentile, who is making her contribution today with what she calls “Giving Voice to Values.” If you put that in a search engine, you’ll get a lot of useful information about her work, about strategies for raising issues in that kind of context. She believes what we fail to teach in ethics is practically how to raise issues and not get fired. She’s developed a whole series of good tactics for that. I think that’s part of the answer. We don’t want to fall on our sword every time we have an ethical issue to raise. If you are placed in a difficult ethical situation, one approach is for you to go first and say, “Did I understand you correctly? You want me to falsify this record? You want me to skip that test and sign that we did it?” And depending on the response, then you might say, “Well, gee, isn’t that going to get us in trouble?” You act dumb; it’s a great strategy. I’ve made it a part of my life. You act dumb and ask a lot of questions. And at some point, the manager that you’re dealing with may either realize that he or she is in some really tough territory and could get in trouble for asking you to do this or he or she realizes it’s more trouble than it’s worth now that you’ve challenged it. Now you may hurt your reputation with that manager, but do everything short of threatening to report the boss to the hotline.

**QUESTION:** *A lot of corporate codes of conduct now have language in it, as ours does, that stipulates that even if you are told by your superiors to engage in unethical behavior, you still are culpable for doing so. You cannot say, “the boss told me to do it.” You have to have some individual accountability.*

**KIRK HANSON:** You can feel as if you were caught between a rock and a hard place. If you challenge this person you may hurt your reputation. If you report, you’re doing what the company wants but you still may hurt yourself within that unit or within that group because you didn’t go along. Let me just tell you another story. There is a distinguished army general, by the name of Antonio Taguba, who was the first Filipino U.S. Army general. He was number three in Iraq about a decade ago when the Abu Ghraib scandal broke. And then a three-star general called him in and said that for the credibility of the Army, we have to have a two-star general run this investigation and to do what’s ethically right; we’ve got to have an honest and thorough investigation. I know this is going to destroy your career as investigating officer, but your number came up; I want you to do it. Taguba said all right, saluted and did it. He felt he wouldn’t have any more promotional opportunities because his report was critical all the way up to the top of the chain of command. His report was really thorough and a good ethics investigation. He did his job; he did his job for the American people and for the long-term interest of the Army. However, it destroyed his credibility within the organization. So he went ahead and retired as soon as he finished the investigation. He feels good about what he did. It was just his number that came up, and that was what he was called to do. Maybe it’s my religious background, but I believe we’re all called upon to do certain things in our lives. When that happens, maybe that’s what you’ve been called upon to do. I think long term you’ve going to feel better about having raised the issue. Hopefully will have the skills to raise it in a way that reduces that chance that you will have to pay a high price, but it may be that in a particular set of circumstances, you do pay a high price.

**QUESTION:** *What types of corporate processes or structures are necessary to respond to ethical dilemmas?*

**KIRK HANSON:** What you hope for is openness on the part of the company for us to raise these questions and that if we come across something that is not right, that there is openness to hearing from us. If there's a mechanism for investigating compliance questions, that's great, but beyond that we hope that there is openness and a willingness to talk about an ethical violation.

Back in the '70s one ethical issue some employees raised was integrating the private business clubs. Companies would buy memberships for their executives in private clubs that often banned women, African-Americans and occasionally Jews. It was immediately clear that some companies were willing to talk about that issue, but others were not. One would hope that one's company would be open to discussing such matters or that a particular boss or supervisor will be open. In the end, the clubs were only integrated when a few ethical companies listened to their employees and then threatened to pull all their executive memberships from the clubs.

What I try to pitch to senior managers is that you may not necessarily feel at first that a particular problem is an ethics issue, or an important ethics issue, but you better listen because somebody in your organization does think it's important. You better take the time to listen and help the person who raised it think it through. I think that requires a structure or culture of acceptance on the part of managers and supervisors. You hope there's an effective ethical and compliance organization that will investigate your reports. The good ones have both anonymity and a guarantee of no retaliation; this is a structure, if you like. A manager has a whole set of tools to manage the ethical culture of the organization.

## End Notes

<sup>1</sup> Goodpaster, K. E. 2013. "Tenacity: The American Pursuit of Corporate Responsibility." *Verizon Visiting Professorship in Business Ethics*. Waltham, Mass.: Center for Business Ethics, Bentley University, p. 17.

<sup>2</sup> I date the beginning of the teaching of business ethics to 1978 when Stanford, Harvard, Wharton and several other business schools appointed their first business ethics professors, but earlier there were business ethics courses and programs at several Jesuit Catholic colleges like Loyola Chicago and Boston College, and at a few other schools, including Bentley University (then Bentley College).

<sup>3</sup> In 1968, in the wake of the 1967 urban riots, my first job even before graduating from college was to work for the National Alliance of Business with the aim of placing in jobs the hard-core unemployed in nine Western cities.

<sup>4</sup> Since giving this speech in February 2014, scandal has also enveloped General Motors over alleged attempts to hide safety flaws related to automobile ignition systems. Management and board investigations are examining why this information was not more widely shared in the company.

<sup>5</sup> See information on the "B Corporation" movement at [bcorporation.net](http://bcorporation.net).

<sup>6</sup> See Mary Gentile's *Giving Voice To Values*, Yale University Press, 2010.

<sup>7</sup> "Intrapreneur" is a concept and practice popularized recently by the Aspen Institute's Business and Society Program. See [aspeninstitute.org/policy-work/business-society/corporate-programs/first-movers-fellowship-program](http://aspeninstitute.org/policy-work/business-society/corporate-programs/first-movers-fellowship-program).







**BENTLEY**  
UNIVERSITY

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**Center for  
Business Ethics**

**MAIL** Center for Business Ethics, Bentley University,  
175 Forest Street, Waltham, MA 02452 USA

**EMAIL** [cbeinfo@bentley.edu](mailto:cbeinfo@bentley.edu)

**WEB** [bentley.edu/cbe](http://bentley.edu/cbe)

**PHONE** +1 781.891.2981

**FAX** +1 781.891.2988