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Keeping Your Colleagues Honest

By Mary C. Gentile

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behavior at work—and
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Keeping Your Colleagues Honest

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Jonathan has a new job. Just promoted from the accounting group at headquarters, he is now the controller for a regional sales unit of a consumer electronics company. He is excited about this step up and wants to build a good relationship with his new team. However, when the quarterly numbers come due, he realizes that the next quarter's sales are being reported early to boost bonus compensation. The group manager's silence suggests that this sort of thing has probably happened before. Having dealt with such distortion when he sat in corporate, Jonathan is fully aware of its potential to cause major damage. But this is his first time working with people who are creating the problem instead of those who are trying to fix it.

This may seem like a mundane accounting matter. But the consequences—in terms of carrying costs, distorted forecasting, compromised ethical culture, and even legal ramifications—are very serious. And except in extraordinarily well-run corporations, this kind of situation can arise easily. All managers should know

how to respond constructively (indeed, learning to do so is a key piece of their professional development), and senior managers must be able to change the cultural norms that gave rise to bad judgment in the first place.

Over the past four years, I have studied the moments when people decide whether to speak up about an ethical issue, and what they say when they do. I've collected stories from managers at all levels, with a particular focus on the earlier years in careers and on individuals who have positive stories to tell. These stories—along with the social-psychology research on decision making—shed light on what enables people to be candid when they encounter ethical conflicts in the workplace. The insights I describe here can help younger managers raise their voices when they should and help senior managers build a strong, honest organizational culture.

Many Excuses for Silence

When a manager encounters an ethical problem, chances are he'll also hear—or tell him-

self—one of four classic rationalizations for keeping silent.

It's standard practice. Jonathan will probably encounter this excuse when he questions his group's quarterly sales report. Though this kind of distortion is common, that does not diminish the costs it can trigger, the fact it is unethical, or the dangerous ripple effects it can have on the business down the road.

It's not a big deal. When Maureen, a product-engineering manager at a computer systems company, learned that her group's single-wipe process for reconfiguring hard drives was failing 5% of the time, she knew that some customers would end up with a reconditioned machine that still contained the previous owner's information. But her colleagues argued that no one had complained, that it was unlikely to cause a problem anyway, and that no one wanted to take on the cost of resolving the issue in a time of budget cuts.

It's not my responsibility. You or your colleagues may be tempted to say that you're too new in the job to chime in, that you don't have the authority, or that you're not the expert. Junior employees often get this message from others—but, I was surprised to discover, so do senior executives. For example, Denise, a senior vice president and the COO at a regional hospital, had a hunch that a trusted consultant was supplying her CEO with inaccurate financial analysis. She was afraid that, as a result, her boss would make a bad call about whether to sell the institution. This possibility weighed on her, because a sale would mean a host of problems for patients. She was new in her position, though; the CEO had brought her over from a nurse executive role, and she was still learning the ropes. She knew that the CEO believed in the sale, and she worried that her insights would not seem as credible as those of her boss's expert adviser. Indeed, when she first broached the topic, the CEO dismissed her concerns and her right to play a role in the decision making.

I want to be loyal. Many times people feel there is a conflict between doing what's right and being loyal to their coworkers, manager, or company. Though this question of loyalty may at times represent a true ethical dilemma, it is often just a rationalization.

Jonathan, of course, faces this tension. Adjusting the quarterly sales report for his group will reduce everyone's compensation

bonus, and his colleagues may accuse him of disloyalty.

Here's a higher-level example: Donald was chairman of the board of a high-technology firm whose senior executives had been caught in an options-backdating scandal. Even after he had taken all the steps that were recommended by external legal advisers—ordering a special investigation, dismissing the executives involved, bringing on a new director with a reputation for hard-headed integrity—the firm was still being pilloried in the press and struggling on Wall Street. So his advisers then argued for a clean sweep of the board, including Donald himself. Although he came to believe that his advisers were right, he worried that if he resigned and urged his colleagues to do the same thing, their reputations would suffer and they'd become targets for litigation. Fiduciary responsibility appeared to be pitted against personal loyalty.

Other excuses emerge, as well—for instance, time pressure—but they're usually paired with one of the rationalizations above.

Confronting the Problem

For most people, speaking up about an ethical issue is more difficult than, say, disagreeing with colleagues about whether to raise prices or change suppliers. A lot more is at stake. Several shifts in perspective can help managers raise their voices when it's called for.

Treat the conflict as a business matter. Approach the conversation as you would any important business presentation—that is, support it with a persuasive amount of detail, tailor it to your audience, and deliver it in an appropriate context. Just because the topic is ethics does not mean that the requirement for rhetorical skill goes out the window. A self-righteous little speech is not nearly as effective as a carefully crafted argument, bolstered by a thoughtful assembly of allies. Questions of values are questions of business and should be treated as such.

Recognize that this is part of your job. People tend to view ethical conflicts as aberrations—distractions from “real” work. That's just not true. Thinking them through—and doing something about them—is a regular part of professional life for finance officers, marketers, general managers, and anyone else who is in a position of responsibility. Once you normalize these situations, it's easier to do the

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work required: to ratchet down the emotional intensity, to challenge colleagues without vilifying them, and to use the analytical and persuasive skills that you would use in other business contexts.

Be yourself. You have a characteristic way of expressing yourself with your colleagues, and it's best to stick with that style when you speak up about an ethical issue. I spoke with hard-charging, risk-taking managers about times when they had raised an ethical issue, and they told me, more or less, "I enjoy arguing my point of view and challenging others." It wouldn't make sense or even seem genuine for them to take a more conservative or timid approach to conversations about ethics.

But more cautious personalities can be just as effective, using a different style. One analyst I interviewed had been asked by a friend at a rival firm to share proprietary information. She said no. When I asked her what enabled her to take that stand, she responded, "I guess I'm just a fearful person. I didn't want to take the risk." You might argue that not giving in to pressure from a friend was courageous rather than fearful. However, if the analyst had framed her behavior as courageous, she might not have been able to act as she did, because that's not how she pictured herself. Similarly, a consultant shared her strategy of posing ques-

tions instead of arguing directly. Over the course of several conversations, she managed to convert a very senior colleague to a different point of view on the importance of team diversity. Had she challenged him more directly, she said, she would not have felt comfortable—and she probably would not have succeeded.

The point is, there is no single right way to speak up. We hobble ourselves if we believe that we must be conventionally courageous, or cautious, or argumentative.

Challenge the rationalizations. Perhaps the most powerful tactic is to poke holes in the common rationalizations for acting unethically.

When colleagues claim that a certain behavior is standard practice, you can simply respond, "If this is standard, why is there a policy against it?" or "If it is expected, are we comfortable being public about it?"

When they say that an ethical problem is not material—it's just not a big deal—try sharing an anecdote from the perspective of someone for whom the issue is, in fact, a big deal. Materiality is in the eye of the beholder. Maureen, for example, can tell her colleagues about troubles a competitor ran into when a hard drive's previous owner chose to sue because of compromised proprietary data.

If people make the point that an issue is not your responsibility, you are in a strong position to press ahead—in using this rationalization, they have already conceded that the behavior is wrong, or at least questionable. They are not arguing with your assessment; they're looking for a way to avoid the conversation.

Finally, if a colleague requests your loyalty at the expense of your integrity, ask yourself whether he is being loyal to *you*. You won't necessarily want to make this argument explicitly; rather, draw on this insight to muster the confidence to respond, particularly if the rationalization is cloaked in personal ties and bonds ("I'm your friend. You don't want to hurt me, do you?"). Your outward response can merely be to argue, with a straight face, for loyalty to others. Jonathan can say: "I'm really sorry. I want to be a team player, but I am also concerned about the impact of this sales report on the rest of the organization." Or, even more effectively, he can frame his resistance to the sales report distortions as an expression of loyalty to the team itself: "I don't think it's fair for the firm to set up a compensation scheme that rewards you for distortions. Now that I under-

For Further Reading

Cognitive Biases in Decision Making

The research on cognitive biases in decision making can help you think about framing an ethical argument for maximum effectiveness. For example, we know that people are prone to accept what they believe the majority thinks—the phenomenon of "social proof," or "groupthink." You can appeal to this tendency by gathering and sharing stories that demonstrate a values-driven perspective in your organization. As a result, the employees who make ethical choices become at least as tangible as those who don't.

The books and articles listed here are rich in insights about cognitive biases that commonly distort judgment.

Changing Minds: The Art and Science of Changing Our Own and Other People's Minds, by **Howard Gardner** (Harvard Business Press, 2004)

"Ethical Leadership and the Psychology of Decision Making,"

by **David M. Messick and Max H. Bazerman** (*Sloan Management Review*, Winter 1996)

What Price the Moral High Ground? Ethical Dilemmas in Competitive Environments,

by **Robert H. Frank** (Princeton University Press, 2004)

"Why Good Accountants Do Bad Audits,"

by **Max H. Bazerman, George Loewenstein, and Don A. Moore** (HBR November 2002)

stand this from *our* point of view, let me work on a better system. But in the meantime, let's report accurately so we can demonstrate good faith."

Turn newbie status into an asset. It's common to think you can't address an ethical conflict because you are too new or too junior. But some managers I interviewed used those very qualities as an excuse to ask a seemingly naive question to open up the discussion: "I may have misunderstood something since I'm new, but I think we're creating a problem by posting next quarter's sales results for this past month. Aren't we just going to get caught in an addictive cycle?"

Expose faulty either/or thinking. Rationalizations are often based on false dichotomies. That is, if the competitive marketplace appears to reward unethical behavior in one instance, then we assume it will never reward ethical choices. This becomes a blanket excuse. We see the choice as naive idealism on the one hand or cynical nihilism on the other. The reality is more complex: Ethical behavior is often—though not always—rewarded in the marketplace.

If either/or thinking is used to defend unethical actions, counter it by pointing that out. Suppose Maureen has been told that mandated budget cuts preclude the possibility of correcting the faulty process for reconfiguring hard drives. She can argue that cuts are unquestionably important but that they require a discriminating eye. In other words, the strategy is not "budget cuts *or* product defect correction" but rather "appropriate cuts *and* necessary quality maintenance."

Make long-term risks more concrete. Re-

search on decision biases shows that long-term costs and benefits feel less tangible than short-term ones. The best strategy here is to make big-picture concerns more concrete and thus more urgent. For example, Jonathan could calculate the financial impact of forecasting errors and carrying costs triggered by misleading sales reports that he and his colleagues in accounting had previously uncovered.

Many interviewees who'd voiced their values successfully had developed a tangible accounting of the long-term costs of *not* speaking up, which seemed to motivate them. One, for example, had weighed the immediate discomfort of disagreeing with his manager against the discomfort of pretending not to mind every time a similar request surfaced in the future, and he'd decided to raise his concerns.

Present an alternative. People fear being labeled as self-righteous crusaders if they speak up. That generally doesn't happen to those who present smart alternatives to unethical actions. I heard many stories about effective communicators who helped change something important and very few about self-righteous crusaders. Consider the freshly promoted CFO who was pressured by senior colleagues to restate restructuring charges to reflect favorably, and he believed incorrectly, on the firm. He refused to do so but at the same time launched a major integrity campaign within the firm. Instead of simply saying no, he gave people something positive to pursue. His first act as CFO was an effort to empower responsible reporting, which shifted the focus from what he was unwilling to do to what he was determined to do. In the end people saw him as a visionary, not an obstacle.

Checklist for Action

Once you recognize that you face an ethical challenge, ask yourself the following questions to start formulating a plan of action.

What is the conflict at hand, and what is your position on it?

What's at stake for the key parties, including those who disagree with you?

What arguments are you trying to counter? That is, what reasons and rationalizations do you need to address?

What responses to those reasons and rationalizations will be most powerful and persuasive? Do you have all the information you need to craft a sound argument (research, interpersonal insights, examples of past successes or failures)?

To whom should the argument be made?

At what times has your target audience had a change of heart before? What can you learn from those examples?

What timing is optimal? Should your effort be sequenced in some way?

Which allies, if any, will help you make your case?

What forum is right for the conversation—off-line or in public?

What communication style do you prefer? What style best suits this situation?

What sources of support do you have inside and outside the organization? Are they adequate?

When that CFO resisted the pressure to distort his firm's financial reporting, he cited the firm's tradition of strong, values-driven leadership. In doing so he provided inspiration to those who wanted to resist the reporting distortions but didn't think it would work.

And that's instructive. Businesspeople tend to be pragmatists. If they don't believe it's possible to voice their values effectively, they probably won't bother trying. For this reason, leaders at all levels of the organization need not only to demonstrate their own commitment to ethical behavior but also to provide opportunities for employees to witness and practice such behavior. They can set the right tone by telling stories. Not the usual PR stories about the firm's philanthropy or community involve-

ment, but anecdotes about moments when an individual or a group made a difference: the junior analyst who ensured that a client received accurate information about his portfolio performance, the market research managers who refused to distort their findings when asked to do so by their vice president, or the new CFO mentioned above who decided to use his position rather than be used by it. When the whole organization knows these stories, all employees begin to feel it's possible to take a stand.

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The Zurich HelpPoint Perspective



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What can an organization do to set up boundaries and guidelines for ethical behavior?

The creation of an ethical organization must begin with the tone and culture set by senior leaders, who then cascade those ethical norms through all levels of the organization. Most companies of substantial size utilize ethical policies and statements, but where the rubber meets the road is the day-to-day corporate culture of the organization. That day-to-day culture should be fostered and nurtured by senior leadership, who must embed ethical decision making into every task that is performed. It's more than just mentioning ethics in meetings, but rather it is demonstrating ethics in every action that is taken. This includes treating people with respect, and being open and accessible to all employees. If you are not open to questions and concerns, how can your employees feel comfortable raising ethical issues?

It is also important to note that leaders must be authentic in their behaviors. As a leader, you have to lead in your own way. You have to put our corporate values into your own language and frame them in the context of your own function—whether it is legal, underwriting or finance. In other words, if you don't cite examples from your own day-to-day experiences, your viewpoint will not

have credibility. No matter how many ethics codes or policies an organization might have, unless you customize the ethical expectations to your own function, the expectations will not resonate well or be considered credible by rank-and-file employees.

How do you make ethical compliance everyone's responsibility?

One of the root causes of unethical leadership is divided loyalty, that is, when loyalty to a person—such as your own personal needs or your boss' interests—is placed over loyalty to the organization as a whole. Thus, when you start defining an ethical framework with your team, you should include loyalty to the organization at the top of the list. The organization's reputation is of overarching importance and that message has to be set from the highest levels of the organization.

The message is: We're not just here to make profits, but rather we are here to be profitable and succeed doing things the right way. In that regard, nothing is more important than a company's values and reputation. If you damage the reputation of the corporate franchise, you will probably lose most of your customers, or at least most of the customers you value. So, as a leader, your bottom-line expectation should be "delivering positive results in an ethical framework" rather than just economic results. That aspiration is one of the crown jewels of any ethical organization.

No one wants to sanction unethical behavior, but it's very difficult to confront these situations or people. How can leaders make that easier for their employees?

You cannot just point fingers, ascribe blame or overreact when you discover these situations. By that I mean you need to do more than just criticize or dwell on prior practices. Instead you should start the discussion by asking, "How do we get this situation into an ethical decision-making framework so we can do the right thing?" That is where you have to focus by asking the right questions, such as, "How does this affect our customers?" "Who are

our key stakeholders?" "Is self-reporting to regulators called for?" etc. If people see that you are truly focused on resolving these issues in an ethical way, they will not hesitate to raise similar issues in the future. In those instances, they will want to confront the entire situation, rather than just reluctantly tell only a part of the story. The worst situation is where you solve only half of the problem because you lack complete and relevant information.

It's very important that people feel confident to come forward and talk about their viewpoints with others. There are always alternatives, options and solutions to every challenge, but they may not be obvious to a single individual. So it helps the entire organization when people bring these issues out and everyone seeks the answers together. When you know that the organization as a whole is committed to the solution, it is a natural incentive for people to step up.

Likewise, many ethical issues present reputational risk. Moreover, reputational damage is rarely short term. So you need to take the long-term view when it comes to addressing ethical risk. And that goes back to the need to have ethical behavior embedded in everything you do. In that way, you will have a culture where people want to address those long-term risks in a sustainable way and work to solve them on a permanent basis.

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