

Leader to Leader

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Creating an Ethical Environment

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As leaders and followers, we are all subject to the influences of our environment and those around us. When the highest standards are expected and consistently demonstrated, we can pursue our highest aspirations and create great achievements. But when standards are murky, when skirting close to the edge is tolerated or even encouraged, we can find ourselves questioning even our own deeply held values. Such is the power of influence.

When we comply with a friend's request, repay a favor, follow the example of others, or accept expert advice, we are being influenced. More than five decades of research have uncovered how people can be influenced to change their behavior in many ways. This research shows that influence works by appealing to a specific set of deep human drives and needs. In my analysis of this



research, I have uncovered six basic principles of influence. Used ethically, these principles are powerful instruments in any leader's toolbox. Used unethically or thoughtlessly, on the other hand, they can cripple an organization. Leaders who want to build strong, ethical organizations need to recognize these principles, understand how they work, and understand how they can lead people astray. (See box, Six Principles of Influence, on page 7.)

The Power of Influence

The power of influence was never more clearly demonstrated than by the behavior of American prisoners of war in the Korean War. After that war, a high percentage of American prisoners held by the Chinese were found to have collaborated with the enemy in one way or another. Some made false confessions of war crimes,

some signed peace petitions, some went on the radio in support of the communists, some even informed on fellow prisoners, and some just ran errands. The result of physical torture? No, the result of the skillful use of principles of influence.

The captors relied heavily on the principle of consistency, and their strategy was to start small and build. For instance, prisoners were first asked to agree with statements that were so mildly anti-American or pro-communist that they seemed almost trivial ("The U.S. is not perfect." "In a communist country; unemployment is not a problem.") Once these minor requests had been complied with, however, the prisoners were pushed to agree to more substantial requests. A prisoner who had agreed that America was not perfect, for example, would be asked to explain some of the ways this might be the case. He would then be asked to agree that these were problems for America. He might then be asked to write down these problems and sign his name.

The success of such an approach demonstrates the power of consistency. We try to behave consistently with what we've said and done. Each small step the prisoners were asked to take was

Six Principles of Influence

Principle	How it Works	How it can go wrong
Reciprocity	People do unto others as others do unto them.	I'll bend the rules for you for me.
Social Proof	People follow the example of their peers.	Go along to get along.
Consistency	People try to behave consistently with their values and commitments.	It's not as if you've never done anything wrong in your life.
Authority	People defer to the expertise of others.	Just do what you are told. That's an order.
Scarcity	People want things that are rare, exclusive, hard to get.	Don't make any waves and you'll get that promotion.
Liking	People like those who like them.	We thought you were one of the gang.

consistent with things they had already said or done, Yet, over time, a prisoner would find himself a "collaborator," having given aid and comfort to the enemy. After all, he had spoken out against his own country without real coercion. Once a man saw himself as a collaborator—a profound change in self-image—it often resulted in even more extensive acts of collaboration consistent with the new self-image.

Often, a prisoner would be asked to read his list of "problems" in front of a group of his fellow prisoners. For the prisoners in the audience, seeing one of their own criticizing the United States would make it easier for them to do so as well—the principle of social proof. Social creatures that we are, we rely heavily on the people around us—especially those most like us—for cues on how to think, feel, and act. Soon, collaboration might become accepted behavior among a large group of prisoners.

Why am I retelling this story now, half a century after the Korean War? Because many recent corporate scandals demonstrate once again how easy it is to go astray. Because of the power of influence, small changes can have big effects. The first step may seem trivial, just as acknowledging that America is not perfect may seem trivial. But what may initially seem like isolated and exceptional ethical lapses can grow to infect an entire organization.

Leaders who want to create and maintain healthy, ethical organizations need to be constantly vigilant. It is critically important to set standards and recognize that even small deviations from those standards can lead to trouble. When we break an ethical barrier it is just like breaking a pane of glass: it's gone; it doesn't exist anymore. Once you've crossed that barrier, your self-perception changes: things that were previously off-limits may now seem acceptable, just as in Korea. People will do

things *next* week that they wouldn't have done *last* week, except for what they did *this* week.

Ethics Can't Be Compartmentalized

Too often organizations think that they can compartmentalize behavior, demanding strict adherence to high ethical standards internally even as they excuse or even encourage less ethical behavior with customers and other outside stake-holders. But people do not work that way. Because of the strong power of influence, behavior with customers, suppliers, and others will rub off on internal behavior. Take a story about a defense contractor that was in the newspapers awhile ago. At this company, upper management decided to encourage improved computer literacy in the organization and announced a policy of lending everyone in the company money to buy a home computer. It sounded like a good

idea—indeed a lot of people took advantage of it. Later it was found that many employees in collusion with people in the purchasing office were getting the “home computer” loans to buy boats, big screen televisions, and other personal items.

Why did this happen? I have no conclusive proof, but suspect that the culture of this company was at least partly to blame. It is an open secret that some defense contractors bidding for government contracts employ a practice of underestimating costs up front and then padding the final bill presented to the government. The \$500 hammer is the classic example of this sort of

presidents had lied to the supplier to get the price down. I don't remember my exact words, but I put it as diplomatically as I knew how that I wasn't comfortable with that, and that it could undermine our relationship with the supplier.

“The president rolled his eyes and laughed. ‘Look at Jack! He's shocked, *shocked*, that we sometimes tell stories to suppliers!’ Everyone laughed, and someone said, ‘Grow up, Jack.’

“Well, I turned red, but I re-

proof as they adjust to the unwritten rules of a corporate culture. These are all appropriate and largely positive examples of social proof.

Unfortunately, social proof also can spread behavior that is inappropriate and unethical. When we see others being less than truthful, bending or breaking rules, or cheating in various ways, it can sometimes make that behavior more acceptable to us as well. When the top performer singled out for public praise is known to achieve results unethically, the message is that unethical behavior is OK. When the unwritten rules of an organization's culture accept ruthlessness or dishonesty, new recruits adjust their behavior accordingly—or they leave.

In economics, Gresham's law states that bad money drives out good money. Similarly, in organizations, unethical behavior drives out ethical behavior. When unethical behavior is accepted by an organization's culture, it causes a crisis within the organization. People who are not comfortable with dishonesty feel a great deal of stress. They lose interest in their work and commitment to company goals. They start coming in late and leaving early. Many find other jobs. Not only does the company have to face all the costs associated with absenteeism and turnover, it also undergoes a profound transformation when a large share of those staying in the organization are comfortable with cheating. These people don't just cheat customers and other external stakeholders—they cheat the company and each other because they are oriented that way. The organization as a whole has become corrupt. Some of the recent corporate scandals clearly involved organizations that

Recent corporate scandals demonstrate how easy it is to go astray.

thing. (In justifying this behavior, defense contractors say this is just the way the game is played.) In a culture in which it was acceptable to be deceptive outside the organization it became acceptable to be deceptive inside the organization. The company in a sense invited this kind of thing as part of “who we are”—people who play fast and loose with the truth.

For another example, listen to Jack, whose personal story underscores how corrosive unethical external behavior can be:

“I was talking to our president and some other people in the executive team after some difficult negotiations with a major supplier, and I wasn't comfortable with how it had gone. One of the vice

member thinking, if they are willing to lie to suppliers, why not employees? I never trusted the executive team after that.”

Unethical Behavior Can Be Contagious

The principle of social proof, that we look to others like us to determine appropriate behavior, means that human behavior can be contagious, spreading out from a few to “infect” many people. Social proof is often used explicitly and appropriately in organizational life. When we single out top performers for public praise, holding them up as an example for their peers, we are using social proof. Teams rely on social proof to establish group norms. Newcomers to an organization rely heavily on social

had deteriorated to such a point that the company as a whole was corrupt.

suppliers, employees, and vendors. Leaders who tolerate anything less will pay a heavy

experience are all important. Even more important, because they are not changeable, are values. Organizations need to recruit people with a strong set of values that are ethical and that fit with those of the culture. Of course, that assumes that the company knows that its values are, and that they are ethical.

Be ruthless about rooting out dishonesty and deception.

Creating the Right Environment

Think about how your organization does business. How far along are you on the slippery slope? Would most people in your organization agree that it is perfectly acceptable to present your products and services to customers in the best possible light? Would they then agree that it is OK not to disclose shortcomings or defects to customers? Would perhaps they go on to agree that it is acceptable to hide information about your products' shortcomings? Once they have agreed to that, would they consider it acceptable to lie to customers about your products and services? And if they have taken that step, would they think twice about lying to people inside the company?

I am reluctant to recommend ruthlessness under any circumstance except when it comes to ethical behavior. The power of influence is so strong that leaders need to be ruthless about rooting out dishonesty and deception in the way that the organization deals with its customers, clients, regulators,

price, because employees tend to ascend or tumble to the level of their leaders.

Leaders also need to pay careful attention to recruitment and selection. When my son was growing up, I naturally wanted him to adopt a set of values that I felt were the best for him. When he got early childhood, I recognized that he was more influenced by his playmates than by me. At that point my job was to fashion an environment where the kids he played with were ones whose values I wanted him to adopt. I would drive across town to get him into a program that included children who would set a good example. Leaders need to take the same approach. In building a healthy organization, recruitment is key.

Research shows that fundamental values are set at about our early 20s. We can change our behaviors, our attitudes, and our beliefs, but we don't change our fundamental values after the early 20s. So to build an organization with a strong set of ethical values, leaders have to start with the recruitment and selection process. Education, training, and

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