

Chapter 1

The Gap between Intended and Actual Ethical Behavior

For some reason I can't explain, I know St. Peter won't call my name.

—"Viva La Vida," Coldplay

How ethical do you think you are compared to other readers of this book? On a scale of 0 to 100, rate yourself relative to the other readers. If you believe you are the most ethical person in this group, give yourself a score of 100. If you think you're the least ethical person in this group, give yourself a score of 0. If you are average, give yourself a score of 50. Now, if you are part of an organization, also rate your organization: On a scale of 0 to 100, how ethical is it compared to other organizations?

How did you and your organization do? If you're like most of the people we've asked, each of your scores is higher than 50. If we averaged the scores of those reading this book, we guess that it would probably be around 75. Yet that can't actually be the case; as we told you, the average score would have to be 50. Some of you must be overestimating your ethicality relative to others.¹ It's likely that most of us overestimate our ethicality at one point or another. In effect, we are unaware of the gap between how ethical we think we are and how ethical we truly are.

This book aims to alert you to your ethical blind spots so that you are aware of that gap—the gap between who you want to be and the person you actually are. In addition, by clearing away your organizational and societal blind spots, you will be able to close the gap between the organization you actually belong to and your ideal organization. This, in turn,

will help us all to narrow the gap between the society we want to live in and the one in which we find ourselves. Drawing on the burgeoning field of behavioral ethics, which examines how and why people behave the way they do in the face of ethical dilemmas, we will make you aware of your ethical blind spots and suggest ways to remove them.

Behavioral Ethics: A New Way of Understanding Unethical Behavior

Consider these two opinions regarding responsibility for the financial crisis that began in 2008:

This recession was not caused by a normal downturn in the business cycle. It was caused by a perfect storm of irresponsibility and poor decision-making that stretched from Wall Street to Washington to Main Street.

—President Barack Obama

The mistakes were systemic—the product of the nature of the banking business in an environment shaped by low interest rates and deregulation rather than the antics of crooks and fools.

—Richard Posner

Same financial crisis, two different explanations from two famous citizens. The first blames the “bad boys” who operated in our financial system, the second the system in which those bad boys operated. Who’s right? Both are—but, even if combined, both opinions are incomplete.

Did some greedy, ill-intentioned individuals contribute to the crisis? Absolutely! As President Obama notes, self-interested actors engaged in clearly illegal behavior that helped bring about the crisis, and these criminals should be sent to jail. Was the financial system destined to produce such behavior? Again, absolutely! Many of our institutions, laws, and regulations are in serious need of reform. Do these two explanations, even when combined, fully explain the financial crisis? Absolutely not!

Missing from these analyses are the thousands of people who were

culpably ignorant, engaged in what they thought were seemingly harmless behaviors without consciously recognizing they were doing anything wrong: the mortgage lenders who only vaguely understood that buyers couldn't afford the homes they wanted, the analysts who created mortgage-backed securities without understanding the ripple effect of such a product, the traders who sold the securities without grasping their complexity, the bankers who lent too much, and the regulators biased by the lobbying efforts and campaign donations of investment banks. The crisis also involves the multitude of people who were aware of the unethical behavior of others, yet did little or nothing in response, assuming perhaps that "someone smarter than them understood how it all worked," as *BusinessWeek* speculated.²

Numerous scandals that have occurred in the new millennium have damaged our confidence in our businesses and our leaders. Under pressure to become more ethical, organizations and financial institutions have undertaken efforts aimed at improving and enforcing ethical behavior within their walls. They have spent millions of dollars on corporate codes of conduct, value-based mission statements, ethical ombudsmen, and ethical training, to name just a few types of ethics and compliance management strategies. Other efforts are more regulatory in nature, including the Sarbanes-Oxley Act passed by the U.S. Congress; changes to the rules that determine how the New York Stock Exchange governs its member firms; and changes in how individual corporations articulate and communicate their ethical standards to their employees, monitor employees' behavior, and punish deviance.

While we support efforts to encourage more ethical decisions within organizations, the results of these efforts have been decidedly mixed. One influential study of diversity programs even found that creating diversity programs—an organizational attempt to "do the right thing"—has a *negative* impact on the subsequent diversity of organizations.³ Moreover, such interventions are nothing new. Many similar changes have been made in the past to address ethical indiscretions. Despite these expensive interventions, new ethical scandals continue to emerge.

Similarly, ethics programs have grown at a rapid rate at business

schools across the globe, and ratings of business schools now often explicitly assess the prevalence of ethics training in the curriculum. Yet the effects of such ethics training are arguably short-lived, and MBA honor codes, usually part of the educational process, have in some cases been proven to produce no discernible improvement in ethical behavior. In fact, according to a 2008 survey conducted by the Aspen Institute, MBA students feel *less* prepared to deal with value conflicts the longer they are in school.⁴

Could the financial crisis have been solved by giving all individuals involved more ethics training? If the training resembled that which has historically and is currently being used, the answer to that question is no. Ethics interventions have failed and will continue to fail because they are predicated on a false assumption: that individuals recognize an ethical dilemma when it is presented to them. Ethics training presumes that emphasizing the moral components of decisions will inspire executives to choose the moral path. But the common assumption this training is based on—that executives make explicit trade-offs between behaving ethically and earning profits for their organizations—is incomplete. This paradigm fails to acknowledge our innate psychological responses when faced with an ethical dilemma.

Findings from the emerging field of *behavioral ethics*—a field that seeks to understand how people actually behave when confronted with ethical dilemmas—offer insights that can round out our understanding of why we often behave contrary to our best ethical intentions. Our ethical behavior is often inconsistent, at times even hypocritical. Consider that people have the innate ability to maintain a belief while acting contrary to it.⁵ Moral hypocrisy occurs when individuals' evaluations of their own moral transgressions differ substantially from their evaluations of the same transgressions committed by others. In one research study, participants were divided into two groups. In one condition, participants were required to distribute a resource (such as time or energy) to themselves and another person and could make the distribution fairly or unfairly. The "allocators" were then asked to evaluate the ethicality of their actions.

In the other condition, participants viewed another person acting in an unfair manner and subsequently evaluated the ethicality of this act. Individuals who made an unfair distribution perceived this transgression to be less objectionable than did those who saw another person commit the same transgression.⁶ This widespread double standard—one rule for ourselves, a different one for others—is consistent with the gap that often exists between who we are and who we think that we should be.

Traditional approaches to ethics, and the traditional training methods that have accompanied such approaches, lack an understanding of the unintentional yet predictable cognitive patterns that result in unethical behavior. By contrast, our research on *bounded ethicality* focuses on the psychological processes that lead even good people to engage in ethically questionable behavior that contradicts their own preferred ethics. Bounded ethicality comes into play when individuals make decisions that harm others and when that harm is inconsistent with these decision makers' conscious beliefs and preferences. If ethics training is to actually change and improve ethical decision making, it needs to incorporate behavioral ethics, and specifically the subtle ways in which our ethics are bounded. Such an approach entails an understanding of the different ways our minds can approach ethical dilemmas and the different modes of decision making that result.

We have no strong opinion as to whether or not you, personally, are an ethical person. Rather, we aim to alert you to the blind spots that prevent all of us from seeing the gap between our own actual behavior and our desired behavior. In this book, we will provide substantial evidence that our ethical judgments are based on factors outside of our awareness. We will explore the implicit psychological processes that contribute to the gap between goals and behavior, as well as the role that organizations and political environments play in widening this divide. We will also offer tools to help weight important ethical decisions with greater reflection and less bias—at the individual level, the organizational level, and the societal level. We will then offer interventions that can more effectively improve the morality of decision making at each of these three levels.

What about You? The Implications of Ethical Gaps for Individuals

Most local and national journalists questioned in a recent survey expressed the strong belief that most reporters are more ethical than the politicians they cover. In stark contrast, most government and business leaders surveyed, including members of Congress, believed that reporters were no more ethical than the targets of their news stories.⁷ Who's right? While it would be almost impossible to reach an objective conclusion, the vast literature that documents the way we view ourselves suggests that that both groups have inflated perceptions of their own ethicality.

Here's another question: Did former president George W. Bush act ethically or unethically when he decided to invade Iraq? How would you have answered this question during the early days of the war, when it looked as if the United States was "winning"? To what extent might political preferences bias answers to these questions? Most people believe they are fairly immune from bias when assessing the behavior of elected officials. Moreover, even when they try to recall their view at the time they made a decision, most people are affected by their knowledge of how well the decision turned out. Our preferences and biases affect how we assess ethical dilemmas, but we fail to realize that this is the case.

At this point, we may have convinced you that others have inflated perceptions of their own ethicality and a limited awareness of how their minds work. In all likelihood, though, you remain skeptical that this information applies to you. In fact, you probably are certain that you are as ethical as you have always believed yourself to be. To test this assumption, imagine that you have volunteered to participate in an experiment that requires you to try to solve a number of puzzles. You are told that you will be paid according to your performance, a set amount for each successfully solved puzzle. The experimenter mentions in passing that the research program is well funded. The experimenter also explains that, once

you have finished the task, you will check your answers against an answer sheet, count the number of questions you answered correctly, put your answer sheet through a shredder, report the number of questions you solved correctly to the experimenter, and receive the money that you reported you earned.

Would you truthfully report the number of puzzles you solved to the experimenter, or would you report a higher number?⁸ Note that there is no way for the experimenter to know if you cheated. While we do not know if you personally would cheat on this task, we do know that lots of seemingly nice people do cheat—just a little. In comparison to a group of individuals who are not allowed to shred their answers, those who are allowed to shred report that they solved significantly more problems than did those who didn't shred. Those who cheat likely count a problem they would have answered correctly, if only they hadn't made a careless mistake. Or they count a problem they would have aced if they only had had another ten seconds. And when piles of cash are present on a table in the room, participants are even more likely to cheat on the math task than when less money is visually available.⁹ In this case, participants presumably justify their cheating on the grounds that the experimenters have money to burn. Ample evidence suggests that people who, in the abstract, believe they are honest and would never cheat, do in fact cheat when given such an easy, unverifiable opportunity to do so. These people aren't likely to factor this type of cheating into their assessments of their ethical character; instead, they leave the experiment with their positive self-image intact.

The notion that we experience gaps between who we believe ourselves to be and who we actually are is related to the problem of *bounded awareness*. Bounded awareness refers to the common tendency to exclude important and relevant information from our decisions by placing arbitrary and dysfunctional bounds around our definition of a problem.¹⁰ Bounded awareness results in the systematic failure to see information that is relevant to our personal lives and professional obligations.



Figure 1. Photograph copyright © 1965 by Ronald C. James

Take a look at figure 1. What did you see? Now take a look at the Dalmatian sniffing on the ground. Most people do not see the Dalmatian on the first look. Once they know she is there, however, they easily see her—and, in fact, they can no longer look at the picture without noticing she is there. The context of the black-and-white background keeps us from noticing the Dalmatian, just as our profit-focused work environments can keep us from seeing the ethical implications of our actions.

As the Dalmatian picture demonstrates, we are “boundedly aware”: our perceptions and decision making are constrained in ways we don’t realize. In addition to falling prey to bounded awareness, recent research finds we are also subject to bounded ethicality, or systematic constraints on our morality that favor our own self-interest at the expense of the interest of others. As an example, a colleague of Ann’s once mentioned that she had decided not to vaccinate her children given a perceived potential connection between vaccines and autism. After noting that this was a decision her colleague had a right to make, Ann suggested that she might be overweighing the risks of the vaccine in comparison to the risk of the disease. Ann also raised the possibility that her colleague was not fully

considering the impact of her decision on others, particularly immune-compromised children who could die if they contracted diseases as commonplace as chicken pox from unvaccinated children. Several days later, Ann's colleague mentioned that she was rethinking her decision not to vaccinate her children, as she had never considered the other children who might be affected by her decision.

The psychological study of the mistakes of the mind helps to explain why a parent might overweigh the risks of a vaccine relative to the risk of a disease for the sake of her or his own child. Going a step further, bounded ethicality helps to explain how a parent might act in ways that violate her own ethical standards—by putting other people's children in danger—without being aware that she is doing so. We will explore how psychological tendencies produce this type of accidental unethical behavior.

Philosopher Peter Singer's book *The Life You Can Save: Acting Now to End World Poverty* provides ample documentation of how our limited awareness restricts our charitable giving and even our willingness to think about many ethical problems.¹¹ He opens his book with the following problem:

On your way to work, you pass a small pond. On hot days, children sometimes play in the pond, which is only about knee-deep. The weather's cool today, though, and the hour is early, so you are surprised to see a child splashing about in the pond. As you get closer, you see that it is a very young child, just a toddler, who is flailing about, unable to stay upright or walk out of the pond. You look for the parents or babysitter, but there is no one else around. The child is unable to keep his head above the water for more than a few seconds at a time. If you don't wade in and pull him out, he seems likely to drown. Wading in is easy and safe, but you will ruin the new shoes you bought only a few days ago, and get your suit wet and muddy. By the time you hand the child over to someone responsible for him, and change your clothes, you'll be late for work. What should you do?

Singer notes that most people see this as an easy problem to solve. Clearly, one should jump in and save the child, as failing to do so would be a massive ethical failure. Singer then goes on to describe a challenge described by a man in Ghana:

Take the death of this small boy this morning, for example. The boy died of measles. We all know he could have been cured at the hospital. But the parents had no money and so the boy died a slow and painful death, not of measles but out of poverty. Think about something like that happening 27,000 times every day. Some children die because they don't have enough to eat. More die, like that small boy in Ghana, from measles, malaria, diarrhea, and pneumonia, conditions that either don't exist in developed nations, or, if they do, are almost never fatal. The children are vulnerable to these diseases because they have no safe drinking water, or no sanitation, and because when they do fall ill, their parents can't afford any medical treatment. UNICEF, Oxfam, and many other organizations are working to reduce poverty and provide clean water and basic health care, and these efforts are reducing the toll. If the relief organizations had more money, they could do more, and more lives would be saved.

While one could quibble about whether the two stories are perfectly parallel, most people feel uncomfortable when reading this second story (we know that we were). In fact, the stories are quite similar, except for one difference. In the first, you would likely be aware of any gap that arises between what you should do and what you actually do: you should save the boy, and if you do not, it will be obvious to you that you failed to meet your own ethical standards. In the second example, your ethical blinders are firmly in place. Most people likely would be ashamed if they knew they had failed to save a life for a relatively small amount of money, yet most of us do exactly that. We will explore the psychological tendencies that produce those blind spots and suggest ways to remove them.

As another example, take the case of Bernard Madoff. Over the course of three decades, Madoff's Ponzi scheme racked up enormous losses:

more than 15,000 claims approaching \$300 million in damages, and \$64.8 billion in paper profit was wiped out. Madoff sold most of his investments through feeder funds—that is, other funds that either marketed their access to Madoff to potential investors or claimed they had access to some exotic investment strategy. In reality, the feeder funds were doing nothing more than turning much of the money they collected over to Madoff. These intermediaries were extremely well paid, often earning a small percentage of the funds invested plus 20 percent of any investment profits earned. Thus, as Madoff claimed an amazing record of success, the feeder funds were getting rich.

It is now clear that Madoff was a crook, and his purposeful, deceitful behavior lies outside of this book's focus on unintentional ethical behavior. Yet we are fascinated by the harmful behavior of so many other people in this story, people who had no intention of hurting Madoff's eventual victims. Many analysts have now concluded that outperforming all kinds of markets, as Madoff did, is statistically impossible. Did the managers of the feeder funds know that Madoff was running a Ponzi scheme, or did they simply fail to notice that Madoff's performance reached a level of return and stability that was impossible? Ample evidence suggests that many feeder funds had hints that something was wrong, but lacked the motivation to see the evidence that was readily available. For example, Rene-Thierry Magon de la Villehuchet, a descendent of European nobility and the CEO of Access International Advisors and Marketers, had invested his own money, his family's money, and money from his wealthy European clients with Madoff. He was repeatedly warned about Madoff and received ample evidence that Madoff's returns were not possible, but he turned a blind eye to the overwhelming evidence. Two weeks after Madoff surrendered to authorities, de la Villehuchet killed himself in his New York office.

Here's a final example of the type of psychological blind spots that affect us. In perhaps the most famous experiment in psychology, Stanley Milgram demonstrated the amazing degree to which people will engage in unethical behavior in order to fulfill their obligations to authority. Each

participant in Milgram's study played the role of "teacher," while a study confederate (someone trained by the experimenter) played the role of "learner." The learner was portrayed as a forty-seven-year-old accountant. The teacher and learner were physically separated, such that the teacher could not see the learner. The teacher was told that it was his job to administer shocks of increasing magnitude, ranging from 15 volts to 450 volts, as the learner made mistakes in a task requiring the matching of word pairs.

The learner did make mistakes on the task, requiring the confederate to administer shocks. Up to 150 volts, occasional grunts were heard from the other side of the wall where the learner was located. (The learner was not actually receiving shocks; he was an actor.) At 150 volts, the learner shouted that he wanted to stop the experiment and let out some cries of pain. If the teacher resisted continuing, the experimenter insisted that the experiment must go on. From 150 to 300 volts, the teacher heard the learner as he pleaded to be released and complained about his heart condition. At 300 volts, the learner banged on the wall and demanded to be released. After 300 volts, the learner was completely silent.

Milgram surveyed psychiatrists, graduate students, behavioral science faculty members, college sophomores, and middle-class adults about their expectations of how study participants playing the role of the teacher would respond during the study. Across groups, survey respondents predicted that nearly all teachers would stop administering shocks well short of 450 volts. The psychiatrists predicted that nearly all teachers would refuse to move beyond the 150-volt level and that only one in a thousand participants would go all the way to 450 volts. In fact, in the actual study, 65 percent of those playing the role of teacher went all the way to 450 volts.¹² These powerful results show that our ethical behavior is distinctly different from our expectations of our own behavior. While many teachers were visibly upset and angry during the study, they nonetheless submitted to the experimenter's authority.

Milgram's study was replicated multiple times with more than 1,000 study participants. While the full experiment could not be replicated today, given much more stringent rules on the treatment of experimental sub-

jects, a recent replication found that over 70 percent of contemporary study participants were willing to deliver at least 150 volts.¹³ In addition, in 2010, producers of a French documentary invited people to participate in a television game show pilot called *Game of Death*. Unbeknown to the participants, the show was not real. Before it began, eighty participants signed contracts in which they agreed to inflict electric shocks on other contestants. With cameras rolling, and a crowd and the show's host egging them on, sixty-four of the eighty participants delivered severe enough shocks to a man (actually an actor) to the point that he appeared to be dead. Afterward, one of the participants admitted that she had followed orders even though her grandparents had been Jewish victims of the Holocaust.¹⁴

A recent analysis by Pat Werhane, Laura Hartman, Budhan Parmar, and Dennis Moberg reconsiders the Milgram experiments using a lens similar to the one we use in this book.¹⁵ Rather than believing that study participants made an intentional decision to risk harming the learner in order to help the experimenter, this team argues that the teachers in the experiment had an incomplete mental model. Overly focused on following the instructions of the experimenter, many study participants failed to analyze the situation as an ethical dilemma.

In helping you to bring your own ethical gaps to light, we will expose you to the psychological processes that create your blind spots. More important, we identify effective strategies that take these psychological processes into account—including anticipating the influence of your impulses and learning how to accurately assess and learn from your past behavior. By removing common blinders, you can learn to do what you would think is right upon greater reflection.

What about Your Organization? The Implications of Ethical Gaps for Organizations

Because of the potential for widespread disaster, ethical gaps at the individual level are compounded when considered at the organizational level. One compelling example is the 1986 explosion of the *Challenger* space

shuttle after it was launched at the lowest temperature in its history.¹⁶ Extensive postcrash analyses documented that the explosion was caused because an O-ring on one of the shuttle's solid rocket boosters failed to seal at low temperatures.

On January 27, 1986, the night before the launch, engineers and managers from NASA and from shuttle contractor Morton Thiokol met to discuss whether it was safe to launch the *Challenger* at a low temperature. In seven of the shuttle program's twenty-four previous launches, problems with O-rings had been detected. Now, under intense time pressure, Morton Thiokol engineers hurriedly put together a presentation. They recommended to their superiors and to NASA personnel that the shuttle not be launched at low temperatures, citing their judgment that there was a connection between low temperature and the magnitude of these past O-ring problems.

NASA personnel reacted to the engineers' recommendation not to launch with hostility, according to Roger Boisjoly, a Morton Thiokol engineer who participated in the meeting.¹⁷ In response to NASA's negative reaction to the recommendation not to launch, Morton Thiokol managers asked for the chance to caucus privately. "Just as [NASA manager] Larry Mulloy gave his conclusion," writes Boisjoly, Morton Thiokol manager "Joe Kilminster asked for a five-minute, off-line caucus to re-evaluate the data and as soon as the mute button was pushed, our general manager, Jerry Mason, said in a soft voice, 'We have to make a management decision.'"

In the caucus that followed, "No one in management wanted to discuss the facts," writes an incensed Boisjoly.¹⁸ In his opinion, his superiors were primarily focused on pleasing their customer, NASA, which had placed Morton Thiokol in the position of proving that it was not safe to fly rather than the more typical default of not launching until there was reason to believe it was safe to fly.¹⁹ "The managers were struggling to make a list of data that would support a launch decision," Boisjoly writes, "but unfortunately for them, the data actually supported a no-launch decision."²⁰ Against the objections of their own engineers, the four Morton

Thiokol senior managers present voted to recommend the launch. They gave their recommendation to NASA, which quickly accepted the recommendation to launch.

Perhaps the most startling aspect of this story is the data that engineers analyzed when trying to determine whether low temperatures were connected to O-ring failure. NASA and Morton Thiokol engineers argued about the possible role of temperature based on the fact that low temperatures were present during many of the seven launches that had O-ring problems. Many of the engineers on both teams saw no clear observable pattern regarding the O-rings. These were well-experienced engineers with rigorous analytic training. They were talented enough to know that, to find out whether outdoor temperature was related to engine failure, they should examine temperatures when problems occurred and temperatures when they did not. Yet no one at NASA or Morton Thiokol asked for the temperatures for the seventeen past launches in which an O-ring failure had *not* occurred. An examination of *all* of the data shows a clear connection between temperature and O-ring failure, and that the *Challenger* had a 99 percent chance of failure. But because the engineers were constrained in their thinking, they only looked at a subset of the available data and missed the connection.

The failure of NASA and Morton Thiokol engineers to look outside the bounds of the data in the room was an error committed by well-intentioned people that caused seven astronauts to lose their lives and delivered an enormous blow to the space program. It is common for decision makers to err by limiting their analysis to the data in the room, rather than asking what data would best answer the question being asked. These decision makers were guilty of a common form of bounded ethicality: moving forward too quickly with readily available information, rather than first asking what data would be relevant to answer the question on the table and how the decision would affect other aspects of the situation or other people.

An organization's ethical gap is more than just the sum of the individual ethical gaps of its employees. Group work, the building block of

organizations, creates additional ethical gaps. Groupthink—the tendency for cohesive groups to avoid a realistic appraisal of alternative courses of action in favor of unanimity—can prevent groups from challenging questionable decisions, as was the case with NASA’s decision to launch the *Challenger*.²¹

In addition, functional boundaries prevent individuals from viewing a problem as an ethical one. Organizations often segment decisions within particular groups or disperse different aspects of a decision to different parts of the organization. As a result, the typical ethical dilemma tends to be viewed as an engineering, marketing, or financial problem, even when the ethical relevance is obvious to other groups. Morton Thiokol general manager Jerry Mason reportedly decided to treat the question of whether to launch the *Challenger* as a “management decision.” This perspective enabled him and others at the final prelaunch meeting to fade the ethical dimensions of the problem from consideration, as if it were possible to ignore the human lives at stake. Such fading prevents employees who make seemingly innocuous decisions from recognizing the ethical implications of their decisions for others. Only when the boundaries are removed does the ethical import of the decision become clear. Armed with an understanding of the reasons ethical fading occurs, employees can uncover the powerful and often dangerous informal values that influence their behavior and effectively diagnose the ethical “sinkholes” in their organizations.

What about Society? The Implications of Ethical Gaps for Society

Policy decisions may be the most important set of decisions we make as a society. Yet, in this realm, blind spots can play an active, dysfunctional role without our conscious awareness.²² For example, consider the case of organ donation, adapted from a problem that Max wrote with his colleagues:²³

Which option do you prefer?

- A. If you die in an accident, your heart and other organs will be used to save other lives. In addition, if you ever need an organ transplant, there will be a 90 percent chance that you will get the organ.
- B. If you die in an accident, you will be buried with your heart and other organs in your body. In addition, if you ever need an organ transplant, there will be a 45 percent chance that you will get the organ.

Most of us have a reflexive preference for option A. That's a good thing, as a change in the U.S. organ donation system to one resembling option A could save up to 6,000 lives per year in the United States alone—roughly twice as many people as were killed in the 9/11 attacks. Nonetheless, the United States continues to follow an organ donation policy that looks more like option B. Why? In the United States, if you die in an accident and have made no explicit decision about your organs, you will be buried (or cremated) with your organs intact. If you want to donate your organs, you need to proactively *opt in* to the donation system (typically, when you renew your driver's license). In contrast, in many European nations, if you make no explicit decision about organ donation, your organs are available for harvesting. In these countries, you need to proactively *opt out* of the system if you want to keep your organs after death. In both cases, you have a choice, assuming you stop to think about it and fill out the right form accordingly, but the default option differs. The opt-in system roughly creates option B, while the opt-out system roughly creates option A.

As figure 2 shows, the default option leads to large and appalling differences in donation rates across countries. What about the United States? Our organ donation consent rate is 44 percent—pretty good for an opt-in nation, but dreadful in comparison to what could so easily be obtained through a simple change in mind-set. (In case you are wondering why Sweden's donation consent rate is lower than that of other opt-out na-

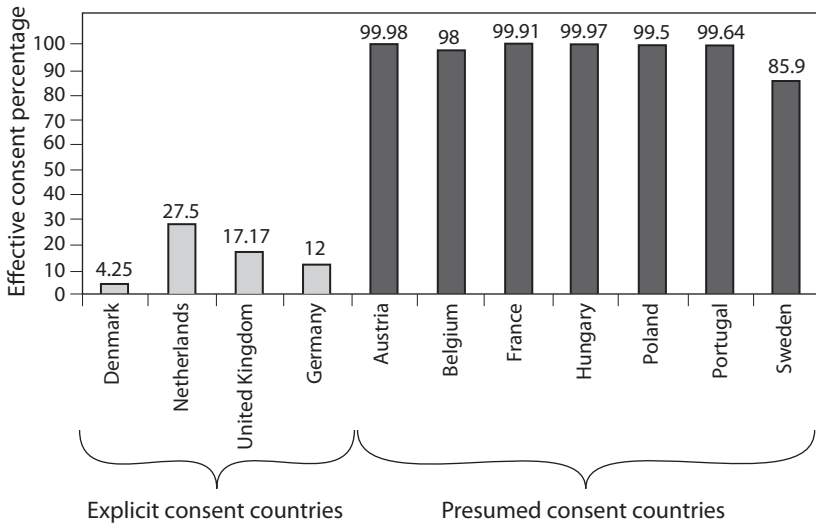


Figure 2. Organ donation across European countries. From E. J. Johnson and D. Goldstein (2003), "Do Defaults Save Lives?" *Science* 302:1338–39. Reprinted with permission from AAAS.

tions, it is because Sweden gives the survivors of the deceased a greater opportunity to decline to donate.)

The number of lives that potentially could be saved in the United States—6,000 annually—from a simple change in the laws is a poignant example of the role that society can play in creating and perpetuating blind spots. While there may be insightful, honest people who are opposed to organ donation for religious or moral reasons, our focus is on the plethora of citizens and leaders who would prefer option A upon reflection, yet who stand by while our nation continues to resort to option B.

As concerned members of society, all of us want the individuals and organizations that represent us to behave ethically. Yet those making decisions that affect society tend to be unaware of the blind spots that prevent them from doing just that. Consider a story involving Supreme Court justice Antonin Scalia. In March 2004, the Sierra Club filed a motion asking Scalia to recuse himself from the *Cheney v. U.S. District Court* case on the grounds that Scalia had hunted ducks in Louisiana with Vice Presi-

dent Dick Cheney in January 2004. The Supreme Court had agreed to hear the case of whether Cheney should be forced to provide information about the energy task force he led while the Bush administration was formulating its environmental policy. The Sierra Club made the obvious case that Scalia and Cheney's friendship could affect Scalia's objectivity. But Scalia refused to recuse himself; he insisted that his friendship with the vice president would not distort his judgment and did not violate the Supreme Court's rules on conflict of interest. "If it is reasonable to think that a Supreme Court justice can be bought so cheap," Scalia commented, "the nation is in deeper trouble than I had imagined."²⁴

Scalia's comments indicate that he rejects or is unaware of the unambiguous evidence on the psychological aspects of conflicts of interest. Even more troubling than this lack of understanding are the Supreme Court's rules, which, like most guidelines and laws that are intended to protect against conflicts of interest, guard only against *intentional* corruption.²⁵ Yet most instances of corruption, and unethical behavior in general, are unintentional, a product of bounded ethicality and the fading of the ethical dimension of the problem. For this reason, the laws on intentional corruption are of relatively little use in protecting society.

Bounded Ethicality: Implications at Three Levels of Analysis

The implications of failing to consider our ethical gaps is compounded when we consider all three levels—individual, organizational, and societal—simultaneously. Consider the following story:

Imagine that you are fifty-five years old and you've just been diagnosed with early-stage cancer. You investigate all of the treatment options available to you, consulting three prominent doctors in different fields, and quickly realize that you are facing the most important decision of your life. The surgeon suggests that you operate to try to remove the cancer. The radiologist thinks you should blast the cancer with radiation. The homeopathic doctor believes you should use

less intrusive medicine and wait to see how the cancer develops. How could three renowned doctors recommend such different treatments?

In his memoir, *Swimming Across*, Andy Grove, the former chairperson of Intel, described facing this very problem when he was diagnosed with prostate cancer in 1995. Grove had the resources, financial and otherwise, to find the best cure possible. He set about meeting with top physicians representing each of the three possible courses of treatment recommended to him. Each physician strongly recommended that Grove undertake the type of intervention that he or she would personally perform.²⁶

At the heart of this situation is an ethical dilemma. Consider that each doctor is likely to view the problem in terms of advising the patient on the best possible treatment available, without seeing the problem as one with ethical import. At the same time, each doctor is biased toward advocating a treatment plan based on his or her own area of expertise. The dilemma isn't that doctors are lying to patients in order to drum up business. Clearly, doctors have strong convictions about their recommendations. They treat the same illness, yet each believes his or her preferred treatment is superior, and they fail to recognize that their beliefs are biased in a self-serving manner. In other words, they don't recognize that they're facing an ethical dilemma: whether to recommend *their* treatment or the *best* treatment for this patient. They fail to realize that their training, incentives, and preferences prevent them from offering objective advice.

Conflicts of interest have captured the attention of the medical community, and in Washington, Senator Charles Grassley (R-Iowa) has condemned medical schools and other organizations for not doing more to address the issue. Under our current system, doctors have financial incentives to prescribe drugs and treatments that are not in the best interest of the patient. Yet most smart, well-educated doctors are puzzled by the criticism against them, as they are confident in their own ethicality and the "fact" that they always put their patients' interests first. Doctors, like professionals in other fields, such as Justice Scalia, tend to view conflicts

of interest as a problem of intentional corruption. But the more pernicious aspect of conflicts of interest is clarified by well-replicated research showing that when people have a vested interest in seeing a problem in a certain manner, they are no longer capable of objectivity. Most doctors, like most people, are affected by conflicts of interest, make biased treatment decisions, and do so without any awareness of the ethical dimensions of their decisions. They honestly believe they are putting their patients' interests first.

Why do we, as a society, continue to tolerate conflicts of interest in so many life-and-death realms? Most people like to find a single explanation for a given social problem, whether it's poverty or homelessness or teenage pregnancy. University of Chicago professor Ann McGill illustrates this cognitive bias with the extreme example of people arguing endlessly over whether teenage promiscuity or lack of birth control causes teenage pregnancy, when the obvious answer is that both cause the problem.²⁷ Similarly, there is no single explanation for ethical dilemmas; rather, blind spots form at several levels of analysis: individual, organizational, and societal.

At the individual level, as we have already suggested, we fall prey to psychological processes that bias our decisions—and, more importantly, we don't know they are biased.

At the organizational level, business leaders typically fail to appreciate the role of bounded ethicality in their employees' decisions. Furthermore, they typically believe that their employees' integrity will protect them and the organization from ethical infractions. Yet many ethical infractions are rooted in the intricacies of human psychology rather than integrity. To design wise interventions, leaders need to consider the ways in which their current environment could prompt unethical action without the decision maker's conscious awareness.

At the societal level, when individuals and their organizations cannot or will not solve these problems, doing so becomes the job of the federal government. When the government fails to grapple with the bounded ethicality of individuals, organizations, and industries, effective solutions

will remain out of reach. Across industries, the psychological processes that lead to ethical fading and bounded ethicality must be considered. Doing so requires making changes to societal defaults that highlight the value trade-offs we are making and draw attention to future concerns.

What's to Come

In this chapter, we have deliberately avoided offering a definition of the term “ethics” or distinguishing between ethics and morality. You can find such definitions and distinctions elsewhere. We don't claim to hold the key to what constitutes moral truth, and we have no interest in changing your ethics to match our own.²⁸ Rather than presenting our own ideas of what constitutes ethical or moral behavior, we are interested in highlighting the broad array of reasons that people behave in ways that may be inconsistent with their *own* personal values.

We also have no interest in constraining the advice of physicians or any other group of experts. It would be overly simplistic to remind trained professionals that their decisions should be based on the best interest of their patients, clients, and constituents rather than on financial incentives. Rather, our motive is to convince individuals—including physicians, CEOs, accountants, consultants, politicians, and all citizens—that they are affected by blind spots that prevent them from meeting their own ethical standards. Most of us behave ethically most of the time. At other times, we are aware when we behave unethically. This book focuses on more dangerous situations: the times when we unwittingly behave unethically. Chapter 2 will connect our perspective to existing theories of ethical thought. In chapter 3, we will caution you about bounded ethicality and the internal limits the human mind places on ethical behavior. In chapter 4, we will expose the mental tricks that lead to ethical fading. In chapter 5, we will present evidence that our ethical blinders not only prevent us from seeing our own ethical gaps, but also the ethical gaps of

those around us. In chapter 6 and 7, we will discuss how organizations and governments exacerbate unethical behavior. We will conclude, in chapter 8, by offering advice at the individual, organizational, and societal levels on how to eliminate your blind spots and view the ethical dilemmas in your life more clearly.