

An Excerpt From

***Make an Ethical Difference  
Tools for Better Action***

by Mark Pastin

Published by Berrett-Koehler Publishers

# Make an Ethical Difference

TOOLS  
FOR  
BETTER  
ACTION

MARK PASTIN

CEO, Council of Ethical Organizations

## **More Praise for *Make an Ethical Difference***

"This book is a must-read for everyone who is involved in a leadership position at any level in an organization. An excellent 'self-reflection' manual, it was a quick read that kept me engaged! Dr. Pastin's efforts should cause readers to step back and look at the culture of their entity and the moral compass direction they have set for themselves. Its practical application is self-evident."

—**Michael H. Covert, FACHE, President and CEO, Palomar Health, San Diego, California**

"Look no further if you are truly interested in finding practical solutions for difficult and complex ethical problems affecting you within your organization! Dr. Mark Pastin has provided an easy-to-follow, practical approach to effectively deal with today's intricate, complex, and at times dilemmatic ethical situations. Speaking from decades of world-class academic and consultancy experience in ethics, his narrative style keeps your interests going and makes the reading seem more like a novel rather than a heavy-duty academic work."

—**Constant Cheng, Professor, George Mason University**

"Dr. Pastin elegantly discusses modern ethics with a unique perspective that engages the reader with humor and real-life applicability. This is an exceptional exploration of ethical challenges faced in business along with a set of effective tools for overcoming them. A must-read for individuals looking to successfully navigate corporate America with integrity."

—**Debra Burock, PhD, CCP, Regional Director of Program Evaluation and Practice Development, NHS Human Services**

"*Make an Ethical Difference* delivers a clear and direct message: merely talking about honesty and integrity is not enough. Every one of us routinely faces ethical challenges, whether we recognize them as such or not. Dr. Pastin calls on his forty years of experience as an ethics advisor in this thought-provoking book that provides user-friendly, common-sense tools that have been tested and proven in many challenging situations. It is an invaluable guide to the leader who wants to make a lasting difference!"

—**James Neal, Chief Compliance Officer, Millennium Laboratories**

*"Make an Ethical Difference* is an informative and enjoyable read! I will definitely be utilizing the principles/tools that were so thoroughly and creatively explained. The case scenarios were most appreciated as they provided realistic examples that anyone can relate to."

—**Amber King, Chief Human Resource Officer/Chief Compliance Officer,  
NorthCrest Medical Center**

"Mark Pastin's book gives a variety of stimulating situational examples of some of the ethical issues that he has personally encountered in his international consulting work. He does not just point out the problem but gives a range of workable tools for everyday consideration as we all run into ethnically challenging situations. As a result of using these tools, we all might be better off as we develop our own ethics eye/ethics sense."

—**Daniel C. Brenenstuhl, Managing Director, International Business  
Seminars**

"One quote from Mark Pastin's book rings true for all of us: 'The problem in getting ethical conduct to surface in organizations is that people lack the confidence that if they do the right thing, they will succeed.' With case studies and a solid easy-to-read style, Mark gives you the tools and confidence to ingrain ethical conduct in your organization. I highly recommend this book for any C-suite executive."

—**Lâle White, CEO and Chairman, XIFIN, Inc.**

**Make an Ethical Difference**

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# Make an Ethical Difference

## Tools for Better Action

Mark Pastin



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# Make an Ethical Difference

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To Christina

for her love, belief, and patience

*“When the rain falls, it falls on guilty  
and innocent alike.”*

—Matthew 5:45

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## Preface

I don't like ethics books. I find them boring, sometimes smug, and mostly uninstructional. I have earned a living giving ethical advice for 40 years and I have never once found myself reaching for an ethics book to help solve a problem. None of the many ethics books I have read are worth much when you are faced with a problem that needs to be solved in a given time and within fixed resources. That sort of problem doesn't even come up in most ethics books.

Why, then, write an ethics book?

Because all the bad ethics books can't hide the fact that many of us would like to do something about the ethical problems that surround us. And there is something we can do.

I have faith that people want to live in a world in which doing the right thing is a more common occurrence—even an expectation. In working with organizations, large and small, I have seen this desire to do right in virtually every one of them, even those that have made critical ethical blunders. Despite this desire, neither our organizations nor our society are getting more ethical. In fact, there is a sense that ethics is spiraling downward. If I don't expect you to treat me honestly, I act defensively toward you—which in turn gives you less reason to trust me. Before long, we're suing each other.

There is a disconnect between what we want for our organizations and our society and the reality being created by our actions.

In my work as an ethics consultant, my job is to reconnect the wishes and desires of the ethical individuals in an organization with the actions of the organization itself. It is possible to do this and, more importantly, it is possible to learn how to do this. I am not suggesting that it is easy or that success is always achieved. However, over time I have found tools that help reconnect the ethical desires of individuals with the reality of organizations. These tools are the backbone of *Make an Ethical Difference*.

One of the problems in getting ethical conduct to surface in organizations is that people lack confidence that if they do the right thing, they will succeed. If you have no confidence that you will succeed, you have planted the seeds of failure.

A second problem is that we spend billions of dollars trying to gain business skills in leadership, effectiveness, strategic planning, diversity, quality improvement—you name it and there is

a program for it. But when we set out to accomplish something ethically, we approach the situation without thought of training or tools. If it can take years to learn how to be a leader in a three-person work group, why do we suppose that we either know how to get ethical results or we don't? Why assume there is nothing to learn?

It is especially frustrating that millions of people are required to undergo something called "ethics training," which is really just about following the company's rules—or else. I wish that some of this time were used to talk about how to make our organizations better. In fact, one of the goals of *Make an Ethical Difference* is that people use it to add some oomph to these training sessions. There is nothing wrong with following company rules, but there is more to the story.

I wrote this book for people who want to do the right thing, who want to have justified confidence in their ethical beliefs, and who are willing to learn how to help connect their ethical wishes with the actions of the groups and organizations to which they belong.

*Make an Ethical Difference* is a book for doers—for individuals who want to make an ethical difference through their daily actions. You do not have to buy into an ideology to benefit from this book nor do you have to share the author's beliefs about any controversial ethical issue. You just need to trust your ethics sense, be willing to sharpen it, and have the boldness to act on it.

So, unlike the ethics books that I don't like, the success or failure of *Make an Ethical Difference* is in actions as opposed to opinions. If you disagree with everything I say here but still

become more capable of ethical action, I will count that as success.

If you want to measure your own success in creating an ethical workplace, you may wish to employ a survey tool called “My Ethical Workplace,” described at the back of this book. This tool not only allows you to assess how ethical your workplace currently is, it also allows you to measure your success in influencing that workplace for the better.

A number of cases are discussed in *Make an Ethical Difference*. Each of them incorporates a situation within my direct experience, unless otherwise noted. However, there is no point in trying to guess the companies and other organizations involved, since names and other nonessential facts have been changed in most cases.

I never expected to make a living as an ethics advisor. I owe those who have hired me, valued my advice, and sometimes followed it. It is this work that allowed me to develop the tools included here. I have also benefited from opportunities to speak on these topics and learn from the people I met doing this. While I know that what is written here is not the final word on any part of ethics, every idea and tool has been tested in challenging, real-world circumstances.

Just as I do not like ethics books, publishers do not like them either. Ethics books continue to be published because there is an obvious public interest in ethics. But for the most part ethics books do not succeed, as they wander off into the land of the hypothetical. Given the bad reputation of ethics books, I am very grateful to the unbelievably dedicated Berrett-Koehler team, and



## *Preface*

especially to my editor, Steve Piersanti, for his commitment to this book. Steve gave me the encouragement I needed when I told him I wanted to write a book about ethical change. It would be unforgivable not to acknowledge the nearly daily support of Jeevan Sivasubramaniam. Being an author is often ego deflating, and Jeevan kept me glued together when I needed it.

Too many people have shaped my thinking to acknowledge them properly here. I had the good fortune to study with the two great ethicists of the twentieth century, Roderick Firth and John Rawls. While neither understood my desire to “get my hands dirty” in the business world, they empowered me to do so. I have learned so much from my colleagues at the Council of Ethical Organizations. My wife, Christina Brecto, has read every word of this book (several times) and anticipated the views of the editors at every turn. It helps to have an in-house editor.

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## Introduction

## Better Action

*“How selfish soever man shall be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.”*

—Adam Smith, 1759

Somewhere in corporate America, a discussion like this is occurring.

### **SITUATION #1** *Less Is More*

Ever since the upstart Greek yogurt companies Chobani and Fage came along, the big dogs in the yogurt industry have been hurting. For years, profits soared as they sold smaller and smaller containers of yogurt at ever higher prices. As soon as one company reduced the size of its yogurt containers, the other companies followed suit. As a bonus, they could claim to have reduced the number of calories per unit of their product, which was accomplished by making the portions smaller.

Today, one of the old-line yogurt companies is considering challenging the upstarts by introducing its own Greek yogurt at a lower price and with fewer calories. The trick is to fool consumers into thinking that its product is less expensive and less fattening simply by giving them less product per container. It worked before, so why not again? But someone in the room asks, “Is it right to compete by fooling our customers?” To which another person responds, “We never tricked anyone. We simply helped our customers do something they should do in any case, which is to control portion size.”

Whether it is yogurt or another product, discussions of this kind occur in business every day. Formulate the advice you would give to the old-line yogurt company. At the end of this chapter, you can compare your advice to the advice actually given. The tools introduced throughout this book will help you find the right path in just such situations.

*Make an Ethical Difference* is about having confidence that we can make sound ethical decisions—and that we can act on them. And it is about making ethical actions effective in the groups and organizations in which we participate.

When it comes to today’s ethical problems, it is up to us to do something about them. We do not trust our political, economic, religious, and social institutions to meet today’s ethical challenges. These institutions have served us for years, and they often served us well. As much as this is true, we sense that these institutions are not up to today’s ethical challenges. Just

as a virus can evolve more rapidly than our immune systems, many of our problems, particularly those involving ethics, have evolved beyond the reach of our institutions. If our institutions cannot meet today's ethical challenges, it is time for us to act as ethically concerned individuals and groups.

Many ethics books invite you to agree or disagree with the author, who is pretty sure about what other people should believe and do. This is not such a book. To benefit from *Make an Ethical Difference* you need not agree with me about any issue of public controversy. This book is about *how* to make ethical decisions and act on them. I am not going to tell you which decisions to make or how I, or anyone else, expect you to act.

*Make an Ethical Difference* is partly based on my experience as an ethics advisor to hundreds of organizations of every kind and size—and in some of the worst ethical situations of our time. From this experience, I have learned a lot about why people make poor ethical choices and how to stop this from happening. I have also learned the value of action over opinion. One thing that gives ethics a bad name is that ethical issues never seem to be resolved. Ethics often seems to be oriented more toward critiquing what has happened than toward influencing what *will* happen. In *Make an Ethical Difference*, our view is firmly forward on the future we can create through ethical action.

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## YOUR ETHICS SENSE

*Make an Ethical Difference* is built on a radical theme, which is that *individuals have an innate ability to see what is right and do it*. I sometimes call this innate ability to see what is right “the

ethics eye,” and this book will help you recognize this ability in yourself. Once you acknowledge your native ability to see what is right, it is comparatively easy to sharpen this ability. Trusting your ability to see what is right will give you the confidence to take actions that make an ethical difference.

A basic question is, “If I have this innate ethics sense, why don’t other people agree with me?” In fact, if we have this innate ability, why are there broad, fight-to-the-death disagreements among religions, political ideologies, and whole societies about right and wrong?

It may seem like this is the knockout punch for the whole idea of an innate ethics sense, but it isn’t. The kinds of disagreements cited above exist in all branches of knowledge, including those based on the evidence of the five recognized senses. There are exactly analogous disagreements in physics, psychology, mathematics, and aesthetics. Would anyone argue that we cannot do physics because there are endless arguments about the basic components of matter?

Deep, recalcitrant disagreements are common to such fields as physics and astronomy. The disagreement between Copernicus and Ptolemy about the position of the Earth in the Universe was profound and not easily resolved. Because both viewpoints made the same predictions about the then observable movements of the planets, the eye—visible observation—seemed unable to decide between the theories. This disagreement did not lead us to distrust the human eye. Eventually, that self-same human eye was able, *with the use of more powerful instruments*, to decisively support the Copernican viewpoint. In the

same way, the tools provided in *Make an Ethical Difference* are designed to sharpen your ethics sense. They are instruments for sharpening your vision of right and wrong.

Some would point out that at least some scientific disputes are eventually settled—and in ethics nothing ever seems to get settled. But one of the reasons that some scientific disputes are settled is that we are willing to count them as settled. Some people still believe in astrology, which is a version of Ptolemaic astronomy. This does not lead us to conclude that the Earth might really be at the center of the Universe. In physics, there is dispute over whether the basic components of reality are waves or particles or strings or something else for that matter. We do not conclude that we will never settle anything in physics.

It is a theme of *Make an Ethical Difference* that *the fact that people disagree about ethics does not show that we lack an ethics sense. It shows that ethical issues are as complex as the problems in other branches of knowledge.* Once we understand the causes of ethical disagreements, we will be better able to settle them.

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## TOOLS FOR BETTER ACTION

One reason for today's pessimism about ethics is that a decline in ethical expectations is a self-reinforcing, downward spiral. The lower my expectations of ethical conduct from others, the less likely I am to enter into relationships with them based on honesty and trust. Instead of shaking hands over a simple transaction, I will "lawyer up." Others, in turn, have less reason to be honest with me and trust me, since my behavior toward them is cagey and untrusting. This downward spiral of expectations

can only be reversed through focused action to break the cycle. *Make an Ethical Difference* is about just such action.

In order to take action to stop the downward ethics spiral, we need tools to sharpen our ethics sense. *It is possible to learn to be an effective ethics change agent through the use of proven tools.* These tools have been developed over a forty-year period and have been tested in many challenging situations. To build confidence in these tools, we apply them to situations in which an ethical action is required.

I believe that individuals can take constructive action on ethical issues. Sometimes it seems that issues are called “ethical” just to put them in a locked box labeled “insoluble.” This is a self-defeating way to think about ethics because it blocks all possible action. If you wonder where this kind of thinking leads, just take a look around. On the other hand, if you want to stop wringing your hands about ethical decline and do something about it, we have a journey together.

#### **SITUATION #1** *Less Is More (continued)*

Here is the advice I gave to the old-line yogurt company.

“You got into this predicament by using trickery to increase profits—and it worked for quite a while. However, you also made yourself vulnerable to the upstart Greek yogurt companies and now you are paying the price. Even if you challenge the upstarts with more of the same trickery, there is no guarantee that you will succeed. Now that you have feisty competitors, they may reveal your strategy for what it is. You should at least match the quality and



portions of the upstarts while working hard to out-market them. You are still the familiar brand and you have enormous advantages in commanding shelf space. This is the ethical way to compete, and it will also ensure that any customers you regain will stay loyal to you.”

As we gather tools in the coming pages, you will be able to see why I gave this advice and decide whether or not you agree with it.

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## Chapter One

### Know the Rules before You Play

*“The master knows the rules without suffering them,  
the slave suffers the rules without knowing them.”*

—Chinese proverb

#### **SITUATION #2** *This Land Is Your Land*

I once consulted to a company in the “raw land” business. Land is considered “raw” if it is either not currently in use or is used only for farming and has no roads or utilities. Buying such land is highly speculative, because developing the land for residential or commercial use depends on approvals at many levels of government, not to mention someone willing to pay for the roads and other infrastructure. My client had a buyer for a large chunk of raw land, a huge public company whose bonds were rated AAA. When it came down to negotiations, the public company offered a reasonable price, but offered to double the price if my client would accept its AAA rated bonds instead of cash. When the public company’s chief financial officer computed the

value of the bonds on offer to my client, he made a huge error in my client's favor. The only condition the public company put on its offer was that my client decide then and there. My client asked me, "Should I take the cash now or go for the much higher valued bonds?"

How would you advise the client? In formulating this advice, use the ethical decision-making tool that focuses this chapter.

I have spent 40 years as an ethics advisor to organizations of all kinds, ranging from global multinationals to small start-ups. Needless to say, this was not a clever career plan nurtured in my youth. Ethical situations just seemed to find me. In many of these situations, an ethical change was necessary for the survival of an organization. This was often because the organization had been caught doing something unethical, and often illegal as well. I have not always been able to effect the needed change, but over time I have gotten better at it. I have developed tools for ethical change that increase the chance of a positive outcome.

This book distills the lessons learned in hundreds of situations into a practical guide—a set of tools—to use for ethical action and change. In this chapter, we introduce the first of these tools.

The tools provided here can be used to solve ethical problems as well as problems well beyond the domain of ethics. The ways of thinking that encourage ethical action are essential to the sustained success of groups and organizations, whether or not there is an ethical issue. In fact, I have learned that those who can see

the difference between right and wrong—and act on what they see—often have other attributes that contribute to their success.

The world will not be free of ethical defect as a result of what is written here. Nor do I pretend to have surpassed the wisdom of the ages in terms of philosophical ethics. Fortunately, you do not have to be a sage to make a positive difference in ethics. *Each and every one of us has the experience of doing something right or making something better.* Each of us has an innate ability to contribute to ethics, and my goal is to help you find that ability in yourself, trust it, act on it, and make an ethical difference.

---

## BEYOND IDEOLOGY

A person can *learn* how to make a constructive ethical difference in the groups and organizations to which they belong. If you doubt that this is true, it may be because theologians, philosophers, and psychologists have often mystified ethics to make us think that ethical betterment depends on accepting their views. Those who say you cannot change ethics outside of their favored ideology or discipline do a disservice to ethics, and to people. They are using our desire for ethical betterment to promote the viewpoint they favor.

These same ideologues have been trying to convince us for centuries that ethical disputes are too difficult for us to resolve on our own. We are supposed to believe that the best we can do is to demur to the “great minds” and not ask too many hard questions. But these great minds, despite centuries of effort, have not resolved many ethical issues. And where is it proven that, despite confusions and disagreements, we do not have an innate

ability to find the right path? Where has it been proven that we need an ideology to guide us?

We see later that the whole idea of an ethics ideology is ill conceived. While you can and will arrive at ethical opinions and generalizations, they will be built upon your ethics sense—and not upon the dictates of an authority.

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## ETHICAL CHANGE

If we are going to create ethical change, the first question we need to ask is, “What is it that we are trying to change?”

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### **Interlude: What Ethics Is—And What It Isn't**

When we think about living in a world where the unethical often succeed, it is common to bemoan the loss of an inner ethical compass, a personal integrity, which is somehow no longer getting installed in folks. This, of course, assumes that you and I have this inner compass and that we recognize its absence in others. When you live in the middle of ethical disputes, you quickly learn that all parties to the dispute have this “I have it; you don't” belief about an inner ethical compass. In fact, as you read this, you are probably pretty sure that you have this inner compass and wonder if the author of this book has any ethics. Who is the author to tell me anything about ethics at all? In other words, you have it, and maybe I don't. I have never yet met a person who told me (except with tongue in cheek) that he or she was below average in ethics or completely without ethics.

The only way to break out of the I-have-it-and-you-don't circle is to understand what ethics is. I emphasize that knowing what ethics is is *not* the same as knowing what *good ethics* is. Ethics is our *topic*, and we need to understand the topic before we sort out good ethics from bad ethics, right from wrong. And it will help us figure out why it seems that each of us thinks we have ethics while others may not.

All sorts of entities can be said to have (or lack) ethics: people, companies, agencies, even countries. Start with people.

*A person's ethics is no more or less than the set of principles that the person will not breach, except under extreme duress.* (A parent who is ordinarily truthful may lie to save their child's life. Truthfulness is still part of the parent's ethics but the duress is extreme.) If you want to know about my ethics, you want to know what you can expect of me in various situations. If you lend me money, can you trust me to repay it even if it is difficult for me to do so? If you leave your kids with me, can you trust me to treat your kids as well as my own? If you share information with me at work, will I use it to make myself look smarter than you? The answers to these questions will tell you a lot about my ethics. We can summarize this by saying that a person's ethics consists of the *ground rules*, which determine what that person will and will not do. These are the principles that guide a person's actions except when the person is under extreme duress, such as when the survival of the person or a member of their family is perceived to be threatened.

A person's ethics is somewhat like a computer's operating system. The operating system does not do many tasks itself, but it determines what tasks a computer can and cannot do. When you use a computer, you usually don't notice the operating system. But if the computer constantly locks up, it is time to look at the operating system.

In the classic cult movie *Repo Man*, actor Harry Dean Stanton plays "Bud," an elder statesman of repo men, people who repossess cars when the owners miss payments. Bud takes an apprentice, Otto, played by Emilio Estevez, under his wing. At one point Bud admonishes Otto to honor the "repo man code of ethics." Even though this is played for laughs, it makes sense. You can imagine the repo man code of ethics including such pearls as, "Avoid situations in which your actions are likely to provoke violence" and "Take only what you are authorized to repossess." Even endeavors as ugly as repossession have ground rules.

A corollary of seeing ethics as ground rules is that what a person *says* about ethics may have little to do with his or her actual ethics. Everyone knows what they are expected to say about ethics. If I tell my new neighbor that I am not interested in him as a person and that I am interested only in the tools I can borrow from him, that neighbor will not be my friend. If I tell my co-workers that I am only interested in looking better than they do to the boss, they will keep their distance. You have to choose your ethical words carefully. I should say to my neighbor, "If you need anything, just ask." I should say to my co-workers, "I always take a



win-win approach with my colleagues.” I may not expect to be believed when I say these things since I am just saying what is expected. But I will at least show that I know what is expected.

Another corollary of defining ethics as ground rules is that a person’s ethics, their ground rules, are normally stable. These are the rules that determine everything else the person may or may not do, but these rules are themselves seldom subject to change. Even when we are not aware of ground rules, they guide our judgments of right and wrong, better and worse. That is not to say that ground rules cannot change, or even that it takes a big effort to change them; it is just that in the ordinary course of events, a person’s ground rules are stable and unquestioned.

Even though ethics is not normally defined as ground rules, I believe this is what we mean when we talk about ethics. When I want to know about someone’s ethics, I am trying to predict what they will do in certain situations. Knowing their ground rules helps me do that.

Organizations and groups have ethics too—some good and some not so good. Just as with people, an organization’s ground rules help us predict how it will act. We often think of the ground rules of organizations that have failed in one way or another. For example, it is hard to think about the Gulf oil spill and not conclude that British Petroleum was “talking green” while operating on the ground rule, “If something goes wrong, blame someone—anyone—else.” But there are also positive examples of organizational ground rules.

Nordstrom has built an empire by acting on the ground rule, "Treat a customer returning a pair of shoes just like a customer buying one." Just as with individuals, organizational ground rules tend to be stable and unquestioned.

If we see ethics as ground rules, ethics are not so mysterious. Different theories about ethics can make ethics seem mysterious, but it all comes down to what people will and will not do. That is what we are interested in. Once you realize this, you can quit worrying about ethics as some sort of mental state, brain wave, or mystical experience. These things may influence your ethics, but they are not your ethics. Even if you achieve some sort of beatific mental state, when you cheat me on a contract, you are a cheater. On the other hand, if you are impeccably honest in dealing with me, I couldn't care less about your brain waves.

When we say that many folks no longer seem to have an inner ethical compass, we are saying that we cannot rely on their ground rules to ensure truthfulness, honesty, and concern for others. It is a mistake to rely on their ground rules in personal or business relationships. Because ground rules help make actions predictable, we do not find much predictability in dealing with one another. For this reason, we try, mostly without success, to restore predictability through a landslide of laws, regulations, and complex contracts. This is not a revelation; it is the defining mark of a world with ethics in decline.

There are other ethical words that we have to understand to pursue ethical change. These include morality, integrity, and character. These words are easier to understand in terms

of ground rules. For example, we can now see that a person's integrity consists of acting in accordance with his or her own ground rules. Thus, even a person whose ground rules are questionable can have integrity in living up to those ground rules. Character has several meanings but one of them is that a person has character if they follow their ground rules even when it is extremely difficult to do so. Morality is a matter of having ground rules, specifically, ground rules that match what we consider to be right and wrong from the perspective of our own ground rules.

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Once we see ethics as ground rules, being an ethical change agent seems to be no more or less than changing the ground rules of a person, group, or organization. You might think a good behavioral psychologist would be in the best position to help us bring about ethical change by manipulating punishments and rewards. And this, I believe, is what some influential thinkers such as B. F. Skinner, the father of behaviorism, have thought. For them it all comes down to the carrot, the stick—and the ass between them.

This misses this point. While we have a working definition of what ethics is, it does not tell us what *good* ethics is or what *bad* ethics is. Even if the carrot-and-stick approach worked, it would not give us the faintest idea of which ethical changes to pursue. Another way of putting this is to say that not all ethical change is good. Indeed, one of the things that motivates us to pursue ethical change is the sense that there has already been ethical change—and not entirely for the better. So our question is, *How do we know*

*which ethical changes to bring about?* What actions will allow us to make an ethical difference in a positive sense?

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## EASY TO SEE: HARD TO DO

While it may seem impossibly hard to figure out just what ethical changes are for the better, this is often not the case. When an organization asks me for ethical advice, I am not there to make things worse. And it is seldom hard to tell what would be better. An example:

### **SITUATION #3** *Outside Looking In*

The board of directors of one of the world's largest financial services companies hired several consultants to help with an ethical issue. The issue turned out to be in the executive suite, and to some extent in the bedrooms of those in the executive suite. The CEO of the company had put a lot of trust in a younger employee with whom he was having an affair. Unfortunately, the younger employee abused this trust in a way that might soon become public. Or so the board feared. The board brought in the outsiders, including me, to "gain perspective" and "contain" the problem. While the board knew that it would have to make changes in the executive team, it also knew that the story would be a juicy one in the media. The board asked, "What will our employees think once they see what their leaders have been up to?"

The consultants' task was not to undo the wrongdoing. Too late for that. Our job was to keep the rot from spreading from the top down throughout the organization,

thereby creating even more ethical problems. When the employees of an organization learn that the CEO made huge business blunders on the advice of his lover, they often conclude that the whole company is corrupt and lower their own expectations of ethical conduct.

It came down to this. When executives set a bad example, the ground rules of an otherwise decent organization may shift. Employees may feel betrayed in their commitment to doing the right thing when the folks at the top clearly aren't. This organization was a basically honest company. So the task was to keep the ground rules from slipping as a result of the soon-to-be-disclosed scandal. Doing this was a matter of some complexity, since you can't just say, "Your CEO is a bum but we don't want you to be bums." It was important not to compound the internal damage to the company by trying to convince the employees that what they would inevitably hear was not true. You can destroy the integrity of an organization by lying about the wrongdoing of its leadership. It's the old adage about the cover-up being worse than what is being covered up. So the problem was how to communicate with employees in a manner that neither hid the truth nor demoralized the company.

The consultants recommended that the board clean house in the executive suite in as short a time as feasible without leaving the company rudderless. Almost everyone in the executive suite had some inkling of what was going on and either aided and abetted it, or at least tolerated it. In this way, if the issue did become public, the company

would already have taken action. Employees would see that the improper conduct was handled decisively and that the board would be viewed as taking strong action to protect the reputation of the company.

The board initially rejected this advice instead trying to salvage more of the company's leadership team. The CEO got wind of the advice given to the board and had the consultants fired. (It is the job of an ethics consultant to be fired in such situations if it helps the company move ahead.) When the board saw that the CEO was not taking decisive action, they accepted the consultants' advice. When the story became public, it was not exciting news since the main actors were long gone.

Even though *fixing* what was wrong was not easy, it was not hard to *know* what needed to be fixed. It took no genius to see that communicating to employees that ethical expectations were still high, despite the actions of some executives, was the right thing to do. These employees handled the personal finances of tens of thousands of members of the public, who deserved honest treatment. Philosophical arguments about right and wrong did not come into play. In this case it was easy to *see* what needed to be done. And this case is not the exception; it is the rule. A premise of *Make an Ethical Difference* is that there is a sense that allows us to see what is right, even if we sometimes put a stick in its eye.

Understanding ethics as ground rules also provides us with our first tool for making ethical decisions.

**TOOL #1**    ***Read the Ground Rules***

When a situation presents an ethical issue, *look beyond the individuals and their actions and uncover the ground rules that help explain their actions*. Remember that ground rules are rules that will only be breached *under extreme duress*. This means that you should pay particular attention to situations in which the individuals had to make hard choices. For example, while everyone says that they are loyal to their friends, have these individuals demonstrated loyalty when it was not easy to do so? While everyone talks about trust, have there been situations in which these individuals acted on trust instead of holding out for a signed contract? Think about what you know of the individuals in terms of the choices they have made.

If the situation involves groups or organizations as well as individuals, do the same thing for each group or organization. Look beyond the public statements of values and principles and *read the actual ground rules*. Most companies say that their employees are the key to their success. But when the analysts start biting their nails, many of these companies are quick to start firing people. This would not be their first response if the company's ground rules required that it be as loyal to its employees as it expects its employees to be to it.

Write out the ground rules of the affected parties as specifically as possible. Being specific about the ground rules allows you to communicate with those affected by

the situation in terms that will resonate with them. Rather than working with generalizations that don't tell you much in the situation, drill down to the ground rules actually at issue. It is far more useful to know that someone acts on the ground rule "Put shareholder value above all other interests" than it is to know that the individual acts on the ground rule "Act in the interests of shareholders." Someone acting on the former ground rule may act ruthlessly in situations in which shareholder value is threatened. A person with the latter ground rule may allow other priorities to affect their choices. If the ground rules you have written down are not helping you understand a situation, get more specific. Until you write the ground rules down, you are likely to stick with generalities that will not help unravel the situation.

You know you have the ground rules right when you can predict what the parties to a situation will or will not do next. Remember that the organization or organizations involved in the situation have ground rules too. For example, in the situation involving the financial services company, the ground rule at issue was whether executives were held to the same standards of conduct as other employees. Written down it is clearer: "When an employee engages in wrongdoing, the discipline of that employee is consistent regardless of the rank or function of the employee." This ground rule is important to any organization that acts ethically while achieving consistent performance.



Remember the analogy between ground rules and the operating system of a computer. If you were trying to understand something the computer was doing, it would not be that helpful to know the general principle, “Computers run on a series of ‘0’s and ‘1’s.” But it might be useful to know the more specific, “The computer is running on Operating System 10.6.8.”

Thinking in terms of ground rules may seem like such a simple concept that it can hardly be an important tool for ethical change. But by viewing situations in terms of ground rules, you can not only better understand why certain things happen, you can also understand *what you have to change*—the ground rules—to be a successful ethical change agent. Instead of just being puzzled by the wrongdoing we observe, we can focus instead on what the wrongdoing means in terms of ground rules—ground rules that we may need to change.

*Reading the ground rules* is particularly useful for figuring out why organizations do things. While at least some people are reflective, organizations typically are not. Yes, they have retreats and the like, but these are more about rearranging the furniture than redesigning the space in which the furniture goes. Listening to what organizations say will not help nearly as much as observing the limits of their conduct in terms of ground rules.

When people do think about the ground rules of organizations, they often talk about the “culture” of an

organization. When “culture” is used in this way, it is a metaphor suggesting that unseen factors drive organizational behavior. But it is not a great metaphor as the word “culture” also suggests things that can only be changed over a long period of time. And this is not always true with respect to an organization’s ground rules. If the executives in the above financial services case had gotten away with their misconduct, the ground rules of the organization would have shifted—for the worse—almost immediately. That is why I prefer the analogy between ground rules and operating systems better than the analogy with culture. If you change one thing in a computer’s operating system, there may be widespread ramifications. Ethics is like that, too.

**SITUATION #2** *This Land Is Your Land (continued)*

In the situation at the beginning of the chapter, I advised my client to take cash. I asked myself, “If the public corporation’s AAA bond rating is justified, what ground rule is the corporation following in offering my client so much more in terms of bonds?” If you cannot find a ground rule explaining an action, that is a sign that there is more to a situation than meets the eye. In Chapter Two, we learn that it is also essential to look at the interests in a situation. Absent a plausible ground rule, I assumed the corporation was acting on its own interests. Another ethics warning sign was that the public corporation was putting extreme pressure on my client to decide on the spot. They didn’t want the client to think the situation over and take a closer look at the public

company's finances. The public company was American Continental, a company whose imminent demise triggered the implosion of the real estate and saving and loans industries in the United States. Cash looked pretty good after all.

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