Using Behavioural Ethics to improve your Ethics Programme

Behavioural ethics is a field of study that seeks to understand how people behave when confronted with ethical dilemmas. Drawing on behavioural economics, psychology, and other behavioural sciences, this Briefing illustrates how companies can use insights from the theory in order to strengthen their ethics programme and help their employees to do the right thing.

This Briefing focuses on how people make decisions and what can influence them. Understanding this is important for organisations of all sizes in order to ensure the measures they have in place to promote ethical behaviour are appropriate and that the incentives that they provide do not have unintended – and sometimes counterproductive – consequences.

The challenges for an ethics programme

Companies are increasingly investing resources in the development of an ethics programme that brings their ethical values to life and provides guidance to their staff on how to tackle ethical dilemmas.[1] However, even companies with a mature ethics programme that seems to "tick all the boxes" are not immune from lapses or, in some cases, even major ethical scandals that pose clear questions about the effectiveness of these programmes.

There are many factors that can come into play in these situations. Behavioural ethics identifies some key signs (e.g. *ethical blindness* and *moral disengagement*) that might impair the effectiveness of the organisation's ethics programme and thus increasing ethical risks.

Box 1 Predictors of ethical risks

Ethical blindness, also known as 'ethical fading' or 'moral myopia', is a temporary and subconscious state

in which a person is unable to see the ethical dimension of the decision they are making.[2] Many unethical decisions are not deliberate acts by 'bad' people, rather, they occur where a well-intentioned person has become ethically blind as a result of any number of individual, organisational or societal pressures. Such was found to be the case amongst the NASA engineers who voted for the Challenger space shuttle to take off despite their concerns for its safety. The NASA organisational culture and the imperative to maintain a lead in the space race was found to have narrowed the frame of reference in which the engineers made their decision to allow the shuttle to take-off overriding safety concerns.[3] Recognising different contributory influences and averting ethical blindness is crucial to preventing unethical behaviour.

Moral disengagement is where an individual is aware of the ethical aspects of a decision and actively choses to disengage from these and behave unethically.[4] Often they justify their decision with rationalisations that minimise or neutralise feelings of guilt or shame. As an example, Professor Celia Moore suggests to imagine a situation where Sam, an individual who strongly holds the opinion that theft is wrong, takes a newspaper without paying for it from Starbucks. *"Moral disengagement mechanisms help Sam construe taking the newspaper as no big deal (distortion of consequences), believe that everyone takes small things like a paper sometimes (diffusion of*

1 See IBE (2015) Ethics at Work: Survey of employees

2 See A. E. Tenbrunsel and D. M. Messick, Ethical Fading: The Role of Self-Deception in Unethical Behavior, Social Justice Research, June 2004, Volume 17 and M. E. Drumwright and P. E. Murphy, How Advertising Practitioners View Ethics: Moral Muteness, Moral Myopia, and Moral Imagination, Journal of Advertising, 2004, Volume 33

3 See http://www.values.com.au/volkswagens-ethical-blindness-is-more-common-than-we-think/

4 See Albert Bandura, Moral Disengagement: How People Do Harm and Live with Themselves, Worth (2015)

responsibility), that taking the paper is tiny compared to others' violations (advantageous comparison), or that he's seen Starbucks employees take copies of the paper, so why shouldn't he (displacement of responsibility)? He could think that in the grand scheme of things, being an informed citizen is more important than paying for the paper (moral justification). He could even plan on leaving the paper in the café when he was finished with it, so really he was just 'borrowing' it (euphemistic labelling). He could think that Starbucks is a large heartless corporation that won't notice the missing paper (dehumanization), or even deserves having the paper taken from it because it charges so much for coffee (attribution of blame). These mechanisms facilitate understanding his behaviour as unrelated to his internal standard against theft. Thus, he can leave the store, paper under arm, confident in the belief that he's done nothing wrong." [5] Corporate culture of an organisation can influence whether employees are able to disengage from the morality of a decision.

Research shows that ethical blindness and moral disengagement can be common in certain situations. However, identifying them can be challenging. Academics Muel Kaptein and Martien van Helvoort have conducted extensive research in this area. They have identified 60 'neutralisations' which they group into two broad categories: denying unethical behaviour ("It is not unethical") and denying responsibility ("I am not responsible for it"). [6] Table 1 provides some examples of 'neutralisation techniques' that are quite common in business.

Table 1 Rationalisations or neutralisations for unethical behaviour[7]

Ethical blindness	Moral disengagement
"If it isn't illegal, it's ethical"	"Just this once!"
"No one was really harmed"	"They're just as bad"
"There are worse things"	"They deserve it"
"It's for their own good"	"If I don't do it, somebody else will"

"It's a stupid rule anyway"	"What they don't know won't hurt them"
"Everybody does it" "It's just business"	"We've earned the right"
"I'm just giving them what they want"	"I deserve this – I work overtime and the company doesn't appreciate me"
"They would want it to be done this way"	"What can I do? My arm is being twisted"

Why is behavioural ethics relevant to an ethics programme?

The awareness of how people make decisions is important to improve the ethics programme. A first important lesson that can be learned from behavioural ethics stems from the idea that perfect rationality, which forms the basis of many classical economic theories, is not an accurate description of how people make their decisions. The concept assumes that people always make consistent decisions, based on strict logic and are narrowly self-interested (*homo economicus*). On one hand, this simplification is necessary in order to design economic models that represent general trends within a population. However, it proves inadequate to describe and predict the complexity of human behaviour at the individual level. Relatively recent theories that focus on behavioural economics have challenged this approach, highlighting the role played by emotions and intuition.

BOUNDED RATIONALITY

The theory of 'bounded rationality' [8] proposes the idea that, in decision-making, our rationality is restricted by the limited information we have, the cognitive limitations of human mind to process information and limited amount of time in which to make a decision. These limits – or bounds – mean that we are forced to find ways to simplify reality through mental shortcuts (*heuristics*) and often rely on our intuition or gut feel in complex situations. However, relying on these shortcuts can lead to deviations from perfect rationality, leading

5 http://www.celiamoore.com/uploads/9/3/2/1/9321973/moore_-_current_opinion_in_psychology_-_2015_-_moral_disengagement.pdf

6 Muel Kaptein and Martien van Helvoort, The Neutralisations Alarm Clock: A Model of Existing Neutralization Techniques Sept 2017, ResearchGate.

7 Ethics Alarms: Unethical Rationalizations and Misconceptions

8 Bounded rationality is a term coined by US Nobel Prize laureate economist Herbert Simon. Cognitive biases was introduced by Amos Tversky and Daniel Kahneman in 1972.

us to a decision that is less than ideal or to a judgement error (cognitive bias).

Cognitive biases are mistakes in reasoning and cognitive processing as a result of subjective beliefs regardless of contrary rational information. There are numerous types of cognitive biases and Box 2 provides some examples. The awareness of heuristics and the influence of bounded rationality need to be taken into account to make sure that an ethics programme is effective in promoting competent decision making.

Box 2 Examples of cognitive biases

Confirmation bias: leads us to look for information which supports our existing opinion and ignore inconsistent information. During an electoral campaign, for example, people tend to seek out positive information that paints their favourite candidate in a good light while looking for information that casts the opposing candidate in a negative light. As a consequence, people often miss important information in a way that might have otherwise influenced their decision on which candidate to support.

Ambiguity effect: when two options are available, people tend to choose the option for which the probability of the different outcomes is known. Individuals tend to avoid options for which missing information makes the probability of the possible outcomes unknown. When buying a house, many people choose a fixed rate mortgage, where the interest rate is set, over a variable rate mortgage, where the interest rate fluctuates with the market. This is the case even when a variable rate mortgage has statistically been shown to save money.

Anchoring: refers to the tendency to rely too heavily, or "anchor", on one trait or piece of information when making decisions, which usually is the first piece of information acquired on that subject. For example, the initial price offered for a second-hand car sets the standard for the rest of the negotiations, so that prices lower than the initial price seem more reasonable even if they are still higher than what the car is really worth.

Supporting individual decision-making

There are many ways in which behavioural economics can be used to strengthen an organisation's ethics programme. Some of the most relevant are illustrated below.

Doing the right thing needs to become our instinctive reaction.

Daniel Kahneman, Professor of Psychology at Princeton University, proposes that most human decision-making is done intuitively and subconsciously ('System 1') before the cognitive part of the brain engages ('System 2').[9] In many circumstances, even when people feel they are making a rational decision, their cognitive System 2 is simply rationalising a decision that their intuitive System 1 has already made. Sometimes this results in a seemingly irrational decision that might increase ethical risk. Embedding ethical values into everything the organisation does can help them become part of an employee's 'System 1'.

People are likely to put aside their personal moral standards at work if they think this is what is expected from their role.

How people judge the morality of an action can depend upon the role they perceive that they have while making the decision. Roles come with expectations and these expectations can translate into pressure to compromise one's ethical standards, as the incident in Box 3 illustrates. Putting in place measures to prevent this is crucial. Instead, it is everyone's role within a company to make ethics a priority. Many organisations make explicit in their code of ethics that all employees, and managers in particular, have the responsibility to be a role model for ethics in the organisation. It is important that this message is also reinforced through the communications strategy and through training for managers.

Box 3 It's just my job!

In an article published in 2014, Cohn, Fehr and Maréchal tried to understand whether the numerous scandals involving fraud in the financial industry should be attributed to the financial sector's business culture. Their approach was inspired by the economic theory of identity, which proposes that individuals have multiple social identities based on, for example, gender, ethnicity or profession. Identities are associated with specific social norms of behaviours. In a given situation, people will apply those norms of behaviour that are associated with the more prominent identity. Thus, if an individual believes that the banking culture favours dishonest behaviours, the authors argue that it should be possible to trigger dishonesty in bank employees by rendering their professional identity prominent.

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9 Daniel Kahneman (2011) *Thinking Fast and Slow*

Employees of a large, international bank were asked to take part in an experiment where they randomly assigned either to a version of the exercise that increased the prominence of their professional identity or to a control one in which their professional identity was not made relevant. The authors report that bank employees were more likely to cheat when their professional identity is rendered salient compared to the control condition. The authors explain that this effect is specific to bank employees because control experiments with employees from other industries and with students show that they do not become more dishonest when their professional identity or bank-related items are rendered salient. Thus, these results suggest that individuals believe that the expectations placed on them in their professional role requires them to put aside their ethical values.[10]

Ethics needs to become part of the reward, recognition and promotion system.

The availability bias[11] refers to the human tendency to judge an event by the ease with which examples of the event can be retrieved from your memory. The availability bias leads people to overestimate the likelihood of something happening because a similar event has either happened recently or because they feel emotional about a previous similar event.

This has a significant impact on the ability of organisations to promote ethics. If employees can recall a case where a person has been promoted or rewarded for the commercial results they achieved even when it is widely known that how they achieved them was ethically questionable, they will think that this is the norm in the organisation – even if it was just a one off event. On the other hand, publicly recognising and rewarding people that distinguish themselves for living up to the organisation's ethical values or communicating positive stories internally can be a quick and effective way to send employees the message that ethics is important in the organisation.

Time pressure can have a negative impact on organisational culture and the ability to consider the ethical implications of a decision.

The Good Samaritan Study by Darley and Batson illustrates this clearly.[12] They replicated the Biblical

parable of the Good Samaritan with a group of seminary students. The students were asked to begin the experiment in one building, before being told to go to a second building where they had to either prepare a talk on the Good Samaritan or on seminary jobs. Before leaving for the second building, the researchers told participants that they should hurry, varying the amount of urgency between students. Unbeknownst to the students, an actor was situated in an alleyway between the two buildings posing as a sick man. The researchers observed how many students stopped to help the man. The results showed time pressure had a significant impact on the student's willingness to stop and help: in low hurry situations 63% helped, medium hurry 45%, and high hurry only 10%. Even when they were on their way to prepare a talk on the Good Samaritan! Box 4 highlights how GlaxoSmithKline (GSK) are using the principles of this experiment in scenarios for their ethics training.

Box 4 GlaxoSmithKline and the Good Samaritan

GSK have been using the principles of behavioural ethics to inform their 'Living Our Values' discussion guides. The guides, designed to help managers lead team discussions on ethics, contain twenty scenarios. Scenarios are based on real-life challenges that employees might face. For example, employee surveys showed that maintaining a healthy work-life balance and working effectively under time pressure were areas of concern for some staff. Behavioural ethics research shows that an increase in time pressure negatively impacts on a person's ability to make an ethical decision; this is clearly demonstrated in the Good Samaritan experiment discussed above. GSK used this research as a basis for developing their own scenario that addresses the topic of work-home balance and time pressure. This has enabled employees to discuss the issue openly and increased awareness of the role that time pressure can have on our decision making abilities.

Internal communications and the language used within an organisation can have a significant impact on the ethical culture.

The framing effect [13] is a cognitive bias according to which individuals respond differently to the same

10 Cohn A, Fehr E, Maréchal MA (2014) *Business culture and dishonesty in the banking industry*, Nature

11 Kahneman D., Tvesrky A (1973) *Availability: A heuristic for judging frequency and probability*

12 The Good Samaritan Experiment: http://faculty.babson.edu/krollag/org_site/soc_psych/darley_samarit.html

13 Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica, 47, 263-291.

problem depending on how it is presented. Choices can be worded in a way that highlights the positive or negative aspects of the same decision, leading to changes in their relative attractiveness (see Box 5).

The implications for business ethics of these insights are significant and lead to further considerations around the way desired behaviours are encouraged within an organisation.

The choice of words and formulation of a statement can manipulate perception and how a situation is interpreted or framed. For example, using the phrase 'creative accounting' doesn't sound as serious as 'accounting fraud'. This makes it easier for employees to rationalise their behaviour. The use of aggressive language, for example, when managers speak as if they were at war with their competitors, promotes rigid framing which can, in turn, drive ethical blindness. On the other hand, using positive language that is consistent with the organisation's values can be a driver of change. The global management, engineering and development consultancy Mott MacDonald recognised this when they changed the name of their reporting line from 'whistleblowing facility' to adopt a more positive name – Speak Up Line. As a result, they noticed a significant increase in the number of concerns raised.

Box 5 Using a positive frame

Another field where the framing effect is particularly used is advertising, as the following examples illustrate.

Presenting a positive spin: A sign that says 10% of customers are not fully satisfied – implies a negative connotation, whilst "9/10 of our customers are fully satisfied" is a much more positive spin.

Presenting price in most cost-effective way: Stating the cost of gym membership is £500 a year may deter customers. However stating it costs just £1.37 a day - less than a cup of coffee! – sounds more appealing.[14]

In some circumstances, 'nudging' ethics can be more effective than enforcing compliance.
The Nudge Theory was developed by the 2017 Nobel laureate Richard Thaler and it suggests that a positive

reinforcement and indirect suggestions can be more effective to produce the desired behaviour than direct instructions, legislation and enforcement. Thaler and Sunstein define a nudge as follows: *"A nudge, as we will use the term, is any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not."* [15]

This concept has seen many applications in the public policy space.[16] However, it can also find application within an organisation to promote an ethical culture and behaviours in line with the core values. In particular, it suggests that an approach that focuses on ethics – communicating the ethical values, explaining how and why an organisation does its business, encouraging individual judgement based on ethical values – is at least as important as having clear rules of conduct that employees must follow and the related sanctions.

Individual responsibility for values and associated behaviours needs to be encouraged.
One of the most researched behaviour patterns refers to the willingness of people to put aside their own moral standards and give up responsibility for their action if they are following the instructions of a person in position of authority. One of the most well-known studies of obedience to authority was carried out by Yale University psychologist, Stanley Milgram, in 1963 (see Box 6). Milgram was particularly interested in seeing how far people would go in obeying an instruction from an authority figure if it involved harming another person. The experiment showed that people are likely to follow orders given by authority figures (e.g. managers, teachers, police officers, even if it means inflicting harm on another human being). Milgram conducted many variations of the experiment and concluded that the behaviour of participants could be explained by suggesting that we have two 'states' of behaviour:

The autonomous state: when people direct their own actions, and take responsibility for the results of those actions.
The agentic state: when people allow others to direct their actions and then pass off the responsibility for the

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14 https://www.economicshelp.org/blog/glossary/framing-effect/

15 Thaler R., Sunstein C. (2008) Nudge – Improving Decisions about Health, Wealth and Happiness, p.6

16 The Economist (24/03/2012) Nudge nudge, think think

consequences to the person giving the orders (i.e. they act as an agent for another person).

To prevent this situation, it is important that companies encourage employees to apply critical thinking and learn how to take initiative, rather than just following orders. Promoting an open culture where employees feel empowered to challenge decisions they feel might violate the organisation's ethical standards, even when they are instruction from a superior, is paramount.

> **Box 6** The Milgram Experiment [17]
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> The 'learner' (an actor) was strapped into a chair with electrodes. After he learned a list of word pairs, participants who took on the role of 'teacher', tested the learner on their recall of the word pairs. The teacher was located in a separate room and instructed by an 'experimenter' (an actor). The experimenter wore a lab coat and instructed the teacher to administer an electric shock every time the learner made a mistake and to increase the strength of the shock each time. The electric shock wasn't actually delivered, but the 'learner' reacted to it as if it was real and the 'teacher' thought they were administering a real shock which could, in some cases, prove lethal. The 'learner' gave mainly wrong answers on purpose. If the 'teacher' refused to increase the shock to the learner, the experimenter emphasised their instructions to continue. The results showed that 65% of the participants delivered the highest level of electric shock to the 'learner'.

People determine the appropriate behaviour by looking around.

Research presents significant evidence that social pressure from a majority group can cause a person to conform to a certain behaviour. The Asch experiment on conformity is a classic example.[18] More recently, Francesca Gino, Shahar Ayal and Dan Ariely undertook some research to understand whether exposure to other people's unethical behaviour can increase or decrease an individual's dishonesty (see Box 7).[19]

The results obtained suggest that training staff on ethical matters is important to create a shared systems of beliefs and to keep these issues prominent in people's minds when they face a difficult decision. Leadership engagement and the right 'tone at the top' are also important in this context. Employees will be more likely

to behave unethically if they perceive that their senior leaders and managers do so, as they might think that 'this is the way things are done'.

> **Box 7** Conformity to the group
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> The experiments that Gino, Ayal and Ariely conducted involved a group of students that had to do a test, one of them was an actor. In the first experiment, the actor cheated in an obvious way by finishing a task impossibly quickly and leaving the room with the maximum reward. The other participants' level of unethical behaviour increased when the actor was seen as an in-group member (from the same university), but decreased when the actor was an out-group member (from another university).
>
> In the second experiment, the actor asked a question about cheating which strengthened the prominence of the possibility. Results showed that this decreased the level of unethical behaviour among the other group members, showing that bringing the focus on ethics in a group can have a positive impact on people's behaviour. These results illustrated that the decision to behave ethically or not depends significantly on the social norms produced by the behaviours of those that are part of "our group" and also on the prominence of conversations about ethical issues.

Using behavioural ethics in your ethics programme

There are many ways in which behavioural ethics can help improve the efficacy of an ethics programme. In particular, there are some questions that might be worth considering to assess whether any of the elements of the ethics programme can be strengthened. The questions below are grouped according to the IBE's framework for an ethics programme.

CODE OF ETHICS

o What impact does the language in your Code have? Does it empower employees to do the right thing or is it dictatorial or legalistic? Is it framed in the positive or in the negative? Have you considered the tone? Does it use creative terms to 'sugar coat' unethical acts?

17 The Milgram Experiment: https://www.simplypsychology.org/milgram.html

18 https://www.youtube.com/watch?v=NyDDyT1lDhA

19 http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.387.1342&rep=rep1&type=pdf

o Is the language used in the Code reflected in other departmental policies, or do they contradict each other? Ensuring consistency in the language and messaging is essential.

COMMUNICATION AND AWARENESS

o Communication and awareness raising tools such as promotional goods or campaigns can create positive saliency bias, whereby ethics is at the forefront of people's mind, and nudge employees into factoring ethics into their decision-making.

TRAINING AND REINFORCEMENT

o Running face-to-face ethics training with groups comprised of varying seniority levels, departments and cultures, provides employees with exposure to differing perspectives, building their moral imagination and preventing moral disengagement and increasing the prominence of ethics for employees.

o Broadening the scope of ethics training to include awareness of how we make decisions, the impact of organisational context and the signs of ethical blindness and moral disengagement (e.g. through use of rationalisations) can help employees to make better decisions. Supporting decision-making at all levels, from senior leaders to all members of staff, will help to prevent unethical behaviour. Useful tools for this include the Ladder of Inference [20] and the Neutralisations Alarm Clock'. [21]

SUPPORTING CONTEXT AND CULTURE

o Ensure leaders are aware of the impact that their language has on employees. Are they creating a culture of fear and authoritarianism with their words?

o Are employees treated with respect? When employees are treated as trustworthy, capable members of a team, they're more likely to act accordingly. This is known as the Pygmalion effect and refers to the tendency people have to act the way that other people treat them. [22]

o Celebrate those that speak up. If they are treated badly, others will see this and be unlikely to speak out for fear of being ostracised by the group.

o Involve employees in their own goal setting and gather feedback on targets and incentive structures – are they realistic, or are they encouraging employees to cut corners due to the pressure?

o Review industry practices if possible. Are there ethical challenges that need to be addressed? Acknowledge these and discuss with employees who are likely to be engaging with people in the wider industry.

MONITORING AND ACCOUNTRABILITY

o Promote transparent decision making and individual accountability. It is easier for an employee to make an unethical decision when they are acting as an 'agent' with no accountability or visibility of their actions.

o Include questions in staff surveys to help identify ethical blindness and moral disengagement, framing them in such a way that employees will understand (e.g. have they ever heard rationalisations used in the workplace, do they feel under significant time pressure etc).

20 Ladder of Inference: https://www.mindtools.com/pages/article/newTMC_91.htm

21 Muel Kaptein and Martien van Helvoort, The Neutralisations Alarm Clock: A Model of Existing Neutralization Techniques Sept 2017, ResearchGate: https://www.researchgate.net/publication/320101243_THE_NEUTRALIZATIONS_ALARM_CLOCK_A_MODEL_OF_EXISTING_NEUTRALIZATION_TECHNIQUES

22 The Pygmalion effect, Wikipedia: https://en.wikipedia.org/wiki/Pygmalion_effect

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The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.

Our vision is to lead the dissemination of knowledge and good practice in business ethics.

We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

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