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978-1-107-00003-2 - Obstacles to Ethical Decision-Making: Mental Models, Milgram and the Problem of Obedience

Patricia H. Werhane, Laura Pincus, Hartman, Crina Archer, Elaine E. Englehardt, and Michael S. Pritchard

Excerpt

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1 | *Introduction*

All perception is theory-laden.

(Harman, 1977, 7)

On March 14, 2012, Greg Smith, a director at Goldman Sachs, resigned from his job in Goldman Sachs' London office and went public in *The New York Times* about his dissatisfaction with the firm. Smith was clearly unhappy about the culture at Goldman. Perhaps he was disappointed at the smaller bonuses the previous year. Perhaps he disliked his boss or was unhappy that he had not been promoted to Managing Director.

We will never know why Smith came forward. Motivations matter, of course. But more important are the issues that Smith raised about the corporate culture at Goldman, which should have reverberations across the financial industry. About Goldman Sachs when he arrived there, Smith writes, "It might sound surprising to a skeptical public, but culture was always a vital part of Goldman's success. It revolved around teamwork, integrity, a spirit of humility, and always doing right by our clients. The culture was the secret sauce that made this place great and allowed us to earn our clients' trust for 143 years" (2012, A27). Today he sees a "decline in the firm's moral fiber," including a preoccupation with profits rather than client services. He writes, "Over the last 12 months I have seen five different managing directors refer to their own clients as 'muppets,' sometimes over internal e-mail." If it is true that at Goldman some managers referred to clients as "muppets," that use of language creates an image of clients as merely puppets to be manipulated by the firm. Such a view was reinforced by Lloyd Blankfein's 2008 audacious remark to the *Financial Times* that Goldman Sachs was "doing God's work" (Arlidge, 2009). The image of the sacred work of finance cannot escape the reader.

All funds, including our pension funds, depend on the trust and transparency of the industry in order for the funds to prosper for

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each of us. Thus a corporate culture of integrity is important, if one wants to build up a loyal workforce and clientele. According to a recent Yankelovich Monitor poll taken in 2011, more than 40 percent of Americans have lost trust in the financial industry, placing it just above corporate executives and lawyers (Schwartz, 2012). None of this may matter in the short run, but in the long run, firms with a corporate culture like the one described by Smith, whether or not this description accurately fits Goldman, is destructive to any company, its managers, its clients, its reputation, and eventually its long-term profitability. Smith (2012) writes,

I truly believe that this decline in the firm's moral fiber represents the single most serious threat to its long-run survival. It astounds me how little senior management gets a basic truth: If clients don't trust you they will eventually stop doing business with you. It doesn't matter how smart you are . . . Without clients you will not make money. In fact, you will not exist. Weed out the morally bankrupt people, no matter how much money they make for the firm. And get the culture right again, so people want to work here for the right reasons. (Smith, 2012)

This is a book about hope. Despite the plethora of moral failures we encounter in commerce, politics and in personal lives, as the case of Greg Smith and Goldman Sachs illustrates, most of these failures are unnecessary and could be remedied or avoided altogether. It is not that there is no evil in the world. There is, and there are people and institutions that deliberately with premeditation commit crimes, violate basic human rights, and harm others. But a great deal of the time we agree with Hannah Arendt that much of what we call evil does not arise from the deliberate intention to do harm, but from the failure to think about what we are doing (Arendt, 1963 cited in 2006). Often this failure to think takes the banal form of blind obedience to some or another form of institutional or organizational authority, which is presumed to release us from responsibility for the consequences of our own actions and judgments. The authors of this book are optimistic enough to imagine that most individuals and organizations have some grasp of immorality; they are usually committed to some view of right and wrong. But often, personal, interrelational, organizational, or cultural obstacles get in the way of engaging in sound decision-making that reflects these moral commitments. This book will make some

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headway in outlining some of these obstacles and showing how overcoming them is difficult, but possible.

In commerce, many moral failures can be traced to narrow or blinded mental models that preclude taking into account the moral dimensions of a decision or action. In turn, some of these are caused by a failure to question managerial decisions and commands from a moral point of view, because of focused mindsets that construct a perceived authority of management whose directions one should follow without question. Examples abound. For instance, the recent failures of Johnson & Johnson, leading to recalls of baby Tylenol, baby Motrin, and hip implants, demonstrate a preoccupation with profitability that apparently sidelined the edicts of the company's credo so carefully executed in the 1980s Tylenol poisoning scares. The *Columbia* shuttle disintegration virtually repeated the causes of the earlier *Challenger* shuttle explosion in 1986. Somehow, organizational blind spots, some of which were due to failures in communication between engineers and managers that were partly responsible for the first explosion were replicated in the second tragedy. Worse, despite their expertise, engineers at NASA in both the *Challenger* and *Columbia* tragedies did not see it as within their purview as engineers to question managements' decisions to launch the shuttle spacecraft.

The "too good to be true" Bernie Madoff promises of repeatedly high returns on investments were horrendously irresponsible. Madoff's performance demonstrates what Margaret Heffernan has called "willful blindness," the almost deliberate exclusion of the moral ramifications of one's decisions and actions (Heffernan, 2011). But it demonstrated willful blindness on the part of investors as well, those who did not use their common sense in evaluating promises that consistently contrasted with market performance. The subprime mortgage crisis, blamed on banks and mortgage brokers, resulted both from irresponsible – and sometimes predatory – loan strategies and from prospective homeowners who were so preoccupied with the idea of ownership that they did not do the math on the financial effects of balloon loans. The Penn State sex abuse scandal was caused by the criminal acts of Jerry Sandusky, but a share of the responsibility also must be borne by Penn State officials who, because the abused boys were not part of the Penn State system, ignored their plight as if they did not count as human beings. Various missed whistleblowing opportunities, such as those at

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Enron by insiders who knew what was going on, demonstrate that company loyalty and following the lead of persons in authority can override what individuals know is the right thing to do. Moral responsibility may be ceded because actors' perceptions of their choices are limited by their organizationally defined roles or role responsibilities. Oftentimes, these moral failures are not caused by a lack of awareness of the ethical issues, but rather, failures in a perceived ability to act. The bankruptcy of Lehman Brothers, while not the fault of CEO Richard Fuld exclusively, was exacerbated by Fuld's failure to go below the executive suite to investigate what was going on the trading floor (Cohan, 2012).

Discourse plays an important role in shaping mindsets and subsequent decision-making. On the night before the *Challenger* launch, after questions about the safety of the launch were raised by some of the engineers, the manager of the project told the lead engineer, "Take off your engineer hat and put on your management hat" (Presidential Commission, 1986). That encouragement to adopt a managerial mindset led to engineers giving in to management's decision, and as a consequence, not going above management to corporate leadership with their concerns about launch safety. The shuttle was launched the next day.

Part of the impetus for this project is a reexamination of the 1960s Milgram experiments and their later iterations. In brief, Milgram (1974) created an experiment in which a naïve participant was to teach a perfect stranger word pairs under the direction of a person in authority who continually commanded that the "experiment go on." Responding to the verbal directions of this authority figure, 65 percent of the participants delivered what they took to be the maximum shock level of 450 volts to learners who made mistakes.

While we organize and order our world through mental models, we do not often do so with the luxury of analytical hindsight. To the contrary, if we doubt whether our actions might have been different from those of Milgram's participants, we are simply asking whether we order the world in a manner so terribly distinct from others. After more than forty years since the Milgram experiments were conducted, one might expect that the human race has, if not evolved, at least learned just a small lesson from its collateral historical events. But many of the same mental models persist, attenuating our ability to "think for ourselves" with some degree of autonomy. We have shared experiences

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in the intervening years; yet, we recognize distinct patterns based on our particular and personal biases, mental models and social schema. Accordingly, no single descriptive analysis of ethical decision-making is possible; only vastly diverse but overlapping normative prisms exist through which we continue to view identical scenarios. Chugh and Bazerman (2007) remind us that our incomplete constructs often omit the data most necessary for *effective* decision-making. “What you fail to see can hurt you,” they submit (p. 1); but our business pressures induce a polar opposite belief system. Instead, we whet and hone toward singular objectives, creating exclusionary silos when the reality of our professional dilemmas demand the broadest perspectives possible. To be our most effective, efficient, and ethical “best,” we must perform the apparent and essential functions of our positions with the aim to meet bottom line objectives *and* to guard against any ethical risk or vulnerability that might threaten those objectives, at all times, and whether anticipated or incidental. But most of the time we do not.

Ariely (2008) explains the vulnerabilities and applied risks congenital in failing to attend to these silos and ethics blind spots. Vision is “one of the best things we do,” he explains. “We have a huge part of our brain dedicated to vision. Bigger than dedicated to anything else . . . we are evolutionarily designed to do vision. And if we have these predictable repeatable mistakes in vision, which we’re so good at, what’s the chance that we don’t make even more mistakes in something we’re not as good at, for example, financial decision making.”

But, are we to abandon all hope of community understanding, of victory over common biases since, as Haidt contends, “[o]ur minds were not designed by evolution to discover the truth; they were designed to play social games” (Kristof, 2009)? Ariely (2008) illuminates these visual impairments or obstructions, but also the metaphor for their subjugation. “For some reason, when it comes to the mental world, when we design things like healthcare and retirement and stock markets, we somehow forget the idea that we are limited . . . If we understood our cognitive limitations in the same way that we understand our physical limitations, even though they don’t stare us in the face in the same way, we could design a better world. And that, I think is the hope. . . .” Since these cognitive limitations are deeply rooted, they do not yield effortlessly, and we remain blind to many of them.

We will conclude that it is therefore a vital imperative to surmount the obstacles that impede effective and ethical decision-making. If we

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do not attend to this blindness, if we do not revisit our mental models and develop a strong moral imagination in order to challenge the intuitions that otherwise persist without question or deliberation, we are destined to accept common biases and poor decision-making. Maloney (2001, 262) cautions that one day “others will shake their heads, when reminiscing about us, and say: ‘how could they have thought that?’” And what shall be our only answer? We were simply not thinking.

The book is based on a theory of social construction, the claim that human learning and interactions do not merely result from passively formed mental representations or mental pictures of our experiences, that is, representations that are derived simply from the stimuli or data to which we are subject. Rather, our minds interact with the data of our experiences, selectively filtering and framing that data through various forms of social learning mechanisms (Werhane, 1999; Gentner and Whitley, 1997, 210–11; Gorman, 1992; Senge, 1990, Ch. 10). In the process of focusing, framing, organizing, and ordering what we experience, we bracket and leave out data, simply because we cannot absorb all that we experience (Werhane, 1999; Senge, 1990). Because they are socially constructed through incomplete data, mental models or mindsets are themselves incomplete, changeable, and malleable phenomena. Still, in some contexts we can get trapped in a particular point of view that prevents us from noticing or focusing on important components of our experiences, choices, and decision-making processes.

Our thesis is that moral failures in decision-making, at least in commerce, may often be traced to narrow or compromised mindsets that preclude or dissuade the actor from considering the moral dimensions of the decision or action. Our decision-making abilities are jeopardized by such mindsets; and the manner in which we respond to authority and the perceived power it wields intensifies our inadequacies, incapacities, and vulnerabilities. This book will address these issues by analyzing many of the ways in which decision makers are precluded from including moral dimensions in their decision-making, or find themselves following along with others without daring to question whether or not what is expected in their managerial or employment role is morally appropriate.

Mental models or mindsets are both the ground of all our experiences and sources of bounded awareness (Bazerman and Chugh, 2006), blind spots (Moberg, 2006; Bazerman and Tenbrunsel, 2011), the phenomenon of unquestioned obedience to a perceived authority

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(Milgram, 1974), and other impediments to ethical decision-making. In the case of Greg Smith, the prevailing corporate mindset, according to Smith, was that making money for Goldman, even after the economic downturn of 2008 and the resulting scrutiny of the firm by the SEC and the media. The bounded awareness created by Goldman Sachs' culture and acquiesced to by its leadership and management, could have caused Smith simply to go along with this agenda. But he was able, somehow, to step back from the firm and its expectations, examine it from a moral point of view, and critically evaluate its shortcomings.

In addition to bounded awareness, there are a plethora of other obstacles that thwart responsible ethical decision-making. These include inattention such that one misses the obvious, role identification that is imagined to be absolute even when faced with an ambiguous or conflicting moral issue, or pattern recognition wherein one simply applies a learned pattern to a new situation rather than imagining it might be different. Others include habits that are allowed to prevail despite new circumstances, lack of courage, and of course, obedience to whomever is perceived to be an authority figure despite moral reservations to the contrary.

How these moral failures can be reduced or overcome is an important topic of this book. Our argument is that there are important synergies for the next generation of ethical leaders based on the alignment of modified or adjusted mental models, a well-developed moral reasoning process, an understanding of the critical role of discourse in decision choices, and an application of moral imagination through collaborative input and critique, rather than "me too" obedience. We will examine and propose processes by which individuals and decision-makers throughout organizations – from subordinate roles, through middle managers, to positions of significant authority – may reduce or overcome instances involving these challenges. Appealing to a series of organizational examples we will illustrate both the blinding effect of certain mental models and how these can be revisited and revised through new thinking, challenging thought processes, regulation, and alterations of our mindsets.

Included in the discussion will be various methodologies in the literature that address these obstacles and that assist in the processes of unbinding our blinded or bounded thinking. These include: developing a strong internal sense of individual or organizational choice to combat

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our own blindness and organizational blind spots, a disinterested disengagement from one's setting, a self-improvement regimen that questions prevailing mental models and combats intentional blindness, and a development of a strong moral imagination that questions prevailing mindsets and habits, delves into fresh possibilities, and evaluates both old and new alternatives from a moral point of view.

Mental models bind our awareness within a particular scaffold and then selectively can filter the content we subsequently receive. Through recalibration using revised mental models, we argue, we cultivate strategies anew, creating new habits, and galvanizing more *intentional* and evolved mental models. This recalibration often entails developing a strong sense of self and self-worth, realizing that each of us has a range of moral choices that may deviate from those in authority, and moral imagination.

Moral imagination has been defined as “a necessary ingredient in responsible moral judgment” that can enable decision-makers in particular circumstances to discover and evaluate possibilities not merely determined by those circumstances, limited by operative mental models, or merely framed by a set of rules or rule-governed concerns (Werhane, 1999, 93). The importance of moral imagination resides in the idea that within organizations, managers who strive to success and excellence, in many cases, risk binding themselves in a cognitive trap, where only a narrow, partial perspective on reality emerges as possible. In such cases, managers' interpretations of reality can become distorted such that abilities to grasp ethical dimensions are impaired and the capacity to exercise moral judgment is impeded. To ameliorate these risks, the facility to disengage from operative mindsets, evaluate their credence, and then engage in moral imagination, along with a “self-improvement regimen” are key assets.

The book begins with an outline of a theory of social construction, focusing on the critical roles mental models or mindsets play in framing and ordering all our experiences. The purpose of Chapter 2 is to foreground examples of mental models in business ethics – those models on which many of us, as well as key decision-makers, have relied for decades in framing our teaching and leadership. For instance, sacred to the integration of ethics throughout an organization's culture is a strong ethical tone from the very top of the firm's hierarchy. Yet, a critical analysis of that mental model illustrates vulnerabilities in its reliability. The conversation at the “top” often consists of platitudes

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irrelevant to the decision-making worker; leaders are not always aware of the particularities faced by regular employees; and the role modeling on which the integration depends relies on similarity, while executives simply are not sufficiently engaged with the company's workers expected to model them.

Chapter 3 focuses extensively on the question of obedience through scrutiny of the Milgram experiments and follow-up investigations. Two questions are of importance. The first, "Why did so many participants in the experiment carry out the experiment to 450 volts?" was addressed by Milgram and, later, by other researchers. The perception of authority of the Experimenter, the ability to disengage from the role as lever-pusher and discharge the responsibility to the Experimenter, the bracketing of one's role in the experiment from other roles where the participant was a good mother, teacher, nurse, or engineer, and the passivity of the naïve Teacher (what Milgram called an "agentic" state), all contributed to the high levels of obedience. The second question, one that has only recently begun to be addressed with some seriousness is "Why did a few participants disobey and exit from the experiment?" This is harder to explain, but a number of thinkers now argue that the language of the Learner, specifically when he cries at 150 volts that he wants to get out, affected the mindsets of some participants. These participants realized they had a choice to exit and that they *should* stop the experiment in order not to harm another human being. Thus a few naïve Teachers were able to construct a sense of personal choice that enabled them to discontinue the experiment despite the Experimenter's admonitions to continue (Parmar, 2011; Packer, 2008).

Mental models serve to conceptualize, focus and shape our experiences, but in so doing, they sometimes cause us to ignore data and occlude critical reflection that might be relevant or, indeed, necessary to practical decision-making. In Chapters 4 and 5, we examine how the practice of constructing mental models, defined and illustrated by example in Chapter 2, may devolve into the formation of barriers or obstacles that ultimately prevent decision-makers from reaching ethical decisions. We argue that distorting mental models are the foundation or underpinning of many of the impediments to effective ethical decision-making.

Under optimal conditions, we reach decisions through an ethical decision-making process. One formulation of this process is framed

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as follows. A decision-maker (1) becomes aware of a present issue; (2) gathers facts relevant to the ultimate decision; (3) identifies alternative solutions to the dilemma at hand; (4) considers stakeholders implicated or impacted by these alternatives; and (5) reaches a conclusion by comparing and weighing these alternatives, often guided by insights offered by philosophical theory and/ or external guidance, as well as by testing solution possibilities by reflecting on their likely consequences from the perspectives provided by other mental models (Hartman and DesJardins, 2008). In Chapter 4 we introduce this framework. We then examine common impediments to the initial two steps of this decision-making model, which describe the process of coming to perceive a situation or conflict as a dilemma that calls for an ethical response. We identify and analyze distorting mental models that constitute experience in a manner that occludes the moral dimension of situations from view, thereby thwarting the first step of ethical decision-making. Examples include an unexamined moral self-image, viewing oneself as merely a bystander, and an exaggerated conception of self-sufficiency. These mental models, we argue, generate blind spots to ethics, in the sense that they limit our ability to see facts that are right before our eyes – sometimes quite literally, as in the many examples of managers and employees who see unethical behavior take place in front of them, but do not recognize it as such. We then further refine this discussion by examining ethics-impeding conceptual frameworks that disable or frustrate the second step in the ethical decision-making process: gathering information. In this section, we examine situational and cognitive factors that are particularly threatening to the capacity to attend to, and seek out, critical information in decision-making settings, such as ideological worldviews; selective attention, or “bounded awareness;” and selective neglect of attention to ethics, or “bounded ethicality.”

Chapter 5 turns to a discussion of mental models that prevent the execution of the remaining three steps of ethical deliberation. These steps outline the mechanisms of decision-making within a situation that has been perceived as posing an ethical challenge: imagining alternative solutions, considering the impact of these solution possibilities on affected stakeholders, and enacting a decision that accords with consciously-held values. This analysis illustrates the practice of critical reflection crucial for crafting a responsible decision that maintains