On Understanding the Human Nature of Good and Bad Behavior in Business:

# A Behavioral Ethics Approach

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# A Behavioral Ethics Approach

**Inaugural Address**

Address given in shortened form at the occasion of accepting the appointment
as Full Professor of Behavioral Business Ethics
at the Rotterdam School of Management, Erasmus University Rotterdam
on Friday, October 23, 2009

by

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## Samenvatting

De vele schandalen die we via de media vernemen over AIG, Tyco, WorldCom, Enron, en Ahold heeft de meesten onder ons bezorgd gemaakt over het ethische en morele karakter van onze organisaties. Een gevolg van deze observaties is dat het onderzoeksdomein bedrijfsethiek aan populariteit gewonnen heeft. Ondanks deze stijgende populariteit is het binnen de academische wereld ook duidelijk geworden dat de bedrijfsethiek inzichten vanuit de gedragswetenschappen nodig heeft om efficiëntere oplossingen voor corruptie en fraude te formuleren.

In deze lezing zal ik dieper ingaan hoe een gedragsmatige aanpak het domein van de bedrijfsethiek verder kan verrijken. Om dit te illustreren zal ik het onderscheid tussen een prescriptief en descriptief perspectief toelichten en bespreken hoe de wetenschappelijke psychologie ons kan helpen om beide perspectieven te integreren. Ik zal de mogelijkheid tot deze integratie illustreren aan de hand van eigen onderzoek binnen de domeinen van sanctie systemen, procedurele rechtvaardigheid en het herstellen van vertrouwen. Ten slotte, zal ik enkele implicaties voor de wetenschap, de overheid en de economie toelichten.

## Abstract

The numerous scandals in business, such as those at AIG, Tyco, WorldCom, Enron and Ahold, have made all of us concerned about the emergence of unethical and irresponsible behavior in organizations. Such widespread corruption in business and politics has, as result, prompted a growth of interest in the field of business ethics. At the same time, however, within the academic world it is also recognized that to tackle those unethical actions in an efficient way, the field of business ethics needs to integrate insights from behavioral science.

In this inaugural address I focus more closely on the benefits that a behavioral approach can bring to the field of business ethics. In presenting these benefits, I draw a distinction between prescriptive and descriptive approaches and outline how the field of psychology can help in integrating these two perspectives so that we can move towards a more comprehensive understanding of *behavioral business ethics*. This integration is illustrated by my own research addressing how sanctioning and regulation systems affect behavior, the benefits of procedural fairness and the workings of trust repair strategies. Finally, I formulate some implications for academia, the government and economics.

# Content

# 1. Introduction

*Dear Rector Magnificus of the Erasmus University*
*Dear deans of Rotterdam School of Management*
*Dear family, friends, colleagues, students and other members of the audience,*

The numerous scandals in business such as those at AIG, Tyco, WorldCom, Enron and Ahold have made all of us concerned about the emergence of unethical and irresponsible behavior in organizations. More recently, this concern has become even stronger due to the world-wide financial crisis in which it became strikingly clear that the irresponsible (and unethical) behavior of managers and organizations inflicts pain on society and its members. Our apprehension about these high-profile scandals has grown as individuals like Bernie Madoff and Rod Blagojevich have become household names. In an ironic way, we can thus say that widespread corruption in business and politics has promoted the popularity of the field of business ethics.

## 2. Business Ethics and the Normative Approach

Business ethics generally deals with evaluating whether practices of employees, leaders and organizations as a whole can be considered morally acceptable (Ferrell, Fraedrich, & Ferrell, 2008). Historically, the field of business ethics has adopted a *prescriptive* approach in addressing issues related to morality and ethics in groups and organizations (Treviño & Weaver, 1994). This approach uses insights from important philosophical traditions to describe how moral and ethical people should behave. As a matter of fact, research in this tradition has been influenced primarily by notions taken from philosophy and morality, which stress the idea that we are motivated to act morally because we feel that we should or ought to respect other people and their interests. Thus, morality is an innate human value. This idea aligns well with Kant and his categorical imperative, which holds that moral behavior is an end in itself. Specifically, moral behavior is "a rational moral requirement for everyone that is not based or conditional on its serving one's contingent personal ends." (Hill, 2000, p. 39) The strong influence of moral philosophy is also recognized in more recent theoretical approaches in the fields of justice and ethics such as the deontic justice model (Folger, 2001; Folger & Salvador, 2008), fairness motivation (Lerner, 2003) and the integrated theory of moral convictions (Skitka et al., in press). These justice theories have in common that they advocate the idea that people value justice in society and business as an end in itself and therefore are convinced that just and fair interactions is a principle of moral duty.

However, it has been recently argued that such a view is too narrow in scope (Bazerman & Banaji, 2004; De Cremer, 2009; Treviño, Weaver, & Reynolds, 2006).

Specifically, a common understanding has emerged that, in addition to a prescriptive approach in which a moral principle is communicated and evaluated, we also need a *descriptive* approach which examines how individuals make actual decisions and engage in real actions when they are faced with ethical dilemmas. For instance, we all agree that the ethical failures we have witnessed recently are simply not acceptable and therefore business practices need to change – and this will not be easy. To date, however, most discussions about changing the system, and how the individuals involved need to structure their work, are inspired by normative theories that are taken down from the book shelf every time a recession emerges. At the moment, for example, the theory of the British economist John Maynard Keynes, in which he argues that the remedy for an economic recession should be based on a government-sponsored policy, is once again very popular. Thus for the time being, it seems that the theory of Milton Friedman, who argues for less government intervention in times of financial crisis, is no longer viable. This kind of discussion is definitely a good thing, because these are important theories and deal directly with the issue at hand, but in my opinion they fail on one important count. That is, they provide us with insights that are used to analyze the situation once it has happened, but they do not allow us to predict the future and, even more importantly, to prevent failures.

In order to be predictive and make changes in business decisions we need above all to increase our understanding of why individuals and subsequently organizations fail to be responsible social actors. This is a challenging, but nevertheless important, task because many individuals apparently seem to act unethically in ways they are unaware of. Many of us will without a doubt remember examples of situations where people who have acted unethically then stress that they are not 'bad' people. As such, unethical behavior often does not seem planned and in a way how it comes about is thus poorly understood. For example, in January of this year, Michiel Meurs, the top financial man of Ahold, was identified by the Amsterdam court as the individual most responsible for what has since become known as the largest auditing scandal in the Netherlands. The judge explicitly stated to Meurs that it was precisely because most people praised him for his integrity that his unethical actions were beyond comprehension. So how is it that good people, or at least people who think of themselves as good citizens, can engage in bad behavior? In my view, one approach that can help us understand such questions is the *behavioral ethics approach*.

## 3. Business Ethics and the Behavioral Approach

In general, most business people know that a range of behaviors exists that are not acceptable, either in the workplace or in the marketplace. What this tells us is that business people typically show some level of awareness about how decisions should be made and which behaviors should be displayed. Despite this awareness, irresponsible and unethical behavior and decisions still occur. How can we explain this? Early explanations focusing on the underlying causes of these ethical failures promoted the idea that most business scandals were the responsibility of a few 'bad apples' (De Cremer, 2009). This assumption is intuitively compelling and attractive in its simplicity. On a practical level it also facilitates both identification and actual punishment of those deemed responsible. However, more recent research suggests that many of the ethical failures witnessed in society and organizations are not the result of so-called bad apples but come from a much wider set of individuals (Bazerman & Banaji, 2004). This research suggests that all of us may commit unethical behaviors, given the right circumstances. This idea is one of the major assumptions used in the emerging field of *behavioral ethics*. Behavioral ethics thus "refers to individual behavior that is subject to or judged according to generally accepted moral norms of behavior" (Trevino, Weaver, & Reynolds, 2006; p 952).

It thus stands to reason that a behavioral ethics approach is well-suited to investigating how one can arrive at an understanding of how to promote ethical behavior in organizations and management. Indeed, an approach that focuses on the psychology of normative behavior may help us to see the motives of people with respect to ethics. I would like to note immediately, however, that looking at behavior is one thing, but we also need to understand the processes *motivating* the behavior. Let me illustrate this with an example provided by John Kerry, who was a US presidential candidate in 2004. When I was a research fellow at Harvard Kennedy School, John Kerry and his wife Theresa Heinz visited the university campus to promote their new book on environmental awareness. After his lecture, we were given the opportunity to ask questions regarding the book, but the discussion quickly shifted to the issue of the 2004 presidential election. Specifically, people wanted to know why he eventually – after a day and a half of deliberating – gave up the election battle in the crucial state of Ohio. He explained that his party was at that time 125 000 votes behind the Bush team. There were still 150,000 provisional ballots to be accounted for. The Kerry team admitted their defeat while those 150 000 ballots had not yet been counted for. When those 150 000 ballots were later analyzed, it turned out that the Kerry team were eventually 59 000 votes short. What's important to know is that the day before it was officially said that there were 250 000 provisional ballots to be counted for, not 150 000, so how can we account for this difference of 100 000 ballots? Kerry also mentioned that there were numerous reports of intimidation, illegal payments and manipulation of computer servers at the election halls that made many democratic voters (mostly black citizens) disappear from the lists. All in all, it was estimated that fraud caused Kerry to lose about 200 000 votes. The future of the world nowadays could have looked quite different if some form of follow-up action had been taken against the perpetrators of the fraud. But why did this not happen? Kerry's answer was simply that his team did not have a "smoking gun" to prove that fraud was committed, or, at least, that these questionable deeds were explicitly supported by the Bush team. The court required clear evidence that fraud had been committed by showing *behavioral* evidence. The fact that the *intentions* to commit fraud were clear was not enough to do something about it. In other words, while the psychology of what happened was clear, no action was undertaken because the observable behavioral proof was missing.

This is regretful, because having behavioral evidence is great, but to make really accurate predictions we need more. We also need to understand the motives and intentions behind the behavior. In fact, people may show the same behavior for different reasons or different behaviors may be motivated by the same goal. For example, before the current financial crisis, banks and companies behaved in risky and even irresponsible ways to promote their self-interest. Now these parties say that they have changed their behavior as they appear to be acting very prudently and carefully. Unfortunately, evidence is mounting that their motives nevertheless remain the same (De Cremer, 2009; July 28). They still want to preserve their self-interest, but because the situation has changed, other behavior has to be adopted to achieve this goal. In a similar way, a behavioral ethics approach should thus not only include a focus on what kind of behavior is actually shown but should also attempt to identify the psychological processes underlying the different behaviors. This approach, in which we combine the search for a smoking gun with a focus on the psychology of the behavior, should be the primary scientific task of behavioral ethics. In an opinion piece published in NRC Handelsblad, I applied this approach to understand the emergence of unethical behavior in the financial markets, referring to it as the unconscious self-interest of the financial world.

## 4. A Behavioral Ethics Approach and Topics to be Studied

So now that we know what focus this new and rapidly growing field of behavioral business ethics should include, let us look at some of the topics we can address and in what way we should study them. An important general question to address is how leaders, managers and organizations can be effective in motivating people to display ethical behavior. I argue that to do this we also need to understand better what motives underlie people's actual decisions. In a behavioral ethics approach this would imply to respond to the question of whether people in general are more strongly motivated to display *positive* types of behavior (ones that are beneficial to the collective) or *negative types of behavior* (ones that are hurtful to the collective). One way to examine this is to see whether individuals are more likely to model positive and ethical behavior or rather the negative and unethical behavior of their leaders and managers. Recent research by myself and Karl Aquino (2009) did exactly this. We investigated whether both positive and negative reciprocity emerge in equal ways in bargaining settings or, to put it a different way, whether one principle of reciprocity looms larger than the other. Positive reciprocity would mean reciprocating an offer that was more than an equal share whereas negative reciprocity would mean reciprocating an offer that was less than an equal share.

To examine this question, we used the ultimatum bargaining game paradigm (Güth, Schmittberger, & Schwarze, 1982), in which two parties have to allocate a valued resource. One party takes the role of allocator and the other party that of recipient. In our studies, all participants in the first phase of the experiment were allocated to the role of the recipient and they all received a very unfavorable offer (i.e., 100 chips were divided out so that the allocator kept 70 chips and gave 30 chips to the participant) or a favorable offer (i.e. the participant received 70 chips and the allocator kept 30 chips). In this setting, the recipient was not able to reject the offer (i.e., dictator game; Forsyth, Horowitz, Savin, & Sefton, 1994; Kahneman, Knetsch & Thaler, 1986). In the second session, the participant became the allocator and the allocator of the first session became the recipient. The dependent variable of interest was how much the participant (who was recipient in the first round) gave to the other party (who was allocator in the dictator game in the first round).

Our results showed that participants adhered very strongly to the principle of negative reciprocity, and this tendency was enhanced when the participant had more power in the bargaining setting (i.e., more power meant that the participant had less fear that the recipient would reject his/her offer). Participants, however, did not adhere to the positive reciprocity principle. Regardless of their power in the bargaining setting, they made offers that were close to a 50-50 split. These results suggest that people are strongly motivated to model or reciprocate negative and unfair behavior but that they do not show the same motivation to model positive and sacrificing behavior. Thus, negative reciprocity seems to loom larger than positive reciprocity when deciding how to allocate resources.

What these findings demonstrate is that part of the human condition is that our negative and unethical behaviors are more easily and quickly reciprocated than our positive and ethical behaviors. An important implication of this conclusion is that we as humans readily show bad or unethical behavior if our environment creates opportunities for doing it or when others are already doing it. From this perspective, it seems quite normal that in our contemporary society we have developed a strong focus on developing rules, codes of conduct and other constraining control models that ensure that bad behavior is eliminated, or at least reduced. Even more so, once we notice that our codes of conduct, and the law in general, no longer hold to stop the emergence of unethical actions and decision making, rules are again made more comprehensive and complex. However, there is an important downside to this practice of creating more rules and codes. Indeed, I would like to argue that using the law to create rules is only part of the solution to prevent unethical behavior. What is really needed is to find out how we can influence people's intrinsic motivation to refrain from unethical behavior – and developing a perspective which enables us to identify ways of doing that will be far more beneficial. As I pointed out in an opinion piece in the Financieele Dagblad in May of this year, companies are starting to realize that the more complex rules of conduct become, the more likely it is that people will show more irresponsible behavior. The reason for this seems to be that people infer that every act that is not mentioned in codes of conduct or punished formally can be freely done even if it is harming the interest of others. If it were really bad then it would be mentioned in the code of conduct, wouldn't it? Another reason is that the more complex our laws and rules for sanctions are configured, the more strongly it signals that there must definitely be something wrong with the actions of many of our citizens. As a result, people tend to trust each other less than they did before rules, control or sanctioning systems were implemented.

*A. On understanding the psychology of sanctions and regulation systems.*

Research I did with Laetitia Mulder, Eric Van Dijk, and Henk Wilke (2006) examined more directly what sanctioning systems do to people's motivations and trust in others. Specifically, we adopted a social dilemma paradigm in which personal and collective interests are in conflict and we examined to what extent people are cooperative and trustful of other's decisions when a sanctioning system is available and when this system is removed again. Our results were striking. They showed that cooperation was, quite understandably, high when a system was in place to punish non-cooperative behavior. However, when this sanctioning system was removed cooperation dropped to a level that was even lower than before a sanction was in place. The same effect was found when looking at trust as the dependent variable. Put briefly, it seemed as if imposing a sanctioning system undermined people's motivation to genuinely trust each other. In other words, if a sanctioning system was in place, people cooperated and trusted each other, but more out of instrumental reasons – that is, trusting others would give the best outcome when there was a possibility of punishment. When the sanctioning system was removed, it became clear that the real trust that people may intuitively have in each other was undermined and almost non-existent.

In another series of studies that I conducted with Eric van Dijk (De Cremer & van Dijk, 2009), we also found some other negative consequences of using sanctioning or control systems. Using again a social dilemma paradigm, we examined whether contributions to the maintenance of a sanctioning system would depend on how wealthy group members were. Following the idea that those who possess more should contribute more (as explained by the equity rule or the idea of *noblesse oblige*) we predicted that, regardless whether members of the group knew about one another's contributions or not (referred to as being accountable or not), the wealthy would always contribute more. We did indeed find that the wealthy contributed more than the less wealthy, but this only happened when the decision to contribute was identifiable to the others. If the others in the group had no knowledge of how much one wanted to contribute, then the wealthy did not contribute more than the less wealthy. Our results thus indicate that when it comes to paying for the implementation of sanctioning systems the wealthy are not intrinsically motivated to do their fair share relative to the less wealthy, except if they are closely evaluated by the group or organization. An interesting, but also regrettable, implication of these results is that because sanctioning systems are in themselves an indication that there are problems within the group or organization, those with the most resources are particularly unlikely to be motivated to help the collective.

Taken together, these studies clearly suggest that we have to be careful in identifying control and sanctioning systems as *"the"* solution every time a moral and economic crisis emerges. Rather, we have to assess, first of all, the suitability of these systems to the situation itself. In fact, careless use of these systems may backfire in ways that reduces our intrinsically-felt trust in others and our willingness to adhere to commonly accepted normative rules of coordination – both considered to be important elements of what makes our society a cooperative one. We thus have to make sure that the proposed solutions will not, ironically, become the cause of future fraud and unethical deeds. In light of this warning, we, of course, also thought about how sanctioning systems and rules could best be installed to ensure that there were no such negative consequences. One potential solution is to use fair decision-making procedures. Procedural fairness is referred to as the perceived fairness of decision-making rules leading to outcome allocations (Leventhal, 1980; Thibaut & Walker, 1975). The use of fair procedures reveals many positive consequences that are particularly relevant to the issue of sanctioning and control systems. Specifically, authorities and organizations using fair procedures are generally evaluated as legitimate decision-makers. The enormous advantage of being a legitimate decision-maker is that it promotes the trustworthiness of the one in charge (Tyler, 1997) and leads to the acceptance by followers of existing moral and fairness rules (Tyler & De Cremer, 2009). An organization or authority that uses fair procedures creates the sincere impression that moral rules are an important aspect of the decision-making procedures in particular and the organizational climate in general. As a result, employees and organizational members in general are intrinsically more motivated to adhere to the rules advocated in the organization, including adhering to performance rules such as equity. Overall, procedural fairness seems to constitute a powerful social influence tool that can maintain and even promote trust and compliance among the members of our organizations (Tyler, 2001).

An important implication of these studies nevertheless is that if we want to prevent unethical behavior and decision making, we need to get a better understanding of (a) the kind of impact rules and the law in general have on people's motivation and (b) whether or not they indeed make people more morally aware and willing to pursue good and ethical behaviour.

*B. On understanding the psychology of trust repair.*

Having said this, even though we may know exactly how our codes of conduct and rules should be implemented and communicated, it is also essential to realize that we cannot eliminate ethical failures completely. Unfortunately, ethical failures will occur from time to time. It is therefore surprising to see that the business ethics literature has devoted almost no attention to the aftermath of ethical failures and in particular to the process of reconciliation. In other words, ethical failures, regardless of what form that they arrive in (e.g. the current financial crisis is such an example), have significant impact on the confidence and trust people have in their leaders, society and the business world as a whole. As such, it is important that we try to gain insights into how to build up trust again. If we look at how the banks dealt with this issue of repairing trust in 2008 and 2009, it is fair to say that they did a very poor job. In fact, the Financial Times columnist Peter Stern, wrote in June 2009 that "If trust cannot be restored from its current sickly condition then leaders will soon find their task becoming almost impossible difficult." In April 2009, I argued in NRC Handelsblad and De Tijd that one reason why banks were doing a bad job in repairing trust is that they thought of trust repair simply as actions that were aimed at restoring confidence in the unrealistic expectations they had. This approach is obviously incorrect, as trust repair should involve the strategy of taking responsibility for the past and outlining a new future in which a long-term perspective is advocated by means of costly actions. This assumption holds two important messages. First, banks should be focusing not only on providing explanations of the past, or, in other words, it is not only the past corporate social responsibility that should be reinforced and taken care of. More importantly, trust repair for these financial institutions should include what they will do in the future and how this will be different from what they have done in the past. So, they should be focusing more on what I like to call *future corporate social responsibility (FCSR)*. Looking at the issue from this perspective, a crisis such as the current financial one can actually be seen as an opportunity to enhance one's trustworthiness (Pillutla, Murnighan, & De Cremer, 2009). Indeed, how people, managers and organizations tackle ethical failures can teach us much about their true motives and whether they can be trusted or not.

Departing from the perspective of promoting FCSR, I and my research team have conducted several studies on how trust can be repaired in future encounters. I will focus on two lines of research that we conducted. The first topic that we tried to tackle is how difficult it is to communicate sincere intentions and promises to other parties. In a series of studies, I, Chris Reinders-Folmer, Madan Pillutla and Marius Van Dijke examined how promises to act fairly and ethically in the future impact perceptions of trust and distrust. Specifically, we departed from the idea that differences in status and power exist between interacting parties. Those with less power often are fearful that those with greater power will exploit them. Consequently, those with greater power need to reassure in some way those with less power about their good intentions. Across a series of experimental and field studies we showed that distrust is indeed present when parties with a lower level of power interact with parties with more power. Interestingly, under such circumstances our findings showed that those with greater power believe that a promise to act fairly will then do the trick to reduce distrust. However, our results exactly showed the opposite, when high-power parties made a promise to be fair decision makers, those with less power were more suspicious than when no such promise was made. So, in a way, those high in power were convinced about the positive effect of promises but in reality using promises backfired. These results suggest that in many of our interactions, strategies aimed at repairing or maintaining trust can be interpreted differently by the different parties present. Too often miscommunication results, making it extremely difficult to create a climate of trust.

A second topic that we addressed is how important it actually is for leaders and managers to show that they are willing to make sacrifices in order to deal with the crisis. In a series of studies, again using a combination of experimental and field studies, I, Dave Mayer, Marius van Dijke, Barbara Schouten and Mary Bardes (2009) showed that self-sacrificing leaders (i.e. leaders who sacrifice personal resources and interests for the benefit of the collective) were most effective in promoting compliance and cooperative behavior among followers when concerns about losses and threats were reinforced. These concerns are important features of ethical failures in which people usually adopt an avoidance strategy and therefore implicitly signal that, particularly under circumstances of crisis or failure, leaders need to set the example and make the initial sacrifices. This is an important message that banks unfortunately have not listened to – which explains their difficulty in repairing trust. In fact, banks and their representatives were simply not interested in changing their way of doing business by making personal sacrifices. Rather, they were only, at best, willing to discuss the possibility of delivering an apology. Interestingly, the media also reinforced the need to apologize, which ironically motivated banks, in turn, not to apologize (why should they, they did not feel guilty). As I pointed out in NRC Handelsblad in May of this year, making excuses is believed to be a popular communication tool for restoring trust, but what is its exact value? To address this question, we conducted several studies examining (a) the real value of an apology, and (b) when apologies are best delivered.

In a first line of research we examined whether people truly value apologies as much as they think they do. In a series of studies, I, Madan Pillutla and Chris Reinders Folmer showed that when people imagined they had been betrayed by another party, they rated the value of receiving an apology much more highly than when they had *actually* been betrayed. We also found that after a real betrayal people considered an apology to be of more value when no apology had yet been delivered, compared with when they had already received one. These results suggest that in terms of evaluating the effectiveness of an apology, people show forecasting errors in a way that they overvalue the impact of receiving an apology. This finding should make us realize that although apologies have their value they may not be sufficient to repair trust fully.

In a second line of studies, Chris Reinders Folmer and I explored when apologies are most effective in promoting positive feelings and behaviors. Our results showed that apologies were more effective when a transgression or ethical failure was conducted to avoid losses rather than to promote gains. In other words, when people were lied to to avoid financial losses, an apology was more effective in restoring trust than when the transgressor lied to promote gains. These results suggest that when people are being lied to, they are willing to empathize with the transgressor's losses to a certain extent, and this in turn has a positive impact on the effectiveness of apologies.

What these studies all have in common is that popular beliefs on how to repair trust – such as simply explaining what went wrong, making promises that all will go well in the future and quickly delivering an apology – often will not work because of the psychological complexity underlying its effectiveness. As such, it is important to know exactly *when* and *why* trust repair tactics such as sacrificial behavior, apologies and other communications of good intent are used.

## 5. How to Move On?

To conclude, I have identified two important topics on how a behavioral ethics approach can help in promoting our understanding of (a) the emergence of bad behavior and unethical failures, and (b) how managers, companies and society at large may be able to manage the negative consequences of ethical failures such as the emergence of distrust. Of course, these are only two examples of the type of research that can be done in our new field of behavioral business ethics, but it nevertheless stresses the enormous potential of this new field at both an academic and applied level. Even more so, as many of you will have noticed this week, the Rotterdam School of Management is also very much convinced of the potential of our field, and to illustrate the School's commitment I have been given the privilege of acting as the scientific director of the Erasmus Centre of Behavioral Ethics. In this position my ambition is to increase the impact of our scientific thinking in the business and political world. Specifically, my ambition will be to conduct behavioral research and develop theories that underscore the importance of psychological processes in understanding the role that ethics plays in management and organizations. It is my hope that we will be able to promote our insights in ways such that a broader audience will be interested and attracted to the application of science. Or, to put it differently, to promote a strategy of science in action!

In light of this strategy, I hope to use our knowledge to train our students, managers and MBAs in ways that prepare them to deal with a complex world in which ethics may not always be the centre of attention. Indeed, we all know how quickly social norms are eroded when market norms come to the fore. So I truly believe that educating our students so that they understand why people (including themselves) sometimes may act in bad or good ways may lead them to internalize moral values – and that this in turn should make them more aware of the importance of those values when they are confronted with ethical dilemmas. Finally, I also believe that our approach will not only have benefits for our future managers and companies but also for society at large, and more precisely for politics. For this reason, I believe that governments should not only have an economic advisory council but also a psychological one, in which it is not only decided what we ought to be doing in society but in which there is also a focus on understanding why our citizens and markets nowadays act the way they do. In this way I hope that the implementation of new rules and strategies within our society will be based not only on prescriptive but also descriptive analyses.

Having mentioned this relationship between psychological and economics approaches, I hasten to say, however, that, especially in the field of ethics and justice, both approaches can work in tandem. In fact they have to. Indeed, my call to look at the virtue of ethics, trust and fairness, and why it matters psychologically speaking is also a significant issue within the economic thinking framework. As a matter of fact, Adam Smith, a great economist, also made this clear when he reminded us that honesty is the best policy, especially in business (p. 214, Ariely, 2008). He noted that, "The success of most people almost always depends upon the favour and good opinion of their neighbours and equals; and without a tolerably regular conduct these can very seldom be obtained. The good old proverb, therefore, that honesty is always the best policy, holds in such situations, almost perfectly true."

Taken together, I feel confident that at this point in time we have reached a stage where we can say that values of trust, ethics and justice are so important to our lives that they not only represent important social resources but also maybe the most natural way of doing business. We may have known this all along, but the current financial crisis has highlighted their necessity again. With this conclusion in mind, I therefore embrace the idea that the field of behavioral business ethics has, without a doubt, a bright future.

## Word of thanks

An inaugural address always ends with a mixture of emotions and word of thanks. This one is no exception to that.

I, first of all, would like to thank the deans George Yip, Steef van de Velde and Ale Smidts for appointing me at Rotterdam School of Management and installing this special chair in behavioral business ethics for me. Thanks especially to Steef and Ale for being so supportive of my psychological approach to business and for giving me the freedom and time to do this in a professional manner. Also thanks to Wilfred Mijnhardt for his coaching during the first few months when I was setting up our centre.

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The last few months I have been able to publish my thoughts about how insights from psychology can help us to understand the business world at large and the current financial crisis in particular in several newspapers. In light of these events I particularly want to thank Steven de Jong of NRC Handelsblad and Franky Van Hamme of De Tijd. I also would like to thank Sijmen van Wijk for introducing me to the world of the media and how to position yourself in it.

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*Ik heb gezegd*

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