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The Cognitive and Social Psychology of the Contagious Organizational Corruption

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The Cognitive and Social Psychology of Contagious Organizational Corruption[*]

John M. Darley[†]

I.   CORPORATE CORRUPTION: THE NATURE AND MAGNITUDE OF THE PROBLEM

Seen in the clear light cast by hindsight, several related puzzlements emerge about the recent cases of corporate corruption. First, although such scandals may begin small, they often grow to huge and blatant proportions. Second, because of their blatant character, they seem suicidally stupid. They will eventually be detected, with the inevitable disgrace that this will bring about for participants. Third, in their later stages, they come to involve a number of people in the organization who are busily involved in committing complicit actions that forward the corruption. How all of this certainly unethical and generally stupid thought and behavior comes about is the problem that I will examine in this article. In sum, people seem more recruitable into corrupt practices than we would think.

Another puzzlement that has come to our attention is what seems to be the high frequency with which these problems occur. One social scientist, looking back over the past few decades, has produced a chapter on thirty-six different and major cases of what he calls corporate "crime and violence."[1] Over the past few years, many major U.S. corporations have been caught in acts of corruption of quite startling magnitude.

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[1] RUSSELL MOKHIBER, CORPORATE CRIME AND VIOLENCE: BIG BUSINESS POWER AND THE ABUSE OF THE PUBLIC TRUST (1988).

To emphasize the question that this raises, why are so many of these incidents taking place in organizations that we would have thought were staffed by morally good people who were also prudent enough to realize that corrupt practices are frequently detected? That is, these corrupt incidents so often seem to involve corrupt, rule breaking actions by people who we would have assumed were moral, prudential actors.

One conventional answer that resolves the puzzlement is to retrospectively decide that the assumption that we made about the people in question, that they were moral and prudential actors, was wrong; more specifically, that they were persons searching for corrupt opportunities, and were blinded to the probabilities of detection by their greed. The reader will recognize this stance as a variant of the "few bad apples" theory that has been cited to explain recent acts of corporate corruption such as the mutual fund scandals or the organizational corruption that led to the torture of Iraqi prisoners of war at Abu Ghraib.

I want to suggest that the bad apple theory is at best a factually incorrect reading of what has happened. In fact it is simply a useful fiction that enables those who hide behind it to avoid the more thoroughgoing implications of recent transgressions. Specifically, clinging to the myth enables us to avoid the realization that the world of corporate or governmental ethics requires more attention and more painful redesign than the minor housekeeping implied by the course of action involving the elimination of already discovered malefactors from a system that we assume is otherwise working perfectly. For those that hide behind the bad apple myth, the sole remedy is to be more careful at the recruiting and training end of the organizational world; perhaps checking the credentials of job candidates better, perhaps by the technological fix promised by the quest for the modern "lie detector" that will ensnare the wrongdoer on the way to his wrongdoing.

In this article, I will attempt to answer two questions that come to the mind of a psychologist who thinks about organizational corruption. First, why are so many "initial corrupt acts" taken in organizations? The answer cannot be that it is simply already-corrupt people who take these actions. Part of the answer is that some of the people who launch these corruption-initiating acts do not scrutinize these contemplated acts from an ethical perspective. Strange as it may seem, they do not see them as unethical.

The second question then becomes "why is it so easy to recruit other members of the organization to take the actions that amplify, extend, and continue these initiating actions to produce more and more corrupt outcomes?" What causes the organization to turn itself into one that works together to produce full-blown ethical transgressions? To foreshadow what I will suggest, the answer to this second question is threefold. First, because these others often accept the implied definition that the first actions were ethical in nature, the distance between that first act and the next one that amplifies it are not easily recognizable. Second, these follow on acts are perhaps seen as ethically grey and further are produced out of considerations of group loyalty and commitment. Third, when one is a committed member of an organization, social identity theory[2] points out that we experience an alteration in personality. We "become" the prototypic member of the group, and the cues around us are that the prototypic group members are engaging in the corrupt actions. Thus we do so also. Finally, it is a little noticed truth that our society offers alternate identities to citizens, and some of them allow for acting in ways that, from the perspective of another identity the person could assume, are unethical.

To arrive at a better explanation of the apparently "infectious explosion" of these acts of corporate and organizational corruption, we need to consider several sources of information. First, the narratives that have emerged from first party participants in episodes of corruption, second, a new perspective that is emerging from judgment and decision making research about how it is that human decisions are made, and third we must take a closer look at the choices faced by individuals in an organization as the corruption begins to impinge on them.

II.   THE INITIATION OF CORRUPT SEQUENCES

How does the first corrupt act, the one that starts the process in the wrong direction, come about? Let's look at the narratives first. Sometimes the stories of corruption are simple. The organizational leaders deliberately act to bring about corrupt or otherwise immoral actions by the organizations they

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[2] Michael A. Hogg & Elizabeth A. Hardie, *Prototypicality, Conformity and Depersonalized Attraction: A Self-Categorization Analysis of Group Cohesiveness*, 3 BRIT. J. SOCIAL PSYCHOL. 41-56 (1992).

lead. Thus, Film Recovery Systems, Inc. hired workers who could not read English so that they would not be able to read warnings on the containers of dangerous chemicals they were using in the deliberately dangerous processes of recovering silver from used photographic plates.[3] Perhaps the easiest explanation for how the company is able to enlist the organizational members, in this case the foremen who gave the workers their orders, in carrying out the actual immoral actions is that the superiors who are determined to carry out corrupt practices simply recruit subordinates who will be willing to engage in corrupt practices.

But we should also consider some more disquieting narratives, which seem to suggest that the corrupt practices are somehow stumbled into, without exactly being intentional. This is a disturbing perspective, one that challenges the notion that corruption begins in corruption, that the source of corrupt acts is those individuals who are corrupt and extract corruption from their followers.

From this perspective, acts that start a chain of other actions that ultimately result in full blown corrupt actions often have their origins in actions that are not themselves corrupt, or at least not *perceived* as so by the original actors.

If this is so, then we lose the comfort of being able to deny that we ourselves would ever be enmeshed in corrupt acts. We deny the message given by the frequency with which we discover that the actors enmeshed in corrupt activities are anguished individuals, frequently individuals who saw very clearly that detection was, if not inevitable, at least highly likely. They simply could not see a way to escape from the meshes of the collective processes that were ongoing.

In our conventional way of thinking about ourselves, we are confident that we would know in advance that to do some set of actions would be morally wrong, and that this realization, occurring prior to the actions, would prevent us from taking them.

These comforting thoughts turn out to be not true. Instead, people habitually commit actions that are self-serving, or unduly favorable to the organizations in which they are situated. On careful examination by a non-biased individual, these actions would be judged to be morally dubious or morally

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[3] A succinct account of this corporation and its misdeeds is given in Nancy Frank, *Murder in the Workplace*, *in* CORPORATE VIOLENCE (Stuart L. Hills ed., 1987).

just wrong. But they don't receive that scrutiny. These actions are often the ones that set in motion a cascade of further corrupt actions; that set up what we might think of as the tornado of corruption that gathers force and pulls in more of the organization's members. So let us call these initiating actions the generative actions of corruption.

An example of this is useful, and there is one that is often cited in the literature. The circumstances that bring it about are the constant and high pressures for a for-profit organization to show a steady rise in earnings in each successive reporting quarter. But what counts as "a sale" that can be counted as earnings in a particular quarter? There is often judgment required in answering this question. But if the sale can be counted in the present quarter, and it will move earnings to a higher level, then the temptation is to "recognize the revenue" in the present quarter.

The example involves the practice of tobacco companies at the end of the business quarter.

> Loading wasn't unique to Reynolds, every tobacco company did it to some extent. Just prior to its regular semiannual price hikes, Reynolds regularly offered huge volumes of cigarettes to its customers—customers and supermarket chains—at the old prices. Customers loved it because they could sell low-cost cigarettes at the new, higher prices. Reynolds loved it because it cleared away unwanted inventory, kept the factories humming, and, most important, produced large, artificial, end of the quarter profits.[4]

The problem with this was that the distributors were free to return the cigarettes to Reynolds a month or two into the new quarter, after they had served to create the fictitious "profits" at the end of the last quarter

III.   THE UNFORTUNATE CASE OF AUTOMATIC INTUITIVE JUDGMENTS

Earlier I said that some of these acts that initiated further corrupt practices were not decided upon in any very thoughtful way. This needs explication. Recently, psychologists have summarized[5] a good deal of research and thinking about decision processes as requiring us to make a distinction

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[4] BRYAN BURROUGH & JOHN HELYAR, BARBARIANS AT THE GATE: THE FALL OF RJR NABISCO 58 (Harper Perennial ed., HarperCollins 1991) (1990).

[5] Daniel Kahneman, *A Perspective of Judgment and Choice: Mapping Bounded Rationality*, 58 AM. PSYCHOL. 697, 697-720 (2003).

between several rather independent systems that inform us about the world. For some time, we have known that we need to distinguish the human perceptual system from the human reasoning system. The perceptual system presents us with what we "see." We know in fact from countless demonstrations that perception is in fact a decision process, in the sense that it involves a good deal of past learning, often confirms stereotypes and generally sees what we expect to be there. However, partially because perceptual processes are overlearned, partially because they are what we now call automatic, we are misled about the truth of our perceptions. What we "see" must be what is true, a stance that is generally called naïve realism. What we see is unproblematically true.

On the other hand, when we engage the reasoning system, which we sometimes use to make decisions, we are aware that reasoning is in progress because that reasoning in controlled and effortful. It often involves deliberately engaging problem solving rules that we have learned before. Therefore it is often cued into action by the conscious recognition of "what kind of problem that it is."

It is Kahneman's recommendation[6] that it is worth distinguishing a third cognitive system that shares components of both of these other systems, and exists intermediate between them. This we will call the intuitive system. More will be said about it in a minute, but let me tell you the use I will make of it this discussion of corporate corruption. Recent research demonstrates that it often the case that the acts that can originate unethical chains of occurrences arise from the quick decisions that are products of the intuitive judgment system. As one consequence, these acts often are not subject to the scrutiny by the actor that we apply to action decisions that we know are the product of the more deliberative reasoning system.

Here is the cash value of this realization. It pinpoints the attributional mistake we make when we think people who commit unethical actions are characterologically unethical. We expect that all good people, and we ourselves, scrutinize acts that we are contemplating taking from an ethical perspective. Therefore we do not take unethical courses of action. We then reason that if an ethically wrong act is committed, a person who is morally corrupt has committed it—we have returned to

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[6] *Id*. at 697-99.

the "bad apple" theory. The way to deal with corruption is to screen out individuals who are corrupt.

The disturbing message from those that study decision-making is that these reassuring thoughts are untrue. Many of the actions that begin cycles of corruption are the products of the intuitive judgment system, which means that they are rapidly arrived at, less than consciously considered, and unintentional in their ethical dubiousness. Further, they are often the product of pressure to make fast decisions. And under this condition, they are not subject to the monitoring of the decision, which is done by the reasoning system. As Kahneman[7] comments, "the monitoring is normally quite lax and allows many intuitive judgments to be expressed, including some that are erroneous." The suggestion that emerges is that the "natural" intuitive decision is likely to be a self interested one. To quote researchers on this topic:

> [S]elf-interest is automatic, viscerally compelling, and often unconscious. Understanding one's ethical and professional obligations to others, in contrast, often involves a more thoughtful process. The automatic nature of self-interest gives it a primal power to influence judgment and makes it difficult for people to understand its influence on their judgment, let alone eradicate its influence.[8]

This decision may be overridden by the more deliberate thinking of the reasoning system, but only if something triggers that system into action. Thus, in sum, corrupt actions are often committed by people who are not themselves corrupt.

A.   *Self-Interested Intuitive Judgments*

Let us trace this out at the level of personal decision-making. A doctor orders perhaps unnecessary tests for a patient from a testing laboratory in which he has a financial stake. He knows he did not make a self-interested decision because he knows that "he didn't even think" of his stake in the laboratory while he was making the decision. A human relations person hires a member of her ethnic group for a job for which there were many candidates, and is sure that the decision is a fair one because she "examined the credentials of all of the candidates with an open mind." An auditor examines

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[7] *Id*. at 699.

[8] Don A. Moore & George Loewenstein, *Self-Interest, Automaticity and the Psychology of Conflict of Interest*, 17 SOCIAL JUST. RES. 189, 189-202 (2004).

the accounts of a corporation his firm is engaged to audit and is sure his judgments of the acceptability of various decisions that the corporation has taken are appropriate according to a fair reading of the auditing standards. But in all of these cases, it is possible that in fact these sorts of decisions are frequently biased by self-interest,[9] in-group favoritism,[10] egocentricism,[11]or conflicts of interest.

B.   *A Biased Intuition and its Entrapping Consequences*

A well-known example from corporate life is useful here. It is driven by the previously mentioned desire of the organization to produce smooth patterns of earnings across the quarterly reporting periods. It involves what becomes "improper revenue recognition." The problem it solves is enabling sales of product to be sufficiently concrete to be bookkeeped in the present quarter rather than the next one.

The famous organizational example involves the Kurzweil Applied Intelligence Company.[12] First, the CEO allowed sales persons to post sales that in fact came in a few days after the quarter closed. This seems a rather harmless practice, but it creates a slippery slope problem that is well-described by Tenbrunsel and Messick.[13] By allowing the act, the CEO authoritatively stamped that act as ethically allowable. But if it is acceptable to "count" orders a little after the quarter closed, then why is it not ethical to count orders that came in a day or so after the late orders that were allowable?

Eventually, the company went so far down this path that they counted orders far into the next quarter as revenue, and then salespersons began forging customer signatures on orders that they thought would be forthcoming and counted those. And so on.

Notice two things that were happening. First, eventually a line was crossed from ethically grey actions to blatantly illegal ones; eventually when the auditors wrote to

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[9] *Id.*

[10] Nilanjana Dasgupta, *Implicit Ingroup Favoritism, Outgroup Favoritism, and Their Behavioral Manifestations*, 17 SOCIAL JUST. RES. 143, 143-69 (2004). For a review of implict ingroup favoritism research, see *id*. at 146-48.

[11] For a review of the work on egocentric ethics, see Nicholas Epley & Eugene Caruso, *Egocentric Ethics*, 17 SOCIAL JUST. RES. 171, 171-87 (2004).

[12] Mark Maremont, *Anatomy of a Fraud*, BUS. WEEK, Sept. 16, 1996 at 90-94.

[13] Ann Tenbrunsel & David Messick, *Ethical Fading, the Role of Self-Deception in Unethical Behavior*, 17 SOCIAL JUST. RES. 223, 228-29 (2004).

customers to verify sales contracts, bogus responses from "the customers" were also forged. And second, notice that the eventual fraudulent endpoint was a consequence of the first grey actions. Robbing sales from the next quarter to pad results for this quarter made it more likely that the next quarter would be short even more sales. Thus the company was in some very real sense committing itself to an increasingly morally wrong and desperate set of escalating acts. But that commitment was unlikely to be apparent to the actors who initially claimed a few sales from the beginning of the next quarter. The slippery slope was inevitable but unforeseen.

The moral is that an initial ethically grey act can later been seen as committing the corporation to further and further actions, and these later actions were more and more clearly across any ethically boundaries that could be imagined when the first steps were taken.

IV.   ENTRAINMENT

I have given a brief sketch of psychologists' current thinking of the two rather different stances in which decisions get made. One way of drawing the implications of this for the present problem is to say that people are ethical, but only intermittently so. Whether we will be ethical depends on whether events in the past or the present trigger the reasoning system to generate a checking ethical perspective on courses of action that are generated from other more intuitive perspectives. This solves the problem of why it is that so many ethically bad actions are authored by individuals who are not themselves chronically unethical.

The next problem to solve is why these initial unethical actions so often seem to capture others in the organization, who build on, add to, and amplify the continuing chain of unethical actions. This past example of counting non-existent orders as revenue is one such example.

Let me give you a metaphor for what I want to suggest. Entrainment is a concept that comes from early twentieth century that I want to borrow for an organizational process. Originally it referred to a perceptual phenomenon: an object is moving in one direction. As it passes other stationary objects, those objects themselves begin to move, and they move in the same direction as the original object. This seems to be to be a useful visual metaphor for the way that a corrupt act seems to affect an organization. Often it spreads in the following senses.

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More and more people commit similar acts, often ones "triggered" by the original acts, and those subsequent acts often grow more extreme in their wrongness. How this comes about is the next question to answer.

A.   Imperceptible Differences

If an action is committed, and is not criticized, punished, or otherwise labeled as wrong, it becomes "the standard." It may not be criticized, even though many in the organization think that it is wrong, because their insecurity or their lower position in the organizational hierarchy makes them unwilling to say publicly what they really believe, which is that it is wrong. But when this happens, psychological research demonstrates an interesting process called "pluralistic ignorance."[14] Rather than realize that the other silent individuals are being silent for exactly the same reasons that he is, the individual tends to conclude that these others think that the act is an acceptably moral one and are keeping silent for that reason.[15] The individual then, is the deviant, and under this pressure, comes to think that the act is more normal and more ethical than he previously thought. It is now the standard for what is allowable in this organizational context.

But then, a slightly more unethical action becomes possible, and the then relevant question is the distance of this next possible act from the act that is now the standard. Tenbrunsel and Messick have a useful term for this, which is the "induction mechanism."[16] "This mechanism uses the past practices of an organization as a benchmark for evaluating new practices. If the past practices were ethical and acceptable, then practices that are similar and not too different are also acceptable."[17] In small steps, an organization moves from ethical actions, to ones that are ethically grey to ones that are simply immoral.

It is possible that by progressing in these small steps, the organizational group never becomes aware of the moral

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[14] Deborah A. Prentice & Dale T. Miller, *Pluralistic Ignorance and Alcohol Use on Campus: Some Consequences of Misperceiving the Social Norm*, 64 J. PERSONALITY & SOCIAL PSYCHOL. 243, 243-56 (1993).

[15] Dale T. Miller & Cathy McFarland, *Pluralistic Ignorance: When Similarity is Interpreted as Dissimilarity*, 53 J. PERSONALITY & SOCIAL PSYCHOL. 298, 298-305 (1987).

[16] Tenbrunsel & Messick, *supra* note 13, at 228.

[17] *Id*.

wrongness of the procedures with which they end up. Recent business pages are full of reports of how insurance brokers got into the pattern of taking what were essentially kickbacks from insurance firms to whom they brought clients. The stories of the final stages of this process seems so prototypically corrupt that it is hard to believe that the perpetrators could code them as anything but unethical, but that they did so is not yet clear. However, it is difficult to think that at least some of those involved did not at some point see the wrongness of their actions.

Here are some descriptions of the patterns of actions once the system was in full swing. Apparently charades were staged, in which some insurance providers were solicited to put in bids for insuring the broker's clients, but the bids were organized so that they would be higher than the bid of the provider who was to be the eventual winner of the insurance contract. The purpose of this was to provide "proof" to the client that the broker had solicited bids and was giving the contract to the lowest bidder, as was proper.

This is an interesting process, since it engages the high-bidding insurance providers in the charade, with the incentive that they someday will allowed to be the "lowest bidder" and win a contract. One frequently sees mechanisms for recruiting other organizational units into a corrupt system, and here we have identified one

These patterns, described as I have done, from the perspective of the final stages of the system, seem to so clearly be corrupt that it is hard to believe that they can be anything other than the consciously immoral acts of conspirators. However, if we think of a person being recruited into the system, it is possible that she would simply see it "as the way we do things around here." We will return to this theme later.

B.   *Loss Aversion*

Recent psychological research has conclusively demonstrated that people will go to great lengths to avoid losses.[18] Several practices in corporate organizations have inadvertently guaranteed that that there will be "losses" to be averted. To illustrate this, we will return to our now familiar

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[18] *See* Daniel Kahneman et al., *Prospect Theory: An Analysis of Decision under Risk*, 47 ECONOMETRICA 263, 263-91 (1979).

example of quarterly profits. The stock prices of American companies are significantly dependent on the company slightly increasing its earnings on a quarter-by-quarter basis. This apparently is taken as the sure sign of a steadily more-profitable company, one that one should invest in. However, on reflection, there are many reasons why good companies would not produce that patterning of profit: seasonal sales profiles for one, high expenditures in one quarter for research and development costs is another. Companies are led to accounting practices that allow for "earnings management" to enable them to produce the preferred steady rise in earnings even when more standard accounting practices would produce variable quarter by quarter gains.

Suppose that you are in control of the accounting process in such a company and see that some perfectly justifiable expenses will bring you to earnings that fall just below those of the last quarter. And suppose that you correctly think that the "increased earnings every quarter" criterion is a stupid one. Yet you know that if you show reduced earnings in this quarter, the price of the company stock will drop, and research reports may comment about "disappointments at company X." If you are one of the company's executives that has a "pay for performance" plan, you realize that you may lose considerable sums of money, money that you had counted as already in your pockets. Would you stretch accounting rules to produce increased earnings? Perhaps not. But would you have been clever enough to "stash" some earnings from a previous highly profitable quarter that could now be pulled out of the "cookie jar"[19] to produce those earnings in this quarter? They were, after all, perfectly legitimate. Would you be morally wrong to ensure that your company was buffered from the ups and downs in stock prices caused by the essentially stupid focus on increases in quarter-by-quarter earnings?

Now recognize what is often the case, which is that the company CEO receives a good deal of added incentive pay if the corporation "makes its numbers" on a quarter-by-quarter basis. This means that there will be a good deal of pressure on the auditing group to make the audit output conform to the "steady growth in earnings" numbers. So the real question is not whether you yourself would independently produce numbers

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[19] Paul Munter, *SEC Sharply Criticized "Earnings Management,"* J. CORP. ACCT. & FIN. 31, 34 (1999).

that you think it might be morally justified to produce, but whether you would resist pressures from corporate superiors to do so. And thinking about this as the CFO would, you should realize that there are a number of cases in which CFO's have been dead-ended or fired for refusing to go along with these directives from above.[20] Loss aversion might be less of an abstract concept, and more a realistic fear of loss of job.

V.   GROUP LOYALTY AND COMMITMENT

We now see how an individual in an organization can impulsively take an action that is, from a perspective that was not apparent to the actor, wrong in the sense of being an action with morally flawed outcomes. Eventually, this action becomes known to other members of the organization. The question is how they react to it. We would hope that they would repudiate it, both because it is wrong and because it is likely to commit the organization to a bad course of action. However, there is one problem with people following this path. The action has already been taken. It is done. The pollutants have already been dumped into the river, or the quarter's profits have been overstated, or the member of my in-group has been hired. Often the consequences of these actions are irreversible. And even in those few occasions when the action consequences can somehow be reversed, it is still the case that there are likely to be records around that they were the actions initially taken by the organization.

Previously we considered the possibility that the performance of actions that from some outside perspective would be considered wrong might instead convince others within the organization that those actions were right *in the context in which they were committed.* They were, in other words, the way that my company does things. Now I want to consider another branch of the situation; the branch in which the other actors in the organization realize that the act is bad, either intrinsically bad or bad because of the consequences that will follow. Since the act has already been committed, the decision is not about making it disappear—that cannot be made to happen. The decision is between making others in the

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[20] For a discussion of this, see Stephen Barr, "*You're Fired,*" CFO, Apr. 1, 2000.

organization aware that bad actions have been taken and letting them continue, or abetting their continuation.

It is likely, for reasons of loyalty to the group, loyalty to the person who made the bad decision, and a feeling that the commitment to the course of action is irrevocable, that others in the group will allow or abet the continuation of the actions. This is particularly true when the actors who have become aware take actions that seem to temporize, and keep open the possibilities of later actions that halt the bad practices. These actually often allow the bad course of action to continue to develop because if one does not intervene when one first becomes aware, it is very difficult to find an exact time when one should intervene later.

A famous example of this comes from the first person account of the fraud that the Goodrich Company backed into committing when they were pursuing a design for aircraft brakes that could not possibly work.[21] Briefly, an engineer had made calculational mistakes in designing a brake assembly for an airplane. The plans called for brake lining pads that were too small to provide the braking friction to stop the plane in the required distance. "The brake was too small. There simply was not enough surface area on the disk to stop the aircraft without generating the excessive heat that caused the linings to fail."[22]

From the point of view of our analysis, a critical incident then occurred. "New menaces appeared. An engineering team from LTV (the primary contractors) arrived at the plant to get a good look at the brake in action. Luckily, they stayed only a few days, and Goodrich engineers managed to cover the true situation without too much difficulty."[23] What I suggest is that the visit of outsiders caused the Goodrich personnel, although aware of the eventual guaranteed failure of the brake assembly, to rally to the support of their fellow engineers to conceal this critical fact. By doing so, many of them became complicit and caught up in perpetuating the fraud.

A different case, with the same ultimate consequence, occurs when the individual who first committed the bad action shifts perspective, and sees the potential bad consequences of the bad action that he launched. Here he needs to make sense of his own past actions. The true reason that the person

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[21] Kermit Vandivier, *Why Should My Conscience Bother Me?*, *in* CORPORATE VIOLENCE: INJURY AND DEATH FOR PROFIT 145-72 (Stuart Hills ed. 1987).

[22] *Id*. at 148.

[23] *Id*. at 150.

committed the action is that he did not think at the time about the potential bad consequences of the action. From the intuitive perspective he adopted at the time of the decision, it was the right decision—or at least not the wrong one. This is the whole message of the previous excursion into the intuition-based decision system. However, one of psychology's more interesting discoveries is that people do not grant themselves this sort of charity. Instead, hindsight causes them to think that it was a well-considered decision, made by the conscious, reasoning system. This retrospective perspective leads them to go into a sort of decision-hiding mode, in which they seek to deny their involvement in the decision, or to experience the dissonance they feel, and think of the reasons that the decision was the right one. To do the latter, they have to think about themselves in different ways.

A.   *Social Identity Considerations*

A theory developed in the last two decades[24] has made and validated a very important point. When an individual is a member of a group, in the sense that she is committed to the purposes of the group and that a group has tasks to do, the task of the individual is to first become a prototypical member of that group, and then help the group as best she can in reaching its goals. Among other things, this may mean adopting the moral perspectives of the group.[25] And recall what we said earlier. Because of pluralistic ignorance, she may not be aware that others in the group consider the initial act an unethical one. The signal that silence conveys to her is the incorrect but persuasive message that the group regards the initiating act as a morally appropriate one. The task of the individual group member is to accept that decision and move the group forward. This may mean taking actions that conceal the prior transgressions, but these may also be the actions that continue the bad course of action. In the example from *Why Should My Conscience Bother Me?*[26] the loyalty-driven actions of the Goodrich workers in assuring the visiting team from the contractor that "everything is gong along ok," contributed to

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[24] DOMINIC ABRAMS & MICHAEL HOGG, SOCIAL IDENTITY THEORY: CONSTRUCTIVE AND CRITICAL ADVANCES (1990).

[25] Henri Tajfel, *Cognitive aspects of prejudice*, 1 J. BIOSOCIAL SCI., 173, 173-91 (1969).

[26] *See* Vandivier, *supra* note 21.

the continuation of the doomed fraud.[27] The contractor then did not raise questions that could have headed off the final bad outcome.

B.   Alternate Identities Are On Offer

The concept of identity can be made to do more work. There are identities in which it is part of the role enactment to adopt a different moral code from the one we usually espouse. The violence endemic in hockey and American football is an example. One inflicts violence on others in ways that would normally involve morally unacceptable acts. Of course, the allowable violence is constrained by rules, but there are two interesting things to note about that. Some acts of violence, like "late hits" in football and "slashing" in hockey are against the rules but a second set of rules is in existence to assign penalties for those rule infractions, which in some sense brings the rule violations "within" a broader domain of "rule acceptable" actions. Second, as has been commented on by those who follow sports, team members often collectively adopt a "persona" that makes the goal of inflicting harm on the other side acceptable and even desired. "Let's get out there and knock them dead" is an injunction that brings violence within the somewhat ambiguous orbit of legitimacy in game settings. Other roles contain elements that legitimate morally dubious actions against others.

And all of us can give a reasonable performance in at least many of the roles. Let me give you an example of a situation in which a person who had detected corruption and is set to denounce it, is sent away instead with an offer of a role. If he accepts the role, he will embrace the deception and play his part in continuing and expanding it. He has entered the situation as an upstanding person of high moral rectitude, which too is a role. But how will he continue on when that role is challenged? Notice in this specific situation, considerable pressure exists to accept the new, deception-embracing role.

The dilemma arose for Michael Lewis, and is described in his book *Liar's Poker*,[28] in which he summarizes his experiences as a bond salesman in training with Salomon Brothers. An experienced trader had advised him that AT&T

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[27] *See id.*

[28] MICHAEL LEWIS, LIAR'S POKER (1989).

bonds would be good ones to sell to his customers and he sold about three million dollars worth to one of his clients. The bonds rapidly dropped in value, harming the customer and harming the relationship of trust that Lewis had built with the customer. A more experienced salesman clued Lewis that the reason that these bonds were "good ones to sell" was that they were in Salomon Brothers' inventory, and the firm was quite sure that their value was going to decline. Thus they wanted to unload the bonds, and did so on unwary clients.

Lewis protested to the trader, arguing that they had quite badly harmed the client and behaved in a way that contradicted their high-flown ethics codes about duties to customers. "Look," he (the trader) said, losing his patience, who do you work for, this guy or Salomon Brothers?"[29] At this point, Lewis realized that the real practice of Salomon Brothers was to mistreat clients for the good of the firm. If he were to stay at Salomon Brothers, he would need to adopt the identity of "the jammer," a person who was willing to take these sorts of trust-violating actions. But the only other identity available to him at the moment of decision was that of a naïve fool, who did not know the ways that the real world worked. And he was surrounded, in the close confines of the trading floor, by many others who would certainly have contempt for a naïve fool and publicly express that contempt. These are the circumstances in which people adopt identities that enable them to act unethically toward certain groups of others.

VI.   CONCLUSION

I have attempted to solve two puzzles. First, why so many acts that generate bad moral consequences are begun by people we would think are proper moral actors. The answer is that they are what most of us are, which is intermittent moral actors. They take a moral perspective if the reasoning system is engaged, but otherwise can be driven by quite intuitive and automatic thinking to "solve the immediate problem" which will often be done quite pragmatically.

The second problem might be called the "lemmings" problem. Why is it that other people in the organization so often seem to aid, abet, and advance the morally bad course of action? My answer here was more complicated, and involved a

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[29] *See id.* at 167.

set of independent but generally correlated processes. Some of the processes lead to the prior corrupt act being perceived as ethically appropriate "within the organizational context." Others work by the engagement of a group loyalty or commitment, which causes people to work to conceal the prior corrupt actions from public view. This often entails further corrupt actions, either "covering up" the previous actions, or continuing them. It is sometimes the case that actors who previously were careful to act in moral ways, are now recruited into adopting a persona that goes along with, and even becomes an independent origin of corrupt practices.