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**BUSINESS LEADERSHIP AND
MORAL IMAGINATION
IN THE TWENTY-FIRST CENTURY**

by

Joanne B. Ciulla

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Professor Ciulla has published widely in the areas of leadership studies, international business ethics, and the philosophy of work. She is currently finishing a book about the meaning of work, called Honest Work. Professor Ciulla is on the editorial boards of The Journal of Business Ethics, The Business Ethics Quarterly, and Business Ethics: A European Review. She has lectured all over the world and has designed ethics programs for a number of corporations.

BUSINESS LEADERSHIP AND MORAL IMAGINATION IN THE TWENTY-FIRST CENTURY

by

Joanne B. Ciulla

It is an honor and a pleasure to be part of the Andrew R. Cecil Lectures on Moral Values in a Free Society. My assignment in this year's series on "Moral Values: The Challenge of the Twenty-First Century" is to talk about moral values in a free society and the challenge for business leaders in the twenty-first century. Since this is a weighty subject, I'd like to qualify my remarks. I'm not a business professor, so don't expect to hear about business trends; I'm not a social scientist, so don't expect a discourse on poverty and pollution; and I'm not a theologian, so don't expect God to back me up.

My perspective on this topic is as a philosopher and educator. I also speak as a consultant who has developed corporate programs on ethics and leadership, primarily in the financial services industry. The focus of my presentation is on the issues that need to be addressed in order to educate the next generation of leaders. I will argue that, in order to meet the tumultuous challenges of the twenty-first

century, we are going to have to develop moral imagination in business leaders and leaders in all sectors of society. To explore this issue, we'll look at some of the general moral aspects of leadership itself, and then I'll illustrate some of the moral challenges and opportunities business leaders face in their organizations and in international business.

Philosophers have an annoying predilection for splitting hairs on the meanings of statements. I'd first like to clarify the title of this year's series. I don't think that the greatest problems we face in the twenty-first century concern the moral values themselves, but what they mean and how we apply them to identify and solve increasingly complex problems. People don't debate whether honesty is a moral value in business; they debate about what it means when they are engaged in advertising or sales. The public doesn't disagree about preserving human life; in questions of abortion and euthanasia, they disagree about what life is. Liberal moralists in a free society make the mistake of having moral ideals that are so high that they are impractical. Conservative moralists set their standards too low by insisting that ethics is nothing more than following traditional principles and rules. Like all polarized issues, the answer is both: Morality is both high ideals and traditional moral principles and rules. Moral imagination provides the bridge between the idealism of the liberal and the traditional-

ism of the conservative. It helps us to adapt and apply traditional moral values to unprecedented situations. For example, the traditional medical principle "Do no harm" took on a slightly new meaning when people had to apply it to cases that involved unplugging respirators.

We describe the business world as fast-paced, competitive, changing, and unpredictable. There is a sense in Western democracies that leaders are weak and the sources of authority and values unclear. The world is plagued with crime, terrorism, and genocide in civil wars that are incomprehensible and have no end in sight. Societies denigrate political leaders and distrust business leaders. On the one hand, people everywhere benefit from the watchful eye of the media when news cameras unmask the atrocities of tyrants and the personal improprieties of leaders. On the other hand, all of the information that the media supplies about people makes heroes and positive role models almost impossible. Few people lead lives so morally perfect that they can stand up to the scrutiny of the press. For example, I was distressed to learn that there is even an unflattering documentary on Mother Teresa. In our country, these constant revelations of moral flaws have gotten so bad that I'm beginning to think that the only people who can be leaders are those who have never engaged in sex, politics, or business. Leadership in the twenty-first century promises to be com-

plex and chaotic because of the interdependencies of nations and economies and diversity of the values of followers both inside and outside of the United States. In a diverse and chaotic world, ethics will have to be at the very heart of leadership.

In ancient Greek, *chaos* meant an empty space or an abyss. If there is an abyss today it's the sense people have of a void in society because there doesn't seem to be a shared set of ethical values. Scientists describe chaos as the dynamic relationships of phenomena. A small change in initial conditions can have a large effect on the outcome. The Butterfly Effect notes how the flapping of a butterfly's wings in the Amazon can affect the weather in New York. For example, consider how the actions of a Mexican guerrilla leader could lower the value of the peso, put the American dollar into a free fall, and make it more expensive for us to buy German and Japanese cars and appliances.

We ordinarily use the word chaos to mean confusion, but as we see from the Butterfly Effect, chaos doesn't mean that events are causally disconnected. The mystery of chaos is that a small change at one point in time in one location can have a large effect later. Even when events are connected in a predictable way, you can get unpredictable results. So, in this chaotic world, what does it take to be an effective leader? One role of leaders is to supply people with things they need. Our society seems to lack order, certainty, and a sense of continuity and con-

trol over the future. No leader has control over the external forces of politics, economics, or business, nor is it wise in a chaotic world to run an organization as a monolith. In complex institutions such as government, it is foolish to think that leadership will provide a quick fix because other factors such as institutions shape the problems and policies of the country. If people today want leaders who can control chaos, then they are bound to be disappointed. This is one reason why there is wide dissatisfaction with leaders in every segment of American life. Our disillusionment with leaders is not just a problem with leaders, but a problem with followers. Leaders aren't able to control as much as they used to, which means that followers have to control more. A chaotic world requires a new kind of leader and follower. Yet many people still cling to desire for an all-powerful and wise leader who will show them the way.

Plato's Lesson

The problems of people living and working together are problems that recur at different times and in different forms. We can always learn from history. This isn't the first time leaders have confronted a chaotic world. Plato had a lot to say about leadership. Students of leadership often read Plato's *Republic*. In the *Republic*, leaders are philosopher kings who are wise and benevolent. They rule over

a stratified society where everyone has a place based on his or her abilities. While there is much to commend the philosopher king, it is hard to imagine him being very effective. It takes more than knowledge of universal forms to lead. While some scholars attack the *Republic* for being a right-wing fascist state, Plato, in depicting the philosopher king, is like the modern liberal moralist—they both err in setting an unreachable ideal. Nonetheless, Plato later changed his view of leadership.

Plato learned about leadership during three disastrous trips to Sicily. The first time, he was invited by the tyrant Dionysius I. Plato was disgusted by the decadent and luxurious lifestyle of Dionysius' court. He returned to Athens, convinced that existing forms of government were corrupt and unstable. Plato then decided to set up the Academy, where he taught for forty years. It was also at this time that he wrote the *Republic*. In the *Republic*, Plato argued that the perfect state could only come about by rationally exploiting the highest qualities in people. Such a state would be led by a philosopher king. Plato firmly believed that the philosopher king could be developed through education.

About twenty-four years after his first visit, Plato was invited back to Syracuse by Dion, who was Dionysius' brother-in-law. By this time Dionysius I was dead. Dion had read the *Republic* and wanted Plato to test his theory of leadership education on

Dionysius' very promising son Dionysius II. This was an offer that Plato couldn't refuse, although he had serious reservations about accepting it. Anyway, the trip was a disaster. Plato's friend Dion was exiled because of court intrigues. Plato left Syracuse in a hurry, despite young Dionysius' pleas for him to stay.

Upon returning to Athens, Plato wrote:

". . . the older I grew, the more I realized how difficult it is to manage a city's affairs rightly. For I saw that it was impossible to do anything without friends and loyal followers. . . . The corruption of written laws and our customs was proceeding at such amazing speed that whereas when I noted these changes and saw how unstable everything was, I became in the end quite dizzy." (Epistle VII, 325c-326.)

Plato, too, saw his world as a chaotic place. Nonetheless he was lured back to Syracuse a third time because Dionysius II promised to make amends with Dion and allow him back into the country. Instead, Dionysius sold all of Dion's property and put Plato under house arrest. Needless to say, when Plato got home from that visit he changed his view of leadership. He lost faith in his belief that people could be perfected. Leaders shared the same human weaknesses as their followers.

In the *Republic*, Plato entertained a pastoral image of the leader as a shepherd to his flock. But after his experiences in Sicily he wrote the *Statesman*, in which he points out that a leader is not at all like a shepherd. Shepherds are obviously quite different from their flock, whereas human leaders are not much different from their followers. Furthermore, people are not sheep; some are meek and cooperative and some are very contentious and stubborn. Hence, Plato's revised view is that leaders are really like weavers. Their main task is to weave together into a society different kinds of people, such as the meek and self-controlled and the brave and impetuous.

If we follow the progression of Plato's work on leadership, he goes from a profound belief that it is possible for some people to be wise and benevolent philosopher kings, to a more modest belief that the real challenge of leadership is getting people who sometimes don't like each other, don't like the leader, and don't want to work together, to work towards a common goal. Jim O'Toole says that leadership is more like being a shepherd to a flock of cats than a flock of sheep.

The *Republic* teaches us the importance of justice and the importance of universal notions of the good. Near the end of the *Statesman*, Plato contends that we can't always depend on leaders to be good, and that is why we need the rule of law. Court decisions on moral issues such as desegregation make the law

do what we cannot rely on leaders to do. Good laws serve as substitutes for leadership. They help us to survive leaders with poor moral values. I find the proposal for a balanced budget amendment an interesting case in point. By opposing the passage of such an amendment, are some legislators and members of the public saying that they *do* trust current and future elected leaders to balance the budget?

Business Ethics

An interest in the ethics of business has grown partly in response to deregulation, when the loosening of the rule of law imposed new demands on leadership. In 1981 Peter Drucker said that business ethics was a fad. He called it "ethical chic." Business people from abroad regarded the subject as a typically American form of self-righteousness—the United States had kept the world safe for democracy, and now it was on a mission to save it from unscrupulous business practices. Today things are different. In the past ten years there have been business ethics conferences and forums all over the world, from Moscow to Caracas. Questions about the social and ethical responsibilities of business are not just the concern of a few well-meaning individuals, nor are they the pastime of unemployed philosophers or muckraking journalists. If business ethics is a fad, it's one that keeps popping up in times of change, when people need guidance on how to apply

traditional rules or morality to the problems of business. Cicero wrote about unscrupulous business practices in 44 B.C.; the medieval church produced long treatises on the morality of business practices like wage labor, usury, and a fair price; and European social thinkers of the seventeenth and eighteenth centuries engaged in lively debate over the relationship between self-interest and the greatest good. Discussions about ethics and business are not limited to the West. In Tokugawa, Japan, for instance, intellectuals at the Kaitokudo Merchant Academy of Osaka pondered the relationship between business, *keisei* (the order of the social world), and *saimin* (the concept of saving the people).

History tells us that business ethics is a subject that comes and goes. In the 1980s the trend towards various kinds of deregulation in the United States and Europe stimulated an intense interest in the ethics of business and its leaders. Many businesses, particularly in the financial services industries, realized that self-regulation of organizations and the industry was the only way to keep themselves free from the law. In this environment, ethics took on a very important role in business leadership. It was no longer good enough for a business leader to be ethical; he or she had to make sure that moral values were inculcated into the organization. It is arrogant to think that all a CEO has to do is simply *be* ethical. The ethical trickle-down effect is not

very dependable in large organizations. Business leaders have to develop and communicate organizational policies and programs that ensure ethical behavior throughout the organization.

Leadership Education

In America, people are disappointed by both leadership *and* the law and, like Plato, the reaction of many educators is to try and prepare future leaders to do a better job. Today we are frustrated not only by ineffective leaders but by immoral ones. Disillusionment with leadership has led to the development of leadership programs in high schools, universities, business, and government. The Jepson School of Leadership Studies is the first school of leadership in the country to offer a bachelor's degree in leadership studies. It was started with a \$20 million donation by University of Richmond graduate Bob Jepson. I was one of the four faculty members and two deans who designed the Jepson School curriculum. From the beginning, we realized that the charge of our school went beyond management courses. Leadership is more than a set of techniques.

The purpose of the school was "to educate people for and about leadership." Our mission was "to prepare students to take on the moral responsibilities of leadership." We envisioned all leadership, whether in business, government, communities, or

social movements, as service to society. None of us saw the school as an exclusive training ground for future presidents and CEOs. We did not think that everyone could be educated to become a great leader. Students take courses in art, history, and physics, but we don't assume they will all be great artists, historians, or physicists, and the same is true of leadership studies. We had a broader vision of the school as a place where we developed citizens and people who would be capable of taking on formal and informal leadership roles in a business, government, or a community group. If leadership in a free society is like herding a flock of cats, then we not only need to educate the leaders, we need to educate the cats.

Our educational goals coincide with the classical definition of the liberal arts. The liberal arts are those arts that teach people how to live in a free society. In order to educate leaders for a chaotic world, we need all of the liberal arts—from history and literature to science and psychology. In a chaotic world, one of the most important abilities of a leader is to correctly understand current conditions, because as chaos scientists tell us, even with causally determinate systems, any small error in sizing up the initial conditions will lead to unexpected results. In this respect, leadership entails mastery of the fine art of sensing the whole or a broad-based understanding of society as a complex system. Over the past few years, business schools such as Wharton

and Harvard have redesigned their MBA programs to include a broader perspective on business through the study of leadership and ethics.

Many large corporations in America also have some sort of leadership development program. These used to be management development programs. Only management today requires more than just math skills or the ten easy lessons listed in boxes and bullet points and shown on overheads. If we are working with complex systems in complex organizations, managers need to have a wider understanding of their work in order to be creative and nimble in the way they manage. It may be just as important for managers to read art history as it is for them to read finance. Most of the latest management books in America have the word *leadership* instead of *management* in the title. This trend does not disparage people who hold management positions; it disparages the old industrial stereotype of the manager who does nothing more than make sure that employees get the job done in some prescribed and orderly way. As leadership scholar Warren Bennis tells us, "Managers do things right and leaders do the right thing."

Earlier I said that in times of chaos, people expect leaders to provide some certainty and order to their worlds. In a chaotic environment, a leader doesn't have perfect control. While leaders cannot offer control over the external environment that affects a company or a society, they can fill the

need of followers for stability by being trustworthy. Trust allows people to feel that there is order in their relationship with others. It provides a kind of internal order even when there is no external order. This is why there is so much concern over the ethics of leaders in all walks of life. We want to know and trust our leaders, rather than be dazzled by their power.

Chaos, Trust, and Power

Ethics is central to leadership in a chaotic world. Those who doubt the importance of ethics point to highly effective but unethical leaders of the past and argue that ethics didn't seem relevant to their ability to get the job done. That state of affairs no longer exists. Democratic societies consider force an illegitimate source of power and control. In a chaotic world, there are so many related variables that are affected by so many people that it is difficult to force people to act, whether by the stick or by the carrot. Unlike unethical but effective leaders of the past, it is very hard to keep evil ways secret for long in a society that has an active press, efficient communication systems, and sensible regulations. Sophisticated global telecommunications make it hard for repressive regimes to keep a lid on their dirty secrets. In a free society, a strong set of shared ethical values is an inherently powerful

motivator that provides the stability that people need to keep adapting to change.

Our high-tech world has gotten more personal. Access to information makes us feel that we know our leaders better, and because we know them better, we are more concerned about their personal ethics. Information is also power, and information technology equalizes the power of leaders and subordinates. In the past, only the leaders of powerful nations held the tools of destruction; today almost anyone or any group can become a terrorist and create fear and anarchy, as is the case with the Unabomber and in the bombings of the government office in Oklahoma City and the World Trade Center in New York. Power is fragmented and good and evil particularized. Individuals have the capability to do more harm and more good than ever before. The modern world may be more impersonal, but we are more dependent than ever on the ethical integrity of total strangers for our safety and physical well-being. In this environment, the ethics of everyone—leaders and followers, employees and employers—are *really* important.

In order to develop the kind of leaders that we need to be effective in a chaotic world, we have to change the way we think of power. Most organizations use power as a reward. If you do a good job, you move up into a position where you have more power over other people and other people have less power over you. Governments and organizations in

the United States and other parts of the world have been on a crash diet. They realize that they have to cut costs and learn to do more with fewer people. The flattening of organizations and the removal of layers of middle managers has made it necessary to give more responsibility to people lower down in organizations. This is one reason why business and government organizations run leadership programs. The power distance between leaders and followers is shrinking.

In business, it is very difficult for people in leadership positions to give up power. Leadership in these flattened organizations requires leaders who are accessible and grant autonomy and at the same time demand that subordinates perform well. Some authors argue that women naturally possess the qualities needed for this new kind of leadership. However, as author Judith Lorber points out, the reason why women tend to be better at this kind of leadership is because they are usually in weaker leadership positions and need the help and goodwill of subordinates, without having the power and resources to offer them material rewards. Nowadays, leaders at all levels seem to be in this position. Leaders still use the stick on subordinates, but they have fewer carrots to hand out. They also really need the help of others because of the complex chaotic environment in which all organizations operate.

Recent trends of corporate downsizing resulted in lean and very mean organizations. The buzz words in current management books are *commitment* and *empowerment*. It is a real challenge for business leaders to get commitment from people who work in organizations that by their actions and rhetoric let employees know that they cannot be committed to them. Moral concepts like loyalty and commitment are reciprocal—employees are loyal to companies that are loyal to them. There are also problems with promises of empowerment. After removing layers of management, managers empower lower levels of employees. Sometimes empowerment does not mean a more democratic workplace or more freedom for the employee. It means a greater amount of responsibility for their work rather than the power to control their work. American workers are increasingly cynical about the motivational programs of their employers. The work force of the twenty-first century will be very sophisticated. Business leaders will have to spend less time on motivational techniques that make employees *feel* empowered and more time on the social compact that they have with employees. Most Americans leave their constitutional rights in the parking lot when they go to work. They tolerate that trade-off to earn a living. What Americans don't tolerate is duplicity and manipulation. Business leaders have to have the moral courage to be honest with themselves and their workers

about the dynamics of power and authority in their organization.

The challenge of business and political leaders is to build goodwill and consensus in uncertain times. These are necessities because of the changing nature of power. The paradox of consensus is that it is an important value in a free society, but consensus does not always yield the best solutions to problems. Sometimes a moral leader has to go against the wishes of his or her constituents in order to do what is right. Yet, because of the current distrust of leaders and respect for democratic values, many leaders become skittish about doing the morally right thing against the will of the majority.

The problem with dispersion of power in a chaotic environment is that it also disperses responsibility. The economy, not the actions of leaders, is responsible for problems in business. In the enthusiasm to "get government off our backs," it is unclear who will be responsible for what in the future. If everybody is responsible, perhaps no one will be responsible. While the interests of business leaders should be the same as the interests of society, we all know that sometimes they aren't. We should not shrink governmental responsibility over business to the point of withering away its protection of the shared values of our nation. Right now we have more confidence in business leaders than we do the government, but these sentiments go in cycles: We de-regulate and re-regulate.

Personal Morality of Leaders

An inherent part of the ethics of leadership is the way in which a person gets power and the kind of power he or she wields. Leaders have to understand the moral hazards of power for themselves and their subordinates. In every election we try to size up the ethics of the candidates. Unfortunately, we also use ethics as a weapon of political assassination. The most common way that we predict if someone will be an ethical leader is by looking at his or her past. This is a very complicated process because we have to first pick out what facts are relevant and then project those behaviors into future behavior. Unfortunately, the press and the public often choose what is most important on the basis of what is most interesting; this is determined by a kind of telepathy between mass media and the public. Sex is more interesting than legislation, even if it isn't always what is most relevant.

The time frame matters when we make judgments on leaders. What we know now about a job or political candidate's past matters because we try to use that information as a predictor of future success as a leader. History loves a winner and reflects the human inclination to forgiveness. Biographer James MacGregor Burns tells us about the successes of Franklin D. Roosevelt, but he also lets us know about some of Roosevelt's dirty tricks. When we weigh the pluses and minuses in our own minds and

consider that it is all in the past, we are willing to forgive and forget the bad and remember the good. We now know that Martin Luther King, Jr., and John F. Kennedy were womanizers. It doesn't seem to matter much looking back. But we don't know whether these scandals would have affected their leadership when they were alive.

When we look at historical accounts of leaders, we have to appreciate the fact that the most ethical leaders in history are often the ones with the greatest amount of moral luck. In a chaotic environment, luck is particularly important. According to philosopher Bernard Williams, some luck is extrinsic and some luck is intrinsic. You need both for success. Intrinsic moral luck is related to intentions and estimates about your ability to succeed at some task. Extrinsic moral luck consists of factors that you cannot control. When faced with difficult ethical problems, we are usually faced with uncertainty of outcome. People can have good intentions (know what the right thing is and why they should do it) but also know that things may not turn out all right. Almost all revered military heroes had moral luck. There are only a few who for the right reasons stormed the hill, did no damage to the enemy, and had all of their men slaughtered. People only become martyrs if they have moral luck after the fact, which is of little comfort to them. Think how one event in history could have changed our view of a leader. What would have happened to Jimmy Carter

if the mission to rescue the hostages in Iran had been successful? Carter had, along with other leadership problems, rotten moral luck.

Philosophers have long debated how you judge the morality of people. John Stuart Mill once said that the end of a person's act tells you about the morality of the act. The intentions and the means of doing the act tell you about the morality of the person. This sensible view of morality is very problematic when it comes to leadership. Public discussion concerning the ethics of leaders is sometimes unable to sort the morality of the means and ends of the leader's actions. We tend to over-emphasize leaders as role models, which means that we often demand perfection and are disappointed when we don't get it. We have a strong need for moral leaders whom we can trust, and we want leaders with a track record of doing good things. It is difficult to sort out who is morally good but unlucky, and who is morally shaky but lucky. It all depends on who gets caught and who doesn't. The press recognized this problem when they labeled Reagan the "Teflon President."

The moral foible that the public fears most in a leader is personal immorality accompanied by an abuse of power. Dean Ludwig and Clinton Longenecker call this abuse the Bathsheba Syndrome. In the story of David and Bathsheba we learn how David comes home from the front and, while walking around his palace, happens to see Bathsheba

bathing. He seduces Bathsheba and she gets pregnant. King David tries to cover it up by calling her husband home from the front and getting him drunk so that he will sleep with Bathsheba. Her husband won't cooperate because he feels it would be unfair to enjoy himself while his men are still in danger.

The Bathsheba story demonstrates our worst fears about the private morality of leaders. First, we fear that successful leaders will lose strategic focus—David should have been thinking about the war, not watching Bathsheba bathe. This is why we worry about womanizers getting distracted from their jobs. Second, power leads to privileged access. Leaders have more opportunities to indulge themselves. David can have Bathsheba brought to him by his servants—no questions asked. And third, powerful leaders have control over resources, which sometimes gives them an inflated belief in their ability to control outcomes. David gets involved in escalating cover-ups. In the end, he pays dearly for his actions.

The interesting thing about the Bathsheba Syndrome is that it is hard to predict, because people get it *after* they have become successful. It is a reaction to the temptations of power. Someone may have been perfectly ethical in his or her past professional life and then change. Leaders of respected organizations like the United Way and the NAACP were committed activists for their causes but lost their focus and misused their organizations' money

and resources once they obtained leadership positions. Similarly, President Richard M. Nixon misused the power of his office to cover up the Watergate break-in. In business there is no greater example of the Bathsheba Syndrome than the outrageous levels of executive compensation. Power is one of the most ethically and emotionally complex parts of leadership and life in general. Leaders have always abused power, but that fact shouldn't stop us from trying to prevent its abuse. Telling these stories to future leaders is one form of moral education because it helps them develop understanding and imagination. That's probably what the writers of the Bible had in mind.

Moral Imagination

Ethical decision making encompasses prescriptive and creative functions. The prescriptive side contains important values, principles, and ideals, such as respect for human life. These principles are explicit and they set certain limits on behavior. The creative part involves the ability to see ethical problems and invent ways to live up to moral prescriptions, given our understanding of a culture and the practical constraints of a situation, such as time and money. Moral imagination also encompasses both the prescriptive and creative elements of morality. I divide moral imagination into *imagining that* and *imagining how*. The prescriptive part of moral imag-

ination includes the ability to imagine *that* a particular situation involves an ethical problem. The concept of *imagining that* is the same as the concept of *seeing as* or *seeing that* or seeing an aspect of something. So one element of moral imagination is the ability to see the ethical aspect of a situation. Seeing and imagining are subject to our will and they require knowledge and memory. I believe that there are some people who lack the capacity to imagine or see the ethical aspects of a situation or problem. I think that this is akin to tone deafness or color blindness. Yet I also think that the ability to see a moral problem is like the ability to see a duck or a rabbit in one of those pictures in which the identity of an object depends on how you look at it and can switch back and forth. We cultivate this ability to see moral problems in the same way that we cultivate a person's ability to appreciate art or music, by showing them how to see and hear.

As with art and music, some people are naturals when it comes to seeing and hearing ethical problems, while others have to learn how to see and listen. In university and management seminars there is always someone who will raise his or her hand and say, with a sigh of relief and satisfaction, that the case doesn't have any ethical problems; there are only management problems. These folks either can't see the *ethical problem*, don't want to see it, or see the problem but don't want to call it an ethical problem. Experience also tells me that there are

people who are just rotten to the core and/or have serious psychological problems. For the ethically blind or ethically tone deaf, we need laws and organizational systems of control.

Imagine That

Additionally, there are two ways that we imagine *that* something is the case. The first involves empathy and seeing what another person and/or culture thinks is ethical and unethical. The second is seeing ethical problems in a particular situation. The increasingly international nature of business requires business leaders to use their imaginations to go beyond the information given to them. Empathy is central to moral imagination. It is more than the ability to put ourselves in another person's shoes. We can do that and imagine how we would feel, but in another culture we have to put ourselves in another person's place and imagine how that person feels, given an entirely different set of values and emotional responses. Empathy requires us to have a strong sense of who we are and what we stand for. Having empathy for someone does not mean that you buy into their value system. You should be able to empathize with Hannibal the Cannibal but still decline his dinner invitation. We also have to beware of falling for the idea that, just because everyone in an industry, organization, or culture appears to en-

gage in a certain practice, that everyone thinks it is ethical.

Of all the places that I have taught seminars on business leadership and ethics, Latin America poses the greatest challenge to my moral imagination. One senses that the line between reality and illusion is very thin at all levels of life. The problem with doing business in Latin America is not conflicting ethical values but a confusing relationship between local values and practices. For example, activities that an American would find unethical, such as bribery, are usually considered unethical by Argentines; the difference is that in Argentina bribery takes place with relative impunity. Nonetheless, when the press reports cases of corruption in Argentina, the public is just as appalled as it is in our country. In some countries bribery is like sex; people know it's done in private, but if you do it in public, you face moral condemnation. *The Economist* reported that a byproduct of corruption in Argentina is an anti-corruption industry. Books about bribery make the best seller list, and schools sponsor competitions for students to devise ways to stop students from cheating.

A similar situation exists in Venezuela. Ruth Capriles, an academic, publisher, and activist, began chronicling corruption scandals in her *Dictionary of Corruption in Venezuela*. Her intention was to make Venezuelans aware of the corruption in business and government in the hopes of creating

public pressure for governmental reform. She wanted people to start imagining how these scandals affected them. The dictionary, which is now in its second volume, became a best seller, but Capriles was disappointed with the reaction to her book. Instead of raising consciousness and getting people to rethink their government, the scandals were used as political strategies. Many believe that the dictionary was responsible for the indictment of former president Carlos Andrés Pérez. Capriles recently told me that she thought the problem with Venezuelans was that they had too much imagination, and they preferred to dream dreams that did not take into account the practical considerations. What makes moral imagination different from fantasy or wishful thinking is that it contains truth. Part of truth comes from memory. People, organizations, or countries who do not remember the past suffer from moral amnesia. Part of moral learning comes from our mistakes. Leadership in the brave new world of the twenty-first century had better not forget the tired old world of the twentieth century.

One moral challenge for business leaders is to help other businesses and other cultures imagine morally better ways of doing business. The old injunction, "When in Rome, do as the Romans do," no longer applies. The difference between a Chilean business person and an American one is the Chilean, because he or she is Chilean, cannot fight large-scale corruption on a day-to-day basis. When for-

eign businesses set up shop in another country, it is very important that they go into the country with a clear sense of identity and organizational values. Ironically, in Latin America any company that could get around paying bribes or facilitating payments would probably be held in higher esteem by the business community than a foreign company that took the easy route and followed local custom. For example, a Chilean colleague told me that when IBM set up shop in Santiago, rather than pay facilitating payments to get all of the necessary permits to set up operations, they made a conspicuous show of standing in lines and going through all of the red tape themselves. This took about ten times as long as it would have taken if they had paid someone to take a shortcut through the system. He said that at first some business people thought IBM's managers were stupid and naive, but after a while, they looked at them in awe. IBM had done something that the others knew was right but could not imagine themselves doing. Hence another moral challenge of business leaders is to make the world the kind of place in which they would want to do business and to help people imagine ways of doing business that are better for business and society. A business leader's moral responsibility is to raise the standard of doing business, rather than stooping to lower standards under the guise of competitive pressure. In this respect, all business leaders can play a transfor-

mational role. Yet this does not mean that Americans have nothing to learn from other cultures.

Martin J. Gannon and his associates offer managers another way to understand the values of a culture. In their book *Understanding Global Cultures*, they look at seventeen countries through a culturally representative metaphor. For example, they use the metaphor of the Italian opera to describe Italy. Their discussion is broken into sections on pageantry and spectacle, voice, exteriority (the need to express feelings to others), chorus and soloists, and the family meal. While these are just cultural snapshots, they give a sense of what is generally important to people in a culture, and they form a backdrop of possibilities for creative problem solving.

While it is obvious that learning about history and culture is desirable for business leaders, familiarity with literature is also particularly helpful in developing the capacity for solving ethical problems in morally imaginative ways. Like Gannon's metaphors, literature is able to capture the ambiguities of values of a culture in a way that social scientific studies do not. The reason for this is that a metaphor, analogy, or piece of literature or art helps us understand the ways in which people adapt to these ambiguities because it helps us understand the sentiments behind them. For example, if you want to understand adaptation in Venezuela read the novel *Doña Barbara* by Rómulo Gallegos, García

Marquez's *Autumn of the Patriarch* and *The General in His Labyrinth*, and Isabel Allende's *Eva Luna*. All of these books are about power, inequities, values, and survival against a backdrop of magic and surrealism.

Imagine How

Americans also adapt and repress adverse things in their environment, such as inequality and violence. We sometimes use adaptive behavior to shape the way that we present moral arguments about important issues. People's ethical judgments come from their body, head, and/or heart. They are behaviorally determined (by rewards and punishments), rationally determined, and emotionally determined. This became particularly clear to me when I gave seminars in Europe, Asia, and North America for the top 200 managers of a large Wall Street firm. These seminars consisted of cases that would stimulate discussion of issues facing future leadership of the firm and the industry. The first thing that I noticed was that the company had such a strong organizational culture that, in many of the case discussions, the organization's values and not the local cultural values determined how employees felt about a particular case. This leads one to wonder about the emergence of an international business culture and the moral impact of the values of a

multinational business and their impact on a culture's local values.

From the seminars in New York and in other parts of the world, including Japan, I got the most intense discussions about the following case. Your best salesperson has left the company and you have to assign his account, which is the largest account in the office, to someone else. The other top salesperson is a woman. Normally you would simply give the job to her; however, this client has explicitly let it be known that he does not like to work with women. What do you do? The response was interesting when you consider the appearance and reality of the ethical norms of people working in foreign countries. In New York this case caused quite a controversy, especially when women were in the room. If there weren't women in the room, which was most of the time, American men often said, "This isn't an ethical problem; give the account to someone else." If I changed the character to an African American male, the same group was more hesitant in their answers. In the European discussion, someone in the group said that he had faced that question before when dealing with Arabs who didn't want to work with Jews. Then another participant pointed out that Dutch clients didn't like to do business with the Brussels office because they don't like working with the Walloons. What was happening in this discussion was that people began using their imaginations to expand their understanding of what was at stake

in this case. They started to see the slippery slope of the arguments for not giving the person the job. All of a sudden the view that "the customer is always right" and the meaning of customer service took on different lights. Those who started out the discussion thinking that this was not an ethical problem began to see that it committed them to positions that they would not want to hold when it came to other like problems. We learn about ethics through experience and analogy of experiences. Moral learning is a lifelong experience, not something you master as a five-year-old.

In Japan, the discussion took a curious twist. There were Americans, Europeans, and Japanese in the room. The Americans were pretty firm about not giving the account to the woman. However, the Japanese argued that you had to give the account to the woman if she was the best person you had. Democratic concepts such as rights or desert never entered into their discussion. They simply argued that the reason why you had to send the woman was to give the client the best quality service; anything less would make your business look bad. By the time I brought the case to Japan, I had already discussed it with 180 senior managers, and no one had ever made this particular argument. It too was a moral argument, based on obligation to the client and the integrity of the firm. By casting it in a different set of principles, it defused the difficulty that American men were having over the emotional-

ly volatile issues of equal rights and opportunities in the workplace. A dialogue like this one drives home an unseen benefit of business in a global economy—the opportunity to gain perspective on our own values and learn new ways to think about ethical problems in business. The strength and weakness of values in a free society come from dialogue and openness to revise the way we understand and use them.

The most difficult problem that business people face everywhere is how to do the right thing without losing a business deal, a client, or money. Imagining *that* focuses on the ability of people to see moral problems. Imagining *how* focuses on creative problem solving. Almost all moral decisions involve risk because we are unable to know for certain how things will turn out. Business leaders have to support moral risk taking and be forgiving of those who make honest mistakes. Earlier, I defined this element of ethics as moral luck. In a perfect world, actions done with good intentions or solid justifications will turn out right, but as we all know, this is not always the case.

Consider the following story told to my class by a student and former businessman who worked for a steel company in India. His company bid on and won the contract for a \$20 million project in Venezuela. However, the transaction could not proceed until the Indian government approved the deal. When the Indian government official met with the

student, he indicated that all would go well if a \$2000 bribe were paid to him. After hearing this part of the story, the class discussed what they would have done in this predicament. Most students felt the bribe request posed an insurmountable barrier to closing the deal. They saw only two incompatible possibilities—either you paid the bribe and got the contract, or you didn't pay the bribe and lost the contract. Arguments for paying the bribe rested on the commonplaceness of bribes in various parts of the world, the size of the transaction, its benefits to India, and the relatively small size of the agent's request.

The first problem with the students' response is that they set up the problem with only two solutions—bribe and make the deal or don't bribe, lose the deal. They could not imagine any other solution. Second, they lacked the confidence and courage to risk losing the deal by not paying the bribe or doing something to avoid paying it. Third, because they had inadequate information about the nature of bribery and Indian culture, they were blocked from a more creative way of presenting the problem.

After a long and heated discussion, the student told the class that he closed the deal. The class, half of which consisted of foreign students, assumed that the bribe was paid. However, the Indian student then said, "Now, let me tell you what I did. That day, I just happened to have my Walkman in my pocket (this was when Walkmen were new). I

switched it on and put it on the table. Then I said to the government official, 'I'm sorry, but I forgot to tell you that we tape all of our official conversations with government officials and send them to the appropriate supervisor.'"

The Indian set up the problem in a different way. Because he understood the subtlety of his own culture, he knew that while there was bribery, it was not something you wanted your supervisor to know about. His problem was not whether to bribe or not to bribe, but how to get the official off his back in a way that would save face for everyone involved. His decision was based on cultural understanding, imagination, and the courage to take a risk. But most importantly, the Indian's ingenuity came from a commitment to do the right thing. This particular decision included both adherence and flexibility on moral rules against bribery and lying. Perhaps the most sophisticated level of moral development is being able to identify when it is moral to violate a moral principle.

Some people would seriously object to the Indian's solution. After all, he tricked the government official and he lied. We certainly don't want people to use unethical means to obtain ethical ends. From this perspective, the student did not provide the optimal solution to the problem. But then again, the situation raises a more subtle set of ethical questions about the nature of ethical obligations we have to tell the truth to bribers, terrorists, etc. Some of

the most difficult ethical problems we face are those in which there is a conflict of duties and, despite our best efforts, we are unable to do both duties. The student has an ethical obligation to tell the truth and not pay bribes. His solution to the problem requires him to choose between the two, and his choice depends on which duty is more serious in this situation. By using his imagination, the student was able to call the official's bluff, verifying his belief *that* the official's request was not legitimate.

Organizations exercise moral imagination when they turn existing logic upside down and imagine how to create business opportunities that are morally good and make money. One such organization is the South Shore Bank in Chicago. For many years it served a middle class community, but the area turned into a ghetto filled with drugs, gangs, and violence. In 1973 a morally imaginative entrepreneur named Ronald Grzywinski bought the bank for under \$4 million. Instead of lending to rich people, he decided that the bank would lend money to the poor and help people rehabilitate their homes and businesses. The bank soon discovered that the poor people in the area were actually much better at paying off loans than some of the rich. Through the South Shore Bank, the neighborhood radically improved. Now it is a livable place with safe streets and a mixed population of whites and blacks. The South Shore Bank is but one example of how morally imaginative leaders can open up a whole new way

of thinking for their industry. Not only did it help a community, but it made money. The South Shore Bank's program now serves as a model for banking in neighborhoods and developing countries all over the world. This sort of creativity and moral leadership requires not only imagination but a will and commitment to try to be profitable and make the world better. If business leaders don't try to make the environment that they work in better locally and internationally, it will become more and more difficult for them to do business.

Conclusion

By now you have probably noticed that I haven't said anything shockingly new about the future. This is because when we look at history, we see that the basic moral problems of people living together are not new. Most are just variations on themes, with new actors, props, and stage settings. The props of the twenty-first century are sophisticated information, communication, and transportation systems, and the stage—well, *all the world is the stage*. The world has been in a state of chaos before and leaders have abused power in the past. It has also moved forward and backward in terms of moral progress.

American business is more capable of spreading the values of a free society at home and abroad than government. If we are not ethical imperialists, we certainly are cultural imperialists. Business carries

the best and worst values of our culture throughout the world in films, TV shows, music, advertisements, and consumer products. It also carries the values of a free society into dialogue with other cultures. We still have a lot to learn from the values and practices of other cultures, just as they have things to learn from us. One way to tell if the values and practices of business are good is if people in other countries find them preferable to their own and more beneficial to their society.

Corrupt leadership probably had more to do with the fall of communism than the attractions of democracy and capitalism. Without communism there are few major critics of the free market. Yet, a quick trip to Moscow will remind you of the wild and seedy side of uncontrolled capitalism. The central moral theme of communism was equitable distribution of goods. Marxist critics are no longer around to remind us that the trickle-down effect is often defective, but we shouldn't forget this criticism. Business leaders will have to keep tinkering with the distribution system because the gap between the rich and poor in America is growing, and some people have too much work while others have too little or none at all. One important moral challenge for business leaders in the twenty-first century is to elevate the standards and playing field of business to the point where there is no industry and no country in the world in which a business-person has to engage in unethical business, labor, or environ-

mental practices in order to be competitive. By improving the ethics of business, we might be able to get the free market system to do what it is supposed to do.

If we continue to shrink the public sector at national, state, and local levels in this country, businesses will have to take up the slack. In the twenty-first century, business will have more social responsibilities than ever before. Companies already find themselves spending millions on remedial education programs and community projects. Leaders of large businesses should include within their strategic focus a variety of variables and responsibilities that go beyond the business itself, but they don't have to. Hence, society will depend on the business community to choose leaders whose moral commitment includes the interests of society.

Our complex world requires leadership at all levels of organizations and society. As I have pointed out, technology, the mass media, and the free market have democratized power by providing people access to information and resources. The measure of good leadership rests on the quality of followers. The quality of followers in a free society is measured by their ability to work together to solve problems; adapt to change; take on leadership roles; assume responsibility for achieving the goals of the group, organization, or community; and demand accountability from the leaders that they choose. Honesty is the only way that leaders will be able to

regain the respect and goodwill of employees and citizens. It is a key value in a free society, but one that has been undercut by other things such as the desire to be liked (and/or reelected), or the desire to make people feel good, or the desire to make people think they have equal power when they don't. Truth-telling sometimes requires leaders to possess moral courage.

The greatest challenge that business leaders face in the twenty-first century is in their own back yards with their own employees. Today corporate profits are up, executive compensation is up, and working hours per employee are up. At the same time, companies are cutting their payrolls, and workers are watching blue- and white-collar jobs go overseas. Managers offer teamwork and empowerment to their workers and demand loyalty and commitment from them. Meanwhile, employers cut worker's health benefits and freeze salaries. Business leaders have to take an honest look at themselves and assess whether they are being honest with and fair to their employees.

Students of labor history know that unions are famous for rising from the ashes. Union membership moved up 3 percent between 1993 and 1994, reversing a fourteen-year decline. If the new AFL-CIO president, John Sweeney, can remake unions to meet the needs of today's workers, particularly women and workers in the service sector, the twenty-first century could begin with a flurry of organizing

activity. Workers are getting fed up with employers who are squeezing them for more work and firing people whenever they get nervous about profits. Employees might be willing to sign on the dotted line if unions offer the right message and use the right approach. Unions and the threat of unions have always forced business leaders to clean up their acts. The morally imaginative business leader will honestly address the issues of justice and fairness before external threats force him or her to do so. Workers in America are unhappy with the arrogance of corporate executives, the losses that they have suffered under the guise of competitiveness, and the unwillingness of business to give them a share in prosperity. There is nothing inherently good about being competitive. What good is a competitive business or economy if it does not improve the lives of employees and citizens? Business leaders have to have the moral imagination to see beyond the numbers in the ledger and make sure that their prosperity is shared by employees and communities. When the stock market booms, the middle class shrinks, and the spiritual and economic poverty of our nation grows, then the values of a free society are in crisis.

We all sense that the pace of change will continue to escalate. The only way that a business will be able to meet competitive challenges in a socially responsible way is to be in a constant state of learning and creating. We need to develop business lead-

ers who are lifelong learners and teachers, able to facilitate learning and imagination in their organizations. From the perspective of moral values in a free society, ethics lies at the heart of leadership. All leaders need to be just and forthright. In a chaotic world, trust in our leaders and confidence in our citizens provides us with a small and fragile island of security, order, and hope. Right now as employees and citizens we stand on shaky ground, and we need to weave ourselves together and work *with* and *on* our leaders to shore up the foundation. As Zen philosopher Fushan Yuan reminds us:

“Nothing is more essential to leadership and teachership than carefully discerning what to take and what to leave aside. The consummation of taking or leaving is determined within; the beginnings of safety and danger are determined without.” (Letter to Master Jingyin Tai.)

And finally, another Zen philosopher, Wuzu, reminds us of the transforming power of moral leadership:

“As a leader it is essential to be generous with the community while being frugal with oneself. . . . When the community is impressed, things get done even when no orders are given. The wise and the stupid each naturally convey their minds, small and great each exert their effort.

This is more than ten thousand times better than those who cannot help following them, oppressed by compulsion." (Letter to Fojian.)