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Institute for Corporate Ethics

Moral Imagination and Management Decision Making

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Featuring a *Thought Leader Commentary™*
With Klaus M. Leisinger, Chief Executive Officer,
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FOREWORD

The Business Roundtable Institute for Corporate Ethics is an independent entity established in partnership with Business Roundtable—an association of chief executive officers of leading corporations with more than $5 trillion in annual revenues and nearly 10 million employees—and leading academics from America's best business schools. The Institute brings together leaders from business and academia to fulfill its mission to renew and enhance the link between ethical behavior and business practice through executive education programs, practitioner-focused research, and outreach.

Institute Bridge Papers™ put the best thinking of academic and business leaders into the hands of practicing managers. Bridge Papers™ convey concepts from leading edge academic research in the field of business ethics in a format that today's managers can integrate into their daily business decision making.

Moral Imagination and Management Decision Making is an Institute Bridge Paper™ based upon the research of Academic Advisor Patricia H. Werhane. It shows how exercising moral imagination can help prevent business disasters and empower managers to make better decisions.

The accompanying *Thought Leader Commentary™* with Klaus M. Leisinger, chief executive officer of the Novartis Foundation for Sustainable Development, provides insight for business leaders by suggesting applications of moral imagination, social engagement, and leadership development that are essential for the sustainable success of organizations, particularly in the environment of increasing globalization.

INTRODUCTION

During periods of large-scale corporate scandals, it is easy to forget that business is essentially a moral enterprise—it is about working together to create value. We find it easy to focus most of our attention on the specific persons involved in wrongdoing, proclaiming these "few bad apples" to be the sole cause of corporate malfeasance, while failing to investigate carefully better ways to make decisions.

There are, however, two key problems with this approach. First, we find ourselves stuck with only a partial story that acknowledges the symptoms (e.g., various frauds and scandals) but neglects accurately diagnosing and treating their root cause.

Second, we see this perpetuates the error of viewing economics and ethics as two distinct forms of discourse in describing management and corporate practices. This "separation thesis" forces false dilemmas onto business practitioners, creating the illusion that doing well and doing good are often incompatible.

Neither widespread ignorance of ethical theory, nor a lack of moral reasoning skills, nor a deficiency in regulatory law is sufficient in explaining why ordinary, decent, intelligent employees sometimes engage in questionable activities or why the activities sometimes are encouraged or even instigated by the climate or culture of the companies they manage.

If we really hope to account for moral success and failure in business, we need to recognize and appreciate the vital role of moral imagination that managers use in everyday decision making, along with available options they disregard or fail to recognize.

A DEFINITION OF MORAL IMAGINATION

Successful companies are usually hotbeds of imagination—especially with regard to the innovation of products, services, and operations that are required for successfully competing in the marketplace.

Concerns over a lack of imagination in business, however, have little to do with the overall quantity of imagination and much more to do with the quality of imagination being exercised regularly in the workplace. Why do successful companies often ignore the ethical dimensions of their processes, decisions, and actions?

The problem is not a one-time weakness of will but something more akin to moral amnesia—a habitual inability to remember or learn from one's own and others' past mistakes and a failure to transfer that knowledge when fresh challenges arise.

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Moral imagination includes an awareness of the various dimensions embedded in a particular situation—in particular, the moral and ethical ones. It entails the ability to understand one's situation from a number of perspectives. Moral imagination enables managers to recognize a set of options that may not be obvious from within the overarching organizational framework; evaluate these options from a moral point of view; and actualize them.

Moral imagination is the ability to discover and evaluate possibilities within a particular set of circumstances by questioning and expanding one's operative mental framework. In managerial moral decision making, moral imagination entails perceiving the norms, social roles, and relationships entwined in any situation.

Developing moral imagination requires a heightened awareness of contextual moral dilemmas and the active engagement of additional perspectives toward these dilemmas that enables managers to reframe them and discover better, economically viable and morally justifiable solutions.

Moral imagination is the ability to discover and evaluate possibilities within a particular set of circumstances by questioning and expanding one's operative mental framework.

The concept of moral imagination is found at the root of our free enterprise system. Scottish economist and philosopher Adam Smith writes: "When I sympathize, I place myself in another's situation, not because of how that situation feels to me or might affect me, but rather as if I were that person. I project myself into another's experience…" As Smith indicates, moral imagination is about putting ourselves into the shoes of the various stakeholders in order to develop a strategy for aligning them in practice in ways that are mutually beneficial.

Moral imagination differs from other forms of free reflection because it is grounded in practice and distinguished by the following three characteristics:

1. Beginning not with the general but with a particular situation;
2. Entailing the ability to disengage from one's primary framework or to extend or adapt that framework in a meaningful way;
3. Dealing not merely with fantasies but with possibilities or ideals that are viable and actualizable. Such possibilities have a normative or prescriptive character; they are concerned with what one *ought* to do.

Narratives and frameworks are tools that we share that help us interpret our environment and understand our role within a community. They are interpretive lenses that enable us to work together toward common goals, and they provide us with a point of view—a grounds upon which we can reason, make decisions, and form judgments.

RHINOCEROS ARMOR: NARRATIVES AND FRAMEWORKS

When one narrative becomes dominant, we appeal to that story for reinforcement of the facts, assuming it represents what actually happened even though it may have distorting effects.

It is morally important to understand the constructive nature and limits of narratives. Such is illustrated by Dennis Gioia's report of his activities as recall coordinator at the Ford Motor Company during the Pinto era.

Between 1973 and 1975, Gioia was in charge of recalling defective automobiles at Ford. He had always thought of himself as an extremely moral and socially responsible person. Yet, when Gioia became intimately familiar with problems related to the Pinto—specifically, that they were catching on fire in low-speed accidents, resulting in injuries and deaths—he did not advocate ordering a recall. In fact, he drove a Pinto and even sold one to his sister.

Gioia eventually came to view his decision not to recall the Pinto as a moral failure—a failure to think outside his prevailing background narrative or script at the point of decision. "My own schematized (scripted) knowledge influenced me to perceive recall issues in terms of the prevailing decision environment and to unconsciously overlook key features of the Pinto case," Gioia said, "mainly because they did not fit an existing script."[2] While personal morality was very important to Gioia, he admits that the framing narrative of his workplace "did not include ethical dimensions."[3] The moral mistake here was that there were other, better choices—albeit ones outside the purview of Gioia's framing narrative—he could have made.

Background narratives provide us with frameworks for understanding the world and our place in it. We are not simply the characters in these narratives; we are also their authors. It is important to recognize that we have a role both in making adjustments to our narrative frameworks and in trying to connect our stories to those within other groups. When we mistakenly view our narrative frameworks as static, we not only risk moral laziness, but we also may miss opportunities to reshape in very positive ways our narratives and roles therein.

Narratives can confuse, bias, and invent what we take to be data, facts, or even truths. This same lens, like the eyepiece of a telescope, which allows us to view a particular element in our field of vision with precision, can also prevent us from seeing other things up close.

Sometimes managers confuse reality with what they want it to be. Sometimes individuals lack a sense of the variety of possibilities and the moral consequences of their decisions as well as the ability to imagine a wider range of possible issues, consequences, and solutions. Sometimes managers and institutions become trapped in their historical framework or a framework perpetuated by their organization, corporate culture, or tradition. Even if managers are only vaguely aware of their particular framework, it can drive their decision making to preclude taking into account moral concerns. A powerful and pervasive framework sometimes allows or even encourages managers to overestimate their powers and abilities.

A point of view can become etched indelibly in our brain even though it actually misrepresents experienced phenomena. Art historian E. H. Gombrich pointed out that sixteenth-century artist Albrecht Durer's depiction of a rhino with a heavy coat of armor served as a model rendering of the animal in natural history books until the eighteenth century, though rhinos do not exhibit armor. Similarly, an early 1598 engraving depicting a whale with ears served as a model for numerous whale images as depicted by later artists; however, whales are earless.[4]

Sometimes managers confuse reality with what they want it to be.

Narratives or mental models can function as specific framing scripts or mini-belief systems in specific kinds of situations or within the culture of institutions such as corporations. When a single story serves as the prototype, it can mold new information to fit within its framework thus shaping the facts. As was the case of Gioia and the Ford Pinto, this can occur even if other valid, yet contradictory, interpretations exist or other equally verifiable facts contradict the prototype narrative.

O-Rings and Ice Water

All companies have narratives—mission statements, principles, and core values—that communicate the identity and purpose of the firm to its stakeholders, especially the employees. A story that defines a firm's purpose, mission, and values can empower managers to search for and identify new opportunities that fit within the company's moral framework and handle unforeseen crises.

Having a narrative that is alive within the organization before a crisis hits can help managers avoid disaster. For example, most people are familiar with the Johnson & Johnson (J&J) Tylenol case. In 1982, after a number of poisoning incidents involving Tylenol capsules, J&J CEO James Burke, in consultation with his top managers, withdrew Tylenol capsules from the market even though the company was not at fault for the poisonings.

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When Burke and his leadership team made the difficult decision to pull Tylenol capsules off store shelves, most experts did not believe that the company would ever recapture its share of the pain medication market—although this did eventually happen. Given the company's credo, which states in its first lines, "We believe our first responsibility is to doctors, nurses and patients, to mothers and to all others who use our products and services," Burke and his leadership team, however, described their decision, which lost J&J an estimated $500 million, as a "no brainer."[5]

The Tylenol story illustrates how a framing narrative can become a positive driving force for moral imagination. J&J executives made decisions that were not obvious and could even be viewed as violating the precepts of good marketing practices. Likewise, they insisted that their customers' safety should be the primary decision driver, questioning their legal counsel who was afraid that this action would be perceived as an admission of guilt.

The ability of J&J executives to use moral imagination in the midst of a severe crisis was no accident—on the contrary, it was largely the result of the firm's longstanding commitment to the moral development of its employees. What is of critical importance, yet sometimes overlooked in the Tylenol case, is that J&J had been holding an ongoing series of "challenge meetings," where individuals at all levels in the company were encouraged to speak up if they felt the company was not living the values embodied in the credo. These challenge meetings served as a moral exercise for J&J employees and managers, who became accustomed to putting themselves in the shoes of their stakeholders. When the Tylenol crisis hit, imagining the perspective of a customer was indeed a "no brainer" because it was already an established habit and part of the organizational culture.

We must note that narratives should be somewhat flexible and open to new interpretations and situations if they are to help a company thrive over the long term. A senior executive participating in an Institute ethics seminar claimed that his company had for many years a great reputation for ethical business practice—one that was firmly woven into the company's history. When evidence of some financial malfeasance began to appear at the firm, senior managers were not prepared and did not react as quickly as they could have because they were so accustomed to resting upon the company's history. "No one believed something like this could happen here," the executive said.

Any leader who thinks her organization is immune to moral and ethical problems stands upon thin ground. Moral disasters can happen even if there is no intent to do harm by any of the parties involved—a fact that is illuminated by the Challenger case.

The Challenger space shuttle was a joint project of NASA and a number of highly regarded subcontractors including Morton Thiokol, a corporation created by the merger of two reputable companies. Before 1986, there had been only one accident during the history of NASA's spaceflights, and 24 previous launches of space shuttles constructed almost identically to the Challenger had proceeded without problems. Despite NASA's fine safety record and Thiokol's expertise in space travel, on January 28, 1986, which was the 25th mission of the space shuttle program, the Challenger exploded within 60 seconds of liftoff.[6] Everyone on board was killed, including the first schoolteacher to journey into space.

The Challenger explosion has been traced to the failure of the O-rings—the seals in the connecting joint between the two segments of the rocket booster—to seal one of the boosters. According to testimony given to the Rogers Commission, the group appointed to investigate the disaster, from the very beginning of the rocket booster's development, Morton Thiokol engineers had worried about the flexibility and the strength of the O-ring sealing mechanism. Roger Boisjoly, Morton Thiokol's leading expert on booster seals, sent memos to his superiors at Thiokol warning of the weakness of the O-ring configuration.

Following the seventeenth successful shuttle flight, Larry Mulloy, the manager of the solid rocket booster project for NASA at the Marshall Space Center described evidence of erosion to both the primary and the secondary O-rings as "accepted and indeed expected—and no longer considered an anomaly." After numerous successful launches, NASA officials may have begun to think that the agency was

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invincible and that the space shuttle was a perfect, even risk-free vehicle. The consequences of accepting this narrative are obvious.

This aura of confidence was not the sole factor, however, that led to the Challenger disaster. Another problem involved the ways in which different parties framed risk measurement, resulting in radically different perceptions of the dangers of the space shuttles.

Richard Feynman, a Nobel Prize physicist and member of the Rogers Commission, interviewed a number of NASA officials, engineers, and managers after the explosion and found that their various estimates of the probability of booster failure ranged from as high as 1 in 10 to as low as 1 in 10,000.

The project managers and the engineers had different frameworks for understanding and assessing risk. No one in either group, however, realized that the words they were using had very different meanings and implications for members of the other group.

Due to these misunderstandings, critical information was misinterpreted. On the night before the launch, engineers were asked to prove that the O-rings would fail at temperatures below 50 degrees. Engineers typically interpret lack of proof that something will fail as evidence of a greater risk. In this case, the managers interpreted the engineers' inability to prove on short notice that the O-rings would fail in low temperatures as an increased likelihood of success. Without realizing it, the engineers and managers were talking in circles.

While the engineers neglected to answer the question about O-ring failure from a managerial perspective, the managers similarly failed to understand the engineers' silence as a reason for serious concern about launch safety; neither realized its failure to communicate.

Both groups suffered from what philosopher Michael Davis has termed "microscopic vision"—focusing on a narrow range of phenomena or data without imagining how others might understand the same data differently. This failure to communicate was made explicit when Richard Feynman dropped an O-ring into a glass of ice water during the Rogers Commission hearings. The O-ring cracked.

SOCIAL ROLES

One useful function that narratives and frameworks provide to the process of value creation is a division of responsibility. Everyone in an organization has a role or number of roles that define various relationships between individuals, individuals and organizations, layers of the organization, and organizations themselves. For example, a person employed as a customer service representative may be assigned certain responsibilities related to customer satisfaction. This employee reports to a manager who in turn is responsible for oversight of an entire team. Likewise, the customer service division of the firm has a specified relationship with the sales department and with the leadership of the firm.

Roles carry with them expectations, rights and duties, norms, and ideals that are either explicit or implicit. Sometimes these rights and duties are legally or contractually defined. Most people adhere to these expectations most of the time, which permits an amount of predictability to human behavior.

Ordinarily there are good moral reasons for acting according to a role's demands or ideals. For example, a father who ignores his children or a manager who does not take seriously her fiduciary responsibilities to her company under most circumstances is judged to be negligent and immoral—both by the standards of role morality and judgment of a common sense perspective.[7] There are, however, cases where roles themselves can become morally problematic.

In the Challenger disaster, all people involved were well meaning and acting within the normative expectations of their roles. Despite their good intentions and concerns about the risk associated with O-rings, the engineers at Morton Thiokol who protested the launch internally did not "blow the whistle" to top management at Thiokol or NASA before the launch took place. Perhaps it is because the engineers viewed their role as providers of data, lacking power as final decision makers. Social roles provide a degree of predictability to human behavior within an organization, but a rigid understanding of roles limits habits of behavior in ways that fail to empower employees and managers to deal effectively with unanticipated situations or crises.

Another problem with social roles—one that is of special significance for managers—is how they can structure authority within organizations. Many managers conceive of good leadership as being primarily about motivating employees to do what they want them to do. Sometimes obedience to authority is part of the problem. The truth, as based on widely-cited human behavior research conducted by Yale Professor Stanley Milgram, is that individuals will often carry out instructions that are absurd, immoral, dangerous, or life-threatening when given by a person in authority.

This phenomenon is as relevant today in organizations as it was previously in Milgram's research lab. Obedience on the part of middle managers enabled the $11 billion fraud at WorldCom, the largest in corporate history. To her credit, Betty Vinson, a senior manager in WorldCom's accounting division, initially refused to follow orders when she was asked to make improper accounting adjustments—in the amount of $828 million—in order to help the company leaders convince Wall Street investors and analysts that it had met the quarterly earnings numbers these executives had predicted.[8] In the financial quarters following the initial fraud, Vinson, who was concerned about jeopardizing the financial well-being of her family should she leave her position at WorldCom, eventually complied with these directives. Over the next two years, Vinson and dozens of other WorldCom employees repeatedly created fraudulent accounting records, even though they knew it was a dishonest and absurd way of doing business. Scott Sullivan, WorldCom's CFO and a chief architect of the fraud, tried to assuage employee anxiety related to this activity by saying that, "nothing they had done was illegal and that he would assume all responsibility."[9] While Sullivan may have been credited with such sweeping authority within WorldCom's culture, his illusory power to take responsibility for the actions of others evaporated before both the law and public sentiment. When the fraud became public, prosecutors failed to accept Vinson's assertion that she was only following orders, and rather than risk indictment, she ended up negotiating a guilty plea as a co-conspirator in the fraud.[10]

Leaders often fail to recognize that employee obedience usually has little to do with their own brilliance, values, experience, or ability to lead—it is primarily due to their position of recognized authority. The problem is not simply the phenomenon of obedience to authority; it is also an issue of leadership. Leaders can become so involved in their roles and accompanying expectations that their decisions reflect what they perceive to be their own role responsibilities. When this happens, leaders may fail to examine how their directives are being interpreted and implemented several layers down within the organization.

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The truth is that employee obedience can sometimes destroy a company. At Enron and WorldCom, employees ordered to "hit the numbers" did so—even at the expense of the truth and ultimately—at the expense of their firms and all of their stakeholders.

MORAL IMAGINATION AS A WINDOW TO A BETTER FRAMEWORK

Crises may be unavoidable, but disaster is not. In the unfortunate cases of the Ford Pinto, the Challenger, and WorldCom, better choices were available. The managers in these organizations—ordinary, decent people—however, were unpracticed in the habit of moral imagination, which could have led to alternate solutions.

Moral imagination enables one to assess a situation, evaluate the present and new possibilities, and create decisions that are not narrowly embedded in a restricted context or confined by a certain point of view. Typically, this means stepping back from one's role in an organization and using imagination to consider a situation from an unfamiliar perspective.

In April 2007, WellPoint—a U.S.-based health benefits company with over 34 million members, whose stated mission is "to improve the lives of the people we serve and the health of our communities"—decided to take the unprecedented step of linking employee compensation to success in improving the health of its members.[11] In order to assess the health of its members, WellPoint developed a set of metrics based on a combination of national standards and company-devised indicators. Metrics for customers with diabetes, for example, will "help to measure if they are getting necessary eye exams, maintaining their blood sugar level to reduce complications and having their blood pressure level controlled."[12]

The logic behind this initiative is to actively engage all employees in the primary purpose of the firm, which is to improve the health of those it serves. Whether or not this act of moral imagination proves successful in the long term, aligning employees with activities more traditionally associated with the role of physicians should be viewed as a reasonable business decision. Health benefits firms that fail to positively impact the health of their members will cease to exist, and WellPoint's initiative may help insulate the firm from such a risk.

Sometimes moral imagination can enable firms to in effect reinvent their own products. Since its launch in June 2005, web-based mapping application Google Earth has gained over 200 million subscribers.[13] Most visitors use the sight recreationally to zoom in and out on detailed satellite images of the earth. In April 2007, however, Google transformed perceptions of its already-popular application by deciding to form a joint initiative with The U.S. Holocaust Memorial Museum. The venture, the Genocide Prevention Mapping Initiative, highlights the ongoing genocide in the Darfur region of Western Sudan with the social aim of increasing public awareness of—and sympathy for—the plight of the victims.

Visitors to Google Earth who focus the tool on the Darfur region encounter various graphic symbols that link to up-to-date information on the crisis, including "video footage, photographs, and eyewitness testimony." An image of "red flames brings up a place that has been destroyed; yellow-and-red flames show a village only partially damaged."[14] As explained by John Prendergast, a senior advisor for the International crisis group, the crisis in Darfur "is David versus Goliath, and Google Earth just gave David a stone for his slingshot."[15] In this imaginative act, which exceeds typical expectations of a business, Google demonstrated leadership by expanding the range and type of value creation initially envisioned for its own product.

Creative moral imagination helps us to

project beyond the constraints of particular narrative frameworks, roles, or biases. While moral imagination is a critical first step, it cannot in itself transform a crisis into a success. Just because we imagine a certain moral possibility does not mean that it is our best path or that it is even achievable in actuality.

For this reason, moral imagination must go hand-in-hand with practical moral reasoning, which enables a manager to contextualize potential scenarios and decisions

. . . moral imagination must go hand-in-hand with practical moral reasoning, which enables a manager to contextualize potential scenarios and decisions in terms of values, principles, and moral norms.

in terms of values, principles, and moral norms. Moral imagination is most likely to be employed successfully by purpose-driven organizations having values statements alive within their culture.

From its founding in 1999 through the first six weeks of 2007, JetBlue Airways had experienced a meteoric rise, garnering a multitude of loyal customers based largely upon a reputation for exemplifying the firm's core value of "bringing humanity back to air travel and making the experience of flying happier and easier."[16]

The discount airline was heralded as much for its friendly service and passenger amenities as it was for its inexpensive flights.[17] In *BusinessWeek's* first customer service ranking of global firms, JetBlue was listed at number four—based on survey data gathered in 2006—rated higher than customer satisfaction stalwarts like Nordstrom at number five and UPS at number eight.[18] By the time the magazine was published on March 5, 2007, however, *BusinessWeek* had decided to remove JetBlue from its rankings list due to a recent headline-grabbing customer service disaster at the airline.[19]

JetBlue's operations infrastructure and personnel training, which had proved sufficient under normal conditions, failed to respond and adapt adequately to challenges resulting from an ice storm that crippled much of the Eastern United States on February 14, 2007. The storm "left a large portion of the airline's 11,000 pilots and flight attendants far from where they needed to be to operate the planes, and JetBlue lacked the staff to find them and tell them where to go."[20] This operations disaster caused some customers to be stranded in planes on the tarmac for up to 10 hours and led to the cancellation of roughly 1,000 flights within the next four days.[21]

As one well-known ethics expert, Rushworth M. Kidder, was quick to point out, "stranding tens of thousands of passengers, many of them parents with children, starting long-planned vacations during the President Day school holidays … isn't just a business failure; it's a moral calamity."[22] It is a moral calamity precisely because JetBlue lacked the moral imagination to prepare for a scenario that was not only predictable, but arguably, inevitable. No one knows with certainty when and where a devastating storm will hit, but sooner or later transportation companies serving large areas are bound to face such a crisis.

While JetBlue's lack of disaster preparation prior to the storm demonstrates a culpable lack of imagination, the firm's response after the disaster is an exemplary case of moral imagination in action. JetBlue's CEO and founder, David Neeleman, immediately issued public apologies via a video on the company Web site and on YouTube, via an email sent to all customers, and via other public forums such as late night talk shows and numerous interviews with print, broadcast, and Web media. Neeleman admitted that he was "humiliated and mortified" by his company's failure to handle the crisis, and he promised the airline would act quickly to build the operational capacity to handle future crises.

While JetBlue's lack of disaster preparation prior to the storm demonstrates a culpable lack of imagination, the firm's response after the disaster is an exemplary case of moral imagination in action.

He also promised to compensate customers who experienced delays due to a "controllable irregularity."[23]

Neeleman's words were embodied by company action on several fronts, some of which exhibited moral imagination, as JetBlue developed innovative responses to a new environment where they were attempting to win back customer trust. Christopher Kercher, a JetBlue passenger stranded during the ice storm describes one aspect of this exceptional response:

> Not only did the airline move quickly to apologize, accept full responsibility, and proactively introduce a passenger's bill of rights (all effectively communicated by e-mail from CEO David Neeleman), but they actually had someone call me to apologize. When I wasn't available, they even e-mailed me to find out when would be the best time to speak with me.
>
> When they reached me, the caller was not some outsourced telemarketer working from a script. Instead, she actually asked me for my opinion of what went wrong and how they could fix it. She engaged me in a dialogue about the steps the airline was considering and sought my opinion on whether the measures would be enough. She thanked me for my help and patience and asked me to give the airline a second chance. They got it.[24]

Just six days after the ice storm, JetBlue fulfilled Neeleman's promise by issuing a cutting edge customer bill of rights that agrees to compensate passengers who experience lengthy delays.[25] Neeleman's stated goal in voluntarily making his firm responsible for compensating postponed passengers was to create a policy "more aggressive than any airline lobbyist would let congress do."[26]

As with Christopher Kercher, initial reactions to JetBlue's imaginative response—which included a much improved operational performance when the next major winter storm hit only a month after the February 14 disaster—were highly positive. Within two week after the disaster, a significant number of investment firms had "upgraded Jetblue's shares to a 'buy,'" and 80% of the visitors who responded to a poll on BusinessWeek's Web site said they would have opted to keep the airline at number four in the magazine's customer service rankings.[27]

While Google's active moral imagination resulted in a new use for their product and JetBlue's exercises of moral imagination led to innovations in organizational structure and policies, employing moral imagination can also have a positive impact on product quality and trust. Actions taken by The New York Times in the wake of the Jayson Blair scandal exemplify this latter concept.

For the last century The New York Times—sometimes referred to as the "Gray Lady" for its accurate and objective reporting—has enjoyed a reputation as one of the world's most respected source of news information.

On May 11, 2003 a front-page, 7,561-word story in the Times reported that:

> A staff reporter for The New York Times committed frequent acts of journalistic fraud while covering significant news events in recent months, an investigation by Times journalists has found. The widespread fabrication and plagiarism represent a profound betrayal of trust and a low point in the 152-year history of the newspaper.
>
> The reporter, Jayson Blair, 27, misled readers and Times colleagues with dispatches that purported to be from Maryland, Texas and other states, when often he was far away, in New York. He fabricated comments. He concocted scenes. He lifted material from other newspapers and wire services. He selected details from photographs to create the impression he had been somewhere or seen someone, when he had not.[28]

In all, Blair was found to have fabricated at least 36 of the 73 articles he authored during his tenure at the Times. It is important to note, however, that despite the Times's thorough investigation and lengthy reporting on the Blair scandal, it was not the newspaper that broke the story.

The Times was scooped by the San Antonio Express-News whose editor, Robert Rivard sent an email to Howell Raines and Managing Editor Gerald Boyd on April 29, 2003, requesting that they "acknowledge publicly that the Times wrongfully appropriated reporter Macarena Hernandez's work."[29] When this accusation against the Times and one of its reporters, Jayson Blair, became public the following day, other newspapers began to issue additional complaints about Blair's unacknowledged purloining of their stories.

Publisher Arthur Sulzberger, whose family has owned and managed the paper since 1896, fired the chief editor Howell Raines in the wake of this scandal—less than two years after he had taken the helm.[30] In July 2003, Sulzberger replaced Raines with former managing editor Bill Keller who had been passed over in favor of Raines two years earlier, largely because Raines was viewed by Sulzberger as being more innovative.[31]

Keller proved to be more of a revolutionary leader than anyone had anticipated. Within the Times he made so many executive changes that after his first 18 months, "two-thirds of all newsroom workers … [reported] to a new boss."[32]

Perhaps Keller's most daring innovation, however, was to appoint Daniel Okrent, a former editor at Life and Time magazines, to an 18-month, non-renewable term as the first public editor of the Times.[33] Okrent's role demanded that he maintain an external perspective on the Times while serving as the "designated representative of the newspaper's readers."[34]

In his role as public editor or ombudsman, Okrent did not report to management—essentially, he could not be fired—he was given full access to the newsroom and "an unfettered opportunity to address readers' comments about the Times's coverage, to raise questions of his own, and to write about such matters in commentaries that would be published in the newspaper as often as he saw fit."[35] For the first time in its history, The New York Times would regularly include stories not reviewed by any of its editors.

The reason for placing Okrent in this newly created post was not just to restore the trust of the paper's readers, it was also part of an effort to repair problems that had become endemic in the culture of the newsroom. The Times's initial inquiry on the Blair scandal outlines multiple "signs of trouble" that were available to the Times upper management before disaster struck. A number of reporters and editors who had grown concerned over the regularity of errors in Blair's stories reported their "misgivings about [his] reporting skills, maturity and behavior" to newsroom administrators, including a terse email from metropolitan editor John Landman stating: "We have to stop Jayson from writing for the Times. Right now."[36]

It was also common knowledge among fellow reporters that Blair improperly used his expense account and company vehicles for personal activities.[37] Given the long list of warning signs, why did the Times fail to take the actions necessary to protect its most valuable asset, the trust of its readers? None of the newsroom administrators stood to benefit from Blair's misdeeds—in fact, many of them were seriously harmed by them.

A strong culture of professional ethics and values was present at The New York Times leading up to the Blair scandal—however, as Howell Raines had noted, the Times also suffered from a "defining myth of effortless superiority."[38] This myth or narrative—based upon the Times's history of excellence and seemingly validated by a slew of Pulitzers—made it difficult for managers to see that the type of journalistic fraud committed by Blair could actually take place within their culture.

While strong organizational cultures are a good defense against most ethical failings, the Achilles heel is their susceptibility to what psychologists term groupthink—"a strong concurrence-seeking tendency that interferes with effective decision making."[39] In particular, groupthink fosters the illusion that an organization lacks certain vulnerabilities or is inherently more moral than others.[40] What was missing at the Times was a highly developed moral imagination that would have enabled managers to critique and correct the sense of superiority that prevented the paper from making effective decisions to halt a tiny blaze of misdeeds before they became an inferno.

Keller's decision to give a critic unrestricted access and a regular, unedited column in the Times could not have been easy for staff reporters to accept. As Harold Evans, former editor of the Sunday Times of London has noted, "It is hardly inspirational to be identified in a column in one's own paper as variously 'nasty,' 'arrogant,' 'unfair,' 'dysfunctional,' 'ideological,' 'credulous,' 'condescending'"—all terms which Okrent used during his tenure.[41]

Despite these difficulties, Evans acknowledges that if a public editor had been in place during Howell Raines's tenure, "it is quite likely that … he would have detected significant tremors before the earthquakes …. The fault lines were there before Raines took over."[42] The morally imaginative step of giving one's critics a voice—and a very public soapbox—helped to break the enchantment of the Times's myth of invincible superiority, not only restoring trust in the current paper, but also helping to ensure that future problems would not go unchecked as they did in the case of Jayson Blair.

Creative moral imagination helps managers criticize their own and others' points of view and generate adequate alternatives.

Creative imagination facilitates the ability to envision and actualize novel possibilities through a fresh point of view or conceptual scheme. Creative moral imagination helps managers criticize their own and others' points of view and generate adequate alternatives. Ed Keller and David Neeleman freed their imaginations from traditional mindsets in order to see that other options were in fact available.

Moral decision making is a dynamic process, one which calls for an imaginative response by managers encountering new situations that do not easily fit within an existing narrative or framework. Moral judgments are not always clear—more often than not they are a result of a delicate balance of context, evaluations of the situation, and the presence or absence of imagination.

The moral decision-making process is seldom complete, since moral judgments are at best partial or temporary solutions. These solutions are, however, also starting points or models for future sets of decisions. Each new set of decisions is an opportunity for moral growth, an occasion to further develop a moral imagination that perceives the nuances of a situation, challenges the framework or narrative in which the event is embedded, and imagines how that situation and other situations might be different.

Nothing short of a very active free-playing imagination will enable us to distance ourselves from our scripts, roles, or narratives to envision new and better possibilities. Moral imagination entails an ability to consider a situation from the perspectives of various stakeholders—a facility that can help managers avoid the ethical trap of confusing reality with what they want it to be. Leaders will better prepare their organizations for the unanticipated situations they will inevitably face by expanding the notion of managerial responsibility to include moral imagination as a cultural practice and value.

IMPLICATIONS AND TAKEAWAYS FOR MANAGERS

Moral imagination can be taught and developed inside cubicles as well as in the board room. It should be a key factor in developing the next generation of corporate leaders.

While the role and circumstance of corporations differ, most firms would recognize serious benefits from developing and "routinizing" the exercise of moral imagination in the daily work routine of their employees. Moral imagination is not just about avoiding disasters—it is about creating value through new products, services, processes, and organizations. Because of this close alignment to innovation, moral imagination could financially benefit companies facing the challenge of organic growth.

Four Key Issues:

Managers interested in fostering moral imagination may use the following key issues and accompanying recommendations as starting points.

1. Failure to speak a common language

Different professions or areas within the same organization may exhibit very different ways of framing issues. The Challenger disaster happened in part because Thiokol's managers failed to understand the engineers' definition of risk; one of the senior managers overrode the engineers protest; and Thiokol signed off on the launch.

Recommendation:

Organizations—particularly large global ones—need to include individuals who understand and can translate multiple frameworks. In order to make good decisions, firms must develop common systems that facilitate interaction between the various narratives and mental models.

2. Obedience to authority

Sometimes obedience to authority contributes to moral disaster. Individuals, when given a set of instructions by a person in authority, will often carry out these instructions, even when they are absurd, immoral, dangerous, or life-threatening.[43]

Recommendation:

A) Creating a culture of pushback—like Johnson & Johnson's challenge meetings—can be an effective method for leaders. This does not happen organically; it must be built in from the top of the organization. A tone must exist at the top that actively seeks out and listens to internal voices of dissent.

B) Shared responsibility can be achieved when individuals author and participate in their own history and narratives. No matter a person's place in an organization, each person is responsible for helping to build or change the culture. If something is disturbing about a company, individuals should envision how they can become change agents.

3. The lesser of two evils

When faced with a difficult choice, we often may feel forced to choose between the lesser of two evils, figuring that the moral response is to choose the option that does the least harm.

Recommendation:

It is precisely when it seems there is no good option among our available choices that we should think outside our current role and framework and imagine what a good choice or a better story might look like. The real choice is not simply between the lesser of two evils, but between accepting this framework, turning a blind eye to other possibilities and to our own responsibility, or imagining and searching for a better answer.

4. Groupthink

Groupthink occurs when a community narrative is so powerful that it remains unquestioned. It can lead to illusions of invulnerability or moral superiority, which create organizational blind spots, crippling an individual's ability to make good decisions.

Recommendation:

A) Internalizing critics may be the best safeguard for organizational integrity. If external critics are breaking "bad news" about the company, it may be too late to fix any problems. External perspectives are key to avoiding groupthink. Communications and public relations personnel serve an important, ethical role by listening to and engaging stakeholders outside the firm. Whenever it takes a publicly visible crisis to make a firm sensitive to ethics issues within a company, it must be viewed as a cultural and management failure.

B) Reaping the benefits of diversity with regard to race, gender, cultural background, and personality/modes of thinking and expressing one's self is of great value. These differences, when recognized, can help an organization to develop internal leaders who can criticize the organization.

C) Consulting other leaders outside the firm is a great benefit to those in leadership positions. It provides insight and an opportunity for conversation about difficult ethics issues. Likewise, the Business Roundtable Institute for Corporate Ethics's CEO Ethics Seminars operate on the principle that the corner office can be a lonely place—especially with regard to ethics issues—and that there is great benefit to be had from leaders of different firms engaging in conversations about ethical issues with one another.

A THOUGHT LEADER COMMENTARY™ with Klaus M. Leisinger, Chief Executive Officer, the Novartis Foundation for Sustainable Development

Q: The Novartis Foundation for Sustainable Development is widely admired and respected as one of the leading organizations in the private sector for international development and sustainable improvement. What advice would you give to a new CEO or executive leader who is interested in embedding ethics into the business decision making of his/her firm?

Klaus M. Leisinger: If he or she is committed to the subject beyond lip service—which is not to be taken for granted—I would first suggest including business ethics content in all corporate governance elements: codes of conduct; responsibility guidelines; target setting; performance appraisals; bonus systems; and reporting, with great emphasis placed on all internal education and management development courses. For all of these elements I would look externally toward leading institutions that can offer assistance.

Content-wise, I would suggest training that includes a mixture of "orientation knowledge" and case studies, i.e. teaching some "basics" of moral philosophy and giving some annotated, required reading as homework, as well as working through case studies and discussing them together. Case studies should come as close as possible to the "real business world" and focus on complex situations and dilemmas, such as prisoner's dilemmas. If and when any past corporate misconduct occurred, I would use that also as a case study.

Q: In recent years, executives have become increasingly aware of the importance of developing ethical cultures at their companies. How does your organization foster the moral development of employees?

Leisinger: First of all, it is important to make sure that responsible behavior does not necessitate moral heroism but is encouraged by appropriate corporate codes of conduct, corporate responsibility guidelines, and a coherent incentive system. Beyond that, we encourage


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Klaus M. Leisinger

reading, debating, and working with case studies as well as sending team members to ethics seminars. What is lacking today are the structured approaches combining business ethics issues with acquiring competence in intercultural management.

Q: Globalization and the tremendous growth of emerging economies create new sets of ethical challenges for business leaders—namely, the firm's ability to unite different cultural frameworks. How does your leadership team ensure that international partners become aligned with respect to culture and practice?

Leisinger: One of the most difficult issues to deal with is the number of attitudes and ways of conduct that "go without saying" in each specific foreign culture—but are unacceptable from the perspective of international norms such as the Universal Declaration of Human Rights.[44] The challenge here is to respect local culture and practice as far as they are compatible with an enlightened "international conduct," while drawing a clear line where the rights of others are violated either through discrimination or neglect of legitimate entitlements. It is in this area that "moral imagination" comes into play—and this Bridge Paper™ is an excellent introduction into this subject.

Q: In the last decade, some corporations have begun engaging external stakeholders such as NGOs. Some have argued that this helps companies manage risk by being more attuned to approaching social changes that can impact the business. How might increased social engagement also lead to new business opportunities?

Leisinger: It is obvious that dialogue and cooperation with external stakeholders such as NGOs can create awareness about crucial social realities that would otherwise remain outside the "silo" in which managers think, reflect, and decide. Complex tasks also need cooperation from different actors with different skills, experience, resources, and value premises – even more so with work in the social, intercultural, and moral sphere. In my professional experience, however, some of the most prominent NGOs are—for a variety of reasons—not readily available to cooperate with "Big Business" due to negative stereotypes with regard to the "moral state of affairs" in multinational enterprises. As partnerships in social engagement need to be robust and guided by a minimum of *unité de doctrine*, such engagements are more easily requested than filled with sustainable life. Whether or not new business opportunities can arise—such as "bottom of the pyramid" approaches—depends on the business sector.

Q: What is the greatest area of opportunity that you envision on the horizon for your organization or mission objectives? What are the most difficult aspects of the problem that you would like to help solve?

Leisinger: For the Novartis Foundation for Sustainable Development, the greatest area of opportunity is the high international awareness focused on the importance of achieving the United Nations's Millennium Development Goals.[45] There is a growing awareness that it is an illusion to believe any of the huge and complex global issues can be solved without or even against "business." The most difficult aspect of the problem we would like to help solve is to further "moral imagination" on all sides and with all partners looking for concrete solutions. Wrong attitudes can be found in all camps; mistakes and misjudgments can be found with all committed actors—so can good will, innovative thinking, and moral imagination. Achieving concrete and measurable successes by bringing committed actors with their resources into "solution teams" for global development and sustainability issues could support a "climate change" on all sides and create the synergies needed to achieve the Millennium Development Goals.

Q: We have known for some time now what kinds of personalities help people thrive in leadership functions—be they in business, politics, or civil society—in order to achieve what a great majority of global citizens desire to have accomplished in the global economic, social, and ecological sphere. But where do we find such holistic personalities, and how can we make sure they are entrusted with the top jobs in their institutions?

Leisinger: I work on the assumption that there is a comparable moral "Gauss-distribution" (normal, bell-shaped curve) of people engaged in business, politics, and civil society. Hence we have some "geniuses" and "saints" on the right-hand side of the distribution and some "dopes" and "crooks" on the opposite end of the distribution. The vast majority in-between constitutes ordinary and decent people, neither "deniers" nor "leaders." From a moral viewpoint, an "average" company can only mature to an "excellent" company if and when business ethical issues are reflected in all its corporate governance elements. Under such conditions, acting ethically is no longer a restriction in an otherwise morally indifferent corporate environment but a systemic part of what the company strives for. One of the consequences will be that promotions are not exclusively linked to economic results such as "more inventory (stock) turnover" or "increased profits" but also as a result of the integrity with which these results were achieved. Looking for the "right" people and placing them in morally sensitive responsibility areas is one of the biggest challenges for the sustainable success of any business enterprise.

ABOUT THE AUTHORS

Moral Imagination and Management Decision Making

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Professor Werhane is the founder and former editor-in-chief of Business Ethics Quarterly, the leading journal of business ethics. She is a founding member and past president of the Society for Business Ethics and, in 2001, was elected to the Executive Committee of the Association for Practical and Professional Ethics. As the Ruffin Professor of Business Ethics and Senior Fellow of the Olsson Center for Applied Ethics at the Darden School of Business, Professor Werhane taught there from 1993 – 2009. She also served on the faculties of Loyola University Chicago and Dartmouth College. Her book, *Moral Imagination and Management Decision-Makin*g, was chosen Outstanding Book in 2004 by the Academy of Management in the Social Issues in Management Division.

BRIAN MORIARTY is Associate Director for Communications at the Business Roundtable Institute for Corporate Ethics (the Institute), an independent business ethics center that operates in partnership with Business Roundtable—an association of 160 CEOs from leading companies—and leading scholars from top business schools. He directs the organization's communications and media relations activities and manages the Institute's joint initiative with the Arthur W. Page Society on public trust in business. He is a co-author of the report, *The Dynamics of Public Trust in Business—Emerging Opportunities for Leaders*.

Moriarty manages the Institute's Book Series in Ethics and Leadership and has authored articles, book chapters, and white papers on the topic of corporate ethics. He has served on selection committees for a variety of business ethics awards. Previously, he was part of the communications and marketing team at the University of Virginia's Darden School of Business.

Thought Leader Commentary™

KLAUS M. LEISINGER heads the Novartis Foundation for Sustainable Development as Chief Executive Officer and President of its Board of Trustees. The Foundation (www.novartisfoundation.com) has consultative status with the Social and Economic Council of the United Nations and is considered unique amongst private sector foundations.

Leisinger's professional career brought him to East Africa as CEO of the former Ciba Pharmaceuticals Regional Office, where he was responsible for the business in 12 East African countries for several years. After his return to headquarters in Switzerland, he headed the company's International Relations department. During that term, Leisinger profoundly engaged in corporate responsibility issues and actively promoted a corporate culture of public dialogue. The extensive relationships and networks he established over many years with stakeholders in international development policy and cooperation as well as business ethics and academic circles still work down to the present day and serve as a mutual sounding-board for issues relevant to Novartis and its Foundation. Additionally, Leisinger has been the head of the company's philanthropy and development assistance programs for more than 25 years. Under his guidance, corporate social investment initiatives pursued a coherent strategic direction and adopted a mission that has benefited millions of poor people in developing countries in very concrete ways, be it through the cure of leprosy and other diseases, agricultural development, or socio-economic development.

In addition to his position at the Novartis Foundation, Leisinger is Professor of Sociology at the University of Basel where he teaches Business Ethics, Corporate Social Responsibility, as well as Human Rights and Business. Professor Leisinger served as invited lecturer or guest professor at several Swiss and German universities, as well as at the University of Notre Dame, DePaul University, the MIT Sloan School of Management (Cambridge), and Harvard University. He is a member of the European Academy of Sciences and Arts and has published comprehensively; several of his books were translated into Chinese, Portuguese, and English.

Leisinger has held and still holds several advisory positions in a number of national and international organizations, such as the United Nations Global Compact, the United Nations Development Program (UNDP), the World Bank (CGIAR), Asian Development Bank as well as Economic Commission for Latin America (ECLA), and the UN Economic and Social Council. Among others, he chairs the Board of Trustees of the German Business Ethics Network. Between September 2005 and December 2006, Leisinger served as Special Advisor to the United Nations Secretary General for the UN Global Compact, at that time Kofi Annan. He continues to be a member in the UN Global Compact Human Rights Working Group (chaired by Mary Robinson). For his sustained engagement "pro pace et justitia" as well as for his academic work in Business Ethics he was awarded a "doctor honoris causa" in theology by the university of Fribourg (Switzerland).

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