

HBS Association of Boston
November 10, 2010

Devil's Bargains by Degrees:

Ten Misconceptions About Compromise at Work...
And How the MBA Oath Helps Address Them

*Elizabeth Doty, The Compromise Trap
with Peter Escher, The MBA Oath*



Max H Bazerman



- *Jesse Isidor Straus Professor of Business Administration, Harvard Business School*
- *Harvard Kennedy School of Government*
- *Harvard Psychology Department*
- *Harvard Program on Negotiation*

HARVARD BUSINESS SCHOOL
WORKING KNOWLEDGE

RESEARCH & IDEAS
When Goal Setting Goes Bad
Q&A with: *Max H. Bazerman*
Published: *March 2, 2009*
Author: *Sean Silverthorne*

If you ever wondered about the real value of goal setting in your organization, join the club. Despite the mantra that goals are good, the and list 10 questions managers should themselves before starting goal setting. The working paper, "Goals Gone Wild,"

PREDICTABLE SURPRISES
THE DISASTERS YOU SHOULD HAVE SEEN COMING, AND HOW TO PREVENT THEM
MAX H. BAZERMAN
MICHAEL D. WATKINS
WITH 2 NEW ESSAYS BY THE AUTHORS

Negotiating Rationally
MAX H. BAZERMAN
MARGARET A. NEALE

See No Evil: When We Overlook Other People's Unethical Behavior

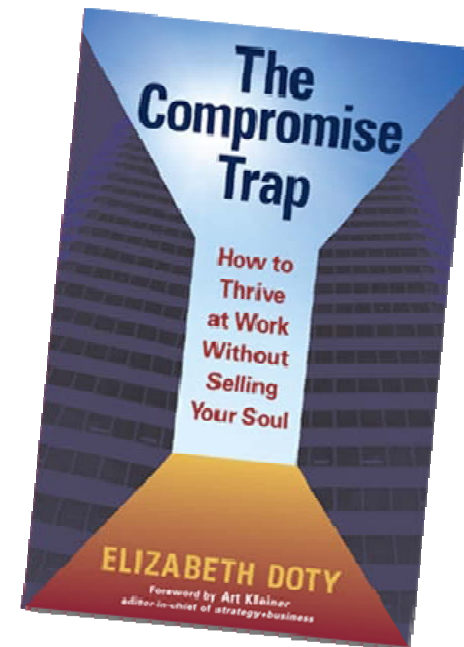
Francesca Gino
Tepper Business School
Carnegie Mellon University

Don A. Moore
Tepper Business School
Carnegie Mellon University

And
Max H. Bazerman
Graduate School of Business
Administration
Harvard University

so, Don A. Moore, and Max H. Bazerman
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Elizabeth Doty



- HBS MBA '91 A
- 11-year hotel veteran
- Consultant to high-engagement organizations
- Chronic interviewer
- An “appreciative inquiry into the dark side of work”
- 52 in-depth interviews
 - Mostly mid-level corporate staff

Business is raising the bar on itself

Businesses from **135** countries recommit to the **U.N. Global Compact** in the New York Declaration in 2010

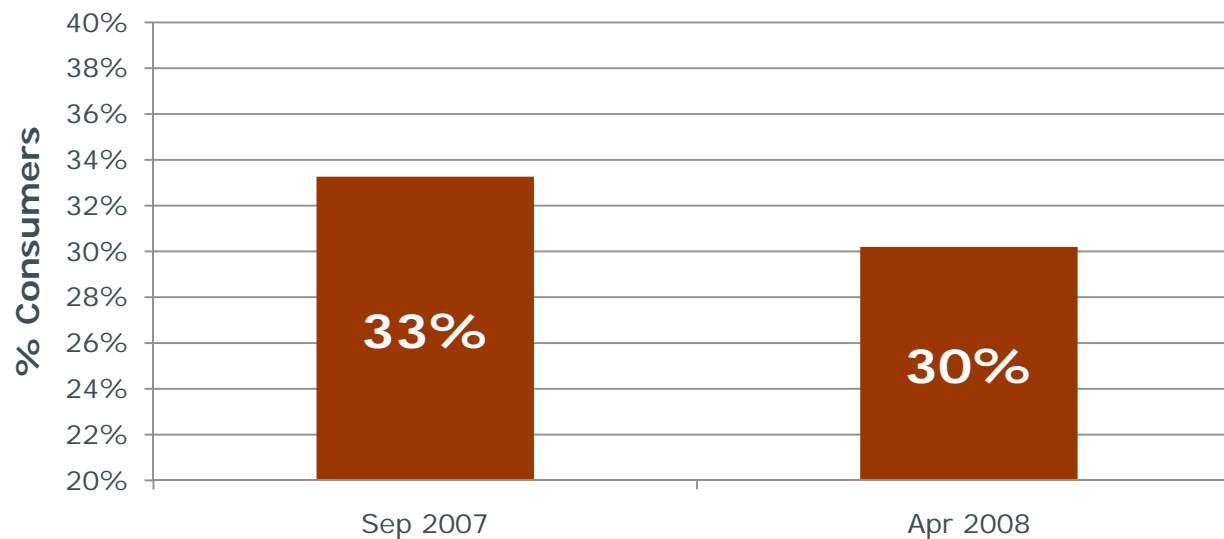
6 financial institutions use **trust** in their S.F. Bay Area ads

250+ members of **Business for Social Responsibility** making up **42%** of the US economy

4562 MBA's have signed the **MBA Oath**

Yet trust in business is very low

Consumers With A **Great Deal** or **Quite a Lot** of Trust in Business



*BBB/Gallup Trust Index

Consumer Trust in Businesses They Deal With Regularly. 10\00-1200 consumers surveyed Average across 15 industries.
<http://www.bbb.org/us/article/bbb-reports-americans-trust-in-business-has-dropped-in-13-of-15-industries-examined-6562>

We usually focus on two categories

“Good Guys”

“Bad Guys”

Admired Companies

CNNMoney.com News Markets Technology Personal F

FORTUNE

Home Fortune 500 Fortune Tech Fortune Finance Invest

WORLD'S MOST ADMIRABLE COMPANIES

Full List By Location Best & Worst No. 1s

And the winners are...

Which companies have the best record third year in a row. Who else made

1. Apple	6. Pr
2. Google	7. Tc
3. Berkshire Hathaway	8. Gr

Inspired Leaders

Ratan Naval Tata



Socially Responsible Businesses



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See www.WorkLore.com or www.MBAOath.com

Bernard Madoff



Peanut Corporation of America



British Petroleum



<http://money.cnn.com/magazines/fortune/mostadmired/2010/index.html>
http://en.wikipedia.org/wiki/Ratan_tata
[http://www.sustainablelifemedia.com/content/story/brands/jenifer_wilig_of_\(red\)](http://www.sustainablelifemedia.com/content/story/brands/jenifer_wilig_of_(red))
Samuel Lightsey, PCA Plant Manager Testifying before Congress 2/11/09
http://www.youtube.com/watch?v=J_ObEA7OriU
<http://www.youtube.com/watch?v=btdlQ4oMQS0>
Bernie Madoff at Roundtable Discussion 10/07
<http://www.youtube.com/watch?v=ab1NTIIO-FM>
Photo of Deepwater Horizon explosion from http://en.wikipedia.org/wiki/Deepwater_Horizon
<http://www.npr.org/templates/story/story.php?storyId=125864847>

In practice, it's more complicated

"Good Guys?"

"Bad Guys?"

Inspired Leaders



*I was told to put the loan through for the boss' friend... **even though I knew it was a bad loan.***

Socially Responsible Businesses



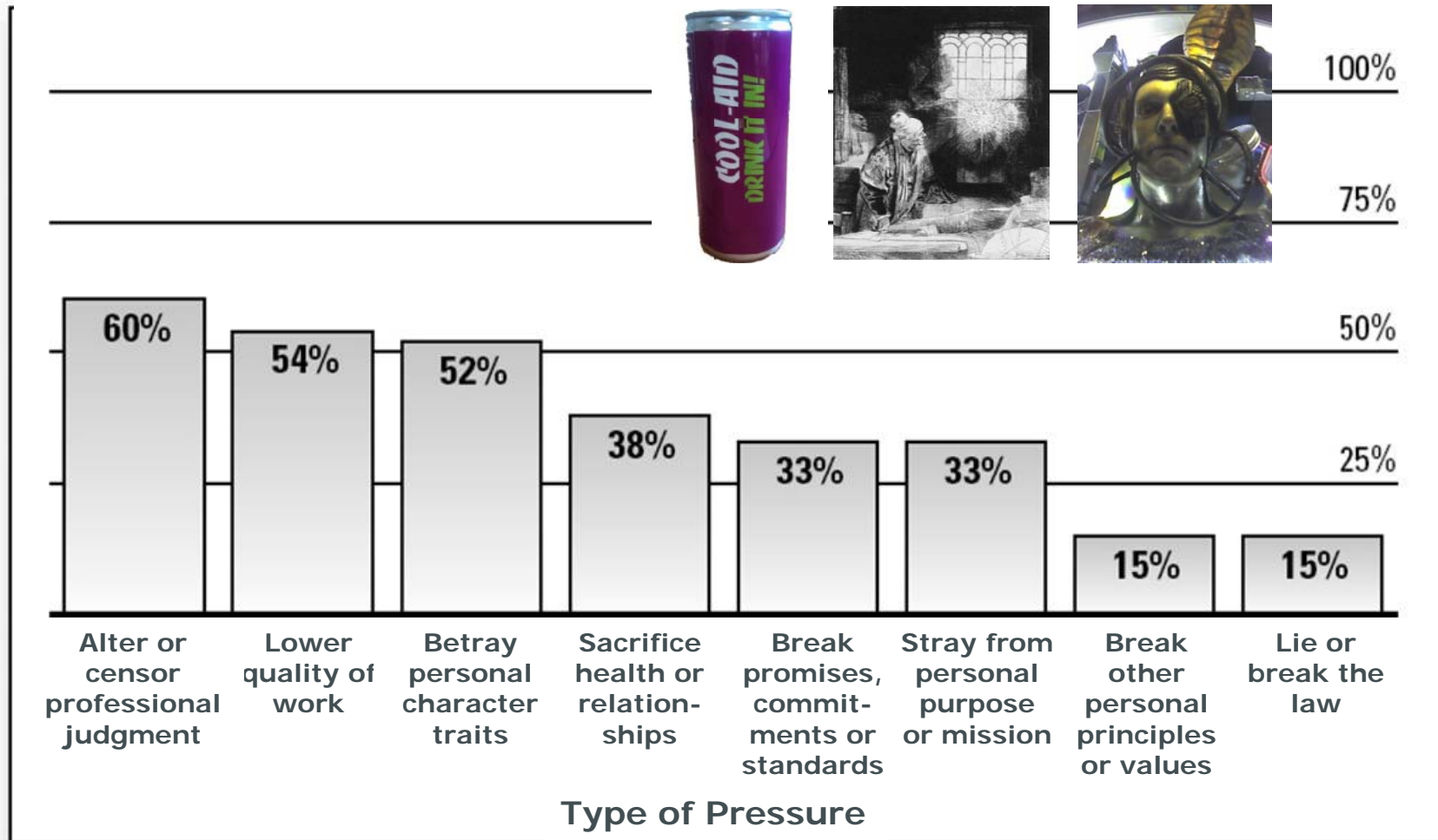
*I warned them that our QA wasn't effective... **but no one would listen.***

Admired Companies



*I told the new manager the safety procedure wasn't being followed... **and the next day, that procedure had been deleted from our files.***

Pressure to compromise was not uncommon



Data from *The Compromise Trap* by Elizabeth Doty, p. 40 – percent of participants mentioning each type of pressure

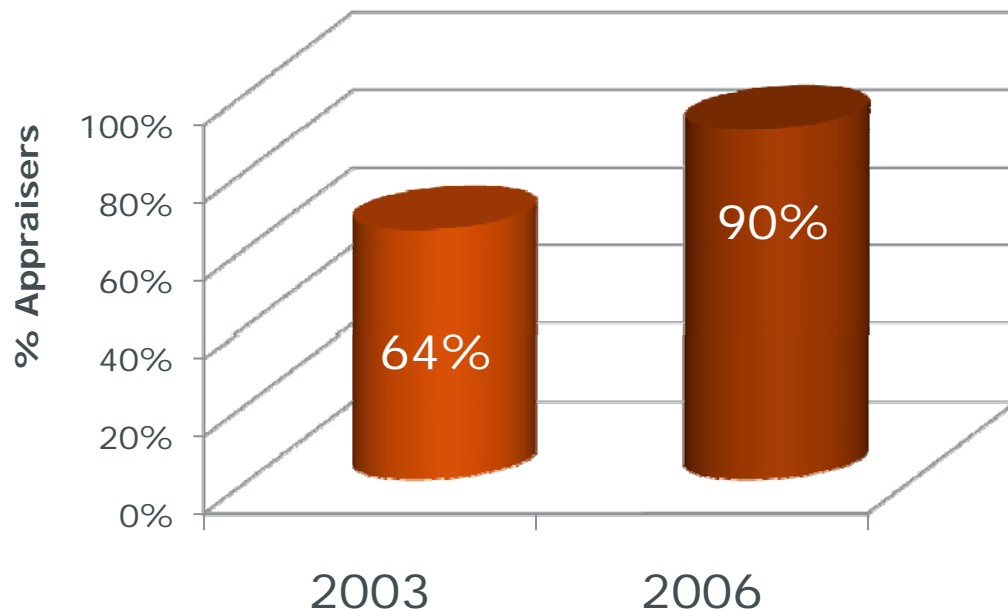
See www.compromisetrapped.com for more information..

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See www.WorkLore.com or www.MBAOath.com

Entire industries can be impacted

Real Estate Appraisers Reporting Pressure to Adjust Property Values



11,000 licensed appraisers petitioned Congress in 2006

...appraisal inflation is the most underreported concern in our financial system

...practice of pressuring appraisers to do dishonest appraisals

...the potential exists for a banking fiasco

10 Misconceptions about Compromise

1. Compromise is always healthy.
2. Good companies and leaders don't create unhealthy pressure to compromise.
3. Unhealthy pressure is the leader's fault.
4. You have to go along to survive.
5. You'll always know if you're crossing a line.
6. The company sets the terms.
7. You should just say no.
8. Refusing to compromise means fighting back.
9. You thrive when you get to the top.
10. Individual integrity adds up to organizational integrity.

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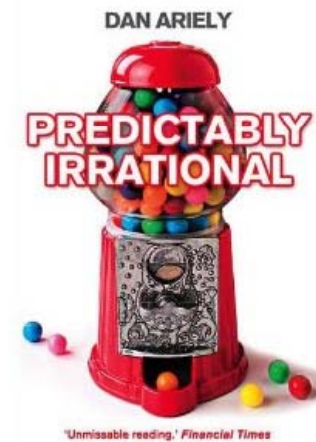
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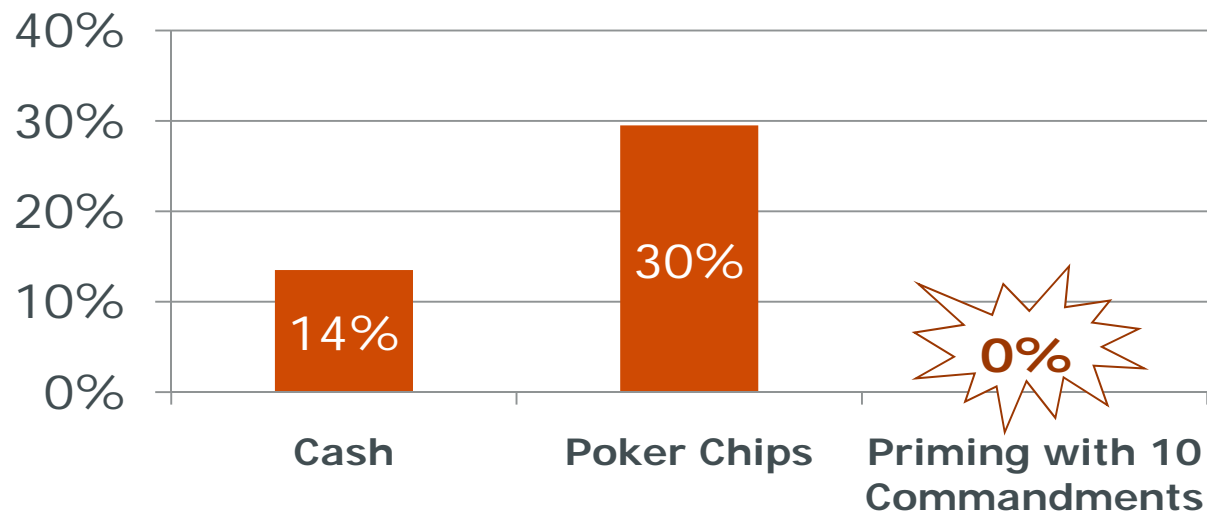
We are susceptible to situational factors

Even good people sometimes will act unethically without their own awareness.

Gino, Moore, Bazerman, See No Evil

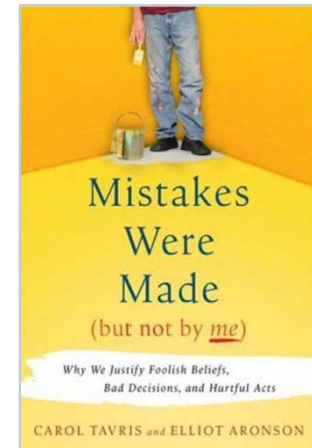
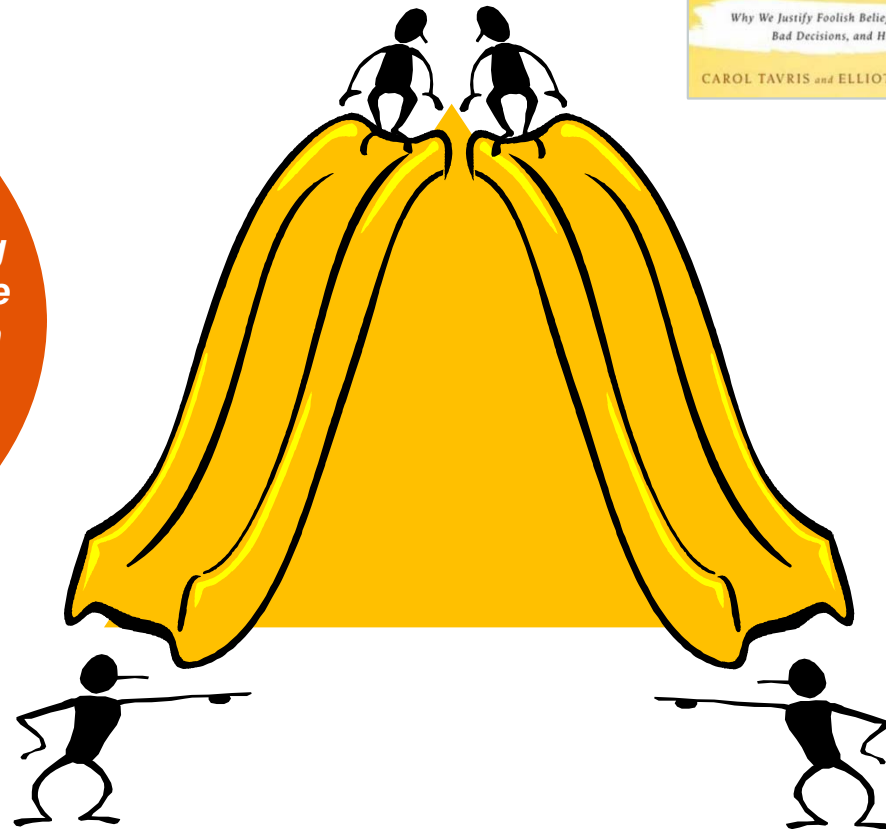
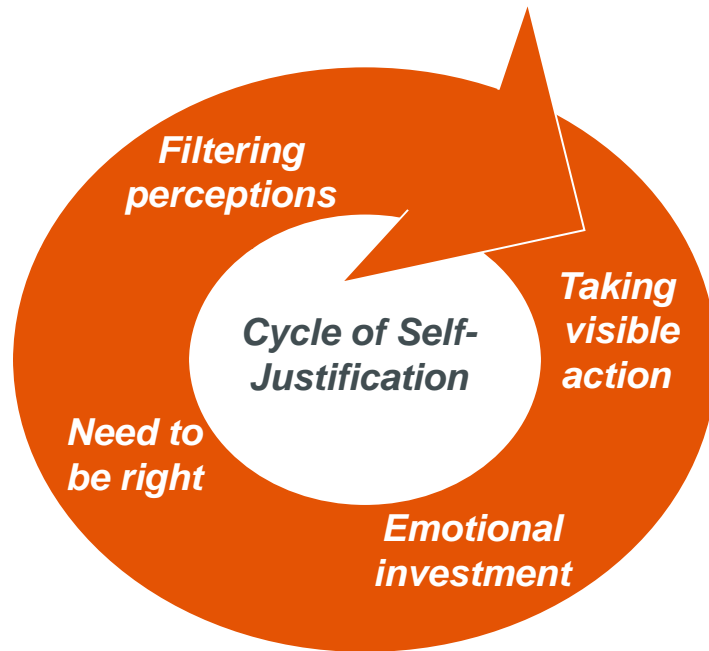


Magnitude of Cheating



Dan Ariely, *Predictably Irrational: The Hidden Forces That Shape Our Decisions* (New York: Harper, 2008) p 207-221. Distribution shifted when cheating was possible. Francesca Gino, Dona A Moore, Max Bazerman, "See No Evil: When We Overlook Other People's Unethical Behavior," *HBS Working Knowledge*, January 11, 2008, <http://hbswk.hbs.edu/item/5839.html>, p. 26

Then we self-justify



Cycle of Self-Justification from: Mistakes Were Made (but not by me) (Elliott Aronson, Carole Tavris, 2007)

“Costs of Compromise” on three levels

Individual Costs

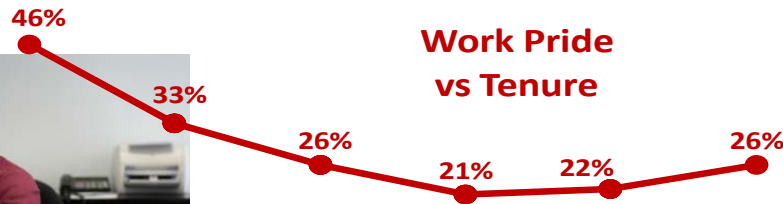


“I didn’t recognize my own face in the mirror.”

Societal Costs



Business Costs



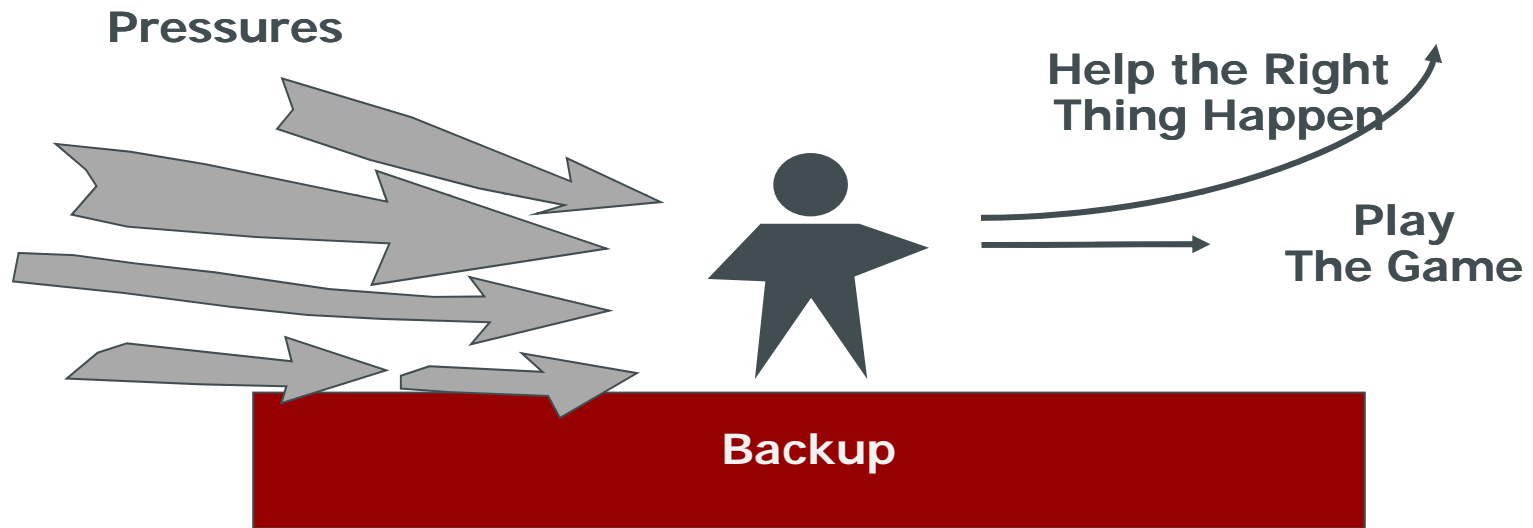
Pride correlates with:

- Quality
- Organizational effectiveness
- Staff retention

Photo of Deepwater Horizon explosion from http://en.wikipedia.org/wiki/Deepwater_Horizon

Swiss cheese metaphor adapted from James Reason, author of *Human Error*

What can you do?



Backup enables courageous influence

"Good Guys?"

"Bad Guys?"

Inspired Leaders



*I was told to put the loan through for the boss' friend... **even though I knew it was a bad loan.***

I'm not going to make a bad loan – but I will walk you through my analysis.

I took the Company Attorney with me to see the CEO.

Responsible Businesses



*I warned them that our QA wasn't effective... **but no one would listen.***

Admired Companies



He called me later that night to admit he had lied.

*I told the new manager the safety procedure wasn't being followed... **and the next day, that procedure had been deleted from our files.***

An Oath puts a stake in the ground



I have made choices to resist situational pressures, and to be in an environment that supports good choices. There were times I could have used additional support.

I think any tool that helps people remember what a good choice looks and feels like is useful.



I believe an oath makes us all more professional and committed to that profession.



I often feel an unspoken sense of oath to HBS and its alumni.... And if this sense were to be reaffirmed with an action as public as an oath is, it would only strengthen it.



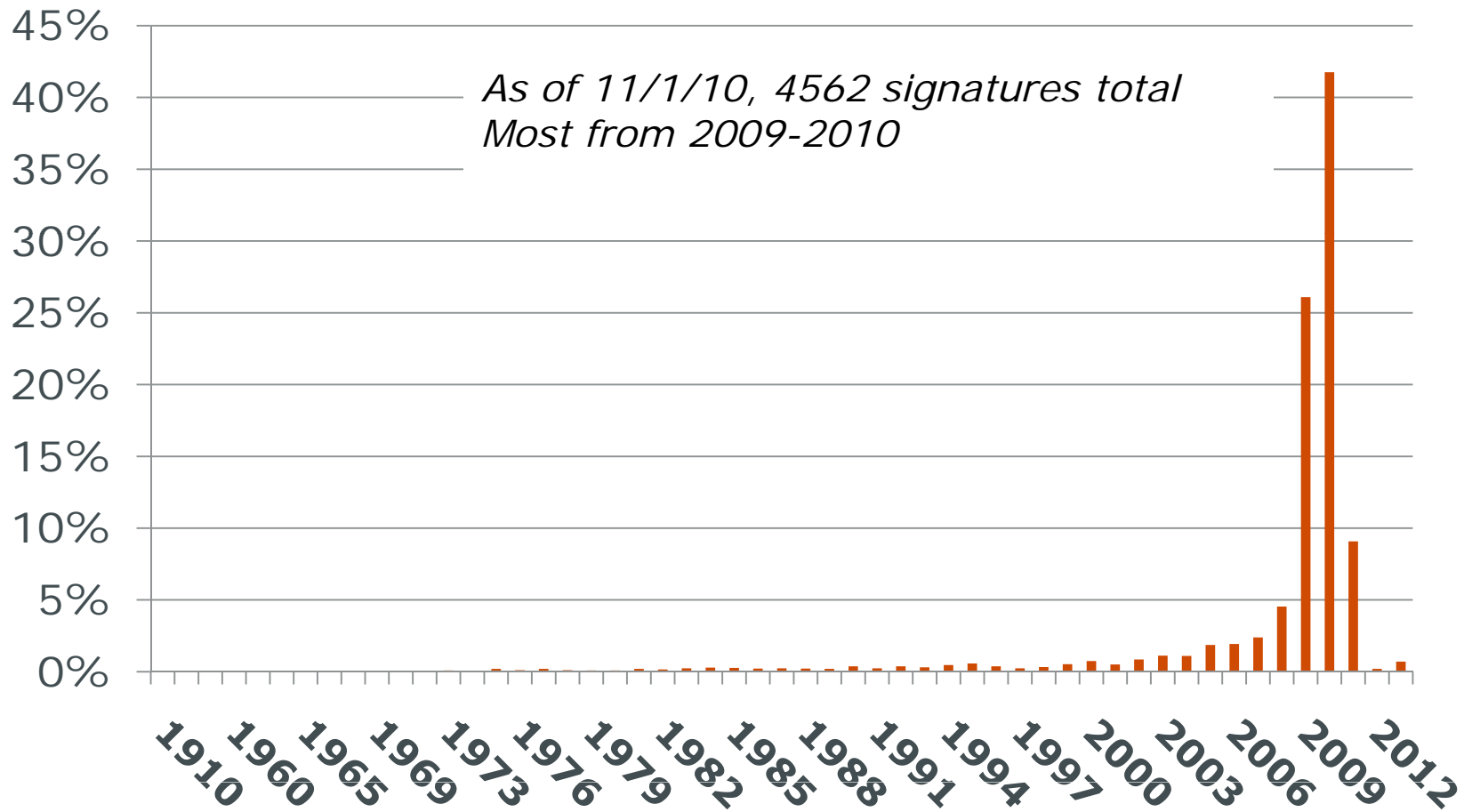
...all graduating Canadian engineers have taken an oath and received the “iron” ring during a ceremony called “The Ritual of the Calling of the Engineer”.
.... I have worn my ring continuously since 1996 and it has always reminded me of my responsibility to society when practicing as an engineer and after my MBA.



I can say without hesitation that I believe such an oath would add an element of commitment, and enhancement to our own internal moral compass.

I read it, and signed it. Thanks for bringing it to my attention.

Attraction to younger leaders



THE MBA OATH

As a business leader I recognize my role in society.

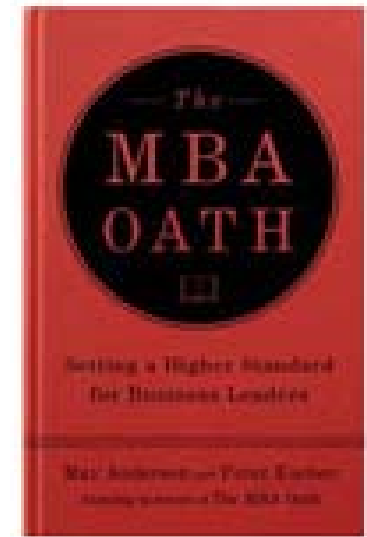
- My purpose is to lead people and manage resources to create value that no single individual can create alone.
- My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow.

Therefore, I promise that:

- I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.
- I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.
- I will refrain from corruption, unfair competition, or business practices harmful to society.
- I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.
- I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.
- I will report the performance and risks of my enterprise accurately and honestly.
- I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.

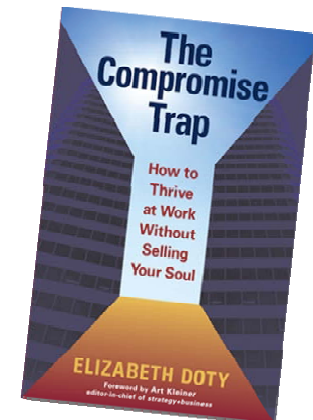
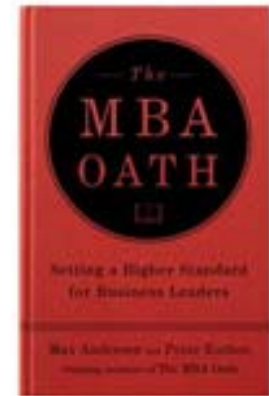
In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards.

This oath I make freely, and upon my honor.



Where to go from here

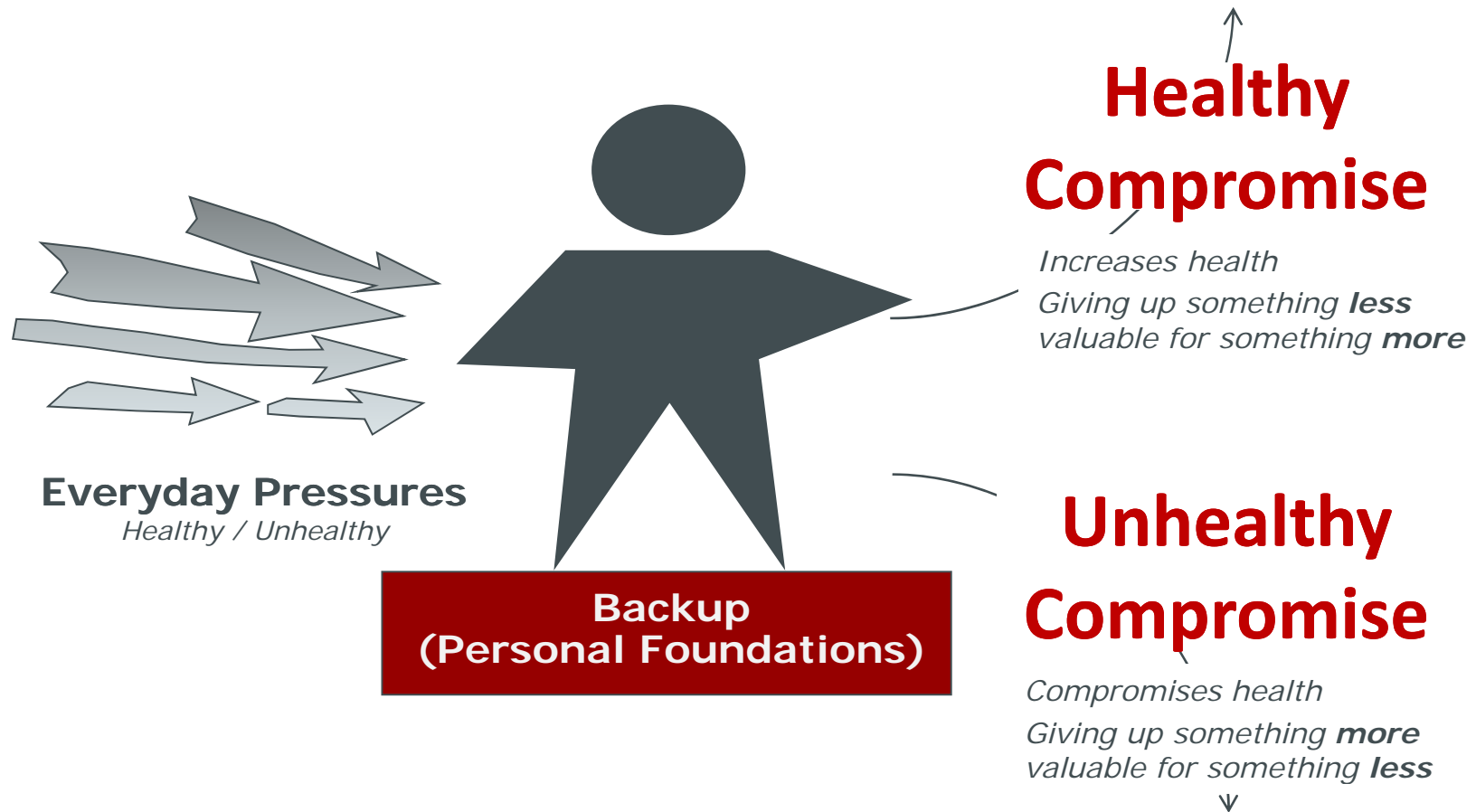
- Consider signing the oath
 - Reference materials, local chapters
 - *MBAOath.org*
- Learn more
 - Skills & leadership practices
 - Organizational alignment, integrity & engagement
 - *WorkLore.com*



APPENDIX

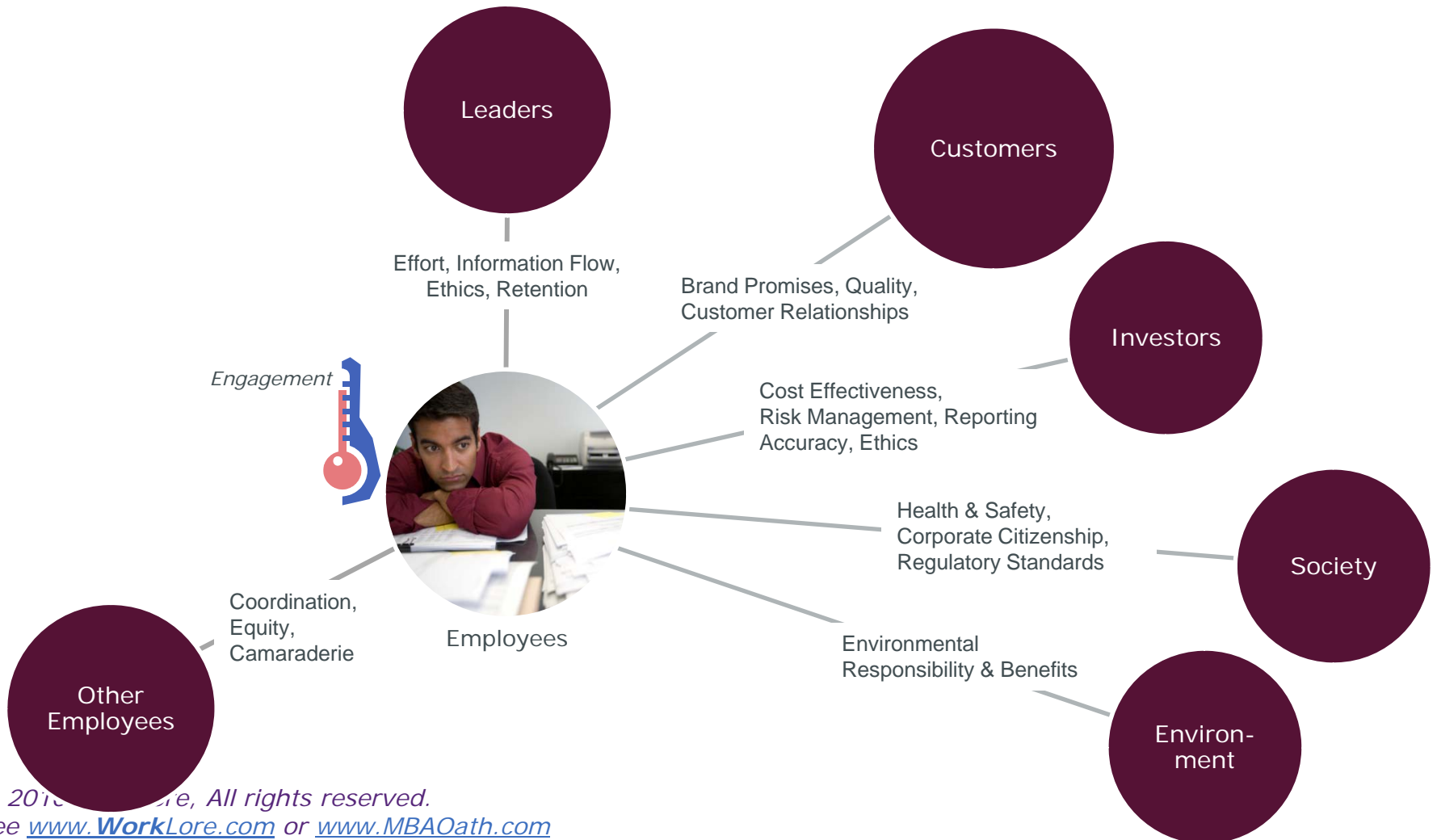
Preview of Leadership Solutions

Step 1: Develop your own capacity to recognize & weigh compromises

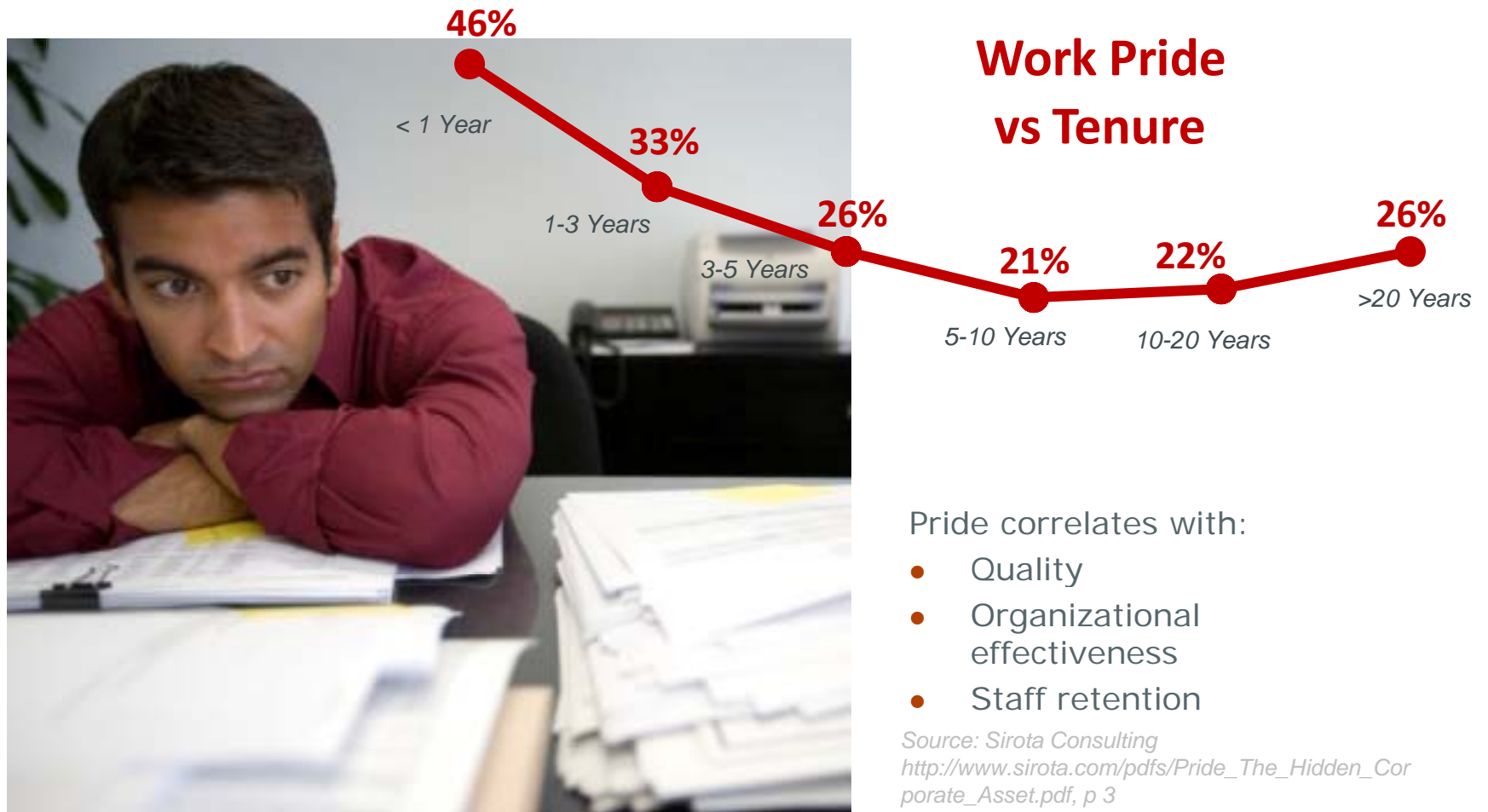


Step 2. Use employee engagement as a barometer

Reflecting the health of your business relationships & commitments



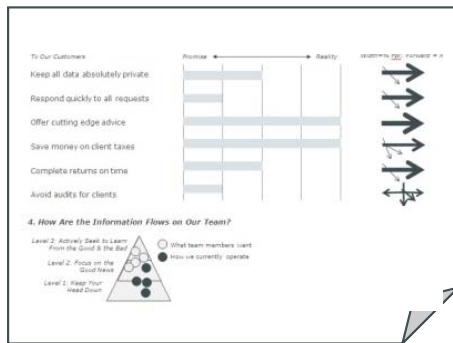
Engagement tends to decline with time on the job



What can you do?

Use **periodic Opportunity Scans** to keep commitments real
Recalibrate rather than adding new programs
Reinforcing a **culture of high-engagement**

Opportunity Scan



Dialogue & Recalibration



Clarify/align

Renegotiate

Improve

Innovate

Action



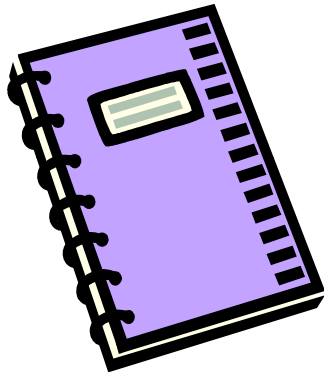
Leader Toolkit



Team Member Toolkit

Approach

Private Journal



- Invitation to Engage
- Experience/Stories
- Reflections on Stakeholders & Commitments
- Reflections on Candor & Safety

Choice of Methods



Online Survey
Or Social Media



Focus Group
Or 1:1 Interviews

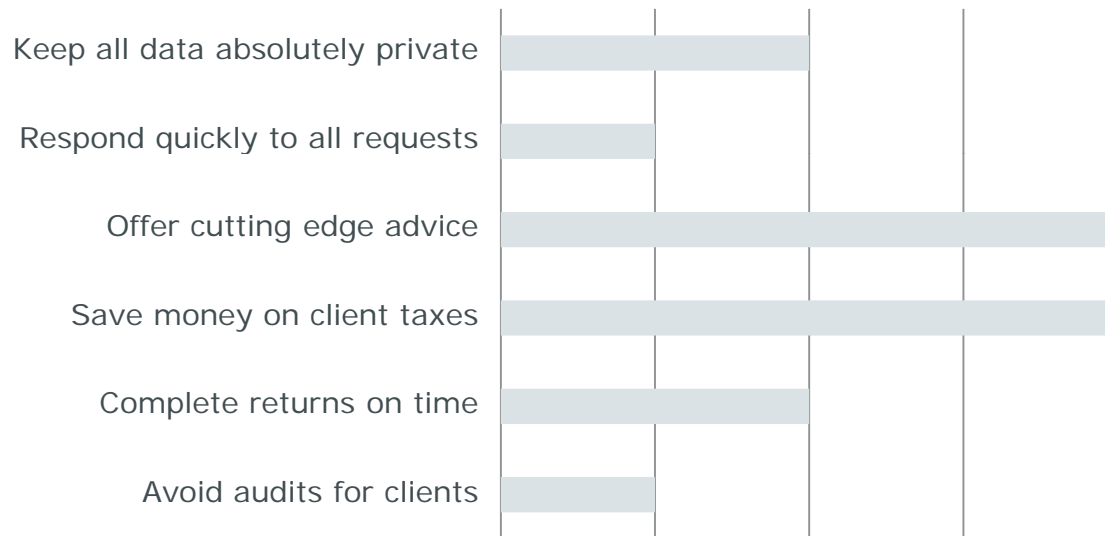
Sample scan

Stakeholder Group: Customers

1. How Real Are Our Commitments to Customers In Practice?

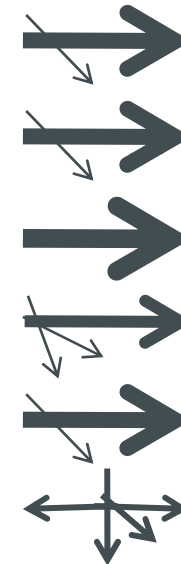
(Accounting example)

Promise ←————→ Reality



2. How Aligned Are We?

Width=% Responses; Forward = High Priority

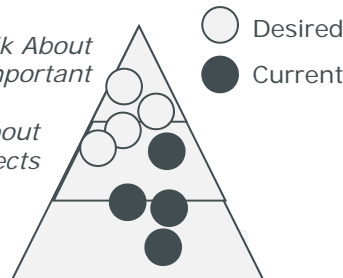


3. How Frank Can We Be?

Level 3: Safe to Talk About
Whatever Is Important

Level 2: Safe to Talk About
Positive Subjects

Level 1: Safe to Talk With
Specific Individuals



Skills for a High-engagement Culture

Healthy Compromise



I had to treat their concerns more seriously.

Positive Limits



Boss, this isn't ok.

Candid Conversations



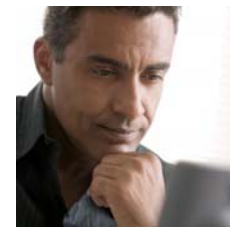
Let's make this real.

Skillful Influence



These people don't need soft drinks

Constructive Exit



If I'm going to be fired anyway...

Business payoffs after recalibrating

Textile Manufacturer

“We will no longer be able to escalate delayed orders.”

Order Delivery Time



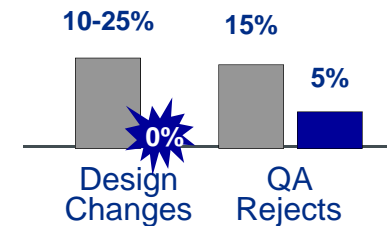
Custom Test Development

“Let’s invest the time we need to do it right the first time.”

Test Development Time



Design Changes & Quality Issues



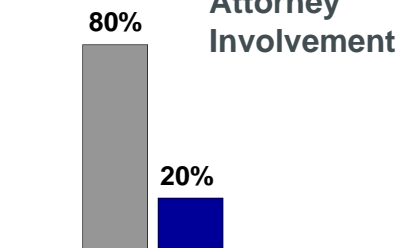
Complex Insurance Claims

“No interruptions between 8 and 10am.”

Time to First Claimant Contact



Attorney Involvement



Invitation

To take the next step...

- **Pilot the Opportunity Scan with a small team**
 - High potentials struggling with engagement?
 - Overloaded team needing more time?
 - Critical team not making sufficient progress?
 - Global team struggling for alignment?
- **Get a rough Costs of Compromise estimate**
 - Review related [blog post](#)
 - 2-day review and rough calculation of opportunity
- **Provide feedback or suggestions**
 - 888-WorkLore or info@worklore.com