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Term Paper

Introduction

The publicity and attention given to high-profile incidents of corporate wrongdoing like those of Enron or Wells Fargo may suggest to the public that such unethical business practices are rare and isolated incidents. And yet, as Harvard Business Review reported, 23% of employees feel pressure to act unethically in their positions (Ivcevic et al., 2020). Beyond this alarming statistic and separate from the known and felt pressures of those employees, is another area of unethical behavior that quietly persists. “Ethical blindness” is a term that has become used to describe a temporary state of inability to recognize the ethicality of a decision (Kump, 2022). Because, by definition, ethical blindness involves a lack of awareness, it’s not recognized in the moment by those engaged in the behavior. An isolated incident of ethical blindness may never come to light, but if such incidents persist within a culture, they pile and escalate, leading to larger and more conspicuous ethical collapses.

In the financial services industry, the most notable of these collapses is that surrounding the Global Financial Crisis, in which an overwhelming number of investors and money managers, caught up in a boom that couldn’t hold up to scrutiny and looking past warning signs, imploded firms and the futures of millions of Americans. Perhaps the most infamous example of ethical blindness beyond that is the story of the Ford Pinto, a vehicle whose construction led to dozens of deaths and injuries as a result of the failure of many at Ford to stop and consider the ethical dimensions of their actions (Bazerman, 2014). The study of ethical blindness is relatively

new, as business ethics in general have been slow to gain traction. It has created an interesting and evolving frontier at the intersection of psychology and business.

Many ethicists and psychologists agree that ethical blindness is prevalent and widespread, with a set of identifiable causes. “Motivated blindness” is a sub-category within ethical blindness and refers to an individual or system’s inability to recognize the ethical dimensions of a decision or task *when it’s not in the individual or system’s interest to do so*. Understanding both motivated and unmotivated ethical blindness is key to preventing each, and the following research represents an attempt to collect their root causes through interviews with financial service industry employees and a review of existing literature.

Interviews

The following interviews are with two current financial services industry employees with over 25 years of experience between them. They agreed to speak anonymously and have been renamed here to protect their privacy.

“Mary”

Trading Manager

Mary is a trading manager at a mid-level firm, with a background in investor services. She holds a variety of finance-related certifications. Mary has indeed witnessed openly unethical behaviors, less in regard to investors, customers, or finances, and more so relating to culture issues like employee exploitation and bullying behavior. Mary’s perspective was clear throughout witnessing these incidents. She was aware of the unethicity of the firm’s behavior and feels that they were a result of power factors.

Things became less clear for Mary when I began to ask about ethical and motivated blindness. When I asked if she had ever lost sight of the ethics involved in a project or decision, she was quick to say no. Mary admitted, however, that she has felt institutional pressure to race through processes without thought (a key precursor to ethical blindness). She also underlined that her performance reviews were closely tied to goals built around those institutional pressures, giving her an incentive to push through without thinking critically.

When the concept of motivated blindness was explained to Mary in relation to the bonus described, she paused, reflected, and agreed that the external pieces were in place to guide her toward leaving ethical dimensions out of her processes. She stopped short of confirming that anything unethical had taken place on her part but conceded that the situation she described is probably all too common and fails to put employees in an ideal position to behave ethically.

“Tim”

Fund Distribution Manager

Tim is a mutual fund distribution manager but has held a variety of positions in the financial services industry, from sales to customer service. Under the protection of anonymity, he was extremely blunt about his experiences with unethical behavior.

When asked generally about unethical behavior within firms where he has served, Tim said that he believes the majority of individuals he has worked alongside cared little for ethical standards and that he performed unethical acts on several occasions when he feared retaliation.

Moving into ethical and motivated blindness, I found Tim to be fully aware of the concept of each. He spoke at length about one firm’s habit of pushing forward half-boiled initiatives with the mantra “ready, fire, aim,” while encouraging subordinates to obey without

consideration or thought. Tim described a similar norm in which the phrase “just make them happy” was often deployed at the same firm. “Oh, absolutely,” Time said when asked if he thought he had been conditioned to innately avoid thinking critically about his actions. He concluded, “if you have a job, and you want to keep it, you will always be motivated to do what the business wants, so I think it’s mostly on leadership to realize that and set the right tone.”

Review of Literature

“Ethical Breakdowns”

By Max Bazerman & Ann Tenbrunsel, *Harvard Business Review*

<https://hbr.org/2011/04/ethical-breakdowns>

Max Bazerman and Ann Tenbrunsel are leaders in the field of ethics psychology, and they contribute here to this Harvard Business review piece that serves as a great introductory point into studying this topic. In the piece, Bazerman and Tenbrunsel make efficient use of the space to point to a couple of key indicators. First, they suggest that an *overvaluing of outcomes* can diminish ethical thinking. After all, if a company only keeps score of wins and losses, the ends begin to justify the means while what occurs in-between is deemphasized. We heard this from Tim when he spoke about being urged to “just make them happy.” In that scenario, the happiness of the individual in question is the *only* concern, the only factor worthy of reward. The “how” becomes an unspecific gray area in which any manner of behavior might occur.

Key Takeaways: Managers should take care to avoid rewarding *only* results rather than rewarding quality decision making, and to be aware of their own blind spots.

“Organizational Routines as a Source of Ethical Blindness”

By Barbara Kump & Markus Scholz, *Organizational Theory*

<https://journals.sagepub.com/doi/10.1177/26317877221075640>

Kump and Scholz focus more on the contextual factors that lead to ethical blindness. Primary, they look at organizational processes and routines and the part they play in defusing ethical thinking. “Routines can directly cause ethical blindness for two reasons,” they write. “First, they can be executed in a semi-automatic way, that is, without constant conscious oversight and deliberate decision-making.” Systems such as these can become “cemented”, solidifying unethical routines that “may be executed without being questioned.” Through what Kump and Scholz describe as “framing”, an individual becomes separated from their own ethical sensibility, instead only viewing a process within a framework that may or may not accommodate ethical thinking.

Key Takeaways: Organizational routines, especially those of low moral concern, can become a breeding ground for ethical blindness as they trend toward thoughtless, automated processes. Be on guard for task “framing” which limits the space for critical thinking within a specific job or system.

“Ethical Blindness as an Explanation for Non-Reporting of Organizational Wrongdoing”

By Einar Øverenget & Åse Storhaug Hole, *Whistleblowing, Communication & Consequences*

<https://library.oapen.org/bitstream/20.500.12657/46725/1/oa-9781000210538.pdf>

This piece, part of a larger anthology about whistleblowing, take a specific look about how ethical blindness can impact a whistleblowing program and vice versa. Of special importance here is the explanation of how euphemistic language can shroud ethical concerns. Terms like, “We just did our job,” are used to illustrate acting in a grey area in pursuit of an

outcome or task. This is spot on with what Tim described in his position. The writers suggest an avoidance of rigid framing, and an open invitation of challenge and dissent. This ties well into what interview subject Mary said about her managerial style, which she uses for functionality, but which may also crucially reduce the risk of limiting task frameworks.

Key Takeaways: Be on guard for euphemistic language used to describe processes. Openly invite “fruitful disagreement” to challenge potentially unethical task framing and disrupt ethical fading. Ensure “outsiders (consultants/auditors) do not become “insiders.”

“Sexual Harassment in Academia: Ethical Climates and Bounded Ethicality”

By Ann Tenbrunsel, McKenzie Rees, & Kristina Diekmann,

Annual Review of Psychology

<https://www.annualreviews.org/doi/pdf/10.1146/annurev-psych-010418-102945>

Ann Tenbrunsel, who appeared earlier in this literature review, also contributed to this investigation into the part ethical blindness plays in the workplace sexual harassment. While the subject matter is specific, it also speaks to more universal ethical issues in the workplace. One such way is by defining whether a firm, in pursuit of building a culture, takes a legal or ethical approach. Overfocusing on the legality of actions, the writers suggest, drags the goalposts away from truly ethical behavior by taking attention away from the decision-making process and installing a more binary “legal/illegal” mindset. Importantly, this piece also urges training a workforce to identify all types of ethical fading.

Key Takeaways: Avoid emphasizing a legal mindset in an ethics program. Foster a culture in which whistleblowing and bystander intervention are protected and encouraged. Train

employees, at the very least on the definitions of ethical and motivated blindness and when they tend to creep in.

Conclusions / Survey

Though, by its nature, ethical and motivated blindness within an organization develop and persist in quiet and unseen ways, there are tangible and identifiable causes that can be monitored for and guarded against. My personal experience with this, and my philosophy in general, is that a generous helping of communication can heal most ailments. I have never been one to shy away from pointing out an unfairness or a double standard, often to my detriment. But not all are so comfortable. In conclusion, I propose a simple 13-question survey, built from the key takeaways noted in the literature reviews and designed to spot precursors of motivated blindness within a workforce, to be distributed during annual or bi-annual compliance/ethics meetings and completed anonymously by *all* employees. It's designed to function in any industry, though I imagined it occurring at an investment firm meeting where it would dovetail nicely with other ethics and compliance questionnaires. Only by shining a light into these precursors can the unspoken become spoken, and the unwitting behaviors that thrive on their invisibility be spotted and repaired.

State of Institutional Ethics Survey

- 1) Have you observed an *overt* change in ethical decision-making at [company name] during the last period? Y/N
- 2) Have you observed an *unspoken* change in ethical decision-making at [company name] during the last period? Y/N

- 3) Do you feel the goals of [company name] and/or your department encourage ethical behavior? Y/N
- 4) Do you feel encouraged by [company name] to consider ethics when making decisions at work? Y/N
- 5) Do you feel equally rewarded for good decisions and good outcomes? Y/N
- 6) Are any of your job duties strictly framed or guided in such a way that they prevent critical thought? Y/N
- 7) Have you experienced vague euphemisms that shut down conversations, reduce clarity, disguise direction, or create grey areas? Y/N
- 8) Do you feel free to offer dissenting opinions at [company name] and in your department without fear of retaliation? Y/N
- 9) Does your department focus on legalese over ethics? Y/N
- 10) Have any outside consultants or auditors begun to feel like “part of the team” in your department? Y/N
- 11) Do you feel adequately trained to recognize precursors to ethical blindness in your job activities? Y/N
- 12) Do you trust that [company name] prefers ethical behavior to non-ethical behavior, regardless of outcome? Y/N
- 13) Would you feel protected in the event that you wanted to report unethical behavior within [company name]? Y/N

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