Clint Korver, a serial entrepreneur in Silicon Valley, has taught ethics as a visiting professor at Grinnell College.

His position on the college's board of trustees and head of the audit committee, combined with his broad business experience, puts him in constant touch with people facing thorny ethical issues.

Korver founded DecisionStreet, an Internet company which builds Web-based tools to help people make important life decisions about health, wealth, housing, and family affairs. He also co-founded and managed Outcome Software, a firm creating Web-based deal-management software for large corporations. Although Korver was co-inventor for six patents (five pending) in Web-based decision analytics, one of his most memorable achievements was skilful handling of ethics in business.

Ronald A. Howard, a professor at Stanford University, began teaching ethics nearly three decades ago.

For many years, his ethics courses have been filled to capacity. He has made a name for himself among students for helping them recognize distinctions about right and wrong they had never before considered. Never one to stay quiet in the face of flimsy logic, he is a keen advisor about ethical decisions in work and life.

Howard is professor in the Department of Management Science and Engineering. A member of the National Academy of Engineering, he has been since 1980 the director of the department's Decisions and Ethics Centre, which examines the efficacy and ethics of social arrangements.

Korver & Howard’s new book *Ethics for the Real World* provides practical advice to respond skilfully to life’s inevitable ethical challenges. Not only can you make right decisions, you can acquire new habits that will realize the best in yourself and transform your relationships.

Guru Interview: Clinton Korver & Ron Howard

Minor ethical lapses can seem harmless. But they instil in us a hard-to-break habit of distorted thinking. Find out more in this interview with the authors of *Ethics for the Real World*.

Interview by Alistair Craven
Q: What was the inspiration behind your book?

Korver & Howard:

The inspiration for this book was sown during a moment of temptation to make the wrong ethical decision – when I (Ron Howard) was working as a decision-analysis consultant and was asked by a defence contractor to analyse which fighter plane the US Air Force should choose for its fleet. The contract was big, lucrative, and appealing.

The client remarked, “of course, we all know how the analysis will come out.” Well, no, I had no idea. The contractor’s plane might easily be the best choice, but I would have to perform the analysis first. The unmistakable body language from the client, however, suggested I should give in to the temptation to skip a thorough analysis. I just needed to say “yes” to manipulating the results, and the contract was mine.

I realized how technical and financial analyses don’t offer all that is needed for smart decisions. I turned down the job. But the episode turned me to a provocative question: how does a person systematically analyse situations to make clear and correct ethical decisions?

Years later, after teaching ethics for two and a half decades, I have collaborated with my co-author Clint Korver to put the answer in this book.

Q: Why is ethical practice so important in business today?

Korver & Howard:

Ethics have always been critical to building long term business relationships. However, as the business world becomes flatter and more transparent, one’s reputation becomes ever more important. With the Internet, past transgressions no longer stay secret. With the increasingly mobile and interconnected world, past relationships are more and more likely to become future relationships. Credibility, a cornerstone of relationships, takes years to build but only minutes to destroy.

Q: You apply an “engineering approach” to ethics in writing the book. Can you tell us about this?

Korver & Howard:

An engineering approach focuses on the useful, what is useful to live a better ethical life and to make better ethical decisions. Most books on ethics dwell on esoteric issues that are just not relevant for the average person. We sifted through a vast amount of ethical literature to pull out the most useful ethical ideas. We then organized them into a practical decision making framework. Finally, we have tested this framework through teaching and practice over 30 years. The result is a framework that accommodates individual differences, yet is grounded in the wisdom of the great ethical thinkers. It addresses common ethical decision traps and provides decision guidance for both the smallest and largest ethical challenges.

Q: You say that people often make ethical choices reflexively. Can you elaborate?

Korver & Howard:

The throes of an ethically sensitive situation is the worst time to think about ethics. These situations are often time pressured, emotional, and provide little opportunity to think about the tough issues. All too often we let temptation blindside us and we make snap decisions we later regret.

“Credibility, a cornerstone of relationships, takes years to build but only minutes to destroy.”

After the fact, our gut often tells us when we acted too hastily. But our brain just as often kicks in with rationalizations in an attempt to justify our questionable action. Often we don’t even learn from our reflexive mistakes.

Q: Enron is the classic example of ethical wrongdoings on a catastrophic scale. What’s your joint assessment of the Enron debacle?

Korver & Howard:

The Enron debacle is a classic case of falling down the slippery slope. We speculate that it began with small deceptions which were technically legal – such as vague reporting of off balance sheet items. Enron executives rationalized these deceptions by saying to themselves “Investors are not smart enough to understand our innovative accounting structures. These are legally allowed practices, so let’s keep them under wraps and not confuse the market. Our financial performance will speak for itself.” Then, as things started to unravel, they had to cover the initial deceptions with even greater deceptions, some of which now were not legal, and it spiralled out of control.

Q: The 2000 Enron annual report seemed to indicate that everything was going well. To quote some examples: “we work with customers and prospects openly, honestly and sincerely…” and “we are satisfied with nothing less than the very best in everything we do...” From an ethical perspective, do such improprieties suggest that more regulation should be in place with regard to annual reports and investor relations information?

Korver & Howard:

Although Enron was a particularly egregious example of poor ethics, we are not fans of more regulation. Too often regulation creates unintended consequences, making the cure worse than the disease. Regulation takes the focus off doing what’s right and puts the focus on doing what is legal. Clever, aggressive executives can hide behind regulation, substituting compliance for ethics.

We believe a better solution would be an increased
sensitivity in boards, investors, executives, employees, spouses, etc. to the importance of ethics. We have hope that with increasing transparency and access to information, ethical lapses will become more known and more shunned. Business leaders with integrity, who create open honest relationships with investors and customers, will more and more win in the game of business. As these feedback loops become stronger, ethics will become a more effective and authentic shaper of behaviour than regulation ever could.

“Regulation takes the focus off doing what’s right and puts the focus on doing what is legal. Clever, aggressive executives can hide behind regulation, substituting compliance for ethics.”

Q: What’s the difference between negative and positive ethics?

Korver & Howard:
Positive ethics are obligations e.g. feed the hungry. They require energy and virtuous behaviour to fulfill. Unless you are Mother Theresa, positive ethics create fuzzy lines between right and wrong behaviour. Anytime you spend money on yourself the ethical question arises about whether that money should have been spent applied to your positive ethic.

Negative ethics are prohibitions e.g. do not lie. They require little or no energy to fulfill. They also create bright lines between right and wrong behaviour.

Q: Companies such as McDonald’s and Starbucks have struggled to get the balance right between global expansion and ethical business practice. Do you think these two objectives can be met successfully in parallel?

Korver & Howard:
Yes. In fact we do not believe these two objectives necessarily conflict. In the long run, we believe high ethical standards will create the most successful global expansions.

However, the business activity in other countries may still look quite different than it does in the US. For example, some people are concerned with issues such as “sweatshop labour.” They believe that something unethical must be going on when they hear about people working long hours under dangerous conditions and making a few dollars a day. However, so long as the relationship is voluntary and not physically coerced or based on deception, then it is likely to be ethical.

We must be careful not to jump to conclusions, especially when our life experience is so much different from others. Earning $2 per day in a factory might be the best alternative someone in a third world country has. And it may be far superior to their second best alternative of working even longer hours, under worse conditions, and earning less money on a farm.

Q: A fascinating example of an ethical dilemma faced by a large organization is the case of Google in China. Can you tell us about this case? What do you think other organizations can learn from it?

Korver & Howard:
Two venerable schools of moral philosophy guide ethical decision making. In action-based, we judge an act based on whether the act, in isolation, is ethical. Lying on your résumé is wrong, no matter the potential benefits. In consequence-based, we judge an act based on the results of the act, some of which can be far-reaching and long-term. Lying on your résumé is right, if by doing so you win a job good enough to overcome the ethical costs.

Leaders can argue over the validity of the two approaches (philosophers do all the time). But those leaders who want to provide a clear role model to employees will have a tough time if they choose consequence-based ethics. The reason is simply that they thrust themselves onto a slippery slope where trading off ethical standards for personal gain is fair game. Employees will note the game and give it a try themselves.

Consider the entry into China of the US’s three major search engines, Google, Yahoo!, and MSN. Each company took what can only be characterized as a consequence-based approach: they accepted partnership in the censorship program (a form of lying) in return for a shot at tapping a huge market. Presumably the companies’ executives all felt a “higher good” would be served.

Whether or not you agree, this sent a powerful message about ethics to their workforces: Partnering with liars for the benefit of profits, at least in some cases, is okay. That begs the question: Which liars are ok to do business with? Where do we draw the line?

Q: What are the objectives of the Strategic Decisions Group?

Korver & Howard:
Strategic Decisions Group is a strategy consulting firm renowned for applying leading-edge decision theory to uncover opportunities for creating shareholder value. We guide our clients to find innovative, creative strategies to thrive today, while also helping them build internal competencies to meet competitive challenges in the future.

Q: What are the key messages you want managers to take away from your book?

Korver & Howard:
• We must master ethical distinctions to enable clear ethical thinking.
• We must commit in advance to ethical principles.

• And we must exercise disciplined decision-making skills to choose wisely.

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