Toward a Better Understanding of the Relationships among Received Wisdom, Groupthink, and Organizational Ethical Culture

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In this article we (a) describe our perspective on 'received wisdom' and 'groupthink' and how these phenomena affect organizational ethical culture, (b) provide numerous examples of the negative effects of 'unwise' received wisdom and groupthink on poor ethical decisions and actions taken by organizations in recent history, (c) discuss our concept of ethical organizational cultures based on character, and (d) outline intentional steps organizational leaders can take to see that received wisdom leads to an ethical organizational culture based on character.

INTRODUCTION

'Received wisdom' in our view simply means the normative 'folk wisdom' that everyone has come to accept in society in general and—more specifically for our purposes—in an organization. In other words, it is the set of beliefs and standards (norms) that people have come to accept as true in a given organization. Received wisdom is an important aspect of organizational culture and—in many cases—is a primary vehicle (along with group-administered sanctions) for transmitting organizational culture. Unfortunately, received wisdom may not always be wise and it may not always be the truth, even if the general or critical masses of the organization believe it to be. This is certainly the case when one considers 'groupthink' and its implications for unethical decisions or acts in organizations over the years.

Irving Janis' (1972, 1982) groundbreaking research on 'groupthink' demonstrates the presence of strong pressures towards conformity in these groups: individual members suspend their own critical judgment and right to question, with the result that they make bad and/or immoral decisions. This pressure can be viewed as an outcome of an organizational culture that accepts certain unwise beliefs or standards for behavior from its employees (i.e., received wisdom). Poor ethical organizational cultures—such as cultures of defiance, neglect, and grudging compliance toward ethical standards—may be the unfortunate result of such pressures (Sauser, 2008; Sauser & Sims, 2007). If, instead, a strong organizational ethical culture based on moral character is to prevail, it must be built intentionally by the leaders of the organization.

In this article we (a) describe our perspective on 'received wisdom' and 'groupthink' and how these phenomena affect organizational ethical culture, (b) provide examples of the negative effects of 'unwise' received wisdom and groupthink on poor ethical decisions and actions taken by organizations in recent history, (c) discuss our concepts of ethical cultures of defiance, neglect, and grudging compliance as

contrasted with ethical organizational cultures based on character, and (d) outline intentional steps organizational leaders can take to see that received wisdom leads to an ethical organizational culture based on character. These actions demand focused attention, careful implementation, and sustained effort on the part of any organization's leaders. However—as we demonstrate throughout this article—the wisdom of establishing an organizational culture that uses shared wisdom to manifest high levels of character while combatting the devastating effects of groupthink can pay dividends for years to come.

RECEIVED WISDOM

As noted in the introduction above, 'received wisdom' in our view is the normative 'folk wisdom' that everyone has come to accept in an organization. In other words, it is the set of beliefs and standards (norms) that people have come to accept as true in a given organization. Dibbs (2012) has defined received wisdom as the knowledge or information that people generally believe is true, although in fact it is often false knowledge; it is information that people generally believe is true, although in fact it may be false.

According to Svyantek and Bott (2004) received wisdom is knowledge imparted to people by others. The epistemological derivation of received wisdom seems to be based on two sources of knowledge used by humans—tenacity and authority. Tenacity refers to the continued presentation of a particular bit of information to an individual until it is accepted as true (Smith & Davis, 2003). Authority refers to the acceptance of knowledge as truth because of the position and credibility of the source. Neither of these sources of knowledge, however, is considered scientific (Svyantek & Bott, 2004).

Received wisdom is often believed and used by individuals in the absence of confirming evidence and, in some cases, is held to be true although contradictory evidence exists. For example, Ptolemy of Alexandria developed a theory of solar and planetary motion in 150 A.D. which guided the science of astronomy for 1,500 years until it was replaced by Kepler's theory. Ptolemy's theory has been described as "beautiful, complex and wrong" ("Things fall apart," 2004). Why do we blindly accept wide-spread theories and their widely employed practices as valid, assuming (without questioning the evidence) that they are well-substantiated? Consider the amount of received wisdom that:

- as it turns out, is the result of either a person or group's obsession or viewpoint, and
- despite the fact that it has been disproved, has not been discarded.

This point has been stressed recently by Jonah Lehrer, a writer for *The New Yorker*, whose two articles (2012a, 2012b), although separated by several months and covering vastly different subject matter, sound similar themes. Cases in point: brainstorming and casino design as discussed briefly below.

Brainstorming is the brainchild of John Osborn. Osborn popularized his approach to creativity in one of several books that spread the word about his brainstorming methodology back in the 1940s (Osborn, 1963). Not long thereafter, brainstorming theory was subjected to research at Yale University, and that was only the beginning of "…[d]ecades of research [that] have consistently shown brainstorming groups think of far fewer ideas than the same number of people who work alone and later pool their ideas" (Taylor, Berry, & Block, 1958).

Apparently the central tenets of brainstorming, considered essential for generating truly breakthrough insights, were soundly debunked almost as soon as brainstorming was popularized, but that hasn't stopped anyone from adhering to these principles or the practice. In fact, many organizations have been founded on them, embracing them with near religious fervor.

The Friedman International Standards of Casino Design developed 13 principles on how to design casinos. Who is Friedman and how did he arrive at these principles? Friedman was a former gambling addict who became a student of the environments in which he had lost so much money. He went on to manage a few casinos and teach some of the first university courses in casino management. Distilling what made him tick when he gambled and what he observed about other gamblers into solid granite principles, Friedman exerted huge influence and his rules dominated casino design for an amazing run of almost 30 years.

But then Roger Thomas, a commercial interior designer, went to work for Steve Wynn, and his design principles, sumptuously expressed at The Bellagio, were diametrically opposed to Friedman's. Spending upwards of $1.6 billion on lavish interior design from the casino floor to the guest rooms to the iconic fountain show, Thomas violated all 13 principles. The result was a property where the guests spent four times as much per room as the average property in Las Vegas. Research into gambling behavior followed and, lo and behold, it turns out that people spend more money when they feel they are winners (a feeling that is reinforced by a luxurious, relaxing environment). Even people who don't gamble are softened up by the environment and are more likely to give it a go.

So, if incorrect 'received wisdom' on brainstorming and casino design have been so thoroughly trashed, why are they still being practiced as faithfully as if they had not? How far back must someone have to step to detach sufficiently from the received wisdom of any given frame of reference to gain enough perspective to become aware that they are holding beliefs which have been absorbed without due diligence? Perhaps brainstorming and casino design are the exception versus the rule? Not true!

Many beliefs in psychology and organizational studies seem to be based on received wisdom. These beliefs, however, do not hold up to close examination using basic scientific methods. In psychology, for example, William James's purported view on unconscious processes has been shown to be based on a misreading of a passage in James's work by an early writer (Weinberger, 2000) and the espoused view that experts and lay people evaluate risk differently does not hold up to close scrutiny (Rowe & Wright, 2001). In organizational studies, there has been growing evaluation of the received wisdom pertaining to the value of current strategies in the airline industry (Kangis & O'Reilly, 2003); the belief that employee satisfaction and loyalty are related to service profitability (Silvestro, 2002); the advantages of economies of scale (Pil & Holweg, 2003); the belief that organization-wide incentives and capable subordinates make top-level oversight of a company less valuable (Rivkin & Siggelkow, 2003); the importance of organizational control mechanisms based on autocratic, hierarchical assumptions (Romme, 1999); the belief that downsizing leads to a better and swifter responding organization (Majumdar, 2000); and the relationship of diversity and organizational performance (Svyantek & Bott, 2004). In each case, the received wisdom has not stood up to research based on the scientific method.

Received wisdom comes to serve as the unquestioned assumptions guiding our interpretation of the world and the decisions we make in the world. This unquestioned acceptance leads to organizational practices which at a minimum waste organizational resources for no benefit and, in some cases—like unethical behavior—have a negative effect on the organization.

According to Svyantek and Bott (2004) received wisdom is based on two primary sources. First, received wisdom may be derived from old empirical results or experiences which create a lasting legacy long after these results or experiences should be replaced by new findings. Second, received wisdom may be derived by the need to justify certain individuals', groups', or organizations' important goals. The acceptance of such received wisdom is often crucial to being accepted as a member of a group. Such 'received wisdom' forms the "vital lies" which define group beliefs (Goffman, 1997) and groupthink (Janis, 1982). So, received wisdom is the belief, principle, or set standard that people have come to believe is true. And as noted earlier, received wisdom may not always be wise and it may not always be the truth, even if the general masses, an organization, or a group or individuals believe it to be.

ORGANIZATIONAL CULTURE

As noted in the introduction above, 'received wisdom' in our view is the normative 'folk wisdom' that everyone has come to accept in an organization. In other words, it is the set of beliefs and standards (norms) that people have come to accept as true in a given organization. Received wisdom is an important aspect of organizational culture and—in many cases—is a primary vehicle (along with group-administered sanctions) for transmitting organizational culture.

Culture permeates all aspects of any society. It acts as the basic fabric that binds people together. Culture dictates tastes in music, clothes, and even the political and philosophical views of a group of people. Culture is not only shared, but it is deep and stable (Schein, 1992, 1999). However, culture does

not exist simply as a societal phenomenon. Organizations, both large and small, adhere to a culture. Organizational culture determines how an organization operates and how its members frame events both inside and outside the organization.

A plethora of definitions exist for organizational culture. Various scholars define culture as how an organization goes about meeting its goals and missions, how an organization solves problems, or as a deeply rooted value that shapes the behavior of the individuals within the group (Sanchez, 2004). In reality organizational culture is all of these things. In its entirety organizational culture consists of an organization's shared values, symbols, behaviors, and assumptions (Goffee & Jones, 1998). Simply put, organizational culture is "the way we do things around here" (Martin, 2006). It is the way wisdom is received or the cornerstone of normative 'folk wisdom' that everyone has come to accept about how the organization functions or how individuals are expected to behave in an organization.

Stories and legends can stay with an organization and become part of the established way of doing things. Perhaps the founder's views about the importance of education and training will stay current; on the other hand, in the course of time there may be a 'culture shift' as new managers and leaders move into the organization and change the old ways. However, stories and legends continue to be important determinants of 'the way we do things around here' and—as in the past—over time the organization will develop new 'norms' i.e. established (normal) expected behavior patterns within the organization.

A norm is an established behavior pattern that is part of a culture. And culture encompasses moral, social, and behavioral norms of an organization. The norms serve to establish the new or evolving normative 'folk wisdom' within an organization (e.g., interpretations of acceptable and unacceptable behavior, understanding, guidance, and priorities for members). There are many elements that fall under the concept of organizational culture and the subsequent established behavior patterns that are part of a culture. And employees receive their wisdom from all these aspects of the organization's culture. For example, these elements often include:

- The way people dress
- The way people act (both on and off the job)
- The way people present themselves
- The way people conduct their work
- The way supervisors are encouraged to manage units or departments
- The way customers are treated and served
- The way employees interact with their immediate supervisors
- The way employees interact with each other
- The way people interact across departments
- The way people interact with the public
- The way business is conducted and done
- The way decisions are made
- The way employees are recruited, selected, rewarded, promoted, and dismissed
- The way people prioritize and manage time.

Individually and collectively, these and other factors serve as the vehicle for received wisdom within an organization. Wisdom received through organizational culture is the source of the beliefs and standards that are accepted as true if one is to survive and thrive in the organization.

Given the reality of factors like those above it is clear that every organization has a unique culture. Each has its own business philosophy and principles, its own way of approaching problems and making decisions, its own work climate, its own embedded patterns of 'how we do things around here,' its own lore (stories told over and over to illustrate company values and what they mean to stakeholders), its own taboos and political don'ts—in other words, its own ingrained beliefs, behavior and thought patterns, business practices, and personality that defines its organizational culture. For example, the bedrock of Wal-Mart's culture is dedication to customer satisfaction, zealous pursuit of low costs, a strong work ethic, Sam Walton's legendary frugality, the ritualistic Saturday-morning headquarters meetings to exchange ideas and review problems, and company executives' commitment to visiting stores, talking to

customers, and soliciting suggestions from employees. New entrants into the Wal-Mart family receive wisdom on how and what is important in the organization beginning with their first experience and throughout their tenure with the organization. This is how they come to believe what is true, what is important, and what is and is not expected of them as employees of Wal-Mart.

At Microsoft, there are stories of the long hours programmers put in, the emotional peaks and valleys in encountering and overcoming coding problems, the exhilaration of completing a complex program on schedule, the satisfaction of working on cutting-edge projects, the rewards of being part of a team responsible for a popular new software program, and the tradition of competing aggressively. At McDonald's the constant message from management is the overriding importance of quality, service, cleanliness, and value; employees are drilled over and over on the need for attention to detail and perfection in every fundamental of the business. The organizational culture at American Express Company stresses that employees help customers out of difficult situations whenever possible. This attitude is reinforced through numerous company legends of employees who have gone above and beyond the call of duty to help customers. This strong tradition of customer loyalty might encourage an American Express employee to take unorthodox steps to help a customer who encounters a problem while travelling overseas. Such strong traditions and values have become a driving force and the basis for received wisdom in many other companies, for example, Procter & Gamble Co. and Southwest Airlines.

Unfortunately, the received wisdom for employees in some organizational cultures seem to support unethical purposes. Some organizations develop cultures or climates that do not promote ethical norms, which leads their employees to behave accordingly. For example, if an organization makes most of its profits from unethical or illegal activities, then individuals who join the organization will have a hard time surviving unless they participate in these unethical activities (the received wisdom on the acceptable behavior for these individuals is that unethical behavior is expected and accepted). The ethical climate of the organization is a component of the organizational culture. Whereas organizational culture involves norms that prescribe a wide range of behaviors for members of the organization, the ethical climate indicates whether organizations have an ethical conscience.

The ethical climate component of organizational culture can be thought of as the character or decision processes used to determine whether responses to issues are right or wrong (DeGeorge, 1990). The more ethical the perceived culture of the organization, the less likely it is that unethical decision-making will occur (Sims, 2003; Sauser & Sims, 2007).

GROUPTHINK: A PRECURSOR TO UNETHICAL BEHAVIOR

Groupthink is a process of rationalization that sets in when members of a team or group begin to think alike. It can be fostered by an organization's culture or managers who do not tolerate dissent, or it can develop under leaders who offer their employees so much encouragement and praise that pretty soon everyone begins to underestimate the seriousness of potential problems. Most of the time, groupthink pops up quickly and wreaks havoc before anyone realizes what's going on.

Part of the problem is that groupthink, once in motion, generates its own fuel. Kani, the supervisor, has deep misgivings about the boss's new proposal, but his fear keeps him from speaking up. Nandi, Dangaia and Sieya who work with Kani misread Kani's silence as support and decide not to express their concerns. Before long, others simply accept the proposal on the basis of the support it has been given.

Usually, the more complex an issue, the more likely groupthink can take over—people are less likely to disagree when they don't have all the facts. Groupthink is also a high risk when membership in the group is highly valued.

EXAMPLES OF GROUPTHINK RESULTING IN UNETHICAL BEHAVIOR

What guides the behavior of managers and employees as they cope with ethical dilemmas? Or keeping in line with the main focus of this article, what received wisdom results in the unethical behavior of some groups in organizations? One model suggests that individuals' (and groups') standards of right

and wrong are not the sole determinant of their decisions (Trevino, 1986). Instead, these beliefs interact with other individual characteristics (such as locus of control) and situational forces (such as an organization's rewards and punishments and its culture). All of these factors shape individual and group decisions and behaviors that result from them. The model shows how people can choose to engage in acts they consider unethical when the culture of an organization and its prevailing reward structure overwhelm personal belief systems.

As evidenced in the discussion thus far, organizational culture is a key component when looking at ethical behavior. A closer look at the work done on groupthink (Janis, 1972) may help explain why some organizations develop cultures in which some individuals and groups knowingly commit unethical acts, or ignore them even though they believe the activities to be wrong. The presence or absence of ethical behavior in organizational members' actions is both influenced by the prevailing culture and, in turn, partially determines the culture's view of ethical issues. The organizational culture may promote the assumption of responsibility for actions taken by individuals and groups, thereby increasing the probability that both will behave in an ethical manner. Alternatively, the culture may diffuse responsibility for the consequences of unethical behavior thereby making such behavior more likely. In addition, there is the increased potential for groupthink, a precursor or result of organizational counternorms and unethical behavior.

Our definition of groupthink introduced earlier is based on the work of Irving Janis (1972) who defines groupthink as "a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' striving for unanimity override their motivation to realistically appraise alternative courses of action" (p. 9). Janis (1972), analyzing policy decisions such as the Bay of Pigs invasion, the Cuban missile crisis and the escalation of the Vietnam war, identified in those that ended disastrously a cluster of such symptoms for which he coined the term *groupthink*. Although some later work was critical of his characterization of those episodes, the concept has flourished and spurred a large literature in social and organizational psychology. Defined in Merriam-Webster's On-Line Dictionary as "a pattern of thought characterized by self-deception, forced manufacture of consent, and conformity to group values and ethics" (Groupthink, 2010), groupthink was strikingly documented in the official inquiries conducted on the Challenger and Columbia space shuttle disasters. It has also been invoked as a contributing factor in the failures of companies such as Enron and WorldCom, in some decisions relating to the second Iraq war, and most recently in the housing and mortgage-related financial crisis (Sims, 1992, 2003, 2009).

Groupthink is viewed as a dysfunctional process by Janis who further describes it "as a deterioration of mental efficiency, reality testing, and moral judgment" (as cited in Sims, 2003, p. 116) resulting in pressures within a group. During groupthink small groups develop shared illusions and related norms that interfere with critical thinking and reality testing. For our purposes, groupthink occurs when a group places a higher priority on organizational counternorms that lead to organizational benefits, thus encouraging and supporting unethical behavior. In addition, these counternorms are shaped and maintained by key organizational actors and the organization's reward system.

Janis's research demonstrates the presence of strong pressures towards conformity in these groups: individual members suspend their own critical judgment and right to question, with the result that they make bad and/or immoral decisions. This pressure can be viewed as an outcome of an organizational culture that accepts and expects certain beliefs or standards for behavior from its employees (i.e. received wisdom).

We agree with Janis that groupthink is a major cause of poor decision making. As he describes it, 'groupthink' occurs when decision makers who work closely together develop a high degree of solidarity that clouds their vision, leading them to suppress conflicting views and negative feelings about proposals, consciously or unconsciously. A manifestation of the groupthink phenomenon in our view is an increased openness to received wisdom which leads to the staggering irrationality which can beset the thinking of otherwise highly competent, intelligent, conscientious individuals when they begin acting as a group or team.

In such organizational cultures the received wisdom results in the absence of conflicting opinions, where harmonious tranquil work groups or teams or members of the broader organization are prone to becoming static, apathetic and unresponsive to pressures for change and innovation. Work groups and teams, even top management, also risk the danger of becoming so self-satisfied that dissenting views, which may offer important alternative information, are totally shut out.

The net effect of an organizational culture is failure to question the received wisdom that leads to the organization's employees overestimating its power and morality, creating pressures for uniformity and conformance, and organizational members becoming closed-minded, living in ivory towers. Some manifestations or symptoms are the illusions of invulnerability and the encouragement to take great risks and to ignore the ethical or moral aspects of their decisions and actions. Table 1 presents these symptoms (Janis, 1972). Evidence of most of these symptoms appears in the unedited transcripts of the deliberations of the people involved in the Watergate cover-up (Van Fleet, 1991) and records on discrimination violations, horizontal or vertical price-fixing, and intentional securities fraud.

TABLE 1
SYMPTOMS OF GROUPTHINK
(FROM JANIS, 1972)

- *Illusions of invulnerability*. Group members feel they are above criticism. This symptom leads to excessive optimism.
- *Illusions of group morality*. Group members feel they are moral in their actions and therefore above reproach. This symptom leads the group to ignore the ethical implications of their decisions.
- *Illusions of unanimity*. Group members believe there is unanimous agreement on the decisions. Silence is misconstrued as consent.
- *Rationalization*. Group members concoct explanations for their decisions to make them appear rational and correct. The results are that other alternatives are not considered, and there is an unwillingness to reconsider the group's assumptions.
- *Stereotyping the enemy*. Competitors are stereotyped as evil or stupid. This leads the group to underestimate its opposition.
- *Self-censorship*. Members do not express their doubts or concerns about the course of action. This prevents critical analysis of the decisions.
- *Peer pressure*. Any members who express doubts or concerns are pressured by other group members, who question their loyalty.
- *Mindguards*. Some members take it upon themselves to protect the group from negative feedback. Group members are thus shielded from information that might lead them to question their actions.

The flaws in the groupthink decision-making process often result in several kinds of ethical decision-making defects and outcome variables (Moorehead, 1982). The ethical decision-making defects are:

1. Few ethical alternatives perceived
2. No reexamination of preferred unethical alternative
3. No reexamination of rejected ethical alternatives
4. Rejection of dissenting opinions
5. Selective bias of new information
6. Win at all costs.

The outcome variables are:

1. Unethical decisions
2. Lower quality decisions.

Groupthink occurs in organizations that knowingly commit unethical acts when the group is cohesive, a leader promotes solutions or ideas even if they are unethical, and the group has no internal rules or control mechanisms to continually prescribe ethical behavior.

The symptoms of groupthink thrive in the sort of climate outlined in the following critique of corporate directors in the United States, which is quite representative of Enron's Board of Directors before the company's fall:

> Many directors simply don't rock the boat. "No one likes to be the skunk at the garden party," says (management consultant) Victor Palmieri.... "One does not make friends and influence people in the boardroom or elsewhere by raising hard questions that create embarrassment or discomfort for management." (Baum, 1986, p. 60)

Quite often groupthink is only recognized *after* a group has made a disastrous decision. When this occurs, the members are apt to ask, "How could we have been so blind? Why didn't anyone call attention to our errors?" Unfortunately, at the time the group was making its decision(s), it is unlikely that any criticism or questioning of its actions would have been given serious consideration.

Groupthink appears to have contributed to unethical behavior in numerous organizations (Adelphia, Beech-Nut, E. F. Hutton, Enron, Global Crossing, HealthSouth, Lehman Brothers, Parmalat, Salomon Brothers, Tyco, WorldCom) over the years. At the extreme end of the spectrum, there is what we view as a widespread pattern of received wisdom of 'pushing the boundaries' of everything, for example, from accounting rules to disclosure rules for public companies, lax internal controls that focus on doing deals rather than managing, outright fraud and theft, and incentive systems that reward the wrong actions.

Executives at Beech-Nut, E. F. Hutton and Salomon Brothers showed group characteristics found in groupthink experiences; for example, they exhibited excessive or blind loyalty, a bottom-line mentality, arrogance and overconfidence, and a promotion of unethical solutions by organizational leaders. In addition, like Beech-Nut and E.F. Hutton, Salomon Brothers also showed clear symptoms of groupthink, decision-making defects, and other outcome variables discussed earlier. In each organization individuals followed the received wisdom of a willingness to take the approach of 'let's all close our eyes to this problem.'

Enron followed this pattern. The case of Enron shows how a combination of intellectual laziness and groupthink by a large number of employees, consultants, and analysts allowed a group of greedy and ambitious individuals to get away with massive fraud. Enron was not a case of one or two people at the top undertaking a complex scheme unbeknown to others, but rather a case of many individuals who knew what they were supposed to do, but didn't do it. This was a case of analysts who never really questioned how Enron made its money, of accountants who didn't ask simple questions, and of employees and board members who saw dubious things but were afraid to stand up and ask the questions they should have.

Ineffective and suboptimal group decision-making negatively affected the health of Swissair and caused a considerable amount of monetary loss. Hermann and Rammal (2010) illustrate the detrimental role of groupthink in the collapse of Swissair, a Swiss airline company that was thought to be so financially stable that it earned the title the "Flying Bank." The authors argue that, among other factors, Swissair carried two symptoms of groupthink: the belief that the group is invulnerable and the belief in the morality of the group. In addition, before the fiasco, the size of the company board was reduced, subsequently eliminating industrial expertise. This may have further increased the likelihood of groupthink. With the board members lacking expertise in the field and having somewhat similar backgrounds, norms, and values, the pressure to conform may have become more prominent. This phenomenon is called group homogeneity, which is an antecedent to groupthink. Together, these conditions may have contributed to the poor decision-making process that eventually led to Swissair's collapse.

To this point in our article we have discussed the relationship between organizational culture, received wisdom, and groupthink and the ways they can adversely affect the ethical climate of any organization. But are there also positive ways for organizational culture to be shaped such that received

wisdom can lead to an ethical organizational culture where virtue is recognized and rewarded? Furthermore, are there any actions organizational leaders can take to guard against the damaging effects of received wisdom resulting in groupthink and unethical behavior? We certainly believe there are. Furthermore, we have found with our organizational clients that these ideas—when implemented carefully, intentionally, and in a sustained manner—can impact received wisdom, change organizational culture, ethical climate, and executive decision-making for the better. We outline briefly some of these ideas below.

ORGANIZATIONAL CULTURES AND CHARACTER

Sauser (2008) has distinguished among four types of organizational culture with respect to their stance toward ethical behavior in business. This classification scheme, modeled in part on Schermerhorn's (2005, pp. 75-76) typology of strategies for corporate responsibility, holds that there are four basic types of organizational culture with respect to moral thought and action in business. They are *defiance, compliance, neglect*, and *character.*

An organization displaying a *culture of defiance* would be expected to exhibit behaviors aligned with Schermerhorn's (2005, pp. 75-76) *obstructionist* strategy of corporate social responsibility. More bluntly, the received wisdom for organizational members would be likely to scorn the law and other ethical standards and seek to resist or defy them wherever possible. That is, the received wisdom is one of 'bending' the law, cutting ethical corners, breaking the law when the likelihood of detection is perceived to be low (or reward for breaking the law is gauged to be high enough to risk the consequences). These and other such tactics would be rewarded and encouraged in this type of culture. Top management would model the way with questionable behaviors and messages indicating to other organizational members that defiance of the law is acceptable when necessary to meet or exceed economic goals. 'Achieve economic success at any cost; just don't get caught' would be the theme and received wisdom for organizational members in an organization embracing a culture of defiance. Denial of guilt would be expected if illegal or unethical behaviors of members of such an organization were detected and made public.

The organization characterized by a *culture of compliance* would be expected to exhibit behaviors associated with the *defensive* and *accommodative* strategies of corporate social responsibility described by Schermerhorn (2005, pp. 75-76). Their leaders and members may not *agree* with the legal and ethical standards they are forced to operate within, but they would take actions designed to meet (at least minimally) their legal and ethical obligations. In fact, this is an important distinction between *compliant* organizations and those with *character* as defined below. In psychological terms, the received wisdom of compliance means yielding to standards one does not necessarily accept (McGuire, 1969, p. 190). It is only when one *internalizes* (accepts and incorporates within one's value system) the principles underlying 'the letter of the law' that c*haracter* can be inferred as the underlying cause of behavior aligned with laws and ethical standards. In other words, the received wisdom of *compliance* infers a grudging sort of acceptance of laws and ethics, not a true incorporation of the 'spirit' of those standards within one's individual personality or corporate culture (Krech, Crutchfield, & Ballachey, 1962). Here are a few examples of 'mixed messages' one might find in a culture of compliance, where the letter—but not the spirit—of laws and ethical standards may be embraced. The first three examples are provided by Murphy (1988, p. 911); the other three are drawn from Sauser (2010, pp. 57-58):

- I don't care how you do it, just meet or beat your quota.
- Ship more to that customer this month than you did last.
- Find a way to fire that person.
- Don't bother me with the details, you know what to do.
- No one gets injured on this worksite…period. Understand?
- I'm the boss; just do what I say and you'll be okay.

In these cases, the supervisor could be expected to deny ever having given permission to 'break the rules,' and in fact may express shock that the order or received wisdom was perceived in that manner. Nonetheless, these messages from supervisors often actually provide a distinct signal to employees that the organization may go through the motions to do what is right but does not really value what is right. This is the culture of compliance, a reluctant acknowledgment of laws and ethical standards and a grudging attempt to abide by them.

The *culture of neglect* is all too often a tragic case. The leaders of the organization may be seeking to follow Schermerhorn's (2005, pp. 75-76) strategy of *accommodation* or even *proaction*, but one or more flaws in the culture lead to a failure to achieve the goals of this strategy. Such shortcomings might include a failure to know or understand the laws and ethical codes regulating the business, a failure adequately to communicate those standards, a failure to detect and/or punish wrongdoers within the firm, or even blindness within the culture—caused by one or more tragic flaws—that leads to unintentional moral failure. While leaders of cultures of character are constantly vigilant to detect and correct ethical shortcomings on the part of themselves or their employees, leaders of cultures of neglect fail in their responsibility of due diligence. The consequences of this failure of diligence can be as devastating as the consequences of the deliberate defiance of the law taken by organizations with cultures of the first type.

The final of the four types of organizational culture in Sauser's (2008) taxonomy is the *culture of character.* This is the organizational culture whose leaders and members, according to Sims (2005),

> …are truly committed to ethical conduct [and] make ethical behavior a fundamental component of their every action. They put a stake in the ground, explicitly stating what the organization intends and expects. Value statements and codes of ethical conduct are used as a benchmark for judging both organizational policies and every individual's conduct. They do not forget that trust, integrity, and fairness do matter, and they are crucial to [everyone] in the organization. (p. 396)

Here is an important statement made by Carl Skoogland, the former ethics director of Texas Instruments, in a speech he made on October 16, 2003: "Ethical managers must *know* what's right, *value* what's right, and *do* what's right" (Skoogland, 2003, emphasis in original). These three key principles are essential in the practical and successful management of ethics at the organizational level. With respect to Skoogland's (2003) three key principles, the received wisdom of organizational members of *cultures of defiance* may (or may not) include knowing what's right, but it certainly includes neither valuing what's right nor doing what's right. The received wisdom of organizational members of *cultures of compliance*, from this same perspective, includes knowing what's right and even doing what's right, but not really valuing what's right. Consequently, as a result of this received wisdom members of these organizations may be tempted to bend or break the rules when opportunities occur, and may even be surreptitiously rewarded by their supervisors and peers for doing so. In *cultures of neglect*, there may be a conscious effort because of received wisdom to know what's right, value what's right, and do what's right, but—through some (often unconscious) flaw in the culture—this effort flags through lack of diligence, resulting in a breach of moral standards. Finally, in *cultures of character*, positive moral values are ingrained throughout the organization such that all of its members strive without fail as a result of the received wisdom to know what's right, value what's right, and do what's right.

ELEMENTS OF A CULTURE OF CHARACTER

A 'culture of character' thus is the type of organizational culture in which positive ethical values are ingrained throughout the organization such that the received wisdom of all of its members is to strive without fail to know what's right, value what's right, and do what's right. Turknett and Turknett (2002) provide this definition of a company with character:

> Like people with character, they get results, but they do it with integrity and a respect for people. Like people with character, companies with character are able to balance *accountability* and *courage* with *humility* and *respect.* (p. 2, emphasis in original)

Organizations with character not only *comply* with legal and ethical standards, they also *internalize* them from top to bottom such that every member of the firm becomes a guardian of integrity. In fact, this is the characteristic that distinguishes between the two cultures. In a culture of compliance, members of the organization seek to live by the 'letter of the law,' but do not take to heart the 'spirit of the law.' In a culture of character, what is right, what is legal, what is good, what is ethical is ingrained in the fabric of the organization. Ethicality is valued in the culture of character, and every member of the organization seeks to live by that key value.

PricewaterhouseCoopers (n. d., p. 1) describes the process of building such a culture as "marrying substance to form and achieving compliance with the spirit of new standards and expectations." Trevino and Nelson (2004) suggest that "organizations can and should proactively develop an ethical organizational culture and…organizations with 'ethics problems' should take a culture change approach to solving them" (p. 225). Pastin (1986) describes organizations exhibiting what Sauser (2008) calls a *culture of character* as those that possess the following four stylistic markers:

- They are at ease interacting with diverse internal and external stakeholder groups. The ground rules of these firms make the good of these stakeholder groups part of the organization's own good.
- They are obsessed with fairness. Their ground rules emphasize that the other person's interests count as much as their own.
- Responsibility is individual rather than collective, with individuals assuming personal responsibility for actions of the organization. These organizations' ground rules mandate that individuals are responsible to themselves.
- They see their activities in terms of purpose. This purpose is a way of operating that members of the organization highly value. And purpose ties the organization to the environment. (p. 14)

How can its leaders establish an organizational culture of character? Many authors (e.g., Aguilar, 1994; Sauser & Sims, 2007; Sims, 2005) have offered helpful guidance. However, Perkins and Van Valkenburg (2004) are insistent that the creation of values-based organizations must begin at the top. Cultures of character are built by leaders of character. Here are some of the characteristics Perkins and Van Valkenburg (2004) believe are essential in leaders of character: (a) humility, (b) the ability to hear others while also stating one's own views, (c) fact-based thinking, (d) skills in creating better processes, (e) a tendency to give recognition rather than seek it, (f) strong ability to build a quality executive team, and (g) a commitment to shaping basic business realities for the long term.

Leaders of organizations with cultures of character should possess wisdom and knowledge, courage, humanity, justice, temperance, and transcendence (Peterson & Seligman, 2004). Furthermore, they should devote considerable time and effort to modeling these virtues through their day-to-day interactions with the organization's employees and other stakeholders. They must seek out subordinates who also have these values, then work to shape and reinforce them throughout the organization such that these virtues come to define the organization. When organizational character becomes self-sustaining such that it transcends the leader's term at the helm, then a culture of character is well on its way to institutionalization. Cultures of character are established by persons of character who pass their values on to succeeding generations of leaders and employees. This truly is the key—and the test—of character-building within the organization.

Business leaders—and please recognize that leaders may be found at every level of the organization—must be ever mindful that a culture of character is built by purposive action. Leaders of a culture of character must possess strong moral fiber, and must seek to select, develop, mentor, and reward others like them throughout the organization. They must work hard every day to infuse character into the

organization through their day-to-day decisions and interactions with others. They must use techniques like leadership, structure, values, rewards, decision-making processes, norms, heroes and role models, rituals, myths, stories, and language to create a culture that reflects their personal values and those of their stakeholders. Then they must seek to develop the next generation of leaders such that the integrity of the organization they have served will continue into the future. This is the blueprint for building a culture of character, a culture where everyone in the firm knows what's right, values what's right, and does what's right. This is the challenge offered to today's enlightened leaders.

How might a leader go about creating an organizational culture where ethics can flourish? The Ethics Resource Center (Joseph, 2003, p. 5) offers four elements as a beginning point: written standards of ethical conduct, training on standards of conduct, an ethics office or telephone advice line, and a means to report misconduct anonymously.

The organizational leader's chief task with respect to establishing a culture of character is to lead by example and to empower *every member* of the organization to take personal action that demonstrates the firm's commitment to ethics in its relationships with suppliers, customers, employees, and shareholders. The leader should serve as an ethical exemplar and mentor to others in the organization. The leader must take proactive steps to turn each employee of the organization, no matter what may be that individual's position in the organizational hierarchy, into a guardian of the organization's integrity. When maliciousness and indifference are replaced with a culture of integrity, honesty, and ethicality, the organization will reap long-term benefits from all quarters. This is the culture of character. Leaders who take the time and effort to replace a weak organizational culture—one that perpetuates the negative shared folklore we described earlier in this article—with a culture of character will reap the benefits of a strong ethical reputation for their organization.

COMBATTING THE NEGATIVE EFFECTS OF RECEIVED WISDOM AND GROUPTHINK

Groupthink can have devastating effects on an organization's ethical climate and reputation by fostering a dangerous condition in which received wisdom contributes or leads to poor ethical decisions being made. One suggestion we have for organizational leaders seeking proactively to root out any possibility of damage from key organizational decisions resulting from received wisdom and tainted by groupthink is to institute a policy of deliberately *injecting contrast* into the deliberative process preceding the making of a particularly critical decision (Sauser, 1988). In order to ensure high-quality ethical decisions—free from the devastating consequences of groupthink—organizational leaders must (a) insist upon the consideration of a variety of options before making a final decision, and (b) subject these options to rigorous logical testing. "Once 'holes in the plan' have been discovered, the plan can be revised or abandoned. However, if the plan is *not* subjected to a stern test of quality, its weaknesses may not be uncovered until too late" (Sauser, 1988, p. 22). We believe many of the unfortunate examples cited in the literature could have been avoided if the organization's received wisdom had included the consistent use of one or more of these techniques for injecting contrast (Sauser, 1988);

- Invite diverse viewpoints
- Reward contrasting opinions
- Carefully explore the nature of the problem
- Consider a variety of alternative solutions
- Challenge each proposed solution
- Appoint one or more 'devil's advocates' to prepare as strong a case as possible *against* each proposed solution, and listen carefully to their arguments
- Expose hidden doubts.

The point of these techniques—and others like them that can readily be envisioned—is to be certain that the received wisdom and resulting groupthink does not take a stranglehold on organizational decision

making. This is an important additional step leaders can take when working deliberately to create a culture of character in the organizations they lead.

SUMMARY

In this article we have (a) described our perspective on 'received wisdom' and 'groupthink' and how these phenomena affect organizational ethical culture, (b) provided some examples of the negative effects of 'unwise' received wisdom and groupthink on poor ethical decisions and actions taken by organizations in recent history, (c) discussed our concept of ethical organizational cultures based on character, and (d) outlined intentional steps organizational leaders can take to see that received wisdom leads to an ethical organizational culture based on character. These actions demand focused attention, careful implementation, and sustained effort on the part of any organization's leaders. However—as we have demonstrated throughout this article—the wisdom of establishing an organizational culture that uses shared wisdom to manifest high levels of character while combatting the devastating effects of groupthink can pay dividends for years to come.

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