

Justice—The Most Complicated Virtue

Law follows society's vision of justice, not the other way around. This means that we decide what is just and then pass a law. However, what is legal and what is ethical can be quite different. The rule of law ensures that contracts are binding, ensuring supposedly just business practices. But those same laws have allowed executives to walk away with millions, even when customers were deceived, wealth was destroyed, and employees lost jobs. So the distinction between law as rule and ethics as an exception to the rule is important to understand. Law is what we have to do. Ethics is what we should do.

Even in an unfair world, virtue is not a disadvantage. "Moral" is the root word of "morale." A moral or just work environment is not only fair and pleasant—it actually increases engagement. Employees and/or teams who aren't fairly treated will be tentative, slow, and more likely to hold back, as well as unlikely to exert the effort that is so essential for high performance.

Hypocrisy: What Happens When Justice Is Missing

During a speech to the Association of Certified Fraud Examiners, a business leader cautioned that ethics was more about culture than codes of conduct. "Culture starts at the top. But it doesn't start at the top with pretty statements. Employees will see through empty rhetoric and will emulate the nature of top-management decision making. A robust code of conduct can be emasculated by one action of the CEO or CFO."¹ The speaker was Andrew Fastow, the former CFO of Enron, who spent more than five years in federal prison for committing fraud.

Spotting hypocrisy in others is easy. The challenge is seeing our own. Human frailties make it unrealistic to eliminate

hypocrisy completely. Given a bit of power, it can be even harder to act on our better nature. According to Abraham Lincoln, the best way to test someone's character isn't to give them adversity; it is to give them power.²

The University of California at Berkeley Psychology Department used cookies to test Lincoln's insight. Students were organized into teams of three, one team member randomly selected to lead the group. The team was then asked to brainstorm solutions to problems,



such as cheating and binge drinking. After thirty minutes, researchers brought each team a plate of four cookies, one more than the number of team members. In each case, the randomly selected leader ate the fourth cookie quickly and without any discussion. The leader was neither more virtuous nor more valuable to the team. The person simply believed that rank had its privileges.

Author and former investment banker Michael Lewis thought that this simple experiment captured what he observed on Wall Street. Leaders who were lucky to receive extra cookies believed that they deserved them, grabbing excessive compensation and leaving crumbs for shareholders, employees, and taxpayers. Lewis concluded their morality was corrupted by the power of their position.

Lewis's comments are backed up by research that demonstrates that power can increase selfishness. If we are not careful, power can replace compassion with inattention to the concerns of others and in the process undermine justice.

The Dirty Dozen and ROA

Sadly, the layoff is an all-too-common justice issue today. Return on Assets (ROA) can be improved in the short term by reducing costs through layoffs and outsourcing. But over the long run, ROA decreases when cost reductions lose the trust of employees after a layoff.

In fact, organizations can expect to see a dozen unattractive behaviors:

1. Decreased trust
2. Less information sharing
3. Loss of accessible leadership
4. Centralized decision-making
5. Escalating political infighting
6. Increased interpersonal conflict
7. Decreased morale, commitment, and loyalty
8. Loss of teamwork
9. Decreased innovation
10. Increased short-term crisis mentality
11. Increased resistance to change
12. Risk aversion

Cost savings made possible by layoffs will give the ROA a bump in the short term, but the savings aren't sustainable if disengagement settles in and too many employees exhibit the "dirty dozen." This presents leaders with a vexing conundrum of how to balance financial stability and employee stability. Sometimes, layoffs just can't be avoided.

The good news is that virtues act as a buffer against the "dirty dozen." When leaders exhibit courage and compassion, they legitimize virtuous behaviors. When employees observe gratitude or witness forgiveness, a cycle of mutually positive reinforcement begins.

Practiced well, virtue is contagious.

1. Jerry Useem, "What Was Volkswagen Thinking?" Atlantic, January/February 2016, <https://www.theatlantic.com/magazine/archive/2016/01/what-was-volkswagen-thinking/419127/>
2. Abraham Lincoln, BrainyQuote.com, Xplore Inc., 2016, https://www.brainyquote.com/quotes/abraham_lincoln_101343
3. Lewis, Michael (2012). "Don't Eat Fortune's Cookie," Princeton University's 2012 Baccalaureate Remarks, Princeton University, June 3, 2012, News at Princeton, <https://www.princeton.edu/news/2012/06/03/princeton-universitys-2012-baccalaureate-remarks>
4. Adapted from Kim Cameron and John Smart, "Maintaining Effectiveness Amid Downsizing and Decline in Institutions of Higher Education," Research in Higher Education, vol. 39, no. 1, 1998, http://biblioteca.esec.pt/cdi/ebooks/docs/Maintaining_effect.pdf