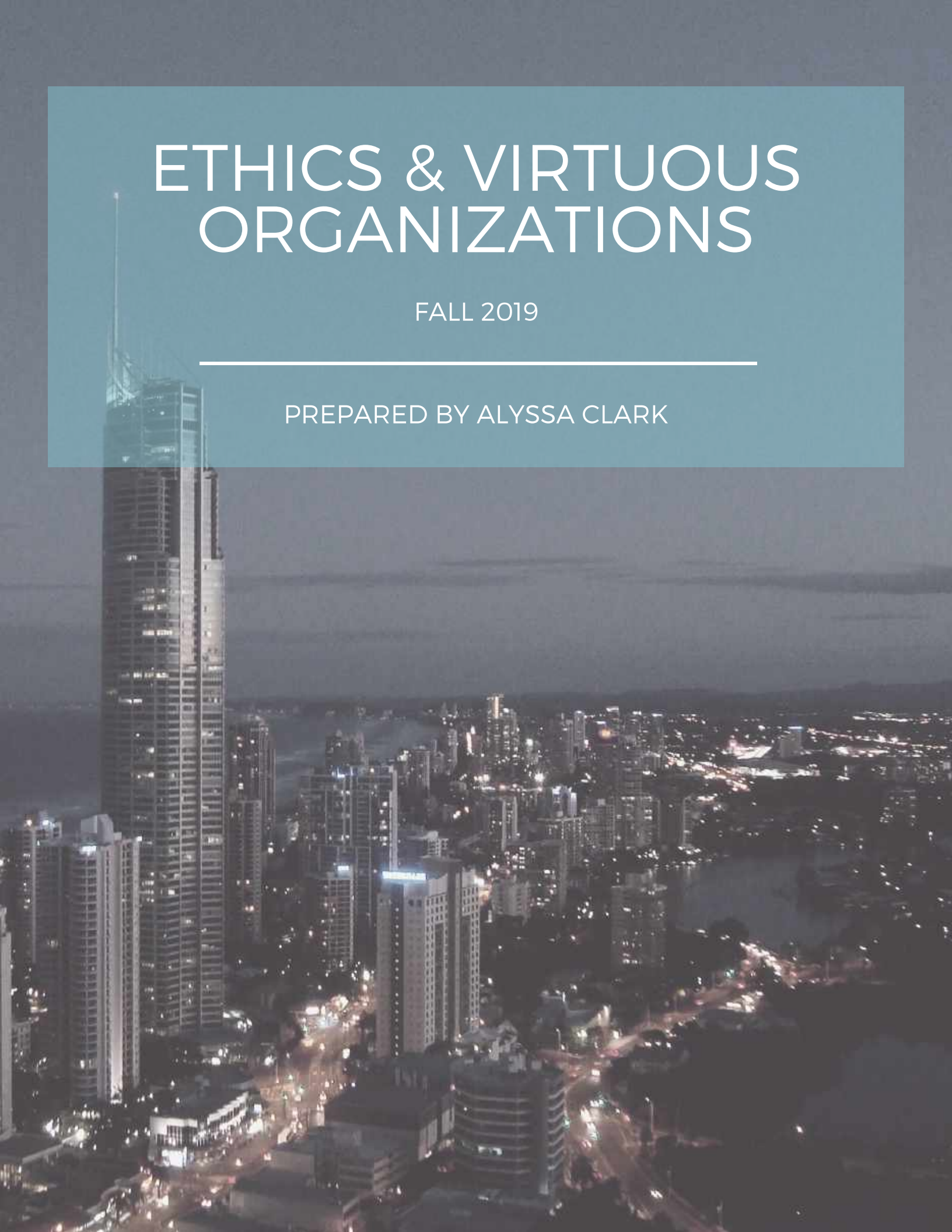


# ETHICS & VIRTUOUS ORGANIZATIONS

FALL 2019

---

PREPARED BY ALYSSA CLARK



# INTRODUCTION

---

When I began the MPA program I was interested in understanding how organizations could collaborate to facilitate systems change and solve social problems. I was specifically interested in intersectional collaboration between nonprofits, governments, and businesses. That interest landed me working with Dr. Witesman on the Creating the Virtuous Organization project.

For the last eighteen months, my broad focus has been oriented around how businesses can be good - not just do good things or improve their corporate social responsibility, but how they can be true stewards over the employees, customers, and communities they interact with. That collection of thoughts about the responsibility of business, and institutions in general, has had many tangents that have often

intersected with ethics, but had seemed somehow distinct in unidentified ways.

As I approached the opportunity to study ethics this semester, my goal was to understand how ethics, virtue, and corporate social impact efforts each contribute to helping organizations be good. I wanted to understand how these concepts are related and how they are different. Ultimately, I want to be fluent in the language of each of these initiatives so that I can draw on their strengths to improve the social value creation of organizations across all sectors.

This report is organized into three sections: readings, case studies, and discussions. In the readings section I will attempt to describe what each book contributed to my understanding of how organizations can engage in creating social value. The case studies section will summarize the facts of each case, and then include an application of ethics to that case (note: additional resources - including videos, podcasts, documentaries, and articles - for each case can be found in the appendix). Finally, the discussions section will summarize conversations I had with ethics professors about how their research informs organizational improvement.



An aerial view of a city street, likely in New York City, showing a multi-lane road with cars, a bus, and trucks. The street is flanked by tall buildings. A semi-transparent blue overlay covers the entire image, and the text is centered on this overlay.

# PART I: READINGS

---

Justice: What's The Right Thing To Do  
Business Ethics Field Guide  
The B Corp Handbook  
What Money Can't Buy



# JUSTICE: WHAT'S THE RIGHT THING TO DO

---

BY MICHAEL J. SANDEL

Last year I visited one of my good friends in Pennsylvania. My friend and I frequently have heated conversations about social and political issues. This trip coincided with some prominent public conversations about the legalization of prostitution. She argued that supporting the legalization of prostitution would allow prostitutes more legal and legitimate pathways to a career and rights. Plus if they wanted it, why should she (or anyone else) limit their freedom to choose that career path? I pushed back that I thought the people electing to be prostitutes were facing a constraint in their choices and if they felt like they had more options they would choose something different. I saw it as a pathway to further sexism and gender inequality.

*Justice* highlights the underlying debate my friend and I were having as we talked about legalizing prostitution. Our ethical approaches to the issue were different. While she was emphasizing a libertarian perspective that valued individual freedom to choose, I was concerned that legalizing prostitution could harm women in general by creating a legal precedent for sexism, gender inequality, and the objectification of prostitutes. Our debate, while manifest as a conversation about prostitution, was actually about how we conceptualize and impose our morals on society.

At the end of this conversation on the legalization of prostitution, I found myself wondering about my moral obligation to society. Should I use my personal opinions, beliefs, and standards to inform the way I engage civically? Should I use my opinions to “legislate morality”? Do I expect that society could become more moral if people acted according to their beliefs? Would it even be a good thing for

---

society to become more like that? Sandel phrases it this way: "Does a just society seek to promote the virtue of its citizens? Or should law be free to competing conceptions of virtue, so that citizens can be free to choose for themselves the best way to live?"

As Sandel presents utilitarianism and its emphasis on collective utility, libertarianism with its focus on individual freedom, and the musings of Kant and Aristotle on rights, freedom, motivation, and moral excellence, I found pieces that resonated with me, and others that I was repulsed by - often from the same theory or theorist.

Within those thoughts, one of the concepts that I found most disagreeable is the effort of utilitarians to measure utility. In their attempts to establish a common currency of value, I agree with Sandel who comments, "the language of virtue does not translate into the language of utility." In efforts to measure utility, some of the value of experiences, people, and things is lost.

This criticism comes full circle - and connects to my internal debate about establishing personal ethics and morals - when Sandel explains Aristotle's perspective. He says, "Moral excellence does not consist in aggregating pleasures and pains but in aligning them, so that we delight in noble things and take pain in base ones. Happiness is not a state of mind but a way of being, 'an activity of the soul in accordance with virtue.'"

Due to individual circumstances, people will come to value different

things. I think part of the journey of life (and spiritually, of consecration) is to identify your values and align yourself to them. In that pursuit, I believe people should be free to choose. But I also believe part of our journey in life is to build community (spiritually, to build Zion). In this, I recognize that I am making a moral claim in asserting my own values and perspectives; I also recognize that this claim may impose on the freedom of others in making their own moral claims.

Sandel, luckily, concludes by addressing this conflict directly. He quotes former President Barack Obama who said, "Secularists are wrong when they ask believers to leave their religion at the door before entering the public square. Frederick Douglass, Abraham Lincoln, William Jennings Bryan, Dorothy Day, Martin Luther King - indeed, the majority of great reformers in American history - were not only motivated by faith, but repeatedly used religious language to argue for their cause. So to say that men and women should not inject their "personal morality" into the public policy debates is a practical absurdity. Our law is by definition a codification of morality, much of it grounded in the Judeo-Christian tradition."

*Justice* laid a foundation in theory for me to understand my personal morals and ethics. It also helped me build a greater respect for the complexity - and frequent contradiction - of the deep ethical dilemmas that extend into the very way we conceptualize society and human interactions.



# THE BUSINESS ETHICS FIELD GUIDE

---

BY BRAD AGLE, AARON MILLER, BILL O-ROURKE

While *Justice* was steeped in theory, *The Business Ethics Field Guide* stepped to the other extreme of very practical application. After reading *Justice* and feeling the complexity of ethics, I almost felt that the *Business Ethics Field Guide* wasn't even talking about the same thing.

After reading *Justice*, I understood the need to 1) develop a personal perspective on ethics and 2) integrate ethics into organizations as a foundation of society. I think *The Business Ethics Field Guide* attempts to do just that by offering advice for how to develop individual and organizational ethics.

Throughout this book, the authors repeatedly emphasize the role of social capital and relationships in navigating ethical dilemmas. In thinking about the role of human relationships, I began to consider how and why we create organizations. I believe that people organize to accomplish things they could not do on their own. When people organize themselves in business endeavors, they position themselves to complete things they could not do alone.

In those circumstances, individual backgrounds, opinions, and perspectives are brought into conflict. The authors explain, "In an interconnected world, it is nearly impossible not to be involved in at least a tangential way with products or activities that conflict with your values." Because of this interconnectedness and conflict, I do think it is important for organizations to create, uphold, and navigate organizational ethics. Because of the inevitable value conflicts people will face, I think the way to do this is by setting up systems to manage value conflict.

---

This guide discusses some systems that can be created to manage ethics, like measurement and reporting systems, however, the guide overall seems to assert moral authority over values and what should or should not be done, rather than emphasizing a systems approach to navigating the complexity and contradiction of ethical dilemmas. Instead of teaching how to interact with the variety of values individuals will inevitably come into contact with in organizational settings, this book seems to prescribe rules for narrowly defined dilemmas. In so doing, I feel that the book asserts moral authority, failing to preserve the welfare, freedom, and virtue discussed in *Justice*.

This book also emphasizes one of my pain points with ethics, as we talk about it colloquially. When I thought of ethics before this class, I thought of standards organizations put in place so that they wouldn't "get in trouble" or "break the rules/law." In *The Business Ethics Field Guide*, the phrase "determine your moral threshold" and others like it are repeatedly used. In contrast to the taste I got of ethics from *Justice* (ethics as an endeavor to build the good life), this book left me feeling like I needed to figure out just how far I was willing to go in compromising my values to ensure organizational success.

When considering this book through the lens of the Creating the Virtuous Organization project, my favorite part came from the introduction. Bill O'Rourke describes a situation in which the actions of his company threatened

the health of the community surrounding one of their water plants. In response, Bill said, "We aspire to be the best company in the world," and the company proceeded to recover their damages and compensate the community for them.

This attitude feels much more aspirational than the rest of the book demonstrated to me. Rather than considering their threshold, I think this story demonstrates how the company was seeking to minimize their harm. Beyond that, I'd like to know how they sought to maximize their value creation in that community.

Rather than seeking to establish thresholds and minimize harm, I think organizations can be powerful forces for social value creation when they utilize the values of each individual in collective action.



# THE B CORP HANDBOOK

---

BY RYAN HONEYMAN AND TIFFANY JANA

*The B Corp Handbook* is almost the opposite of *The Business Ethics Field Guide* in that it focuses only on social value creation with little discussion of ethics. That said, there are some clear ethical and moral assumptions underlying the principles and practices they discuss.

B Corps was formed as part of a growing movement to mobilize business for social value creation. Their mission is to create a “global economy that uses business as a force for good.” B Corps mobilizes businesses that are interested in increasing their social and environmental accountability and gives them a platform for certification and communication to other businesses and consumers. The “Certified B Corporation” label can be found on many food products, websites, and even storefront windows.

B Corps are committed to verified social and environmental performance, legal accountability, and public transparency. In order to become a certified B Corp, a company must score at least an 80/200 on the B Impact Assessment which evaluates companies on five criteria: workers, community, environment, governance, and customers.

While B Corps offer another perspective on how business can shape society, and part of their movement involves shaping markets and norms, a division still exists between the aims of B Corps and the conversations around ethics. Ethics, however, is a valuable lens through which B Corps can be analyzed. Through this lens, several ethics principles emerge.



---

One ethics principle is the theoretical roots and assumption of B Corps as a force for good. I think this theme draws on the theoretical emphasis of the ethics of care and virtue ethics. This movement seems to assert that business has the responsibility to care for those who have been marginalized. It does not emphasize utilitarianism or even libertarianism in the extreme ways that Sandel discussed them in *Justice*.

For example, in the introduction of *The B Corps Handbook*, the authors spend substantial time discussing the harmful effects of white supremacy on our economic and social systems. Throughout the book they discuss DEI (Diversity, Equity, and Inclusion) initiatives as a way business can combat and change the systems that have created and reinforced white supremacy.

Another point they address in passing relates to Kant's thoughts on motivation. One of the B Corps founders says, "At B Lab, our biggest obstacle has not been intention; it has been commitment." The thought that the intention is already well aligned to creating social value seems like a lofty assumption. They also readily recognize that the incentive for becoming a B Corp may be to "attract and retain talent, distinguish your business in a crowded market, and help associate your brand" with other socially responsible companies. If the intention is for one of the listed reasons, I question whether the motive would actually hold up to Kant's moral theory arguments.

Overall, I think that B Corps hold a unique and interesting role in reimagining how organizations and market systems can be organized on different values. Instead of an emphasis on profit maximization, can organizations and markets orient toward social value creation?



As a side note, *The B Corps Handbook* referenced a study from Goldman Sachs that made me curious about generational changes in the things we value and our ethics. The study said:

"Goldman Sachs found that millennials, who currently represent more than 50 percent of the global workforce (and who will represent more than 75 percent of the global workforce by 2025), 'have specific needs at work that are dramatically different from previous generations. High among these is a desire to align personal and corporate values. To attract and retain this group, we believe that companies need to provide rewards beyond financial gain.'"

This made me wonder: How have ethics and values evolved over time? Do we see other clear distinctions? How does that play out in the way we create, shape, and interact with institutions?



# WHAT MONEY CAN'T BUY

---

BY MICHAEL J. SANDEL

While *Justice* provided me insight into individual ethical frameworks and theory and *The Business Ethics Field Guide* and *The B Corp Handbook* taught me about how to incorporate values and ethics into organizational structures, *What Money Can't Buy* led me to think about ethical markets and systems. Because of this build up, *What Money Can't Buy* may have been the most interesting book to me.

This book addresses the moral limits of our markets. It does this by juxtaposing the role of private and public institutions and their moral and ethical responsibilities. Sandel gives many examples to illustrate this, but the one that stood out the most to me was the expanded role of product advertising.

In this section, Sandel talks about how businesses are starting to produce products and advertisements that are being integrated, for example, into public school classrooms. Specifically, Sandel references how Gushers supplies product samples to classrooms to teach about volcanoes and Tootsie Rolls offers candy to students and suggests that students ask their parents about their memories with the chocolate chews. Sandel jarringly concludes, "Rather than raise the public funds we need to educate our children, we choose instead to sell their time and rent their minds to Burger King and Mountain Dew."

This concept feels so jarring because it presents the moral issue of private sector intervention in the public sector into sharp focus. The topic of private and public interactions has become more interesting to me as I've watched businesses attempt to incorporate social missions and social responsibility programs into their

---

business practices. It has become even more interesting as I've started to hear more critiques detailing why this might not be a good idea (like Anand Giridharadas's book *Winners Take All*).

One of the reasons I think this crossing of lines becomes controversial and dangerous is that it changes how we value things and who has access to those things. By putting a price tag on everything, we insinuate that "nothing is sacred." My exploration on this line of thinking has led me to economic ideas like Doughnut Economics, Sacred Economics, and the gift economy. These theories suggest that value is changed and lost when we focus on a financially-driven market. Our social norms become oriented to money and products rather than people or relationships.

The second problem Sandel introduces in this narrative on the morality of markets relates to the stratification of ability to pay. Some markets become inaccessible to those who are unable to pay, and conversely, some markets become supplied by those who are in greatest need. For example, Sandel discusses things like the market for surrogate mothers, kidneys, and even people waiting in line on behalf of others. Often those who are most disadvantaged are also most desperate to fill the "undesirable" needs of society.

From an ethical perspective, this may be permissible because the greatest collective amount of value is being delivered to society (utilitarian). On the other hand, a libertarian may argue that

the freedom to choose is constrained and therefore the ethical requirements have not been met. From yet another perspective, virtue ethics may seek to advocate for those who are disadvantaged by this system.

Regardless of the ethical perspective, understanding the interactions between the private and public sectors - morals and markets - and the concerns around it have important implications for my future pursuits in working with businesses to improve their social value creation. I need to understand if that is even a space I think business should step into - and if not, how to get them to step out of it and support government better. Likewise, if I continue to seek to understand collaboration, I need to understand the boundaries, strengths, and limitations of each sector - and the implications of those circumstances.

Ultimately, Sandel asserts that the challenge of ethics and markets is both "more pervasive and more mundane." To change our systems, we need to understand the ethical frameworks, complexities, and contradictions at individual, organizations, and normative (market) levels. It is indeed "more pervasive and more mundane" in the ways each person interacts and is taught at a day-to-day and deeply integrated way. I would hope that in our pursuit to understand systems in this lens, we might also be able to understand how we can use the strengths and value of each sector to improve our social systems, governance, and individual pursuit of the good life.

An aerial view of a city street, likely in New York City, showing a multi-lane road with cars, a bus, and buildings on both sides. A semi-transparent blue overlay covers the entire image. The text is centered on this overlay.

# PART II: CASE STUDIES

---

Facebook  
Theranos  
Uber  
Volkswagen

# FACEBOOK

---

Over the last fifteen years, Facebook has changed how the world connects and interacts with each other. They have amassed innumerable data points and connections and in their efforts to “give people the power to build community and bring the world closer together.” In this process they have also faced a conflict in how to manage all those pieces of data and personal information. The implications of the connections - good and bad - they have facilitated have come to a head in recent years. The 2016 election controversy may be their most well known ethical and legal battle, with public hearings in front of federal lawmakers, but their growth has been accompanied by a plethora of other ethical dilemmas ranging from bullying to enabling racial discrimination in the housing market.



While recognizing that they wander in uncharted territory due to the lack of regulation and ethical standards in the digital world, it is important to identify what Facebook’s team has failed to do in legal and corporate responsibility ways. I have described three areas that could be improved from an ethical and virtuous organizations perspective in this analysis.

## DEFINING THE LAWS IN DATA PRIVACY

As Facebook has forged their way into a data-focused market, they have done seemingly little to establish ethical and legal standards for data privacy and protection. It appears that their efforts to protect their users were limited until they were caught in the cross-fires of a cross-national legal battle after the 2016 elections. While they have been compliant with legal officials in the wake of the recent controversy, I would argue that they didn’t take the necessary steps to anticipate the potential harms and risks of their work. Because of this, they put billions of individuals and entire nations at risk.

In Mark Zuckerberg’s opening statement at his congressional hearing, he said, “It is clear now that we didn’t do enough to prevent these tools from being used for harm.” I believe that an ethical and virtuous organization is responsible to know and actively respond to the implications, or



externalities, of their products and services. In Sheryl Sandberg's remarks to Congress, she admitted that Facebook had "violated the values of the company and country" by not being attentive enough to the risks they imposed.

Zuckerberg has also stated, "As a private company we don't have the tools to make the Russian government stop. We can defend as best as we can, but our government is the one that has tools to apply pressure to Russia, not us." Zuckerberg's statement could be interpreted as a cop-out - distancing Facebook from responsibility - or it could be viewed as a humble call for help from the government. Regardless of motive, this statement unveils part of the complexity of corporate-government interactions. Moving forward, it will be telling to see how much effort and how many resources Facebook puts into being compliant and collaborative with lawmakers as they define new laws for data privacy and protection.

## VALUES TENSION AND CONFUSION

I think part of Facebook's controversy and inability to navigate the situations it has been confronted with comes from tension in their values. I don't think the existence of a values tension is wrong or even avoidable, but I think it may be part of the source of their paralysis in taking action and repairing their mistakes. Another possibility is that Facebook does not fully

understand their values or they have not institutionalized them well enough.

Facebook's listed values are: give people a voice, serve everyone, promote economic opportunity, build connection and community, and keep people safe and protect privacy. When faced with issues of privacy, regulation, and free speech, they have had to determine how to regulate speech to avoid harm while permitting free speech simultaneously (a battle between ethical theologies). In so doing, they have pushed back against being "arbiters of truth," but at what cost?

Navigating complex and contradictory values is the challenge of ethics and morals. However, Facebook has not yet found the sweet middle ground that will help them see through their unique and clear moral lens as they make decisions about how to respond to these conflicts.

## MISUNDERSTANDING OF THEIR OWN MISSION

As mentioned, Facebook's mission is to "give people the power to build community and bring the world closer together." From a virtuous organization's perspective, they do not seem to understand or clearly articulate their understanding of the potentially positive and negative implications of this aspiration. *The B Corps Handbook* presents their organization's mission with a clear understanding of the system they operate in and the



---

historical context that has created and reinforced that system.

In contrast, Facebook doesn't communicate a clear understanding of the influence of their mission and the social systems they are working within. For example, in creating echo chambers of thought for individual users, the social constructs and systems that divide people by ideology and likeness are reinforced rather than bridged. This creates social distance (the antithesis of community and closeness) and leaves room for stereotypes, stigmas, persecution, and discrimination to develop - mentally and in practice.

Sandel comments on this dangerous division in our communities in *What Money Can't Buy*. He says, "Democracy does not require perfect equality, but it does require that citizens share in a common life. What matters is that people of different backgrounds and social positions encounter one another, and bump up against one another, in the course of everyday life. For this is how we learn to negotiate and abide our differences, and how we come to care for the common good."

I don't think that Facebook has come to really understand and embrace their mission. Their mission has the potential to be very powerful. Imagine, for example, if Facebook sponsored lessons on how to have bipartisan discussions on politics, to express religious values and respect those of others, or to prevent bullying and foster empathy. Imagine if they used their platform to

create an opportunity for diverse individuals to "encounter one another, and bump up against one another, in the course of [their digital] everyday life." Facebook has become part of the daily life of billions of people, but they fall far short in accomplishing their mission as they stumble through values and fail to take a stand.



# THERANOS

---

Elizabeth Holmes founded Theranos in 2003 with a stated mission to improve blood tests so that they would be more accurate and less painful. She repeatedly said that she wanted to create a world where people didn't have to say goodbye too soon. Major investors, top talent, and significant business deals brought the technology to market. While the mission seemed admirable, innovative, and revolutionary, the company was entirely fraudulent. The technology didn't work and the company's scandal was discovered over a decade after its creation.

## CORRUPT AND DECEPTIVE LEADERSHIP

The root of Theranos' corruption lies in its leadership. From the inception of the company, Elizabeth Holmes' motivation



does not seem to have been oriented toward achieving the stated purpose of improving medical laboratory systems. Rather, her original intent appears to be to build a tech giant and lay claim to a position of power and esteem. Her behavior and mannerisms changed as she grew into the role of a Silicon Valley leader; she began dressing like Steve Jobs and lowered her voice unnaturally, all while maintaining an air of privacy, aloofness, and charisma that protected her from intense scrutiny.

The story of Elizabeth Holmes' deceit is clear in hindsight, but was not obvious at the onset. Part of this may be attributed to the confusion of people's values being in conflict with her intent. By presenting a meaningful mission and organizational purpose, Holmes rallied a group of people who were likely values oriented to work for Theranos. However, Holmes used those values and intentions to build an organization that was corrupt.

Different ethical philosophers describe their perspectives on intent and values development - including Kant and Aristotle. Kant discusses the concept of motivation and Aristotle believes that virtues can be developed and practiced over time. In the case of Elizabeth Holmes, it seems that something was misaligned or disconnected within her moral compass. Something about her behavior feels shockingly incongruent to the majority of people. It calls upon



our innate senses of “rightness” and “wrongness.” Ultimately, her actions drove the ethical flaws in the organization.

## FAILURE TO INSTITUTIONALIZE ETHICAL SYSTEMS

In learning about ethics, I've been fascinated by the journey of taking individual values and creating organizational standards. In the case of Theranos, the empathetic and innovative mission statement likely drew employees who wanted to be a part of something bigger - be it for personal fulfillment and expression or to help change the world. Unfortunately, the organization did not create systems to facilitate ethics and maintain moral standards.

From an ethical perspective, this left Theranos without moral failsafes. The organization was vulnerable to all kinds of shortcuts and misinformation. Holmes did a scary good job of assuring her employees that things were okay and improving, but multiple employees ultimately revealed that their concerns were met with intimidation and threats rather than listening ears and empathetic solutions.

As individuals, we can set up systems to help us improve our weaknesses - for example, if you know you're likely to forget or be late to things you have committed to, you can set reminders in your phone to nudge you toward better behavior. The same thing exists in companies. *The Business Ethics Field*

*Guide* suggests practices to improve individual and organizational ethics such as open office spaces to improve accessibility to leaders and hanging pictures of your inspirational examples on the walls of your office. Theranos failed to create institutional failsafes to foster an ethical environment.

## INTENTIONAL BARRIERS TO TRANSPARENCY

A common theme in each of the cases I examined this semester was a lack of transparency, but Theranos may be the most alarming of the four scenarios. Rather than an accidental oversight, barriers to transparency appear to have been intentionally built into the entire organizational structure of Theranos. From departments that were physically separated, to contracts that prohibited communication between engineers, Theranos constructed an entire system of secrecy: a breeding ground for deceit.

When employees at Theranos presented concerns to leaders or HR managers, they were pushed aside and cautioned not to share concerns with others. The most glaring example of this is that of whistleblower Tyler Shultz, whose grandfather (former Secretary of State George Shultz) was a Theranos investor. When Tyler began to piece together the story of Theranos, he approached his grandfather with his concerns. Rather than believing his concerns and trying to investigate them, George Shultz presented his grandson with legal documents.

The pervasiveness of barriers to transparency in Theranos is shocking. These same investors were as shocked by the failure of the technology as employees and consumers of the product. Financial information, development information, and all other information in the organization was siloed and not disclosed (or even lied about) to employees, investors, and consumers. This was not a simple oversight, it was a core element of Holmes' strategy for the organization.



# UBER

---

Uber emerged in 2009 as a major disrupter to the personal transportation industry. If you learned about their ethical failures after looking at their corporate “About Us” page, you might be surprised that a company that paints themselves as a gateway to opportunity has also been responsible for worker exploitation and accused of sexual assault. What was once a new, less expensive, and more convenient way to travel has begun to unravel as dozens of ethical issues have broken through the surface.

Uber’s company culture and leadership entangled Uber in multiple legal battles, but their business model has also been critiqued as incompatible with ethical behavior. Additionally, Uber seems incognisant of the implications of the disruption they are causing. This disruption is likely to contribute to



Michael Sandel’s critiques of the markets - killing the taxi industry and further disadvantaging people who are already marginalized by the system.

## IMMORAL CULTURE AND LEADERSHIP

As the story of Uber has unfolded, its founder and former CEO, Travis Kalanick, has been deeply entangled in many of the scandals that have undermined the organization. A founder’s attitudes and individual ethical standards serve as a foundation for the ethical standards of the organization. Many of Uber’s issues with worker compensation and sexual assault can be traced back to Kalanick’s personal attitudes toward his own drivers and toward women.

Eventually Kalanick resigned as CEO (due to investor pressure) and Dara Khosrowshahi replaced him. Dara wrote a letter on Uber’s homepage that acknowledges that: “Of course, in getting from point A to point B we didn’t get everything right,” then continues, “Some of the attributes that made Uber a wildly successful startup—a fierce sense of entrepreneurialism, our willingness to take risks that others might not, and that famous Uber hustle—led to missteps along the way.” This acknowledgement of mistake points directly back to some of the characteristics that were baked into the organization by the founder.



As an organization, Uber tried to rebuild trust and change practice by replacing the founder with a new CEO. These sorts of drastic measures communicate the recognition of organizational failure, but only time will tell if they are successful in rebuilding consumer and employee trust.

## A BUSINESS MODEL BUILT ON SHORTCUTS

The company's culture and leadership entangled Uber in multiple legal battles, but their business model has also been critiqued. One critic said: "Herein lies the problem. It is not that Uber is incapable of such ethical measures. But for this company specifically, the additional cost that is required to look after drivers and customers is likely to be too great. It all comes down to the economic model on which Uber is built." In other words, becoming an ethical company would be too expensive for Uber. On the other hand, could it be much more expensive that the legal battles Uber is sustaining right now?

To be ethical, and virtuous, Uber needs to start with how it treats its stakeholders. Proper self-regulation would mean that Uber provides sufficient employee protections and compensation and provides sufficient passenger safeguards. Additionally, Uber's past is sprinkled with attempts to monopolize the industry. A shift in their business model would mean working within the system of capitalism and the free market to respect

boundaries and competition - rather than trying to dominate. Uber is continuing to settle lawsuits that are a result of taking shortcuts and a failure to respect their stakeholders. Time will tell if they can turn their business model and values around to become both profitable and sustainable.

## A DANGEROUSLY DISRUPTIVE SYSTEM

A few years ago I met with an economics professor who explained how cars disrupted farming and taxis disrupted individual car owners and how now Uber is disrupting the taxi industry. He then described the implications of these disruptions on the employees of the disrupted industries. For example, if it suddenly became antiquated to ride a horse because of cars, the horse breeders lives would be permanently altered. The industry they were a part of was no longer relevant. This economics professor explained how the extinction of their career impact the horse breeders psychologically, and how that psychological damage - due to the disruption of their industry - had intergenerational effects.

As Uber continues to disrupt the taxi industry, I think it is important for them to consider what that means. For example, taxi drivers don't necessarily own the taxis they drive - or even their own car - which is a prerequisite to be an Uber driver. As Uber prices taxi drivers out of business, they are removing those drivers sources of



---

income. Also important to note is that the taxi drivers are those who do not have the resources to own their own cars, likely being people who are already more disadvantaged and who are more disadvantaged because their industry is being disrupted. This disruption has real impact on the wellbeing of those drivers and their families - possibly for generations to come.

Is it the responsibility of companies to consider and account for these social implications? I'm still not sure. But I do think that mindfulness of this tension, both how their disruption causes this and how their own worker treatment may resemble it, is important to ethical and virtuous business practice. More could be done to design interventions that truly meet Uber's aim of increasing opportunity.



# VOLKSWAGEN

---

The Volkswagen emission coverup has been called the biggest car scandal in history. Most defining and distinct about this situation is that they worked so hard to cover-up their institutional knowledge of the whole affair. The leadership of the company denied knowledge, but upon closer investigation, that seems unlikely.

Beyond the cover-up itself, the scandal orients around intentionally deceiving consumers and denying the environment a legitimate stakeholder position in their organization. The drive for profit and sales overtook all other motives and values, leading to some temporary financial gain, but more permanent value loss - socially and financially.



## VIOLATED TRUST AND TAKING RESPONSIBILITY

One of the biggest results of this ethical failure was the loss of trust between Volkswagen and its customers. Trust is an interesting ethical principle. Each of the books I read referred to it in some way, but The Business Ethics Field Guide may have referred to it most often using the language of “social capital.” Ethical standards, it suggests, are easier to uphold when you have established trust with coworkers, leaders, and customers through prior ethical behavior.

In assessing the Volkswagen case, one PR firm was asked how they would advertise for Volkswagen in the wake of the scandal. They suggested that it would require the company to take steps to rebuild trust with Volkswagen customers. The first step in doing that, they said, is to come clean and demonstrate transparency and accountability. Rebuild credibility, they said, would be challenging to accomplish unless the company took legitimate steps to demonstrate change.

Part of being accountable requires admitting fault and taking the blame. Although Volkswagen was reluctant, they eventually instigated major leadership overhaul. Their reluctance reveals their values, but ultimately they made the choice to make changes.



Because of the reluctance, the sincerity and authenticity of their organization's repentance may be dubious.

## DECISION MAKING AND LEADER HUMILITY

A repeated theme in these cases is the role of ethical leadership. I think Brad Owens' research on humble leadership plays an important role in the Volkswagen case. The leaders of Volkswagen have been reportedly strict and overwhelming. They set goals that are unattainable, with no room for remedy, causing employees to work from a place of fear and opening the door to ethical shortcuts.

In my meeting with Dr. Owens, he presented the ideas of shared leadership and dynamic leadership that some of his colleagues are exploring. Humble leaders are better at doing this because they are self-aware and others-oriented. They are willing to learn from those they work with and value the insight of others. This also makes them more approachable so if employees have concerns, they can improve.

The lack of good leadership - humble leadership - and honest decision making within Volkswagen led to a scandal and coverup that violated the values of make people in the organization and many consumers. The leadership overhaul may be distressing to the organization, but was necessary to correct the failures of previous leadership. As Bill O'Rourke says, "They fired themselves."

## ENVIRONMENT AS A STAKEHOLDER

Last year, the Creating the Virtuous Organization project presented to a group of business, nonprofit, and thought leaders about a variety of ideas and principles we had developed up to that point. When we talked about the environment, one of the pieces of feedback we received is that we need to talk about the environment more assertively. It isn't enough to say that we should treat it better without talking about climate change. Since then, we have come to think of the environment as a vital stakeholder for every company.

In a world where the ramifications of climate change play out in increasingly dramatic ways upon both resources and people, virtuous businesses shrewdly recognize their role in impacting or being impacted by such environmental shifts and subsequently take into consideration both the upstream and downstream influence they can have. It is up to virtuous organizations to rigorously and honestly assess their environmental impact and innovatively and courageously adopt ecological standards for operations, manufacturing, and distribution within their sphere of influence, perhaps going beyond regulation-level requirements.

Perhaps the most offensive piece of the Volkswagen scandal is that they exploited the values of people who wanted to be environmentally




---

conscious by marketing their high-pollution product as “clean.” They violated the trust of their customers, and contributed to the pressing environmental disaster. As our world changes, some of our individual, organizational, and institutional values need to shift to validate the values of the environment.





An aerial photograph of a city street, likely in New York City, showing multiple lanes of traffic, including cars, buses, and trucks. The street is flanked by tall buildings. A semi-transparent blue overlay covers the entire image, and the text is centered on this overlay.

# PART III: DISCUSSIONS

---

Brad Owens

# DISCUSSION: BRAD OWENS

---



*Dr. Brad Owens is a Professor of Business Ethics at the Marriott School of Business. His research focuses on the impact of leader humility on individuals and teams and its connection to ethical leadership. I sat down with him to talk about his research and how it relates to my interest areas.*

**What is humility? How do you see it in good leaders? What impact do humble leaders have on their organizations?**

Dr. Owens defines humility as a three-part construct:

- How you see yourself - self-awareness of your strengths and limitations,
- How you see others - appreciation for (rather than feeling threatened by) others accomplishments, and
- Teachability - ability to see new information and receive feedback openly.

Humility may be manifest in a leader through their willingness to make and learn from mistakes, communicate their values through their actions, and being others-oriented, among other things. Although humility isn't the only important leadership quality, and does not replace other qualities, it is a strong and impactful supplement to strengthen other qualities. It is also a foundation for good ethical and moral behavior.

Humble leaders gain followers who trust them. Organizations with humble leaders are more likely to have higher employee retention, employees with better job satisfaction, engagement, and performance, and have employees with a better learning-goal orientation.

---

## Can organizations become humble organizations?

In ethics, we have talked about becoming ethical individuals and creating ethical organizations. Following this pattern of individual to organizational identity, I was interested in understanding if Dr. Owens' research has looked into humble organizations.

His research has not extended to organizations as a whole, but he has looked into the role of humble leaders in developing humble teams. Team humility leads to teams being better able to navigate moving parts and work toward a common goal. "When a leader acts humbly, it's contagious," Dr. Owens explained.

Additionally, research coming out of Brazil on humble organizations indicates that companies who act humbly have a competitive advantage and are able to overcome wasted relational capital. This is likely to become more important over the next 5 years as more millennials enter the workforce because millennials, especially, want a humble leader who they can co-create with.

## Does humility improve a leader's ability to get buy-in?

In our class for Creating the Virtuous Organization this semester, the students have been working in small consulting teams with clients. One of the challenges we have discussed in

class is how to get buy-in from our clients' teams and organizations so that their ideas about how to improve the organization can take hold.

In response to this question, Dr. Owens presented the ideas of shared leadership and dynamic leadership that some of his colleagues are exploring. These ideas indicate that in meetings and relationships we are constantly negotiating for leadership influence. We exchange leadership roles (or metaphorically pass the talking stick), both giving leadership to others and claiming for ourselves.

In this context, Dr. Owens defined buy-in as someone accepting your influence and suggested that leader humility fosters an environment for good shared leadership, which improves team performance and co-creation.

## Can leaders learn to be humble? How? Is it less authentic if their motivation is to improve team performance?

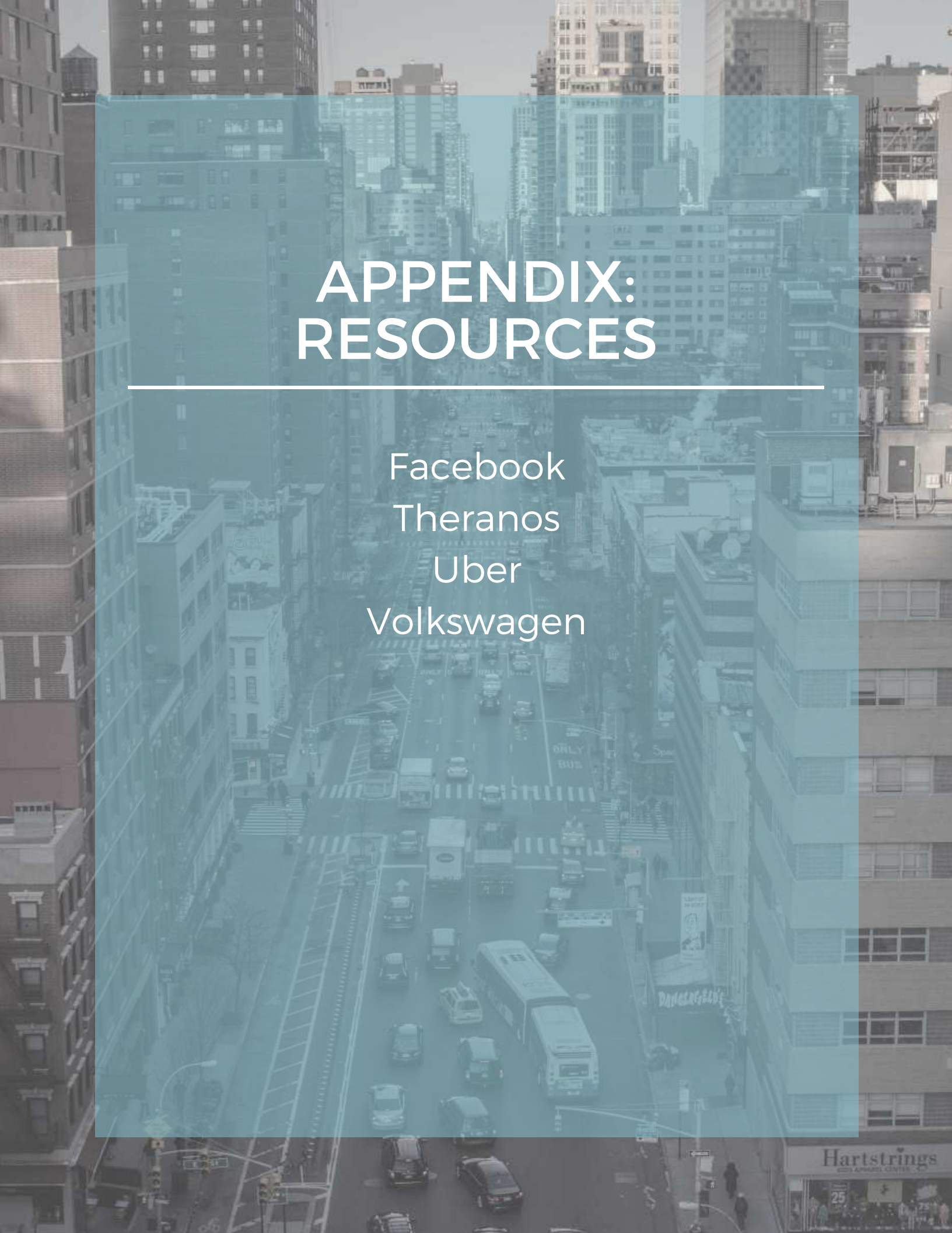
To conclude our conversation, I wanted to better understand if and how leaders could become more humble. I was also interested in how that change would impact the authenticity of the humility and a follower's receptivity toward it.

Dr. Owens responded using Aristotle's view of values and virtues as skills and traits which can be developed. He described how we can habituate and master these "higher" traits. This

---

sentiment is also reflected in D&C 46:33, which says, “practice virtue before me continually.” The idea of practicing virtues is not foreign to us, it is what allows us to change. It is reflected in colloquial sentiments like “fake it til you make it.”

So yes, leaders can learn to be humble, and the benefits are huge for them as individuals, for their teams, and potentially for their organizations overall.

An aerial photograph of a city street, likely in New York City, showing a multi-lane road with cars, a bus, and buildings on both sides. The image is overlaid with a semi-transparent blue filter. The text 'APPENDIX: RESOURCES' is centered in the upper half of the image, and a list of companies is centered below it.

# APPENDIX: RESOURCES

---

Facebook  
Theranos  
Uber  
Volkswagen