

Psychological Introspection as Moral Courage in Leaders

Transcript of a talk delivered by Michael DeWilde, Director, Business Ethics Center, Grand Valley State University at ESC Rennes School of Business, Rennes, France Jan. 8, 2010

First allow me to acknowledge how pleasant it is to be here in France, and how much I have learned from the talks at this conference. I will be going back with much to contemplate and share. Let me also acknowledge that if an American wants to have a serious conversation about the common good he or she does pretty much have to leave the States. It is not a popular topic of conversation, for all the reasons people outside the States normally suspect: rampant individualism (as documented by Hofstede's Dimensions studies, for example, and our own popular "rugged individualism" mythology); a default relativism ("who's to say what is good, anyway?") In my consulting work I've seen real reluctance among managers to give accurate performance reviews because of their unwillingness to judge); the immense power differentials between individuals and groups, especially in matters of who controls wealth and what that wealth is based on. There are many other such considerations of this sort when we ask why the US, which bears much of the blame for the financial crisis, turns its back on serious conversations about the common good. Nonetheless, I can tell you that I am working with two companies in my part of the US – west MI, which is a furniture, auto supply, and health care center – who both take the notion of a common good quite seriously and are attempting, in all facets of their business, to promote sustainable practices. In one case, a company called Cascade Engineering, the CEO and I are working to develop a treatise that has as its aim the articulation of the economic benefits of caring for the commons, a working paper we hope will put the issue back into relief locally. There are many other examples I could give as well, just to dispel the notion that we have given up on the common good entirely. You can infer from the title of my talk,

however, that I am more interested in some of the more intangible aspects of a common good, and I mean by it here what the ancients meant by “knowing oneself,” or what Freud has in mind as the result of psychoanalysis, or what the Buddhists mean by mindfulness. I take as a not uncontroversial given that realizing the more tangible benefits of preserving common goods relies upon, is dependent upon, this more intangible one, for reasons I hope to make clear.

Because I think the one precedes the other I emphasize education over regulation, and ethics over law.

But the question in either meaning of common good is how one gets the attention of businesspeople with much else on their minds and no particular philosophical or psychological bent. Keller at Cascade is looking to appeal to hearts as well as heads, to be sure, but in the end feels it his place as a businessman to speak to pocketbooks, to bottom lines. I have the luxury of thinking about how to address the consciences of business students and young managers, the future leaders, as we say. Their spiritual and psychological maturation, their personal growth and development as human beings, is my primary interest. Talk about the common good will go nowhere among a psychologically naïve and immature people, and that is the reality we face in the States, I believe.

In a book widely praised as well as widely criticized (as well as ignored, though many of you may know it), Herman Daly and John Cobb offered a list of five things that must be done to restore the common good in our financial and civic lives and lay the groundwork for sustainability. The first and last of those things is consciousness-raising, an education that makes persons more aware of what is at stake and their own role in a sustainable future. The authors hang their hopes for sustainability on reforming, quite radically, some of the major institutions

we rely on, like universities, and “changing the way we measure economic success.” A tall order, to be sure, because change itself is so hard to come by when we confront internalized cultural memes and one that, even if it were to happen, may not happen in time to save us from even more dire consequences than we have suffered thus far. And among those of us worrying about what to do to head off the next crisis the tide, at the moment, seems to be with the ones who don’t really care all that much about the content of the character of the financial players, the business students or leaders, the so-called masters of the universe, but instead make louder calls for more regulation, for more corporate governance, more laws. It’s hard to argue with that line of reasoning, especially when you have some of the masters of the universe themselves calling for tighter and more transparent regulators and regulations in their midst. At a recent Vanity Fair panel on Bloomberg Television the soon-to-be former head of Morgan-Stanley, John Mack, was spotted in the audience, and he was put on the spot with several questions. After a quasi-joke that he was hiding from the camera, Mack grudgingly stood up and answered questions from the panel. Mack allowed that press coverage of the crisis had been, “overall, fair,” and then honed in on the urgent need for greater regulation of the finance industry.

“Regulators have to be much more involved,” Mack said. “We cannot control ourselves -- [regulators] have to step in and control the Street.” He added that some positive changes have been made, pointing to the fact that in the halls of Morgan Stanley, ten or fifteen federal regulators now roam daily.

“I love it,” Mack said. “It forces firms to invest in risk management.”

If, as my paper goes on to argue, what we want – want we desperately need - from our leaders is self-knowledge, then I suppose I shouldn't be critical of a CEO who knows himself – and apparently his cronies, too, - well enough to know that they are thieves. At the same time, however, it is beyond dismaying to hear such an admission from an adult, and I'm hard pressed to imagine, for example, leading doctors saying, well, all those organs were just laying there in the patient so we decided to take out and sell some of the extras we found during surgery. Or male professors shrugging their shoulders and saying look, there are all these gorgeous young women on our campuses, what could we do? We slept with them, we can't control ourselves. But here's Mack saying yes, we do need the police in our boardrooms to make sure we don't steal everything in sight again, and again.

Who can blame anyone for focusing on regulations when confronted with that? And it does seem like the clarion call for change breaks down neatly these days between a demand for greater regulation (though I admit I wonder at the faith everyone has in the character of the regulators when they have such little in their own) and those fewer who, like Daly and Cobb, have not given up entirely on human beings' consciences, and consciousness. They do have company, by the way, in the form of the aacsb, our major accrediting body. For those of you who have not read it the aacsb's 2004 Ethics Report calls not only for a normative education in the virtues associated with ethical leadership, but for the cultivation of moral courage itself. Education, the authors assume, can in fact change the hearts and minds of those in power (Harvard honor code/GVSU).

So, with all due respect to the behavioral economists and the evolutionary psychologists and the regulators who state, categorically, that Hobbes was right and who argue quite persuasively that we are selfish by nature and so the best thing to do is acknowledge and harness that selfishness to promote a greater good by way of incentives, rewards and punishments, employing tit for tat strategies that will preserve what's left of our commonly shared resources, I want here to make the quixotic case for a more radical education that counts introspection and moral courage as elements every bit as important as accounting and finance as one trudges toward a degree or a promotion. I won't argue against regulations, rules and laws, policies – of course we need them, the floor beneath which we do not want to sink. . This conference has been dominated by CSR and calls for corporate governance and the attendant government regulations that go with those. We must of course police those who cannot or will not police themselves.

But always, inevitably, in any system, there is inescapably the person, the person who is interpreting, enforcing, embodying, judging, and dispensing the rules, regulations, policies, goals, visions. And in schools and corporations men and women are learning – mostly by observing who and what succeeds - what it means to lead, which never has been and never can be simply a matter of learning what the laws are and looking for ways either to obey them or cleverly circumvent them. Hence we need people who know their own minds, their own values, their own weaknesses, and their own psyches, to the extent possible. Who are trying, a little bit anyway to “control themselves.” We have shied away from the kind of education that would provide for these qualities of character to be developed by arguing that is not what business

schools are for, or that social scientists have told us there really isn't this thing "character" anyway, or that besides no one here could teach such a course). But now that we have lost so much, isn't it finally time to say we have to teach to the whole person? That we have to do our best to understand that character traits are subject to some environmental influences, can be exercised for good or ill, and that we in universities or in consulting roles can provide opportunities for people entering leadership positions to test, confront, and contemplate their own traits with the aim, as the AACSB report recommends, of educating leaders who are able to be "open, fair, trustworthy, and caring with employees; who can communicate ethics and values; and who can role model ethical conduct and focus on means as well as ends in reward systems, and discipline unethical conduct when it occurs." Let me add to those words ones from Manfred Kets de Vries, the noted Dutch management guru and psychoanalyst: "The leader should be equipped with empathy and the capacity for imaginative self-analysis. The degree to which these requirements are met, however, depends on the leader's psychological equilibrium."

This is quite a remarkable challenge, and one I fear many if not most of us in the States are not up to addressing. We teach leadership or ethics as though these things were a suit one could put on and take off, as opposed to doing the much harder work of confronting the habits of behavior and of mind, sometimes unconscious, that leave our future leaders unable to explain their own behavior except by the most banal forms of rationalizations. We can no longer – or at least should no longer – pretend that a course in leadership or ethics that does not require a confrontation with one's own contradictions, false assumptions, confusions, self-deceptions and vaguely articulated values matters very much. It does not, and all the studies indicate exactly that. If those sorts of courses did matter, then we'd have solid leaders already, people prepared

to take the initiative to consider – if not always represent – the legitimate interests of those within and outside the enterprise as they as leaders make decisions that affect our natural and financial worlds. Despite the proliferation of leadership training and ethics courses at every level, it seems clear enough those have had not much cumulative effect, at least where they are needed most.

My premise, then, based on years of teaching and consulting, is simple: businessowners, students, managers, executives, lawyers - will be more receptive to contemplating, and perhaps acting upon, a notion of the common good if they first take the time, and muster the courage, for some psychological introspection (assuming that we are providing it, of course). The point of such introspection is, as always, to come closer to an understanding of who one really is, what one really thinks, and how one really acts – not the espoused, comfortable tale we tell ourselves, but something probably more unsettling. Beyond this we who facilitate these opportunities will be looking to cultivate in ourselves and those we those we work with the qualities, the virtues, the aacsb champions. While I do not propose a universal definition of all virtues, and understand of course that the ways in which the virtues are honored will vary some culture to culture, surely we can agree that a common good implies, even demands, individual persons who are committed to being, themselves, good. Whatever else the common good is, it is not an abstraction any more than the “corporation” is; both thrive only insofar as the actions taken by those who belong to or in them reflect an internalization of a commitment to excel, to become, in the Aristotelian sense, excellent. Kindness, courage, thoughtfulness, humility and inclusiveness, to name but five virtues, may vary by degree from place to place but they rarely do they or can they vary by kind. I am interested in the conditions that will make commitments to those kinds of qualities possible

and efficacious. I am not interested in floating mere abstractions that will be easy for all to agree to, and even more easily ignore. I draw on philosophy and psychology for this work, but equally I want to draw on those experiences I've had as a consultant in the States, and what the people in the companies I have worked for have taught me about this topic.

Psychological introspection I define, again with help from Ket de Vries, as the process or coming to understand “the nature of causality in human functioning... the demonstration of the existence of continuities between past and present behavior, between sleep and waking life, between health and pathology.” Moral courage I define myself as the knowledge of one's own stances, and the courage to reflect and introspect, often with the help of wise friends. Here again Aristotle is helpful as he pointed out the best, truest friends are those who will hold one to high standards of intellectual and moral accomplishment and will courageously point out where one is failing. One looks for these friends because one wants one's own moral certainties and behaviors challenged, and it is not always easy to find, especially nearer the top, friends like these.. The role of corporate boards in companies, pace the NY Times. Role playing real scenarios with others who have as much at stake is the best way I know to do this, and later I will give some examples. Beyond this understanding, or alongside it, moral courage is also the willingness to draw some lines about what makes something good or bad, right or wrong, better or worse, in the act of defending what is agreed to as excellent, and then acting on those convictions even when consequences to oneself and/or others one cares about might be severe. The insight here is that many ethical dilemmas are not really dilemmas about how or what to think - they are, rather, dilemmas about what to do. Students and managers, like the rest of us, need opportunities to be

challenged about both what they think and what they do in relatively safe environments before the fact, before the stakes get higher. You wouldn't put someone into a football game who had never practiced under live conditions, yet we do that all the time. And finally, to steal a line from Andre Comte-Sponville's wonderful book *A Small Treatise on the Great Virtues*, "all the virtues are interdependent, and they all depend on courage." If this is true – and I think it is – then there can be no more urgent task than cultivating an understanding of courage and habituating people to it while seeking to understand why we are not or have not been courageous in the past.

To make this more concrete in the time I have left I want to reference an article in "Vanity Fair" by Michael Lewis, and then turn to some of my own examples. Lewis is responsible for books like *Liar's Poker* and *Panic* and is, in my opinion and many others', one of very most insightful writers on Wall St. we have. The piece concerned AIG, and the ways in which the Financial Products division was run. AIGFP, under Tom Savage, was a highly profitable enterprise within AIG, developing and assessing insurance products. When Savage retired Joe Cassano took over AIGFP, and, according to Lewis's sources, the men who then worked under Cassano, "their miracle became a catastrophe... why that is is a complicated story, but it begins simply: with a change in the way decisions were made, brought about by a change in its leadership. At the end of 2001 its second C.E.O., Tom Savage, retired, and his former deputy, Joe Cassano, was elevated. Savage is a trained mathematician who understood the models used by A.I.G. traders to price the risk they were running—and thus ensure that they were fairly paid for it. He enjoyed debates about both the models and the merits of A.I.G. F.P.'s various trades. Cassano knew a lot less math and had much less interest in debate.

It's impossible to deliver the full flavor of a man's character without talking to him, and relying instead upon a bunch of people who remain afraid of seeing their names in print.. but across A.I.G. F.P. the view of the boss was remarkably consistent: a guy with a crude feel for financial risk but a real talent for bullying people who doubted him. "A.I.G. F.P. became a dictatorship," says one London trader. "Joe would bully people around. He'd humiliate them and then try to make it up to them by giving them huge amounts of money."

"The culture changed," says a third. "The fear level was so high that when we had these morning meetings you presented what you did not to upset him. And if you were critical of the organization, all hell would break loose." Says a fourth, "Joe always said, 'This is my company. You work for my company.' He'd see you with a bottle of water. He'd come over and say, 'That's my water.' Lunch was free, but Joe always made you feel he had bought it." And a fifth: "Under Joe the debate and discussion that was common under Tom [Savage] ceased. I would say what I'm saying to you. But with Joe over my shoulder as the audience." A sixth: "The way you dealt with Joe was to start everything by saying, 'You're right, Joe.'"

So began of reign of terror and incompetency that leads Lewis, as well as many others, to locate the center of the world's financial catastrophe within AIGFP and at the feet of Cassano. Cassano is now widely known as the man who crashed the world, and it appears he may in fact deserve that title. Why was Cassano such a jerk, so incompetent in so many ways? How did he get away with it for such a long time and at such great cost ("A change in how decisions were made!!") A leader who was smart, secure, and inclusive gave way to a man who was less smart, insecure, and exclusive, and the world crashed. I know there are other more technical reasons, but what if – what if - the real reason for all of this lies in one man's inability to face himself, and in the lack of courage of those who worked for him to do anything about it? de Vries takes on this question of tyrants and those willing to follow them by quoting Václav Havel: In everyone there is some willingness to merge with the anonymous crowd and to flow comfortably along with it down the river of pseudo-life." And a comfortable river it was at AIGFP, millions and millions of dollars a year for the traders. Hard for an academic to even begin to imagine, I suppose, what

temptations there be along that road, or how one would or could muster the courage to say no to it. But Jake DeSantis, Lewis's main source, did, and Savage had the wisdom and courage to imagine the road beforehand and reject it. So we cannot say everyone would do the same, because they don't. Not everyone fits Hobbes' conception. The idea, then, is to begin to create cultures, among managers and in classrooms, where the Tom Savages of the world are celebrated and the Cassanos excoriated. Through role-playing and through professional and peer feedback we can face this challenge – I know because I've seen it. A young manager in a group I work with role played a scenario in which his task was to re-establish teamwork and trust where it had been fairly badly broken. Within a matter of minutes, as played this out with us, his voice took on a singsong quality and was dripping with condescension. When I stopped him to ask if he were aware that he was making the rest feel as though we were five years old he seemed genuinely surprised. His real workers, by the way, do in fact hate him and are doing all they can to get rid of him. He does not have the power to crash the world, fortunately, but he does have the power to lower morale and productivity in what was once a profitable division. We've decided to remove him from management for the time being to work with him on developing some skills that demonstrate respect, and it is my task, as well as his, to dig a little more deeply into why he holds workers in such low regard. Another young manager, one with an MBA and several years' experience, reacted to a similar role play by simply, on the fly, changing all the relevant facts of the case. His anxiety over the confrontation the role play implied was so high that he was literally altering reality to make it fit a version he was comfortable with. We have subsequently spent a good deal of time investigating what it is about conflict that leaves him so debilitated. The examples go on and on, but the crux for me is this: we have to have people we

trust are self- and other-aware in place to carry out all the grand regulatory and management schemes we have in mind, or even to devise them in the first place. And we don't, not because most people don't have decent impulses, but because they have no formal training in introspection, little psychological savvy and are easily swayed by values not truly their own. Most studies of moral developmental stages currently suggest that a normal person has the moral compass of a seventeen-year-old; in other words, someone easily led by others. It's only a wonder things aren't worse. I know the argument against the program I am proposing – which is hardly unique to me – will be that this kind of education is too inexact, too fraught with dangers one you open someone's psyche, too impossible to measure, too time-consuming, too off-curriculum, etc. I know. All I have by way of response to that is to ask, given all that has happened and continues to happen in business, is if we can, truly, afford to ignore building such capacity in those who would lead us. Thank you.

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