

# Zimbardo's Theories Applied to Business

## *The Lucifer Effect :*

*Understanding How Good People Turn Evil* By Dr. Philip Zimbardo

Cameron Crone Bilger, MBA, Ph.D.

# Zimbardo's Premise

## BACKGROUND

- Classic: Nature vs. Nurture
  - "Bad" Apples vs. "Good" Apples
  - "Bad" vs. "Good" Barrel

## IMPACT

- Assumptions influence Ethics and Compliance activities
  - How effective is the current approach?

# Interview Questions

- **Which of Zimbardo's traps are relevant to your employees ?**
- **How does the "Big Lie" translate into a business situation?**
- **Are there any traps that you believe Zimbardo missed?**
- **Do you see an underlying theme in the traps?**
- **Can you redefine these traps to be positive?**
- **Are there procedures in place at your company to enable an employee to break out of a trap?**
- **Jim O'Toole talks about the need for transparency in his HBR "A Culture of Candor." Do you agree, and if so, how is your company trying to create a culture of candor?**
- **Do you buy into Zimbardo's ideas? Is there value to adding Zimbardo's ideas to your Ethics training? If so, how would you recommend this be done?**

# Zimbardo's 10 Traps

## ***Organizational situations that encourage bad behavior:***

- 1. "Big Lie" justifies unethical actions**
- 2. Verbal or written contracts obligate person despite doubts**
- 3. Traditionally positive roles are twisted to influence person to act unethically**
- 4/9. Vague rules justify unethical employee behavior and enable "unjust" management**
- 5. Positive wording used to justify wrong behavior**
- 6. No accountability results in unethical behavior**
- 7/8. First step toward ultimate "evil" act is small and increased gradually**
- 10. High exit costs make it difficult to leave bad situation**

# Additional Traps Identified

- ***Conflict of Interest***
  - Importance of checks and balances
- ***Compensation and Company Structure***
  - Effect of stock options and compensation on employee behavior
- **Other Examples?**

# 1. Ideology Gone Wrong (“Big Lie”)

- **For the Good of the Company**
  - End justifies the means
  - Beat the competition at all costs
  - Misuse of confidential supplier information in bids
- **Big Hairy Audacious Goal (BHAG)**
  - “Stretch” goals can lead to cutting corners
- **Cost cutting not shared equally across company**
  - Reduce salaries of employees while paying out generous severance packages to senior managers
    - Hire managers back as contractors at high salaries
- **Out of control CEO**
  - CEO does not take advice from others
    - Focus all resources on one (wrong) technology or direction
  - **Creates Culture of Fear and Silence**
- **Other Examples?**

## 2. Contractual Obligations

### 3. Meaningful Roles to Play

- *Not as relevant to business*
- **Additional Input?**

## 4/9. Vague Rules Justify Unethical Employee Behavior and Enable “Unjust” Management

- *“Unclear rules and roles lead to poor management and unethical behavior.”*
- *“Unbalanced power can lead to manipulation of employees by their managers.”*
- **Other Examples?**

## 6. Diffusion of Responsibility

- Pass the buck
- Deflect blame
- Make it someone else's problem
- "If everyone does this, must be OK!"
- **Other Examples?**

## 7/8. Insignificant First Step then Increased Gradually

- Fudge quarter results to hit numbers
- Take short cuts to beat competition
- Give departure gifts
- Cheat on expense report
- **Other Examples?**

# 10. High Exit Costs

- Trapped by stock options, compensation, or loyalty
  - Don't "rock the boat"
  - Employee easily manipulated
- Promoted beyond capabilities
  - Beholden to manager responsible
  - Can't duplicate position at another company
- Fewer options in poor economy
  - *"Employees are doing things today that they would not have considered 4 years ago."*
- **Other Examples?**

# Steps to Avoid Zimbardo's Traps

## *Ways to Create a Culture of Transparency, Collaboration, and Trust*

- **Senior management sets tone: Ethics first**
  - "1 company, 1 set of rules, 1 set of values"
  - Constructive criticism is encouraged
  - Open door policy with no recriminations
  - Anonymous hotlines
- **Employees held accountable for their actions**
  - Management creates Culture of Accountability
    - Fire employees who do not take responsibility for actions
    - Accountability training
- **Clear Code of Conduct enforced equally**
  - "Zero" tolerance for transgressions
    - Specific situations covered?
  - "Public hanging"
  - Create and enforce Gift Giving and Receiving Guidelines
- **Structure compensation packages to encourage long term employment**
  - Discourage "Vest and Go" mentality
- **Exit Interviews for voluntary terminations**
- **Additional Input?**

# Moving Forward

- **Do current Ethics programs address  
Zimbardo's Traps?**

- Ethics training, portals, etc.
- Code of Conduct and supporting programs
- Whistle Blower mechanisms and support
- Sarbanes Oxley requirements

- **Suggested next steps:**

- White Paper—allow sharing our thinking and output within our organizations
- 1/2 day seminar for Ethics education and Compliance training personnel