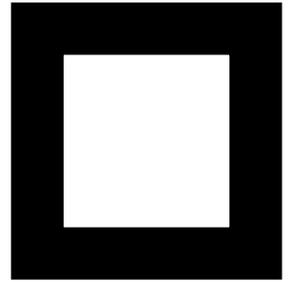


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STRATEGY



UNETHICAL BEHAVIOUR

THE RIGHT SIDE OF THE ROAD

Recently appointed as a Fellow of the Edmond J. Safra Center for Ethics at Harvard University, Celia Moore is an Assistant Professor of Organisational Behaviour at London Business School. Her research focuses on the unexpected causes and consequences of corruption and unethical behaviour among individuals, groups and organisations.

During your fellowship at Harvard, you will be focused on two projects with slightly unusual samples.

Yes, one uses a nine-year sample of State Patrol records in Washington State to investigate triggers of police leniency in drunk driving arrests. The second uses a proprietary sample from the United States. Sentencing Commission of several hundred firms criminally convicted in federal courts over an 11-year period. This project will examine how firms endeavour to re-establish their legitimacy after episodes of corruption, and whether those steps are effective.

One of the things that firms do to re-establish legitimacy is to change their name or be acquired. What will be interesting to determine is whether they are actually changing their ways. When they are called A they get convicted criminally, and then change their name to B, does that mitigate the consequences, and do they continue the bad behaviour?

Your research has also looked at people pulled in for speeding and drink driving. What did you find?

One thing we have found is that when there is a social norm to treat people nicely — such as if it is a driver's birthday, or for women on Mother's Day — people tend to be treated more severely. People seem to recognise that they are likely to be biased if it is someone's birthday, so they overcompensate.

I am also looking at the effect of leadership change when and to whom leniency is shown.

So you are looking to see if leadership had an effect on arrests and penalties?

Yes, if leaders do matter then we'll be happy. If leaders don't matter then that's also interesting.

What led you to use data from police forces?

It's very hard to empirically study what I'm interested in, which is corruption, because most of it is hidden. People don't like to admit it, and so if you actually do manage to get data, you never know how much you're missing.

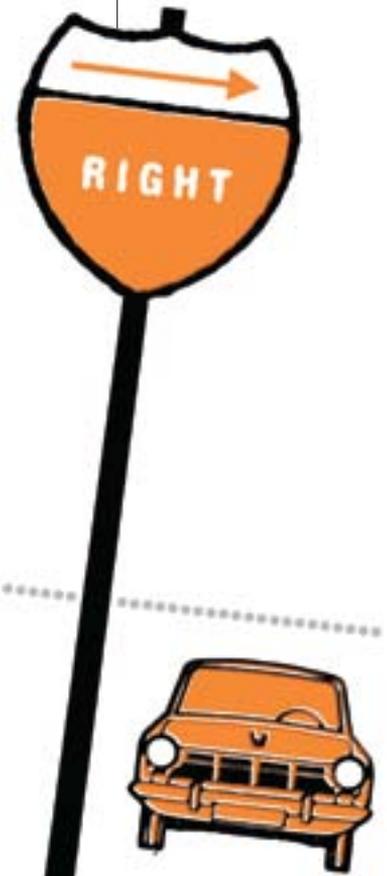
This data allows us to "back out" rates of corruption without having to depend on it being caught. It is also very applicable to organisations. All of these small police departments are organisations with leaders who change

"This project will examine how firms endeavour to re-establish their legitimacy after episodes of corruption, and whether those steps are effective."

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“Organisations often make deals with the prosecutors, so either they agree to defer prosecution or the company is charged but then the charges are dropped when they agree to pay a fine or something similar.”

and influence subordinates, who create direction and standard operating procedures. The extent to which you let regulations slide is very interesting to me. With such rich data, you can actually empirically identify how corruption is working, which is rare.

And what about the second strand of your Harvard research, about how firms re-establish legitimacy?

This is data from the US Sentencing Commission, of all firms that were federally sentenced after being convicted criminally. Most of these are well-known cases.

Organisations often make deals with the prosecutors, so either they agree to defer prosecution or the company is charged but then the charges are dropped when they agree to pay a fine or something similar. I will be looking at which firms did take these kinds of deals, and ones which didn't or weren't able to make these deals, and what strategies they take in the aftermath of these outcomes.

If it turns out that the consequences for firms are exactly the same whether they are criminally convicted or avoid prosecution — then that says something really positive about the criminal justice system.

What kind of offences are you talking about here?

Fixing prices, environmental offences, fraud and anti-trust offences. These are the big-time crimes, with fines up to \$500 million.

How did you get interested in corporate corruption in the first place?

Because it's everywhere! We keep going through cycle after cycle of

things going very wrong — from Enron to Lehman Brothers — with massive consequences for a lot of people, because people in organisations are not living up to the standards that societies set for them, or that we set for each other.

Perhaps these are lessons we don't want to learn?

I think that's probably true.

Isn't corruption in organisations inevitable, given human nature?

I hope not.

What other strands do you have to your research?

The Harvard projects are more macro oriented, in terms of analysis. I also do research at the individual level, so I have a series of projects on cheating — what makes us cheat, and what are the consequences when we cheat?

One recent study I'm involved in has found that cheating can put us in a positive mood. Most theories of moral behaviour assume that when we engage in unethical behaviour it puts us in a bad mood, and that's why we don't continue with it. We attempt it, and then we think, oh, but if I do that I will feel bad, so then I don't. In certain contexts — where the harm that you cause is not immediately obvious — this is not necessarily the case. The thing is that this type of unethical behaviour covers a great deal of crime — cheating in an exam, being truthful on your tax return, and that sort of thing.

I've also looked at what causes us to make worse ethical decisions. Usually this is an indication that we're trying to rationalise something. In decisions where you can either do the “right thing” or the selfish thing, people made the worst ethical decisions when they didn't think about it at all, or when they thought about it a lot.

You need to think about it just enough to come to the conclusion that you should resist temptation, but not so much that you can justify it.

Has the financial crisis had an impact on the level of cheating and corruption? Presumably, when the going gets tough more people make unethical decisions?

There is data to suggest that. It puts you in a context where it's easier to rationalise, so it becomes a real opportunity. ■

