STAMP as a Theoretical Framework for Understanding Corporate Moral Failure

A systems approach to corporate social responsibility

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Wayne Buck, Ph.D., MBA
Eastern Connecticut State University
buckw@easternct.edu
Objective: A new approach to understanding unethical corporate behavior

Hypothesis

A systems approach borrowed from systems safety theory can be a useful source of concepts and principles for an improved understanding of corporate moral failure.
Project Overview

Objective: A new approach to understanding unethical corporate behavior

Research Project

Develop a new theoretical framework for understanding corporate moral failures and the role of individual behavior in causing them by utilizing STAMP.
More rigorous, reliable and defensible identifications of corporate moral failures.

Tools for explaining corporate moral failures.

Standardized protocols for investigating corporate moral failures.
Project Overview

Expected Benefits

- Principles for designing ethically robust organizations
- Enhanced ability to manage organizations to high ethical standards
- Early identification of ethical hazards in existing organizations
Safety, Blame and Ethics

It might seem that ethical concerns are inconsistent with STAMP.

"Blame is the enemy of safety."

ESW, pp. 55.
Safety, Blame and Ethics

Yet ethics does in fact have an appropriate place in the pursuit of safety.

"A well-designed system would make it easier for all stakeholders to do the right thing — scientifically, financially and ethically — while achieving their own goals."


"The idea of justice seems basic to any social relation."
STAMP and ethical concerns are compatible.

- Just as "most people want to run a safe organization," most people want to run an ethical organization and do the right thing.
- Ethics ≠ blame and punishment.
STAMP and ethical concerns are compatible.

- Safety is itself a moral imperative, not simply an economizing principle
- Decisions about how safe is safe enough, and about which risks are acceptable and which are unacceptable are fundamentally ethical decisions.
STAMP and ethical concerns are compatible.

- Ethical concerns are consistent with a focus on reasons instead of causes: *why* did it seem like the right thing to do under those conditions?
Project Overview

Research strategy

1. Develop appropriate analogs to key STAMP concepts and principles for use in understanding the ethical aspects of organizations as social systems.
2. "Field test" these analogs by utilizing them to perform a CAST-type analysis of a specific example of a prima facie corporate moral failure.
3. Check point: evaluate the usefulness and insights provided by the moral failure analysis. If justified by results, proceed with project.
4. Develop a full-fledged STAMP-type theoretical framework and STPA-type hazard analysis technique.
Moral lapse: An instance of decision making by managers or employees that exposes employees, customers, suppliers, investors, the public or other stakeholders to an unjustified risk of harm.

Moral failure: A pattern of decision making resulting in repeated instances exposing stakeholders to unjustified risk of harm.
Corporate Moral Lapses and Failures

Moral Lapses: Management decisions that expose stakeholders to unjustified risk of harm.

- Explicitly normative concept
- Agnostic on the meaning of "unjustified" and "harm"
- Focus is on decisions, not outcomes: what matters is the risk to which stakeholders are exposed by decisions, not actual harms
Corporate Moral Lapses and Failures

Moral Lapses: Management decisions that expose stakeholders to unjustified risk of harm.

- Focus on decisions by individuals, not "company" decisions, yet takes a management and corporate governance perspective.
# STAMP Analogs for Corporate Morality

## Foundational Definitions

<table>
<thead>
<tr>
<th>Engineered Systems</th>
<th>Moral Systems*</th>
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<tbody>
<tr>
<td><strong>Accident</strong></td>
<td><strong>Moral lapse</strong></td>
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<tr>
<td>An undesired and unplanned event that results in a loss, including loss of human life or human injury, property damage, environmental pollution, mission loss, etc.</td>
<td>An occasion when decisions by managers or employees exposes employees, customers, suppliers, investors, the public or other stakeholders to an unjustified risk of harm.</td>
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*Moral* is used here in the sense of capable of being moral or immoral.
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<td><strong>Hazard</strong></td>
<td><strong>Ethical Hazard</strong>*</td>
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<td>A system state or set of conditions that, together with a particular set of worst-case environmental conditions, will lead to an accident (loss).</td>
<td>A condition or circumstance within the organization which, together with certain external conditions, leads to a moral lapse.</td>
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*Not to be confused with the insurance term "moral hazard."
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<td>An interacting set of components whose functioning depends on the interactions of those components whose boundaries are defined by the system designer's control limitations.</td>
<td>A legally bounded system of people and resources (financial, technological, etc.) the success of which at achieving its designated goals depends on the performance and interaction of those people and resources.</td>
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<td>A system is <em>safe</em> when it is free from accidents (loss events).</td>
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<td>A component is <em>reliable</em> when it performs as intended for the period of time and in the conditions for which it was designed.</td>
<td>An individual is <em>ethically reliable</em> when s/he behaves in accord with ethical norms.</td>
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Individual behavior vs. organizational morality

- Note the difference between ethical reliability and virtuousness.
- Just as a system's components can all be reliable and yet the system unsafe, all the individuals in an organization can behave ethically and yet the organization still experience a moral lapse.
Individual behavior vs. organizational morality

- The interactions between ethically reliable individuals can result in decision making that exposes stakeholders to an unjustified risk of harm.
- This is an early fundamental insight into corporate social responsibility resulting from the effort to re-purpose STAMP.
## System Concepts

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<td><strong>Constraint</strong></td>
<td><strong>Ethical Constraint</strong></td>
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<td>Limitations on the behavior of and interactions among components; more generally, a permitted range of values for a variable.</td>
<td>Limitations on individual behavior and interactions between individuals.</td>
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## System Concepts

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| **Safety Control Structure**  
The set of communication and control processes whereby higher levels of the system enforce constraints on the behavior of components at lower levels. | **Moral Control Structure**  
The set of policies, procedures, practices, etc. at higher levels of the organization that enforce ethical constraints on the behavior of individuals further down in the organization. |
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An Example
An Example

Smartphone calendar app

- Jot-It-Down Technologies develops mobile applications. Its latest product is "DateCertain" a smartphone calendar app.
- The app integrates a smartphone's address book, web browser, text messaging, navigation and call history with the user's calendar.
- The calendar functions as the phone's central information hub, organizer and control panel.
An Example

Smartphone calendar app

- The app works seamlessly across all of a user's devices: smartphone, tablet, laptop, and desktop. The user's information is accessible at any time from any of her devices.

- The company's senior management is determined to avoid an ethical failure relating to user privacy.
Jot-It-Down's DateCertain Smartphone App

Application Ecosystem (simplified)

Jot-It-Down

3rd Party App Developers

Consumers

Advertisers

Hardware Retailers
Jot-It-Down's DateCertain Smartphone App

Application Ecosystem (simplified)

- Jot-It-Down
- Consumers
- Hardware Retailers
- Advertisers
- 3rd Party App Developers

- Hardware
- Software
- Personal Info
Jot-It-Down's DateCertain Smartphone App

Application Ecosystem (simplified)

- Jot-It-Down
- Consumers
- Hardware Retailers
- Advertisers
- 3rd Party App Developers

- Money
- Personal Info
- Software
- Hardware
Jot-It-Down's DateCertain Smartphone App

Application Ecosystem (simplified)

- Jot-It-Down
- Consumers
- Hardware Retailers
- 3rd Party App Developers
- Advertisers

Flow:
- Personal Info
- Money
JID's Ethics Policy Regarding Privacy [≡ General Safety Policy]

Customer's personal information must not be disclosed in ways that are inconsistent with the customer's wishes, that violate the company's stated privacy policy or that are illegal.
## Defining Moral Lapses \([\equiv \text{Accidents}]\)

### Customer's personal information is . . .

<table>
<thead>
<tr>
<th>Used by JID in ways that are -</th>
<th>- inconsistent with customers' wishes</th>
<th>- in violation of JID's privacy commitment</th>
<th>- illegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosed to 3rd parties or the public in ways that are -</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Appropriately disclosed to 3rd parties but used by them in ways that are -</td>
<td>✓</td>
<td>✓</td>
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Ethical Hazards [≡ System Hazards]

H1. Customer's data released to public

H2. Customer's data misused by JID

H3. Customer's data released to unauthorized 3rd parties

H4. Customer's data misused by authorized 3rd parties
## Jot-It-Down's DateCertain Smartphone App

### Ethical Constraints [≡ System Constraints]

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<td>Customer's data released to public</td>
<td>Customer's data must not be released to public.</td>
</tr>
<tr>
<td>2</td>
<td>Customer's data misused by JID</td>
<td>Customer's data must be not be misused by JIT.</td>
</tr>
<tr>
<td>3</td>
<td>Customer's data released to unauthorized 3rd parties</td>
<td>Customer's data must not be released to unauthorized 3rd parties.</td>
</tr>
<tr>
<td>4</td>
<td>Customer's data misused by authorized 3rd parties</td>
<td>Customer's data must not be misused even by authorized 3rd parties.</td>
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Moral Control Structure \[\equiv\text{Safety Control Structure}\]

Q: So this is just a standard data security, data access control issue, right?

A: Yes – and no.
Moral Control Structure  [≡ Safety Control Structure]

- Typical business attitude toward data:
  - Data is an asset, i.e., a valuable company resource to be monetized for revenue.
  - For companies like JID, data is the business.
  - As a result, limitations on use of data are impediments to business success.
Jot-It-Down's DateCertain Smartphone App

Application Ecosystem (simplified)

Jot-It-Down

Value Added
Service

Consumers

Advertisers

Personal Info
Money

Value Added
Service

Consumers
Moral Control Structure \[ \equiv \text{Safety Control Structure} \]

- **Implications:**
  - Data is a liability, a \textit{threat} as well as an asset.
  - Wrongful management of data could harm the company (as well as consumers).
  - As a result, limitations on use of data support business success.
Jot-It-Down's DateCertain Smartphone App

Moral Control Structure [≡ Safety Control Structure]
Jot-It-Down's DateCertain Smartphone App

Moral Control Structure \[ \equiv \text{Safety Control Structure} \]
H2. Customer's data misused by JID.

- What does it mean to "misuse" customer data?
- Customer's data is used by JIM personnel in a way that is inconsistent with the customer's wishes, that violates the company's stated privacy policy or that is illegal.
Jot-It-Down's DateCertain Smartphone App

Data access process.

Data Request

Acceptable Use?

Customer Data

Yes

No
Data access control process.
Jot-It-Down's DateCertain Smartphone App

Data access control process.

Gatekeeper

Access to customer data
Jot-It-Down's DateCertain Smartphone App

Gatekeeper control process sequence

Request received

Parse request

Request Evaluation

Judgment call

Implement decision

Render Decision
JID ethical management challenge.

- Design and manage the organization to make good judgment calls about data access despite:
  - External pressure to seize every opportunity to maximize return on customer data
  - Internal pressure from marketing, product managers, I/T etc. to use data to further their own missions
  - Executive management's desire to maximize their own wealth.
The End