STAMP as a Theoretical Framework for Understanding Corporate Moral Failure

A systems approach to corporate social responsibility

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Project Overview

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.

Project Overview

Expected Benefits

- 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."

Leveson, et al, Applying System Engineering to Pharmaceutical Safety, p. 393.

"The idea of justice seems basic to any social relation."

Safety, Blame and Ethics

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.

Safety, Blame and Ethics

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.

Safety, Blame and Ethics

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.

Corporate Moral Lapses and Failures

Working definitions

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

Engineered Systems	Moral Systems*
Accident 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.	**Moral lapse** An occasion when decisions by managers or employees exposes employees, customers, suppliers, investors, the public or other stakeholders to an unjustified risk of harm.

*"Moral" is used here in the sense of capable of being moral or immoral.

STAMP Analogs for Corporate Morality

Foundational Definitions

Engineered Systems	Moral Systems
Hazard A system state or set of conditions that, together with a particular set of worst-case environmental conditions, will lead to an accident (loss).	**Ethical Hazard*** A condition or circumstance within the organization which, together with certain external conditions, leads to a moral lapse.

*Not to be confused with the insurance term "moral hazard."

STAMP Analogs for Corporate Morality

Foundational Definitions

Engineered Systems	Moral Systems
System 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.	**Organization** 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.

STAMP Analogs for Corporate Morality

Foundational Definitions

Engineered Systems	Moral Systems
Safe A system is **safe** when it is free from accidents (loss events).	**Virtuous** A **virtuous** organization is one that experiences no moral lapses, i.e., that does not unjustifiably expose stakeholders to risk of harm.

STAMP Analogs for Corporate Morality

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STAMP Analogs for Corporate Morality

System Concepts

Engineered Systems	Moral Systems
Reliable A component is **reliable** when it performs as intended for the period of time and in the conditions for which it was designed.	**Ethically Reliable** An individual is **ethically reliable** when s/he behaves in accord with ethical norms.

Early Insight from STAMP approach

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.

Early Insight from STAMP approach

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

STAMP Analogs for Corporate Morality

System Concepts

Engineered Systems	Moral Systems
Constraint Limitations on the behavior of and interactions among components; more generally, a permitted range of values for a variable.	**Ethical Constraint** Limitations on individual behavior and interactions between individuals.

STAMP Analogs for Corporate Morality

System Concepts

Engineered Systems	Moral Systems
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, authority relationships, etc. at higher levels of the organization that enforce ethical constraints on the behavior of individuals further down in the organization.

STAMP Analogs for Corporate Morality

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An Example

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Smartphone calendar app

- Jot-It-Down Technologies develops mobile applications. It's 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)

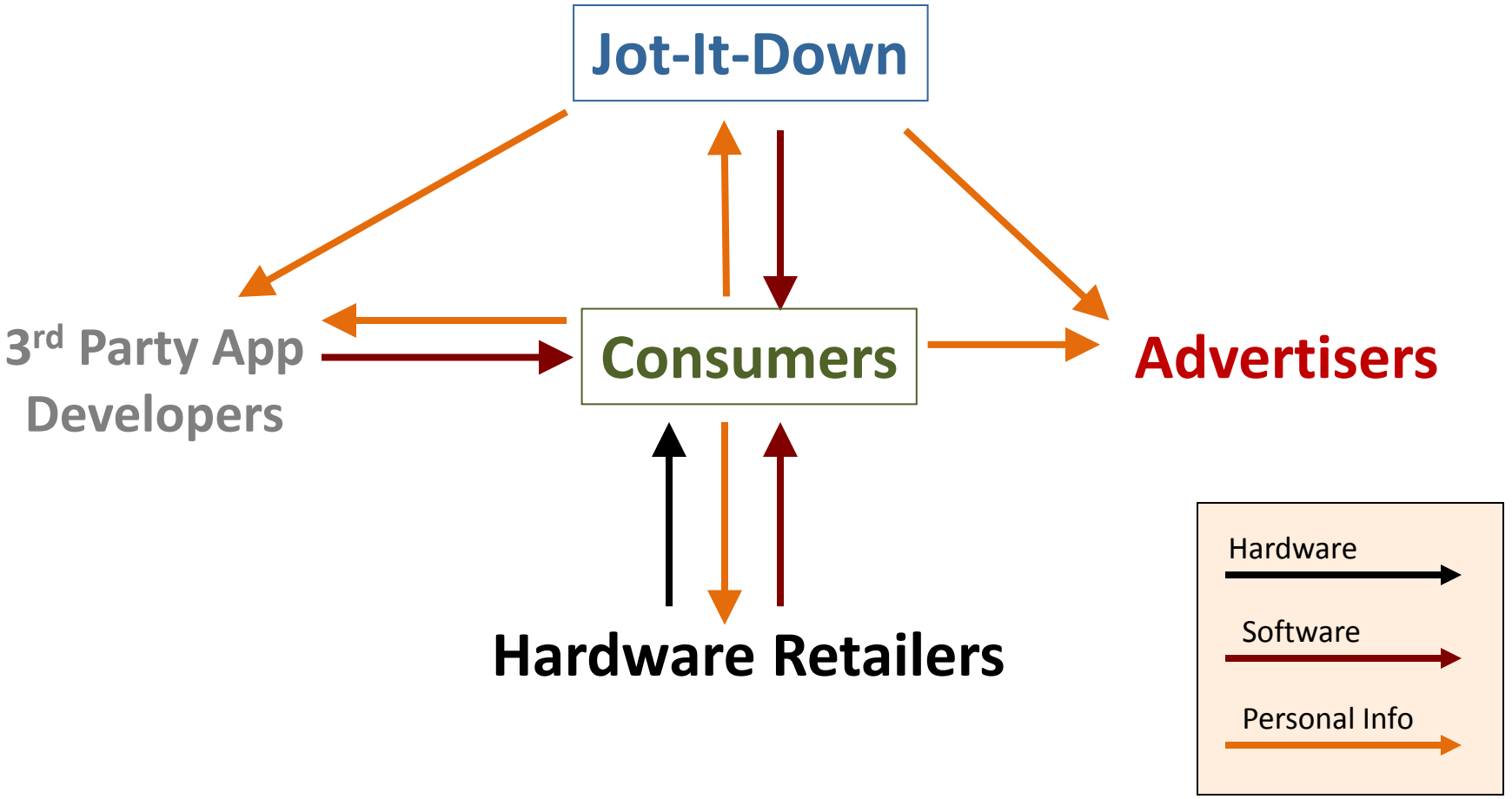
3rd Party App Developers

Advertisers

Hardware Retailers

Jot-It-Down's DateCertain Smartphone App

Application Ecosystem (simplified)



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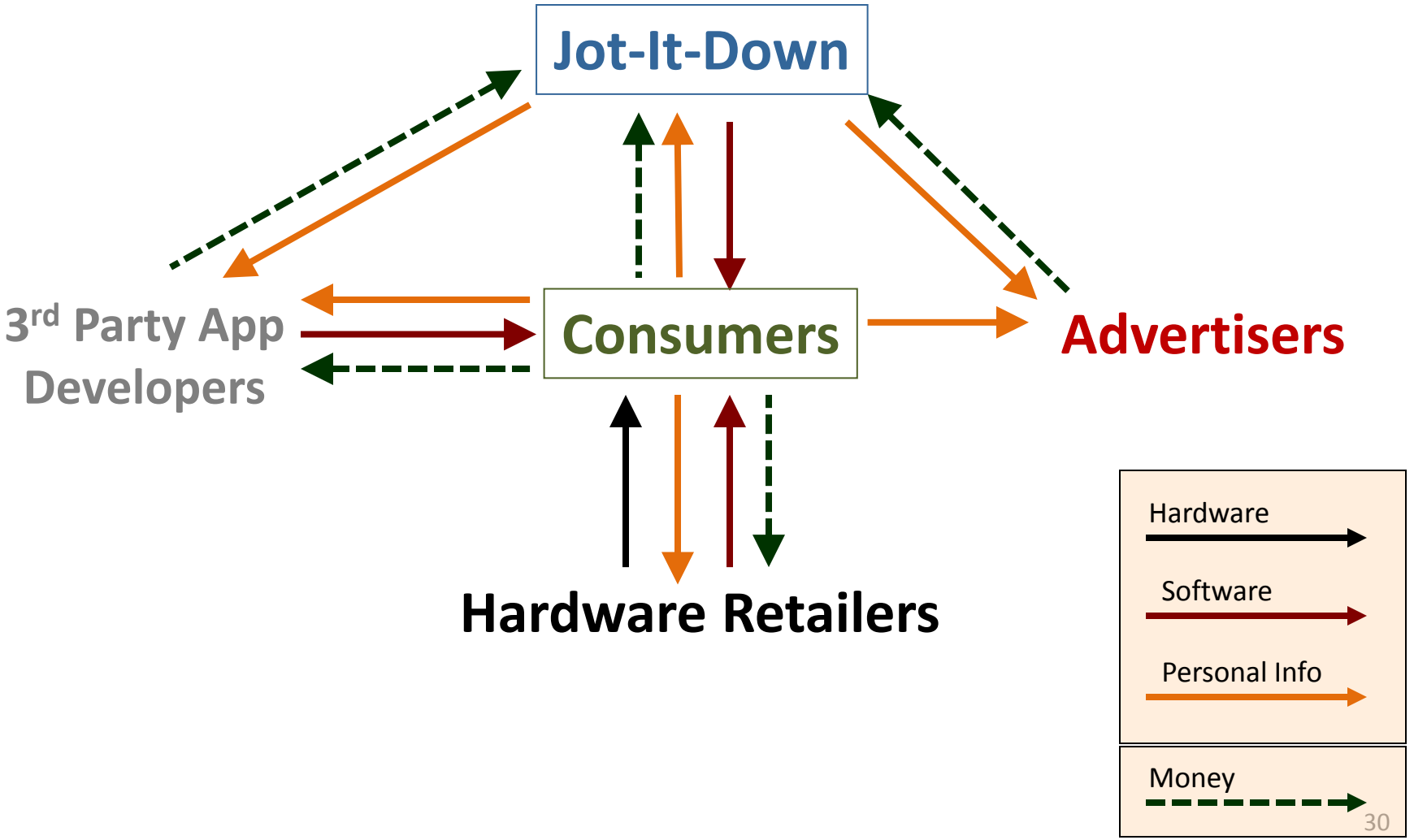
Application Ecosystem (simplified)



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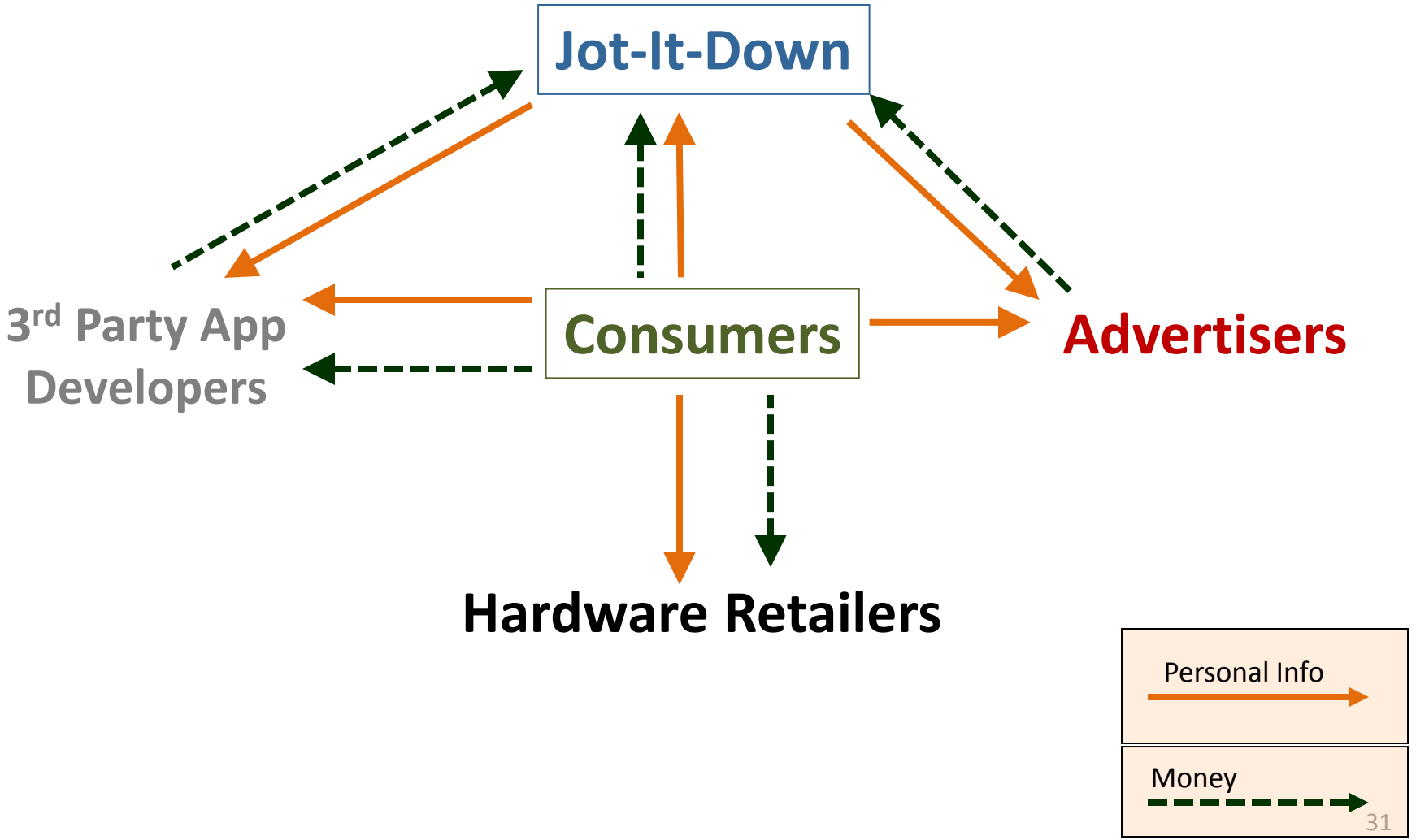
Application Ecosystem (simplified)



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 [≡ Accidents]

Customer's personal information is . . .	- inconsistent with customers' wishes	- in violation of JID's privacy commitment	- illegal
Used by JID in ways that are -	✓	✓	✓
Disclosed to 3rd parties or the public in ways that are -	✓	✓	✓
Appropriately disclosed to 3rd parties but used by them in ways that are -	✓	✓	✓

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

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Ethical Constraints [≡ System Constraints]

	Ethical Hazards	Ethical Constraints
1	Customer's data released to public	Customer's data must not be released to public.
2	Customer's data misused by JID	Customer's data must be not be misused by JIT.
3	Customer's data released to unauthorized 3rd parties	Customer's data must not be released to unauthorized 3rd parties.
4	Customer's data misused by authorized 3rd parties	Customer's data must not be misused even by authorized 3rd parties.

Moral Control Structure [≡ 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.

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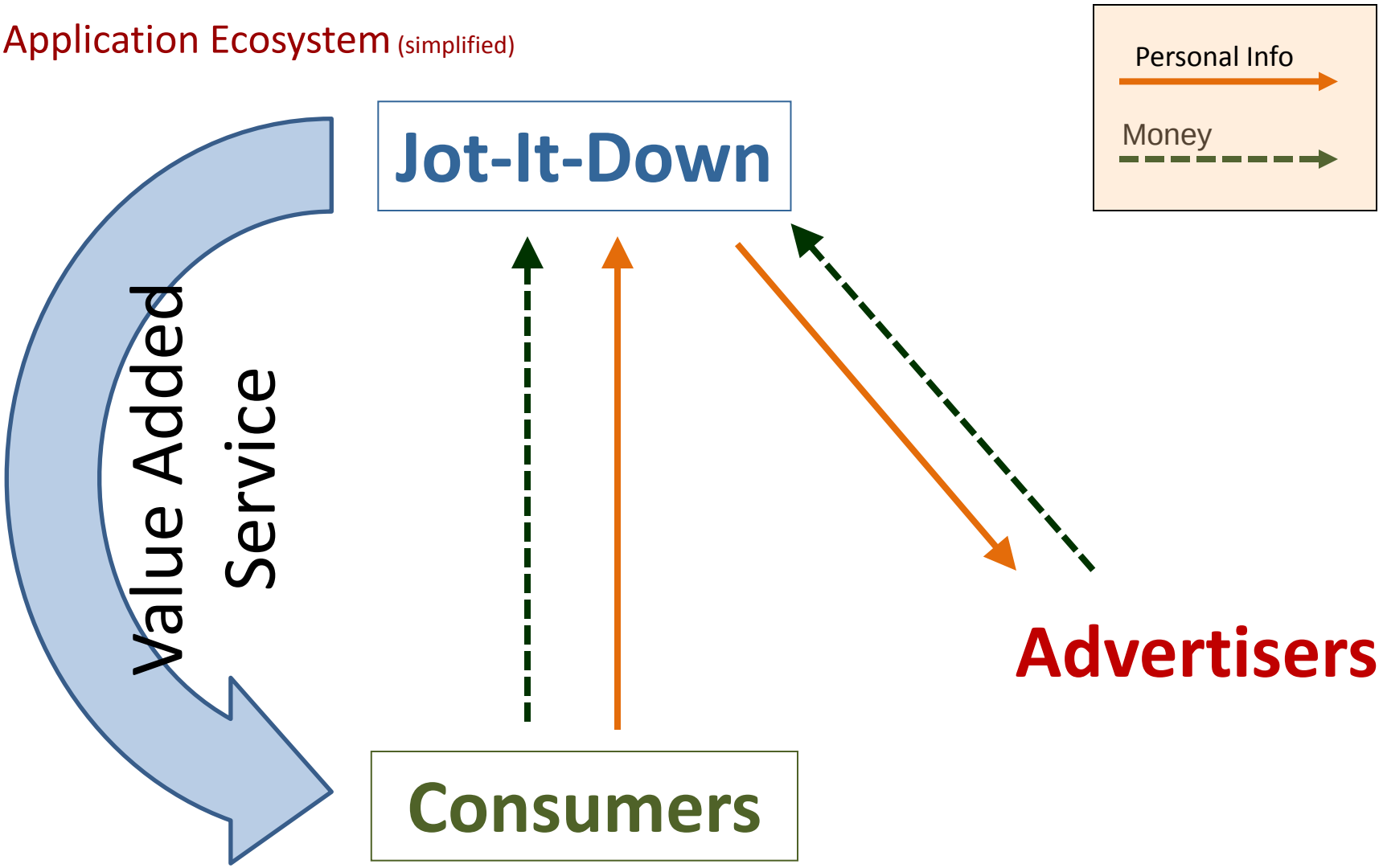
Application Ecosystem (simplified)



Moral Control Structure [≡ Safety Control Structure]

- Implications:
  - Data is a liability, a 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.

Moral Control Structure [≡ Safety Control Structure]

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Moral Control Structure [≡ Safety Control Structure]

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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 that is inconsistent with the customer's wishes, that violates the company's stated privacy policy or that is illegal.

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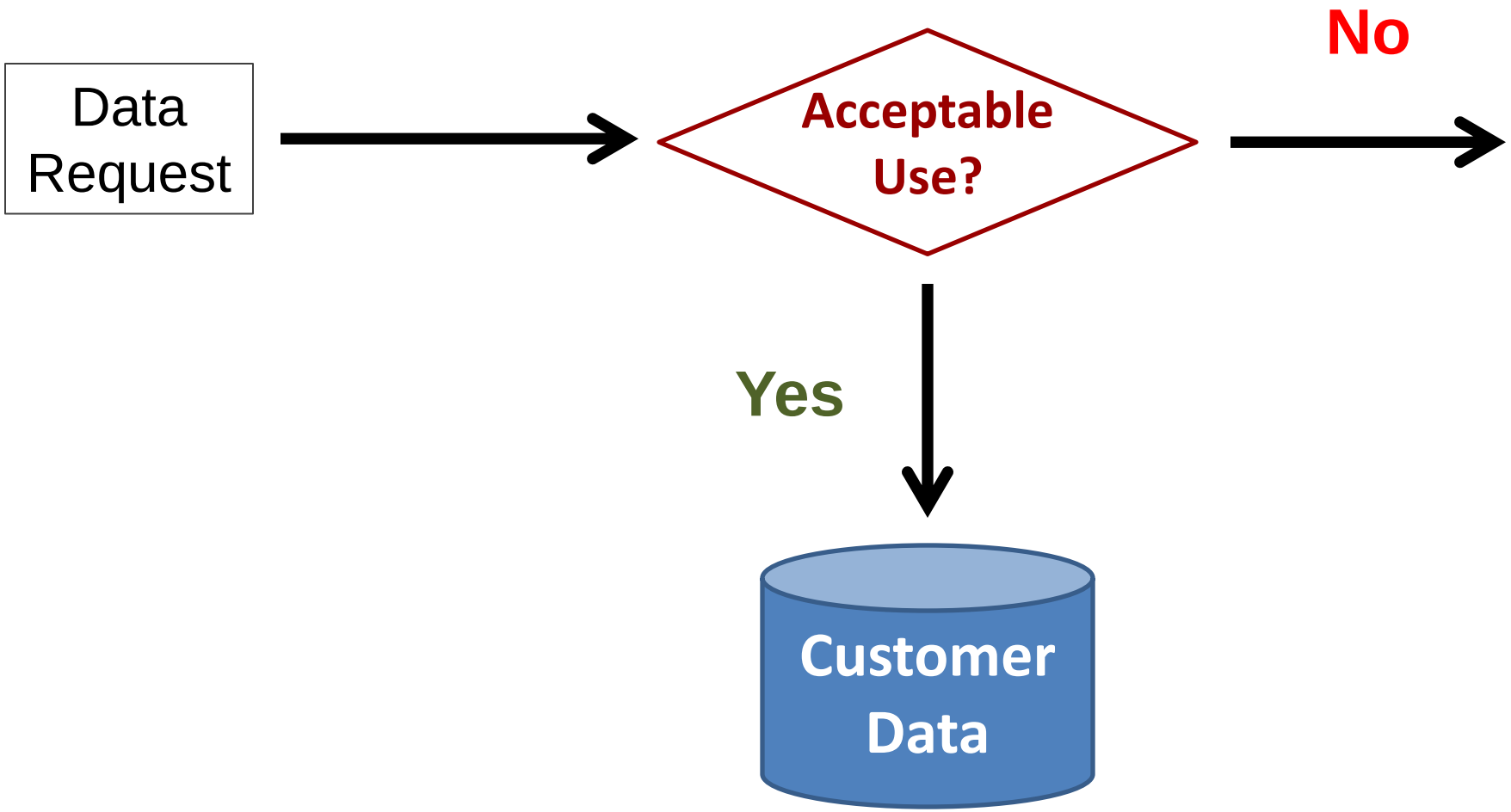
Data access process.



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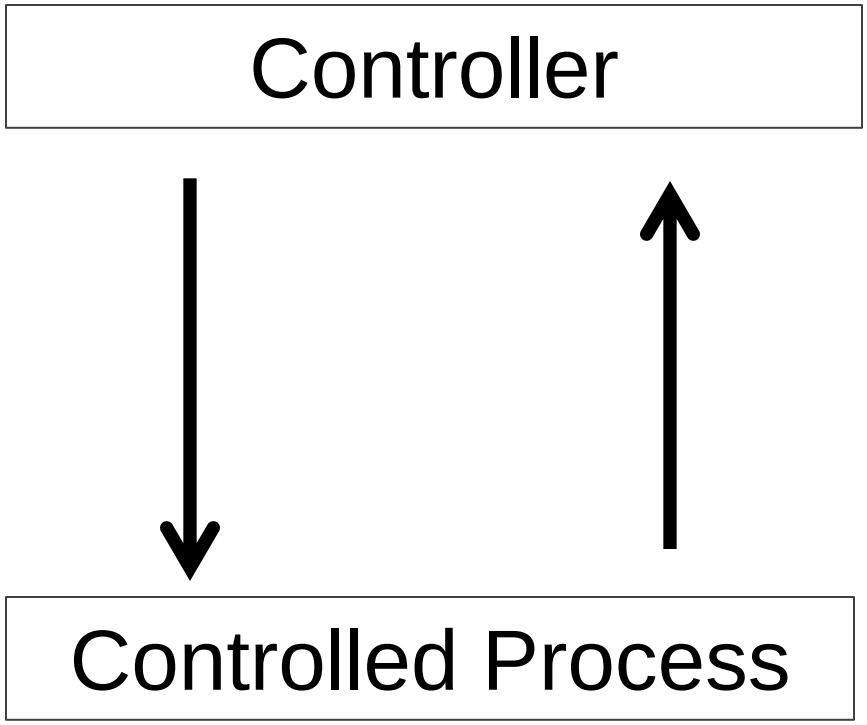
Data access control process.



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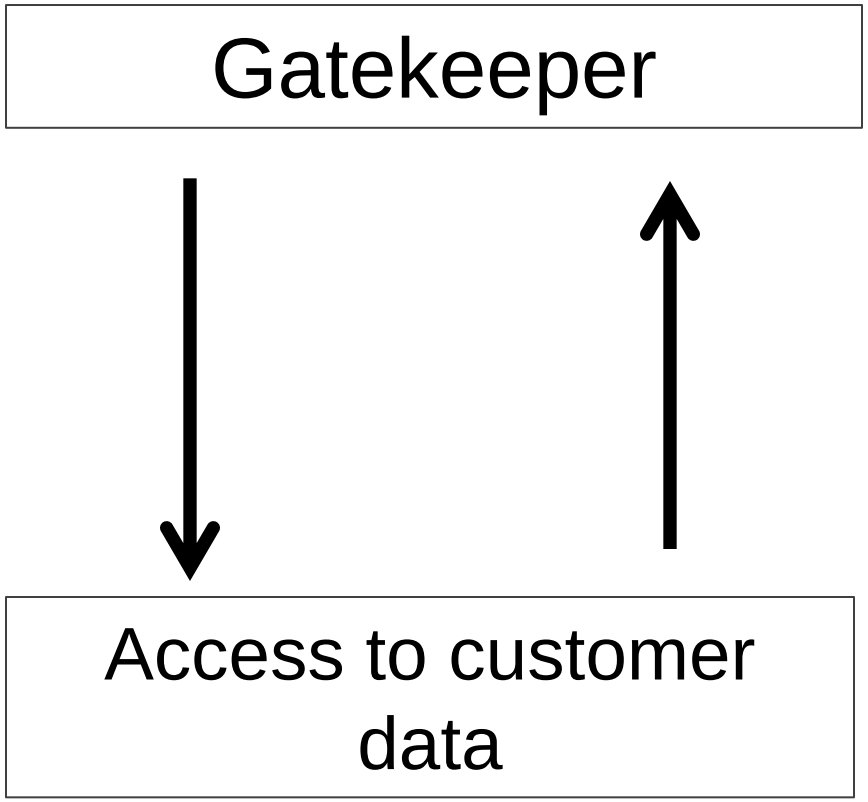
Data access control process.



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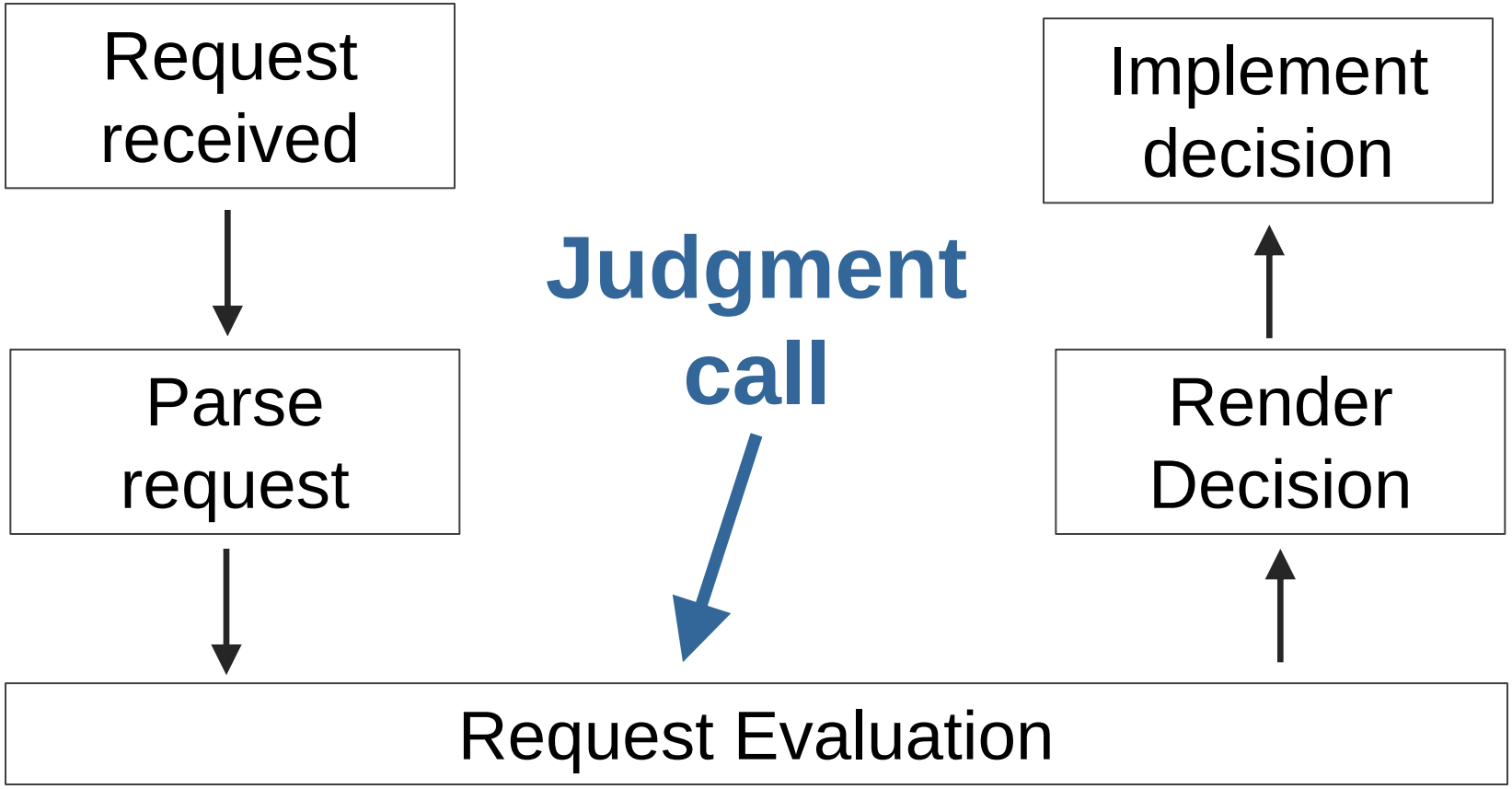
Gatekeeper control process sequence



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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