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How (Un)ethical Are You?

by Mahzarin R. Banaji, Max H. Bazerman, and Dolly Chugh

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How (Un)ethical Are You?

The Idea in Brief

Are you an ethical manager? Most would probably say, "Of course!" The truth is, most of us are not.

Most of us believe that we're ethical and unbiased. We assume that we objectively size up job candidates or venture deals and reach fair and rational conclusions that are in our organization's best interests.

But the truth is, we harbor many unconscious—and unethical—biases that derail our decisions and undermine our work as managers. Hidden biases prevent us from recognizing high-potential workers and retaining talented managers. They stop us from collaborating effectively with partners. They erode our teams' performance. They can also lead to costly lawsuits.

But how can we root out these biases if they're unconscious? Fortunately, as a manager, you can take deliberate actions to counteract their pull. **Regularly audit your decisions.** Have you, for example, hired a disproportionate number of people of your own race? **Expose yourself to non-stereotypical environments** that challenge your biases. If your department is led by men, spend time in one with women in leadership positions. And **consider counterintuitive options** when making decisions. Don't rely on a mental short-list of candidates for a new assignment; consider every employee with relevant qualifications.

The Idea in Practice

UNCONSCIOUS BIASES

Are the following unconscious biases levying what amounts to a "stereotype tax" on your company?

Implicit prejudice

Judging according to unconscious stereotypes rather than merit exacts a high business cost. Exposed to images that juxtapose physical disabilities with mental weakness or portray poor people as lazy, even the most consciously unbiased person is bound to make biased associations. As a result, we routinely overlook highly qualified candidates for assignments.

In-group favoritism

Granting favors to people with your same background—your nationality or alma mater—effectively discriminates against those who are different from you. Consider the potential cost of offering bonuses to employees who refer their friends for job openings: hires who may not have made the grade *without* in-group favoritism.

Overclaiming credit

Most of us consider ourselves above average. But when every member of a team thinks he's making the biggest contribution, each starts to think the others aren't pulling their weight. That jeopardizes future collaborations. It also frustrates talented workers who may resign because they feel underappreciated.

COUNTERACT BIASES

To keep yourself from making similarly skewed calls, consider these guidelines:

Gather better data.

Expose your own implicit biases. Take the Implicit Association Test (at <http://implicit.harvard.edu>). If you discover gender or racial biases, examine your hiring and promotion decisions in that new light. When working with others, have team members estimate their colleagues' contributions *before* they claim their own credit.

Rid your workplace of stereotypical cues.

Think about the biased associations your workplace may foster. Do your company's advertising and marketing materials frequently include sports metaphors or high-tech jargon? Make a conscious effort to curb such "insider" language—making your products more appealing to a diverse customer base. And if your department invariably promotes the same type of manager—highly analytic, for instance—shadow a department that values a different—perhaps more conceptual—skill-set.

Broaden your mind-set when making decisions.

Apply the "veil of ignorance" to your next managerial decision. Suppose you're considering a new policy that would give more vacation time to all employees but eliminate the flextime that has allowed new parents to keep working. How would your opinion differ if you were a parent or childless? Male or female? Healthy or unhealthy? You'll learn how strongly implicit biases influence you.

Good managers often make unethical decisions—and don't even know it.

How (Un)ethical Are You?

by Mahzarin R. Banaji, Max H. Bazerman, and Dolly Chugh

Answer true or false: “I am an ethical manager.”

If you answered “true,” here’s an uncomfortable fact: You’re probably not. Most of us believe that we are ethical and unbiased. We imagine we’re good decision makers, able to objectively size up a job candidate or a venture deal and reach a fair and rational conclusion that’s in our, and our organization’s, best interests. But more than two decades of research confirms that, in reality, most of us fall woefully short of our inflated self-perception. We’re deluded by what Yale psychologist David Armor calls the illusion of objectivity, the notion that we’re free of the very biases we’re so quick to recognize in others. What’s more, these unconscious, or implicit, biases can be contrary to our consciously held, explicit beliefs. We may believe with confidence and conviction that a job candidate’s race has no bearing on our hiring decisions or that we’re immune to conflicts of interest. But psychological research routinely exposes counter-intentional, unconscious biases. The preva-

lence of these biases suggests that even the most well-meaning person unwittingly allows unconscious thoughts and feelings to influence seemingly objective decisions. These flawed judgments are ethically problematic and undermine managers’ fundamental work—to recruit and retain superior talent, boost the performance of individuals and teams, and collaborate effectively with partners.

This article explores four related sources of unintentional unethical decision making: implicit forms of prejudice, bias that favors one’s own group, conflict of interest, and a tendency to overclaim credit. Because we are not consciously aware of these sources of bias, they often cannot be addressed by penalizing people for their bad decisions. Nor are they likely to be corrected through conventional ethics training. Rather, managers must bring a new type of vigilance to bear. To begin, this requires letting go of the notion that our conscious attitudes always represent what we think they do. It also demands that we abandon our faith in our own objectivity and our

ability to be fair. In the following pages, we will offer strategies that can help managers recognize these pervasive, corrosive, unconscious biases and reduce their impact.

**Implicit Prejudice:
Bias That Emerges from
Unconscious Beliefs**

Most fair-minded people strive to judge others according to their merits, but our research shows how often people instead judge according to unconscious stereotypes and attitudes, or “implicit prejudice.” What makes implicit prejudice so common and persistent is that it is rooted in the fundamental mechanics of thought. Early on, we learn to associate things that commonly go together and expect them to inevitably coexist: thunder and rain, for instance, or gray hair and old age. This skill—to perceive and learn from associations—often serves us well.

But, of course, our associations only reflect approximations of the truth; they are rarely applicable to every encounter. Rain doesn’t always accompany thunder, and the young can also go gray. Nonetheless, because we automatically make such associations to help us organize our world, we grow to trust them, and they can blind us to those instances in which the associations are not accurate—when they don’t align with our expectations.

Because implicit prejudice arises from the ordinary and unconscious tendency to make associations, it is distinct from conscious forms of prejudice, such as overt racism or sexism. This distinction explains why people who are free from conscious prejudice may still harbor biases and act accordingly. Exposed to images that juxtapose black men and violence, portray women as sex objects, imply that the physically disabled are mentally weak and the poor are lazy, even the most consciously unbiased person is bound to make biased associations. These associations play out in the workplace just as they do anywhere else.

In the mid-1990s, Tony Greenwald, a professor of psychology at the University of Washington, developed an experimental tool called the Implicit Association Test (IAT) to study unconscious bias. A computerized version of the test requires subjects to rapidly classify words and images as “good” or “bad.” Using a keyboard, test takers must make split-second “good/bad” distinctions between words like “love,” “joy,”

“pain,” and “sorrow” and at the same time sort images of faces that are (depending on the bias in question) black or white, young or old, fat or thin, and so on. The test exposes implicit biases by detecting subtle shifts in reaction time that can occur when test takers are required to pair different sets of words and faces. Subjects who consciously believe that they have no negative feelings toward, say, black Americans or the elderly are nevertheless likely to be slower to associate elderly or black faces with the “good” words than they are to associate youthful or white faces with “good” words.

Since 1998, when Greenwald, Brian Nosek, and Mahzarin Banaji put the IAT online, people from around the world have taken over 2.5 million tests, confirming and extending the findings of more traditional laboratory experiments. Both show implicit biases to be strong and pervasive. (For more information on the IAT, see the sidebar “Are You Biased?”).

Biases are also likely to be costly. In controlled experiments, psychologists Laurie Rudman at Rutgers and Peter Glick at Lawrence University have studied how implicit biases may work to exclude qualified people from certain roles. One set of experiments examined the relationship between participants’ implicit gender stereotypes and their hiring decisions. Those holding stronger implicit biases were less likely to select a qualified woman who exhibited stereotypically “masculine” personality qualities, such as ambition or independence, for a job requiring stereotypically “feminine” qualities, such as interpersonal skills. Yet they would select a qualified man exhibiting these same qualities. The hirers’ biased perception was that the woman was less likely to be socially skilled than the man, though their qualifications were in fact the same. These results suggest that implicit biases may exact costs by subtly excluding qualified people from the very organizations that seek their talents.

Legal cases also reveal the real costs of implicit biases, both economic and social. Consider *Price Waterhouse v. Hopkins*. Despite logging more billable hours than her peers, bringing in \$25 million to the company, and earning the praise of her clients, Ann Hopkins was turned down for partner, and she sued. The details of the case reveal that her evaluators were explicitly prejudiced in their attitudes. For example, they had commented that Ann “overcompensated for being a woman”

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and needed a “course at charm school.” But perhaps more damning from a legal standpoint was blunt testimony from experimental research. Testifying as an expert witness for the defense, psychology professor Susan Fiske, now at Princeton University, argued that the potential for biased decision making is *inherent* in a system in which a person has “solo” status—that is, a system in which the person is the only one of a kind (the only woman, the only African-American, the only person with a disability, and the like). Judge Gerhard Gesell concluded that “a far more subtle process [than the usual discriminatory intent] is involved” in the assessments made of Ann Hopkins, and she won both in a lower court and in the Supreme Court in what is now a landmark case in discrimination law.

Likewise, the 1999 case of *Thomas v. Kodak* demonstrates that implicit biases can be the basis for rulings. Here, the court posed the question of “whether the employer consciously intended to base the evaluations on race or simply did so because of unthinking stereotypes or bias.” The court concluded that plaintiffs can indeed challenge “subjective evaluations which could easily mask covert or unconscious race discrimination.” Although courts are careful not to assign responsibility easily for unintentional biases, these cases demonstrate the potential for corporate liabil-

ity that such patterns of behavior could unwittingly create.

In-Group Favoritism: *Bias That Favors Your Group*

Think about some of the favors you have done in recent years, whether for a friend, a relative, or a colleague. Have you helped someone get a useful introduction, admission to a school, or a job? Most of us are glad to help out with such favors. Not surprisingly, we tend to do more favors for those we know, and those we know tend to be like ourselves: people who share our nationality, social class, and perhaps religion, race, employer, or alma mater. This all sounds rather innocent. What’s wrong with asking your neighbor, the university dean, to meet with a coworker’s son? Isn’t it just being helpful to recommend a former sorority sister for a job or to talk to your banker cousin when a friend from church gets turned down for a home loan?

Few people set out to exclude anyone through such acts of kindness. But when those in the majority or those in power allocate scarce resources (such as jobs, promotions, and mortgages) to people just like them, they effectively discriminate against those who are different from them. Such “in-group favoritism” amounts to giving extra credit for group membership. Yet while discriminating against those

Are You Biased?

Are you willing to bet that you feel the same way toward European-Americans as you do toward African-Americans? How about women versus men? Or older people versus younger ones? Think twice before you take that bet. Visit implicit.harvard.edu or www.tolerance.org/hidden_bias to examine your unconscious attitudes.

The Implicit Association Tests available on these sites reveal unconscious beliefs by asking takers to make split-second associations between words with positive or negative connotations and images representing different types of people. The various tests on these sites expose the differences—or the alignment—between test takers’ conscious and unconscious attitudes toward people of different races, sexual orientation, or physical characteristics. Data gathered from over

2.5 million online tests and further research tells us that unconscious biases are:

- **widely prevalent.** At least 75% of test takers show an implicit bias favoring the young, the rich, and whites.
- **robust.** The mere conscious desire not to be biased does not eliminate implicit bias.
- **contrary to conscious intention.** Although people tend to report little or no *conscious* bias against African-Americans, Arabs, Arab-Americans, Jews, gay men, lesbians, or the poor, they show substantial biases on implicit measures.
- **different in degree depending on group status.** Minority group members tend to show less implicit preference for their own group than majority group members show for theirs. For example, African-Americans report strong preference for

their group on explicit measures but show relatively less implicit preference in the tests. Conversely, white Americans report a low explicit bias for their group but a higher implicit bias.

- **consequential.** Those who show higher levels of bias on the IAT are also likely to behave in ways that are more biased in face-to-face interactions with members of the group they are biased against and in the choices they make, such as hiring decisions.
- **costly.** Research currently under way in our lab suggests that implicit bias generates a “stereotype tax”—negotiators leave money on the table because biases cause them to miss opportunities to learn about their opponent and thus create additional value through mutually beneficial trade-offs.

who are different is considered unethical, helping people close to us is often viewed favorably. Think about the number of companies that explicitly encourage this by offering hiring bonuses to employees who refer their friends for job opportunities.

But consider the finding that banks in the United States are more likely to deny a mortgage application from a black person than from a white person, even when the applicants are equally qualified. The common view has been that banks are hostile to African-Americans. While this may be true of some banks and some loan officers, social psychologist David Messick has argued that in-group favoritism is more likely to be at the root of such discriminatory lending. A white loan officer may feel hopeful or lenient toward an unqualified white applicant while following the bank's lending standards strictly with an unqualified black applicant. In denying the black applicant's mortgage, the loan officer may not be expressing hostility toward blacks so much as favoritism toward whites. It's a subtle but crucial distinction.

The ethical cost is clear and should be reason enough to address the problem. But such inadvertent bias produces an additional effect: It erodes the bottom line. Lenders who discriminate in this way, for example, incur bad-debt costs they could have avoided if their lending decisions were more objective. They also may find themselves exposed to damaging publicity or discrimination lawsuits if the skewed lending pattern is publicly revealed. In a different context, companies may pay a real cost for marginal hires who wouldn't have made the grade but for the sympathetic hiring manager swayed by in-group favoritism.

In-group favoritism is tenacious when membership confers clear advantages, as it does, for instance, among whites and other dominant social groups. (It may be weaker or absent among people whose group membership offers little societal advantage.) Thus for a wide array of managerial tasks—from hiring, firing, and promoting to contracting services and forming partnerships—qualified minority candidates are subtly and unconsciously discriminated against, sometimes simply because they are in the minority: There are not enough of them to counter the propensity for in-group favoritism in the majority.

Overclaiming Credit: Bias That Favors You

It's only natural for successful people to hold positive views about themselves. But many studies show that the majority of people consider themselves above average on a host of measures, from intelligence to driving ability. Business executives are no exception. We tend to overrate our individual contribution to groups, which, bluntly put, tends to lead to an overblown sense of entitlement. We become the unabashed, repeated beneficiaries of this unconscious bias, and the more we think only of our own contributions, the less fairly we judge others with whom we work.

Lab research demonstrates this most personal of biases. At Harvard, Eugene Caruso, Nick Epley, and Max Bazerman recently asked MBA students in study groups to estimate what portion of their group's work each had done. The sum of the contribution by all members, of course, must add up to 100%. But the researchers found that the totals for each study group averaged 139%. In a related study, Caruso and his colleagues uncovered rampant overestimates by academic authors of their contribution to shared research projects. Sadly, but not surprisingly, the more the sum of the total estimated group effort exceeded 100% (in other words, the more credit each person claimed), the less the parties wanted to collaborate in the future.

Likewise in business, claiming too much credit can destabilize alliances. When each party in a strategic partnership claims too much credit for its own contribution and becomes skeptical about whether the other is doing its fair share, they both tend to reduce their contributions to compensate. This has obvious repercussions for the joint venture's performance.

Unconscious overclaiming can be expected to reduce the performance and longevity of groups within organizations, just as it diminished the academic authors' willingness to collaborate. It can also take a toll on employee commitment. Think about how employees perceive raises. Most are not so different from the children at Lake Wobegon, believing that they, too, rank in the upper half of their peer group. But many necessarily get pay increases that are below the average. If an employee learns of a colleague's greater compensation—while honestly believing that he himself is

Would you be willing to risk being in the group disadvantaged by your own decision?

more deserving—resentment may be natural. At best, his resentment might translate into reduced commitment and performance. At worst, he may leave the organization that, it seems, doesn't appreciate his contribution.

Conflict of Interest: *Bias That Favors Those Who Can Benefit You*

Everyone knows that conflict of interest can lead to intentionally corrupt behavior. But numerous psychological experiments show how powerfully such conflicts can unintentionally skew decision making. (For an examination of the evidence in one business arena, see Max Bazerman, George Loewenstein, and Don Moore's November 2002 HBR article, "Why Good Accountants Do Bad Audits.") These experiments suggest that the work world is rife with situations in which such conflicts lead honest, ethical professionals to unconsciously make unsound and unethical recommendations.

Physicians, for instance, face conflicts of interest when they accept payment for referring patients into clinical trials. While, surely, most physicians consciously believe that their referrals are the patient's best clinical option, how do they know that the promise of payment did not skew their decisions? Similarly, many lawyers earn fees based on their clients' awards or settlements. Since going to trial is expensive and uncertain, settling out of court is often an attractive option for the lawyer. Attorneys may consciously believe that settling is in their clients' best interests. But how can they be objective, unbiased judges under these circumstances?

Research done with brokerage house analysts demonstrates how conflict of interest can unconsciously distort decision making. A survey of analysts conducted by the financial research service First Call showed that during a period in 2000 when the Nasdaq dropped 60%, fully 99% of brokerage analysts' client recommendations remained "strong buy," "buy," or "hold." What accounts for this discrepancy between what was happening and what was recommended? The answer may lie in a system that fosters conflicts of interest. A portion of analysts' pay is based on brokerage firm revenues. Some firms even tie analysts' compensation to the amount of business the analysts bring in from clients, giving analysts

an obvious incentive to prolong and extend their relationships with clients. But to assume that during this Nasdaq free fall all brokerage house analysts were consciously corrupt, milking their clients to exploit this incentive system, defies common sense. Surely there were some bad apples. But how much more likely it is that most of these analysts believed their recommendations were sound and in their clients' best interests. What many didn't appreciate was that the built-in conflict of interest in their compensation incentives made it impossible for them to see the implicit bias in their own flawed recommendations.

Trying Harder Isn't Enough

As companies keep collapsing into financial scandal and ruin, corporations are responding with ethics-training programs for managers, and many of the world's leading business schools have created new courses and chaired professorships in ethics. Many of these efforts focus on teaching broad principles of moral philosophy to help managers understand the ethical challenges they face.

We applaud these efforts, but we doubt that a well-intentioned, just-try-harder approach will fundamentally improve the quality of executives' decision making. To do that, ethics training must be broadened to include what is now known about how our minds work and must expose managers directly to the unconscious mechanisms that underlie biased decision making. And it must provide managers with exercises and interventions that can root out the biases that lead to bad decisions.

Managers can make wiser, more ethical decisions if they become mindful of their unconscious biases. But how can we get at something outside our conscious awareness? By bringing the conscious mind to bear. Just as the driver of a misaligned car deliberately counteracts its pull, so can managers develop conscious strategies to counteract the pull of their unconscious biases. What's required is vigilance—continual awareness of the forces that can cause decision making to veer from its intended course and continual adjustments to counteract them. Those adjustments fall into three general categories: collecting data, shaping the environment, and broadening the decision-making process.

Collect data. The first step to reducing unconscious bias is to collect data to reveal its

