



**Thought Leader**  
by Art Kleiner

**W**hat happens to businesses when they lose the public's trust? According to author, researcher, and social trend analyst

Daniel Yankelovich, they sacrifice a particular type of asset, intangible but all too consequential: the benefit of the doubt.

Dan Yankelovich has played a dual role in the sphere of American thought. On the one hand, he has been a keen-eyed outsider: "the founding father of public opinion research" (as television journalist Bill Moyers put it) who has surveyed and interpreted citizens' and consumers' attitudes since the 1950s. (He founded the market research/public opinion research firm Yankelovich, Skelly and White in 1958, and created the New York Times/Yankelovich poll in 1975.) On the other hand, he is also a consummate insider. A long-standing advisor to corporate and political leaders, he has either sat on or presided over the boards of CBS, US West, Brown University, the Concord Coalition, the Educational Testing Service, the Fund for the City of New York, and the Kettering

Photograph by Matthew Septimus

## Daniel Yankelovich: The Thought Leader Interview

America's most eminent pollster says the current epidemic of business scandals must be healed through a shift in norms, not laws.

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Foundation. As both insider and outsider, he has been a consistent advocate of moral integrity, especially on the part of organizations. His credentials make him a critical player in the ongoing debate about the meaning of corporate scandals and business legitimacy.

We found ourselves participating in that debate recently at this magazine when Booz Allen Hamilton and the Aspen Institute collaborated on a global study of corporate leaders' attitudes about ethics and values. (See "The Value of Corporate Values," by Reggie Van Lee, Lisa Fabish, and Nancy McGaw, *s+b*, Summer 2005.) The researchers quoted Mr. Yankelovich as saying that the public's widespread cynicism toward businesses today is the third wave of public mistrust about corporations in the past 75 years. The first wave occurred during the Great Depression of the 1930s; the second, sparked by the Vietnam War, lasted from the early 1960s until the early 1980s. Then American business restored its reputation, claims Mr. Yankelovich, "regaining much of the prestige and trust it had lost.... But it is now squandering that trust once again. As it does so, the groundwork of mistrust laid

down in earlier years will make it far more difficult to recover."

This quote comes from his book in progress, tentatively titled *Stewardship Ethics*, to be published by Yale University Press in early 2006. In the book, Mr. Yankelovich argues that the legal and regulatory actions of recent years, including the Sarbanes-Oxley Act and the recent spate of SEC investigations (more than 600 involving fraud in 2004), will not prevent future scandals. The real culprit is social norms: attitudes about appropriate and inappropriate behavior. When people indulge in "creative accounting" or hide perks and rewards from sight, they do so because they have tacit permission from the norms of the day: After all, everybody's doing it. "You cannot fight norms solely with laws," concludes Mr. Yankelovich. "You need to fight norms with other norms."

Mr. Yankelovich is currently the chairman of three organizations: DYG Inc. (a market research firm tracking social trends), Public Agenda (a not-for-profit public opinion research firm, cofounded with former secretary of state Cyrus Vance), and Viewpoint Learning Inc. (which designs and conducts

special-purpose dialogues for business and public policy organizations). His books include *The Magic of Dialogue: Transforming Conflict into Cooperation* (Simon & Schuster, 1999); *Coming to Public Judgment: Making Democracy Work in a Complex World* (Syracuse University Press, 1991); and *New Rules: Searching for Self-Fulfillment in a World Turned Upside Down* (Random House, 1981). He visited *s+b*'s New York office in June to talk about the link between profitability and corporate reputation, and the challenge of putting an "ethic of stewardship," as he calls it, into practice. We thank Steven Rosell, president of Viewpoint Learning, for his help in arranging this conversation.

**S+B:** You've been quoted in our pages and elsewhere as saying that the United States has just entered a new phase of public mistrust of business — and that it looks likely to last a while. What led you to this conclusion?

**YANKELOVICH:** One thing is trend data. Our firm does an annual study of public attitudes in the U.S., in which we ask, "Can you trust businesspeople to do the right thing, most or all of the time?" In 2002,

36 percent of those polled said yes. This year, it's 31 percent. The last time we saw lows of that sort was in the 1970s.

Then the levels of trust went back up; by the early 1990s, majorities of people we surveyed were saying that they trusted business to do the right thing. People saw innovativeness, creativity, and improved productivity in American corporations: They saw the success of companies like Microsoft. It no longer looked like Japan was taking over. And so there was an enormous sense of relief: Yes, American business is basically credible. Then, as more people invested their retirement money in stocks during the 1990s, the concept of shareholder value took on a loftier meaning. It came to mean preserving the interests of long-term middle-class investors.

And then came the end of the bubble. The people who got hurt were precisely the people who had assumed they were supposed to benefit from shareholder value. They realized that "shareholder value" had come to mean stock options for management tied to short-term earnings.

**S+B:** Hasn't this tension with shareholder loyalty been present since at least the 1980s — the era of the films *Wall Street* and *Other People's Money*?

**YANKELOVICH:** There was one difference. In the 1980s, business could not hide behind a moralistic notion of shareholder value. When people can rationalize their work as positive and ethical, then they can do the most unscrupulous things while feeling honorable about them.

For example, I'm always appalled at how unethical university officials can be. They believe that

"We are good people; therefore, by definition what we do is good." And then they do things that would make an Al "Chainsaw" Dunlap blush with shame. Similarly, when shareholder value became a quasi-ethical rationale for self-enrichment and cheating in the 1990s, that gave businesspeople who took part in this a feeling of self-justification.

**S+B:** How did loss of trust then show up in the survey data?

**YANKELOVICH:** We saw it in the statements consumers made. Today, when asked what quality they like most in the businesses they patronize, people talk about plain old garden-variety honesty: saying what you mean. They felt that the worst thing Enron did was to show bad faith to its employee-shareholders — sucking them in and then leaving them bereft.

In general, loyalty to customers and employees is now perceived as a one-way street. Companies are perceived as demanding loyalty; but they then outsource jobs, leave towns, and lay people off even when the company is doing well. Citizens and consumers have come to see these practices as meaning that the company doesn't give a damn about either customers or employees.

**S+B:** Does that mean that these are counterproductive practices?

**YANKELOVICH:** Not necessarily. But if they are accompanied by scandals, misbehavior, and conflicts of interest, then they translate directly into a low level of employee commitment. Only 20 percent of the employees we survey say they are giving the very best they can to their jobs. And the longer people have stayed at their company, the lower that commitment tends to be.

Meanwhile, in a global economy, especially for the United States, committed employees can make a big difference. You can see the extra edge that companies like Starbucks and Southwest Airlines get from their employee commitment.

There is another pragmatic consequence. In times of high suspicion, leaders are presumed guilty and all sorts of rotten motives are attributed to any ambiguous action. Business leaders don't get the benefit of the doubt that they ordinarily enjoy from the public. And they often don't recognize when this tide has shifted. It can carry all the way to the destruction of the firm.

I think the acquittal of Arthur Andersen [on June 1, 2005] is an interesting case in point. In the original 2003 trial [in a U.S. District Court], the jury was even instructed, in effect, to not give the company the benefit of the doubt; they were told they could convict even if they believed the company acted unknowingly. Then, two years later, the U.S. Supreme Court decided that this instruction made the firm, in a technically legal sense, not guilty. By that time, it was too late; the firm had already been destroyed. It was down from 28,000 employees to 200.

Merck's recent Vioxx episode didn't destroy the company, but it was a terrible blow, and disproportionately harsh; no company has had more of an ethical commitment over the years. Vioxx, their very profitable arthritis drug, was suddenly linked with heart attacks and strokes, and the CEO, Raymond Gilmartin, immediately ordered the drug recalled. He undoubtedly assumed that he would get the benefit of the doubt. But that wasn't enough, not in this climate. The

stock crashed and in June 2005, he had to leave under a cloud.

The forced resignation of American International Group CEO Hank Greenberg in March was terrible for AIG. The accounting scandal that ousted CEO Franklin Raines in January was a huge blow, certainly, to Fannie Mae. When Fannie Mae's new CEO, Daniel H. Mudd, took over, his first statement said that he was put in office to restore trust.

## Profits and Stewardship

**S+B:** An observer might say that these troubles apply only to corporate leaders who misbehave, flout the law, or deserve punishment in some other way.

**YANKELOVICH:** Well, for a number of years, the theme song in business was “a few bad apples” were causing all the problems. But it's very hard to maintain that premise with so many scandals making headlines. It's useful to distinguish dramatic scandals, where people go to jail, from everyday scandals that involve inherent conflicts of interest, and that get settled through large fines. The mutual fund industry, for instance, routinely pushed its clients into the funds that paid the biggest brokerage fees. That wasn't just a few bad apples; that was general practice. So was the rigging of bids in the insurance industry. Companies that exempt themselves from these trends do so because they take a stewardship approach to their customers and their employees. Those companies can probably develop a competitive edge as a result.

I know that most American corporate leaders do not correlate stewardship with their company's growth. And I think I understand why. Consumers learn that General

Electric has done some wonderful things for Zambia. The reaction is: “Oh, that's nice.” But they still reach for the Westinghouse light-bulb that costs five cents less. Business is familiar with that reality.

Also, the corporate social responsibility movement unintentionally helped to create a backlash against itself. It would be too strong to say it poisoned the well. But social responsibility had nothing to say about growing a company. It drove executives crazy because it was a movement of assistant professors who didn't know anything about business and who adopted a tone of moral superiority about profits. Their attitude toward profit ranged from casual to distrustful.

**S+B: What's the stewardship view of profit, then?**

**YANKELOVICH:** It goes back to an older American tradition of enlightened self-interest. You can do well by doing good. I admit I used to be very suspicious of enlightened self-interest, but I have a nostalgic yearning for it now. In 1999, I conducted a 50th-anniversary survey of the Harvard Business School class of 1949. They were mostly in their 70s then. When they articulated the guiding principles they followed in making decisions, they said things like: “Work hard,” “live by the rules,” “distinguish right from wrong,” and “practice self-discipline and self-sacrifice.” Self-respect is more important than winning. And being a leader means putting others' needs ahead of your own. That's enlightened self-interest.

**S+B: You're 80 now, so you would have been in that class yourself, wouldn't you?**

**YANKELOVICH:** I was at Harvard at

the time, but in the Graduate School of Arts and Sciences, not the business school.

Those attitudes were replaced in the 1960s and 1970s by unenlightened self-interest: Win at any cost. Strip away regulations and constraints. Anything that isn't illegal is OK. Conflict of interest isn't a real issue, except for a few straitlaced dummies. Everybody bends the rules, and you have to do so to survive. Someone caught in an ethically questionable situation might say, “Well, I didn't do anything wrong. I didn't break the law.” For someone from my generation, ethics doesn't have anything to do with breaking the law. Essentially, there was a dumbing-down of morality that came in with the baby boomers in the 1960s.

**S+B: But some writers — like William Strauss and Neil Howe, the authors of *Generations* [William Morrow, 1991] — argued that the baby boomers were the most moralistic of all. They saw their parents as morally obtuse, preaching sacrifice while actually being greedy.**

**YANKELOVICH:** At the heart of the cultural revolution of the 1960s was the thought: “We're not dominated

# “The corporate social responsibility movement unintentionally created a backlash against itself.”

anymore by a psychology of scarcity. We can afford more attention to our own aspirations and self-fulfillment.” Sacrifice for others, which they saw as often hypocritical, was only praiseworthy if it was necessary. That theme spread in the 1970s with remarkable speed. It was a widespread transformation of values, and it led to many positive results: a less intolerant, more pluralistic, less one-size-fits-all society.

But there were also negative results. The preoccupation with self led many people from repudiating unnecessary sacrifice to discarding the ethic of sacrifice altogether. The emphasis on relative values, as opposed to absolute values, left people somewhat bereft of common agreement about right and wrong. The current explosion of religious belief represents a search for something absolute to believe in. But in the larger culture, particularly the business culture, there is no overarching sense of shared morality.

This cultural trend then converged with the policy trend that we’ve already mentioned: the perversion of shareholder value into the primacy of short-term earnings. And there was a third trend: deregulation. Deregulation had its main

effects on the gatekeepers: law firms and accounting firms. They learned quickly that the firms that got hired most were those which showed clients how to skirt the edge of the law. A report by the American Academy of Arts & Sciences concluded that there wouldn’t have been a fraction of the recent scandals were it not for the collusion of the gatekeepers. [See Jay Lorsch, Leslie Berlowitz, and Andy Zelleke, *Restoring Trust in American Business* (MIT Press, 2005).]

The three trends of moral relativism, short-term shareholder value, and deregulation combined to put, for example, a huge amount of temptation in the path of banks, mutual funds, and Wall Street.

## Un-Gaming the System

**S+B:** You bring to mind a former investment bank executive I talked to recently. He said salespeople at his firm habitually showed up at six A.M., not to put in longer hours, but to poach clients who called their absent colleagues. He said he quit because he got sick of working in a place where that was common practice.

**YANKELOVICH:** That kind of gaming the system has been entrenched

in the financial industry. And on top of that, there have been unconscionable conflicts of interest — to the point that most advice from Wall Street in the 1990s was tainted. Citicorp and JPMorgan and others paid billions of dollars in fines, and it wasn’t for nothing.

**S+B:** But then if everyone’s doing this kind of thing, how can a company abstain? Assuming that you can avoid illegality, aren’t these the kinds of practices that take hold precisely because they lead to competitive advantage for companies and individuals?

**YANKELOVICH:** I think they lead to competitive *dis*advantage. There are a number of companies, for example, that practice what I think of as the “tailgating” approach: Put an ethical spin on what you do, but play hardball all the way. I have tracked some of these companies, and if unenlightened self-interest were truly a source of competitive advantage, then their stock prices would be booming. But they’re not. As far as I can tell, they tend to lag behind their industries financially.

Many executives seem to understand that stewardship ethics

# “There’s a new revulsion in the air against the ‘win at any cost’ ethic.”

is a path to growth, success, and competitive advantage. But, like everybody else, they compartmentalize. They have one set of practices under the heading “shareholder value,” and another set under the heading “social responsibility,” and it doesn’t add up to a coherent whole.

**S+B:** What would you say to a corporate leader who was trying to create a more trustworthy company?

**YANKELOVICH:** It isn’t just a matter of being an ethical person. You need to be very deliberate — about, for example, the way you listen. Monsanto got into its trouble with genetic engineering in the late 1990s because they didn’t listen carefully. They were oblivious to the perceived threat posed by what the Europeans call “Frankenfoods.” This was out there to see in the same way that the current climate is out there to see. It’s not all that subtle.

The boardroom in many companies is pretty isolated. People in corporations generally talk primarily to one another. And there are subcultures in the United States, like Detroit’s auto industry, which are almost unbelievable in their propensity for groupthink, isola-

tion, and not listening. I worked for the automobile industry when Robert McNamara was president of Ford, and they haven’t changed for 50 years. They still have their blinders on.

So the role of dialogue as a vehicle for listening to stakeholders seems to me to be a particularly important way of developing stewardship values.

**S+B:** “Dialogue” has come to mean a very specific type of conversation. How would you describe your approach to it?

**YANKELOVICH:** In my book *The Magic of Dialogue*, I defined dialogue as having three indispensable elements. First, park status outside — so that people feel free to interact with each other as equals. That’s not easy to do. Second, suspend judgment while listening. Dialogue is the opposite of debate. You can’t win or lose. You don’t rush to judgment; you leave yourself open to actually hearing with empathy what other people say. Third, unearth and reveal assumptions. Make explicit the framework from which you’re operating. Remarkable things happen when people talk under those conditions.

**S+B:** How did you move from your background as an analyst of polling data into being a convener of in-depth conversations about corporate responsibility?

**YANKELOVICH:** Over the years, sitting on various for-profit and non-profit boards, I saw the extent to which corporate social responsibility is acknowledged with skepticism and cynicism. I saw there were lots of corporate insiders, and lots of social scientists, but not too many people combining those two perspectives. So I began stepping into that role.

**S+B:** Would it be accurate to say that a corporate social responsibility approach, intentionally or not, will inevitably lead to more rules and laws, whereas a stewardship approach favors more informal, conversational measures?

**YANKELOVICH:** I wouldn’t put it quite that way. I think that our culture is biased toward laws and rules. Cultures work best when there’s a thick layer of moral norms — shared values and habits of behavior — undergirded by a relatively thin base of law. In the United States, we’re over-lawyered, overregulated, and under-normed. We’re attempt-

ing to deal with our business scandals through law. But the problem is a normative problem, and it needs to be addressed through normative means.

## Beyond the Smell Test

**S+B:** Suppose you're talking to a strategically minded executive who sees the value of a normative approach to stewardship — but who also works in an environment where people are showing up at six A.M. to steal each other's clients. What do you suggest?

**YANKELOVICH:** In my experience, any normative change in a corporation starts with the CEO. It's very difficult to change the culture if the CEO isn't taking the leadership role.

If you are a trusted executive, presumably you have a relationship with the CEO and with key board members. So you might suggest to the CEO that there be a corporate retreat. Bring in outside voices — employees, customers, government regulators, and investors — to get a picture of what cost or price the company is paying for practices that you think are OK. And then rethink your stand on stewardship.

To do that, I think you have to engage these outsiders in genuine dialogue. Not spin, not with a preconceived end in view, but open up the conversation and raise some hard questions: Which of our practices are doing more harm than good? Which are causing us to scant important constituents, like customers and employees? Then, what kinds of good things can we do? How can we address some problems of the larger society in a profitable way? If we do so, what impact will that have on our growth and reputation?

Among baby boomers, in particular, there is a predisposition to want to feel good about oneself. The notion of legacy is being raised as people get older. The earlier American tradition of doing well by doing good is coming back, because it is very important to self-respect.

In just about every company, there are already one or two officials who can be counted on to take an ethical view. They'll say, "Look, I don't care whether it's legal or not; it doesn't pass the smell test." But the purpose of these dialogues is to ratchet the company's view up another level, in the direction of stewardship ethics.

**S+B:** What companies have explicitly tried to ratchet themselves up and profited accordingly?

**YANKELOVICH:** I know stewardship is very much on the mind of A.G. Lafley, the CEO of Procter & Gamble, because we've talked about it. They're hardheaded people at Procter & Gamble, and they're studying the potential competitive advantage of being seen as a company of integrity.

**S+B:** If the Harvard Business School class of 1949 held a view of leadership as —

**YANKELOVICH:** Putting other people first...

**S+B:** And if the class of, say, 1979 focused on —

**YANKELOVICH:** "Putting myself first..."

**S+B:** What about the class of 2009?

**YANKELOVICH:** They'll be different from the boomers. I'm not sure that I fully understand how, but they resonate more with my generation. They have a hunger for ethical

absolutes, for self-respect, and for ways of doing business where you can feel good about yourself and where you don't get worn out.

The pressures are terrible on young people today. How can you live a civilized life? How can you get something out of a business career other than just pressure and work? There's a revulsion in the air against the "win at any cost" ethic. It's debilitating. And I think I'm writing my next book for the post-boomer world.

At the same time, there's nothing inherently narcissistic about the baby boomer generation. They happened to come of age in a time when there was reason to shrink norms, and to try to substitute laws for them. Now the culture, as a whole, is trying to rediscover its ethical bearings. I actually believe the chances for overcoming the ethical crisis are better in the business sector than in other spheres of American life, and that success here will help to dispel ethical confusion in the culture at large. That's why there's more need than there ever has been in companies — to compare, to discuss, to share frameworks, and to build bridges. +

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