The Responsibility Gap

Joshua D. Margolis

At 4:10 a.m. on December 26, 2004, Mikael Edwards was roused from his post-holiday sleep by an odd phone call. The voice on the other end alerted him that cars were floating in the swimming pool at one of the hotels where Edwards’s company had booked customers for the holidays. Edwards was an operations manager for Fritidsresor, a Swedish charter tour company. The night after Christmas turned out to be his shift for getting all emergency calls: everything from customers experiencing food poisoning and getting arrested to buses getting flat tires. As Edwards tells it, a car floating in the pool is not as outlandish as it may seem to us, especially for a company accustomed to college students on spring break. But the phone call early that morning launched ten intense hours for the company as it struggled to figure out what had happened in Thailand, where the hotel was located. The executive team at Fritidsresor gradually discovered they were dealing with a massive tsunami affecting Indonesia, Sri Lanka, India, and Thailand. A quarter of a million people lost their lives.

While the Tsunami of 2004 might literally have been a one-hundred-year flood of biblical proportions, the challenge facing Fritidsresor CEO Johan Lundgren and his senior team captures in distilled fashion an increasingly common experience for managers. With little information and severed contact to the region, Lundgren and his team, including Edwards, had to determine how to attend to customers and staff in the affected region, how to communicate with the public through the press, and whether to send additional planes of eager vacationers to the region, all while keeping the business operating to many other regions at the busiest time of the year. The company’s 4,500 customers and employees in the tsunami region were only a tiny proportion of those affected by the tsunami. Of the approximately 225,000 people who died in the

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tsunami, 350 were somehow connected to the company. In the context of the whole disaster, its role was minor, but for the company, this was an unparalleled event.

The company had a very difficult time reaching anyone in the Swedish government, and when they finally contacted someone in the foreign minister’s office on the cell phone, the first response was, “How did you get this number?” The Swedish government was notorious for its poor response to the tsunami, but Fritidsresor’s challenge embodies in concentrated form an increasingly typical situation for those in business. And it is this: uncertain and evolving conditions press new responsibilities upon corporate leaders, and while we might hope that other institutions and actors would respond, increasingly those in business are being asked to—and often are expected to—shoulder the burden. This situation, which I call “the responsibility gap,” is a signature ethical challenge of contemporary business. The responsibility gap refers to the discrepancy between the ethical responsibilities managers must take upon themselves, on the one hand, and the realities of human functioning that limit our human capacity to meet those responsibilities, on the other. Even good intentions and good systems may be overmatched at times by situational pressures, social dynamics, and psychological tendencies, leaving responsibilities unfulfilled.

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When considering the moral standing of the corporation, and business more broadly, it may seem odd to focus on anything but the economic crisis currently gripping the world. The crisis has been blamed on, among other things, human nature (greed and rationality, in particular), poor public policy (either excessive or insufficient government intervention, depending on who you ask), the separation of risk and reward, and unexpected interactions among all three. But collective efforts to figure out what went wrong and what to do about it may, in fact, illustrate the very problem I would like to raise. Managers need to meet new demands because investors’ wealth and the public’s trust have both been destroyed, and restoring them will have to occur in a far more unforgiving climate. How might managers do that? What do academic fields have to offer in the form of guidance, not about how things went awry or the new ground rules to establish to prevent recurrence, but about how to equip those who must navigate the new terrain? Here the responsibility gap stares us in the face.

On one side of the responsibility gap, managers face emerging responsibilities amid rapidly transforming and uncertain circumstances—and these responsibilities are over and above the existing financial expectations companies must meet. The very conditions that spring these responsibilities upon companies and managers also create daunting obstacles to meeting those responsibilities. Time pressure and uncertainty, for example,
typically accompany the dawning realization of responsibility, making it more difficult to determine what to do and how to deliver in sufficient time. On the other side of the gap, mounting evidence from social science reveals how limited and flawed human beings are in taking on even basic responsibilities. The parade of scandals from Enron to WorldCom, and on to options backdating and sub-prime excesses, all confirm how easily human beings can glide toward wrong-doing and, sometimes, even march there. In short, there is a gap between emerging responsibilities and human functioning.

To return to the story of Fritidsresor, it is a heroic story. No one would have bet on a small, struggling tour operator with no values statement and no record of profitability to be the one to deliver during the chaos of the tsunami—certainly not if you had witnessed their emergency drill the year before. But Sweden turned its eyes to this one small company during the hours and days following the tsunami. As the government stumbled, Fritidsresor rose to the challenge, evacuating 4,500 Scandinavians from the tsunami region, whether customers or not. They arranged for a succession of charter planes to airlift people out, and they put authority in the hands of their local staff on the ground to orchestrate the efforts. The company succeeded, but it is the challenge
they faced in December 2004 and the unlikelihood of meeting it that is emblematic of the responsibility gap, even as they managed to leap across it.

Another story illustrates this gap at the individual, rather than corporate, level. Lawrence Trinh [disguised name] has to decide among three job offers, all with private equity firms. He was born in the United States to Vietnamese parents who fled Vietnam following the war, and his aspiration is to return to Vietnam as an investor to help facilitate the country’s economic development. After graduating from Duke [disguised], he worked in investment banking and private equity and became involved in Vietnamese student and community organizations. He applied to business school with the explicit intention of integrating his experience in financial services with his commitment to Vietnam’s economic development. His aim is to be a successful long-term investor, one who respects and thoroughly understands the country and how business there operates, one who contributes for a prolonged period of time to its economic development, and one who profits in the process. But he wrestles with two pressing dilemmas. First, how should he conduct himself when doing business in Vietnam? Although his orienting purpose is to contribute to the wellbeing of Vietnamese society, he worries that it may require him to engage in illicit means to achieve that end. Vietnam is considered highly corrupt, receiving a score of 47 (“very weak”) on Global Integrity’s 2006 Index, the lowest of six countries in the region.1 In addition, the government is not democratically elected and has been criticized for human rights abuses. These concerns introduce the second dilemma he’s facing: should he even pursue his aspiration of working in Vietnam at this point in time?

Before we categorize Trinh’s predicament as idiosyncratic, imagine substituting an industry for Vietnam. Many students contemplate careers in countries, markets, and industries that lack sound regulation and enforcement, where corruption is rife, or where their own personal values are likely to be tested. They want to make a difference. They want to live lives of integrity. But to do both, they must step into inhospitable contexts where they may well be overmatched by the complexity of the dilemmas and pressures they face.

While some argue that the good and the profitable can move happily together—noting the efficiencies of integrity and mutually beneficial relationships, or the long-term value of social responsibility, for example—I am not convinced that the world is quite so simple. Even for those managers and companies who want to find ways of pursuing shareholder value and stakeholder benefit at the same time, their very efforts to create convergence raise inevitable tensions. Economic, legal, and ethical responsibilities may cohabitate, but they are uneasy roommates, at least some of the time. How, then, do

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companies and managers negotiate the tensions? My point is not to dismiss the possibility that ethically responsible conduct can dovetail with financial performance but rather to say simply that they are not perfectly aligned—and whether or not they can be reconciled, the true challenge lies in how companies go about doing both.

**Two Versions of the Responsibility Gap**

The responsibility gap consists of the discrepancy between the documented limitations in human beings’ functioning and the complex set of responsibilities those in business must meet. There are three versions of the responsibility gap; I will deal with the first two together. The third version has to do with business ethics itself, and I will discuss it below.

The first version is the discrepancy between human beings’ capacity, on the one hand, and, on the other, the novel and expanding responsibilities that business is asked to take on. In every historical period, companies doing business have new ethical, legal, and regulatory responsibilities pressed upon them, with at least steady if not intensifying pressure to meet economic responsibilities.

The second version of the responsibility gap takes us from historical periods and business as a whole to career phases and individual managers. There is a discrepancy between the responsibilities business school graduates encounter at each stage of their careers and what they are equipped to handle. Just as with each historical period the capacity of business is outstripped by emerging responsibilities, so with individual careers, the next demand or level of responsibility often outstrips what individuals are ready to take on.

The examples of Fritidsresor and Lawrence Trinh illustrate these two versions. How to operate in emerging markets, such as Vietnam, manifests the first version of the responsibility gap. In considering how to enter and operate in emerging markets, companies now encounter a range of competing responsibilities, most notably how to contribute through their investments and operations to social welfare and how to avoid unjust practices. But the second version of the gap is manifest in Trinh’s predicament, for his prior experience and MBA degree do not quite equip him to master the temptations, dilemmas, and tradeoffs he is likely to encounter. Trinh discerns a collision between contributing to economic development through investment and threatening it through corruption. Social scientific research suggests it will be all too easy for those in his shoes to indulge in corrupt practices and justify them, however strong their character, however deep their moral commitments.

So, too, with the Swedish tour company. Companies increasingly find themselves in a position to respond to pressing societal ills and are implored to do so because the presumed first responder—government—is not up to the challenge. At the same time, the conditions that create those ills also make it difficult to respond. Urgency, insufficient resources, limited information, and uncooperative third parties give rise to the imperative to respond even as they get in the way of doing so effectively. Fritidsresor found itself faced with the first version of the responsibility gap. But here, too, the indi-
individual managers encountered the second version of the responsibility gap. The CEO and his senior team had dealt with food poisoning, derailed buses, and even explosions at hotels, but they all acknowledged that they could not possibly have been prepared for the unfathomable hundred-year tsunami or the psychological grip it would exert over them.

The Limitations of Human Functioning

The dawning responsibility that pounces upon companies in each successive historical period and upon individuals in each successive stage of their professional lives represents one side of the responsibility gap. Our limitations as human beings constitute the other side of that gap. As responsibilities emerge and confront managers, so too does evidence mount that human beings all too often fall woefully short of meeting even basic responsibilities. To be clear, I am not saying that research shows human beings are becoming even more flawed over time. Rather, we have ever-more exhaustive documentation of our flaws, which have likely always been part of our make-up as human beings. World-renowned psychologists and sociologists have all documented the imperfections and flaws in human functioning that dispose us not only to neglect responsibility but also to act downright irresponsibly at times. ²

Two findings from this research are particularly vexing. First, to vastly oversimplify, the emerging portrait of moral psychology suggests that human beings primarily rely on intuition that operates much as a reflex would, with reason trailing along afterward to tell a just-so story about how the decision produced by intuition emerged from a careful deliberative process. It is not simply that we human beings rationalize after the fact. We do. But in addition, we truly believe that the reasons we give for our judgments are what prompted those judgments. Think of the following analogy. A doctor tests your knee reflex with a reflex-hammer, your knee moves, and when asked why your knee moved, you explain that weighing the options of keeping your knee still or moving it, you felt all-things-considered that your duty to the doctor to respect her desire to test your knee warranted your moving your knee. So, too, the dominant view goes, moral dilemmas elicit in human beings certain emotional and intuitive reflexes, which may

or may not be justifiable or the best way to respond, but we come up with reasons, sometimes fanciful, for why they are justified.\(^3\)

Beyond that descriptive portrait, though, there is an undercurrent of debate about superiority. Cognitive neuroscience seems to have caught up with classic philosophy, and Socrates and Hume have found their way into the magnetic resonance imaging machine. Human beings are far less deliberative and rational than we might like to believe, but is this a good or bad thing? Some research suggests that heeding our intuitions leads to better judgment, whereas other research suggests that it leads us astray.\(^4\) Inevitably, research will reveal how emotion and reason, intuition and deliberation, are inextricably linked. Theories will no doubt go on to propose the conditions under which intuition and deliberation, respectively, are superior when it comes to moral judgment.

Research has already revealed, though, that human beings do not actually draw on emotion and reason, intuition and deliberation, when each is most appropriate. We want emotion and intuition to influence us when cool cognition alone would harden us and misguide us, and we want the distanced vista of cognitive deliberation when emotion and intuition would submerge us and misguide us. Ideally we want access to our intuitive, emotional responses without short-circuiting our deliberative capacity or trampling our deliberative conclusions. We also want to be able to activate our deliberative capacity without thereby discarding our emotional responses or attenuating our intuitive capabilities. But that is not how we are wired. Research suggests that the same empathic response elicited almost innately, so essential in coming to the aid of others and discouraging harm, can also lead to in-group bias that causes loan officers to unwittingly approve loans for those in their own ethnic group who do not meet financing criteria. Even the whiff of a relationship can trigger an empathic connection. A recent experiment revealed that just a hypothetical relationship with an audit client was sufficient to make accountants 30 percent more likely to find a company’s financial reports in compliance with Generally Accepted Accounting Principles.\(^5\) So, too, on the delibera-

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tive side of our judgment. The rational cognition that permits us to apply the same set of criteria to loan applicants regardless of race or gender, also facilitates the sort of moral disengagement that allows human beings to administer shocks to one another in the name of a worthy cause, such as advancing science, as they did in the famous Milgram experiments.⁶

The first limitation of human functioning to note, therefore, is the inevitable mismatch between ethical challenges and human psychology. Our psychological processing will at best imperfectly fit the complex problems we human beings encounter, and all the more so for managers and business leaders who live at the intersection of colliding responsibilities. Human psychology is not a vending machine that allows us to select which form of processing and response would be best at a given moment.

A second limitation plagues human efforts to build a better mousetrap. A half-century of work in psychology and organizational behavior, and the periodic surge of scandals, has given rise to organizational mechanisms for curtailing misconduct and inevitable human miscues. But subsequent research has also revealed how those exact systems designed to safeguard against error, missteps, and misconduct can paradoxically end up contributing to irresponsible conduct. The very systems designed to bridge the responsibility gap can perpetuate it. Diane Vaughan’s study of the space shuttle Challenger disaster and Connie Gersick and Richard Hackman’s study of cockpit crews both show how methods for catching errors and deviance can, ironically, anesthetize us to them.⁷

Three of the most relied-upon safeguards against managerial wrongdoing—sanctions, disclosure, and accountability—have all been shown, at times, to elicit worse conduct. Experimental research by Ann Tenbrunsel and David Messick has found that a system of monitoring and penalties designed to reduce undesirable behavior instead provoked more.⁸ Research by Daylian Cain, George Loewenstein, and Don Moore has revealed how those who disclosed a conflict of interest were more willing to give biased advice, and those on the receiving end did not discount the advice sufficiently.⁹ And extensive research on accountability has demonstrated how holding people accountable, rather than ensuring good-faith and self-critical efforts to make the most sound decision or select the best course of action, instead produced (1) strategic efforts by people

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to shift their attitudes to conform to those of the party to whom they were accountable, (2) defensive efforts to justify their actions, and (3) efforts to avoid making a decision altogether. These are not the aims accountability is designed to achieve.

The point here is not to feed the skeptics and claim that human beings are wired to do wrong, or that all systems are fruitless and counterproductive. The point, rather, is that our best intentions and our most creatively and carefully designed systems may not be enough to enable companies and their employees to fulfill the responsibilities with which they are faced.

**The Third Version of the Responsibility Gap**

It is easy to poke fun at the notion of business ethics. The very idea—especially in a decade marked by a succession of spectacular scandals, the collapse of the banking sector, and the global economic crisis—elicits the usual catcalls about its being an oxymoron. As an intellectual enterprise, business ethics has long been regarded with skepticism, if not disdain, as the poor cousin to medical and legal ethics. But perhaps these doubts, bordering at times on ridicule, indicate the magnitude of the intellectual challenge posed by the practical realities of business. To be dismissive of business ethics might just be to underestimate its importance. Like it or not, business lies at the heart of contemporary society, and companies touch all aspects of our lives every day.

It is convenient to veer to one of two extremes in assessing business and sizing up the moral standing of the corporation. It is tempting, on the one hand, to cast the activities and actors of business as hopelessly corrupt and corruptible, beyond repair, as though guilty of some sort of original sin. So, too, it is tempting, on the other hand, to cast companies and their leaders as heroic and estimable: the one set of institutions and actors the world over that can reliably get things done. Less satisfying than either extreme view, perhaps, but more constructive for both intellectual and practical pursuits, is to see business as a human endeavor, characterized by all the imperfections and inspiring possibilities that characterize all human endeavors.

One implication of this third view is that the settings in which business gets done must be shaped so that human imperfections are contained. The economic crisis has accelerated the latest round of these efforts, in word if not ultimately in deed, to reform the environment in which companies operate, to regulate business activity more astutely, and to enforce those regulations more vigorously. Who knows how far these reforms will go or what the consequences will be? Goods and services, though, will still need to be produced and delivered, and they will be produced and delivered by companies operated by managers. What, then, do we have to say to the people who will be engaged

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in these endeavors? Here we come to the third version of the responsibility gap: the one that confronts the academic community.

We can continue to document the flaws of human functioning and the roots of misconduct, and we can continue to sketch ideals of what citizens and organizations should do, identifying how society should be structured were we to start with a fresh sheet and how managers should make decisions and operate their companies were they to be unencumbered by the world as it actually functions. Certainly we need to grasp our flaws in order to rectify them, and ideal societal and organizational forms need to be conceptualized before we move to nonideal theory.11 Just the humility that comes from acknowledging human limitations can temper elevated assumptions about the strength of individual character.12 So, too, if misconduct and harm-doing can be reduced even slightly, and if speculative models can adumbrate alternative paths forward, those are weighty contributions to the wellbeing of society and to the fulfillment of responsibility.

But imagine if choreographers approached the dance profession the way social scientists and philosophers have tended to approach business ethics. Choreographers would start with dance injuries and trace their origins back to gravitational forces and human biomechanics. Or, in keeping with philosophical efforts to craft ideal models of organizations and managerial conduct, choreographers would craft pieces for a world without gravity and human anatomy.

An alternative way to approach the responsibility gap is much the way choreographers approach gravitational forces and human biomechanics. Gravitational forces are akin to the contextual conditions managers face, and human biomechanics are akin to human psychological functioning. The challenge for choreographers is not how to defy gravity or biomechanics. Nor is the challenge to imagine a world unconstrained by the laws of physics or by human anatomy. Rather, it is how, within those constraints, to craft moves. These moves are no doubt different from what they would be were gravity not a constraint and were human beings optimally pliable, unconstrained by flesh and bone. But the moves are creative, elegant, and often inspiring nonetheless.

The challenge for academics, especially those who seek to build an ethics for business, may be to emulate choreographers—to aspire, at least, to be moral choreographers. Metaphors like this one are powerful because they offer the potential to recast how we look at things, but they are also dangerous because they can obfuscate and seduce while moving us further from really grasping what we are trying to understand. So what do I mean by moral choreography? What might it entail? Put in another way, how might business ethicists bridge the third version of the responsibility gap, that is, the chasm between the central tendencies of their research and theory and the responsibility gap managers encounter? Addressing this responsibility gap means generating research and theory that speak to the gap that managers face, the gap between the ethical demands

they are called upon to meet and the reality of human limitations. Here are some initial thoughts on what bridging the responsibility gap might require of educators and theorists.

First, we should start from the classroom and ask what research and theory is needed in order to equip students to bridge the responsibility gap they will face. For example, the normative work might take more seriously the reality of multiple, colliding responsibilities that students will be asked to take on, and the reality of imperfect organizational settings and imperfect background institutions of society. Under these conditions, what are managers and investors obligated to do, and what are they permitted to do? Might business ethicists sketch the boundaries?

Second, I would propose that business ethicists focus much more on the four i’s: insight, identity, and intra- and interpersonal skills. Ethics as it has been studied in the academy tends to revolve around judgment and decision making, so analysis proves crucial: breaking down dilemmas into contesting claims, specifying what’s at stake for whom, and which claims should take priority. But business is about getting things done—action that requires the inventive use of resources and handling of constraints. If business ethicists wish to equip managers to find creative solutions amid competing responsibilities, ethicists ought to be examining not how managers can adjudicate among those competing demands, but what it takes to act effectively on those simultaneous demands. And the starter kit of what it takes, I think, is insight, identity, and intra- and interpersonal skills.

I mention insight in contrast to analysis. I do not want to discount the importance of analysis, but if we consider what is distinctive about ethical challenges in business, and what the study of those situations can distinctively contribute, we need to take a closer look at the role of insight. Situations like Fritidsresor’s and Lawrence Trinh’s entail constructing action amid formidable obstacles and constraints, not adjudicating claims. If business ethicists wish to equip managers to find creative solutions amid competing responsibilities, ethicists ought to be examining not how managers can adjudicate among those competing demands, but what it takes to act effectively on those simultaneous demands. And the starter kit of what it takes, I think, is insight, identity, and intra- and interpersonal skills.

Identity stands in contrast to knowledge—knowledge of duties, of philosophical theories, of psychological biases. Again, I do not wish to discount knowledge, but it may receive disproportionate scholarly attention relative to identity. Identity—how managers

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see themselves—may be an even more powerful lever over conduct. Each academic discipline conveys to students an implicit sense of who they are, and it is this implicit model of self as much as the explicit moral content of a discipline’s instruction that will shape students’ subsequent moral conduct. The content of what students and future professionals learn about morality and ethics may be matched in importance by the implicit message sent by that content about who they are—whether they are actors shaping their own behavior or agents of social and cognitive forces they cannot consciously control.14

Moral awareness and moral action both hinge upon one’s sense of self. The path-breaking work of Americus Reed and Karl Aquino demonstrates the immense power that comes from having moral concerns constitute a core component of one’s identity. The challenge now is to find ways for students to develop for themselves a sense of self that equips them to step up to the responsibility gap.15 This might entail equipping students to see themselves in two different ways: first, as actors—what Joe Badaracco calls “ethical entrepreneurs”—rather than as agents or as objects acted upon; and second, as unfinished—as fallible but capable of recovering, for that is what it takes to be willing to step into the responsibility gap.16 Seeing oneself as unfinished also means seeing oneself as in the process of developing, so that each challenge is approached not as a trial of character but as an opportunity to build the capacity to take on escalating ethical challenges.

Intra- and interpersonal skills stand in contrast to conceptual skills. Students and managers may indeed need better conceptual acuity when it comes to ethics, where their ability to understand situations in ethical terms seems impoverished compared to their conceptual sophistication with finance, strategy, or marketing. Our theories and research tend predominantly to offer conceptualization, though, whereas effective ethical action, especially of the sort necessary to bridge the responsibility gap, requires the skills and tools necessary to have constructive interactions and to manage oneself.

Managers need to be able to handle violators and victims, and they need to be able to guide those who follow them to take on responsibility as well. For example, how might we equip someone like Lawrence Trinh to be able to confront violators effectively? That is, in a way that those poised to act illicitly could potentially hear, perhaps even causing them to think twice, and maybe even change behavior—and yet

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not sabotage his career? So, too, long lines of research on organizational justice indicate what victims of unfavorable outcomes seek, but only limited research examines what is required for managers to have the wherewithal to deliver that treatment. And what did it take for someone like Johan Lundgren to lead his team to meet their competing responsibilities amid the chaos of the tsunami? Although a tsunami may be rare, it too is a metaphor for the turbulence so often encountered when responsibility is pressed upon managers. How people might manage themselves when new responsibilities are pressed upon them, when multiple parties turn toward them, so that they can rise to the challenge rather than indulge their own impulses and needs, is also a frontier for research. If we take all of the research about our psychological limitations seriously, managers absolutely need to work collaboratively if they are to have any chance of constructing the sorts of responses that truly can attend to multiple responsibilities. These are responses that no one human being could possibly muster alone. But that requires the interpersonal skills to elicit, bridge, and integrate diverse points of view.

**Conclusion**

The responsibility gap is a way of synthesizing a steep ethical challenge of business. It is a means for bringing together a set of trends in business practice, social science, and business ethics scholarship. More than that, though, it introduces a gap in the study of ethics and business. For those of us who teach business students, we can continue to trace the antecedents of misconduct, question the domineering power of shareholders, document the imperfections of human psychological functioning, and formulate alternative models of how companies ought to operate (or at least of how the states in which they reside should regulate them). Or we can start from the reality that so troubles and provokes these lines of research and theory and ask a fundamentally different question: how do we equip those who will enter that daunting reality? Speaking personally, that is an intimidating question because research and theory have so much less to say about it, and the question itself seems to take us into territory that research and theory do not typically explore. That, though, is why it is also an exciting and enticing question.