I’ve spent the past decade studying why some people notice and act on organizational threats and opportunities while others do not. The failure of leaders to notice ethical transgressions has been a key area of my research. How is it that smart, upstanding managers miss—or turn a blind eye to—wrongdoing that ultimately imperils their businesses? One of my personal learning moments came in 2005 when I witnessed what I later realized was an ethical breach and, in spite of my knowledge, experience, training, and values, initially did nothing about it.

I’d agreed to serve as an expert witness for the U.S. Department of Justice in its landmark case against the tobacco industry. My job was to suggest corrective actions should the defendants be found guilty of a conspiracy to commit multiple frauds to deceive the public about the risks associated with smoking. In my written testimony, I urged the court to make significant changes to the industry, such as appointing external monitors with the power to restructure the tobacco companies and...
remove executives from their roles. But four days before I was to testify in court, a member of the DOJ legal team asked me to amend those recommendations to state that many of them would not be appropriate if four conditions (that he read to me) existed. I didn’t have the legal knowledge to evaluate the changes he was suggesting, but my on-the-spot assessment was that they would weaken my testimony. When I asked him why I would make the changes, he said that if I didn’t, senior DOJ officials might not allow me to testify, which would result in more than 200 hours of wasted work, at taxpayers’ expense. I told him I stood by my opinions, and on May 4, I gave them on the stand.

Still, at the time, I told no one in a position of authority about the interaction. A month later, the DOJ made an unexpected and stunning retreat, cutting its request for financial penalties against the tobacco firms (which would have helped fund smoking prevention efforts) from $130 billion to $10 billion, just as the trial was coming to a close. The government formally won its case, but in my view the remedies were trivial, and society missed an opportunity to save millions of lives. Members of Congress and consumer advocates protested the reversal, specifically questioning the impartiality of U.S. associate attorney general Robert D. McCallum Jr., a former partner of the Alston & Bird law firm, which had previously represented R.J. Reynolds Tobacco Company, a defendant in the case, on trademark and patent matters. In light of those reports, the request to change my testimony seemed (to me) more suspicious, and likely unethical.

I’m generally an inquisitive person. So why, in the spring of 2005, didn’t I probe further into what had struck me as unusual conduct? Because I was susceptible to the same factors that prevent many well-intentioned people from recognizing and acting on questionable behavior. Warren Bennis said long ago that the best leaders are “first-class noticers” (a term borrowed from Saul Bellow’s novel *The Actual*). That means they pay close attention to what is happening around them. They see things that others miss and understand when to dig deeper so that they can make informed decisions about whether action is appropriate. In this article, I describe six key obstacles to this type of noticing and offer insights into how to overcome them. Given the string of ethical failures we’ve seen in corporations around the world in recent years—from BP to GM to JPMorgan Chase—it’s clear that leaders need to not only act more responsibly themselves but also develop keen noticing skills in their employees and across their organizations.

**Identifying the Challenges**

Let’s take a look at the obstacles we all face in becoming first-class noticers. My research identifies key barriers that can cause even the most upstanding employee to ignore, overlook, or misinterpret important signals. Failure to “notice” and take action can mean losing an important customer, getting edged out of a market, or even going to jail.

**AMBIGUITY**

Important executive decisions rarely require deliberation among options that are clear and unambiguous. Often the data provide only strong hints, but not convincing evidence, that something is amiss. For example, I wasn’t absolutely sure that something was wrong about my conversation with the DOJ lawyer in April 2005. My intuition that his request was unusual should have prompted me to learn more, but instead I tolerated the ambiguity, due to several factors, including my own exhaustion, the difficulty of getting useful advice from others on the DOJ team, and my awareness that all were concerned that media attention would hurt their cause.

**MOTIVATED BLINDNESS**

When we have a vested self-interest in a situation, we have difficulty approaching it without bias, no matter how well-calibrated our moral compasses may be. Motivated blindness helps explain why we want to think the best of our family members, friends, and colleagues and are disinclined to speak against those with influence in our offices and workplaces. It could also explain why, for decades, high-ranking officials in the Catholic Church failed to investigate complaints of child sexual abuse by priests, and why some Penn State University officials failed to report evidence of similar crimes committed by former assistant football coach Jerry Sandusky to the police. Because of their biases, some of these officials challenged the accounts of victims and witnesses, minimized the severity of the abuse, and overestimated their ability to address the crises on their own.

**CONFLICTS OF INTEREST**

Extensive research shows that our desires influence the way we interpret information, even when we are trying to be objective. This is particularly true when our responsibilities are not aligned with the actual incentives in place. Consider a lab experiment I conducted with Don Moore, of the University of California, Berkeley, and Lloyd Tanlu, of the University of Washington. We gave participants packets of information to help them estimate the value of a fictional company up for sale, and then assigned them to one of four roles: buyer, seller, buyer’s auditor, or seller’s auditor. Although everyone had the same data on the company, estimates from the sellers and the sellers’ auditors came in significantly higher than those from participants on the buying side.

Consider how this phenomenon plays out in the real world. Even after the passage of Sarbanes-Oxley, U.S. auditors have strong financial incentives to please their clients and secure repeat business—motives at odds with the mandate to conduct independent audits. These firms also provide non-audit services, including consulting, to their clients, in essence influencing the very businesses they are supposed to impartially critique. When such conflicts of interest are present—whether
at the industry, organization, or individual level—the ability to be a first-class noticer is clearly diminished.

**THE SLIPPERY SLOPE**

When ethical standards loosen gradually, the change is very often imperceptible. Catherine Schrand, of the University of Pennsylvania, and Sarah Zechman, of the University of Chicago, studied 49 firms sanctioned by the SEC for inappropriate accounting practices between 1996 and 2003. In about a quarter of the cases, the fraud was intentional, committed by individuals for personal gain. In the rest, however, the misreporting, or “earnings management,” started with the desire of an executive or a group of executives to adjust for a weak performance period. Often, the people involved had planned to correct the manipulations in the following period, but when their fortunes did not improve, they escalated their misreporting instead. Their slide down the slippery slope often occurred without the company’s auditors or board of directors even noticing it. The massive investment companies' auditors or board of directors didn't understand why, as the demand for consumers—and the pressure to keep supplier costs at rock bottom—means that the companies must share in the responsibility for the tragedy. But when we are several steps removed from an ethical failure such as this, we often fail to hold ourselves or those around us accountable.

**INDIRECT HARM**

A garment factory in Bangladesh burns down, killing half of the 300 women and children employed there. Who is to blame? The factory owner, who repeatedly failed to make investments to ensure minimum safety standards? Officials in the Bangladeshi government, who provided little oversight? What about executives at Walmart and other major apparel brands, which sold clothes produced in the factory? The commitment to ultralow prices for consumers—and the pressure to keep supplier costs at rock bottom—means that the companies must share in the responsibility for the tragedy. But when we are several steps removed from an ethical failure such as this, we often fail to hold ourselves or those around us accountable.

**BUILDING YOUR NOTICING SKILLS**

Unfortunately, simply being aware of the factors that blind us to ethical failure isn’t enough. Here are three concrete actions, rooted in research, that can help you improve your noticing skills:

**LOOK INWARD TO ANALYZE PREVIOUS MISTAKES**

When companies are in crisis, I often hear executives say “No one could have predicted that” or “It wasn’t my job to see the warning signs.” Rarely do you hear them acknowledge their own responsibility with comments such as “I didn’t think about how that policy could affect our organization” or “I didn’t ask for more information.”

To be sure, strategic threats or ethical land mines certainly arise from factors outside a leader’s or an organization’s control. But most failures have both internal and external causes, and too often, people use external attributions exclusively. First-class noticers always consider internal causes as well, which allows them to better learn from experience.

So when a problem—ethical or otherwise—arises at your company, consider the role you and your team played. Which warning signs did you miss? Do you or your team members have an incentive to overlook a questionable behavior? Are you susceptible to being misled or thinking too highly of people? What are your weak spots and how can you fix them to prevent future lapses?

**TAKE AN OUTSIDER’S VIEW**

When clients hire me to help solve problems, I often encounter the “things aren’t done that way” response to new solutions. My approach is to push harder. Often, there is no logical reason why a change can’t be made. The organization or the industry has simply developed a bad habit that needs to be broken.

I recently had a conversation with an executive who was frustrated that her sales team was bringing in lots of poor-quality accounts. I asked her how the employees were rewarded. She told me that commissions were based on booked, rather than collected, sales, which meant that salespeople got their money whether their customers paid their bills or not. Their annual objectives—tied to increases...
in sales and to satisfaction scores—reinforced the incentive to ignore signs that customers were undesirable. My outsider position made it easy for me to notice and highlight the fact that the company had created a system that encouraged the salespeople to do the wrong thing.

Have you stepped back and asked yourself whether your human resource policies are fostering motivated blindness or conflicts of interest? Would external advisers say that your risk managers have enough contact with operations to ensure that no one is sliding down a slippery slope? Outsiders are better than insiders at noticing vulnerabilities and suggesting solutions to address them. Consider having an outsider look at your employees, structures, systems, and processes with fresh eyes for an unbiased opinion.

CREATING A NOTICING ORGANIZATION

As a leader, it’s not enough to work just on your own noticing skills; you must also help others in your organization overcome the obstacles to seeing and rooting out bad behavior. Start by encouraging the practices I’ve described above. Explain that you expect all employees to become first-class noticers, to look into suspicious behavior, and to speak up or dig deeper when they believe something is amiss. And set an example by calling out transgressions and, when needed, reacting to murky situations with transparency, speed, and compassion.

Matt Myers, president of the Campaign for Tobacco-Free Kids, served as that kind of role model for me. In late June 2005, he went to the New York Times with a story of how the DOJ had tried to corrupt his Big Tobacco trial testimony. His experience seemed virtually identical to mine, but in his case, he had pushed through ambiguity to identify what was wrong and had acted on it. This prompted me to tell my own story, which was reported by the Washington Post and investigated by Congress. I greatly admire Myers’s decision to speak up, and I have aspired to notice and act more quickly on wrongdoing ever since. I encourage you to do the same.

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