

# Ethics: A Pencil Case

**“Maybe Americans Can Learn to Be What We Believe Them to Be”**

DR. JAY W. GOULD III

This article first appeared in the *Journal of Management History*, Vol. 5, No. 8, 1999, pp. 506-515, as part of a special symposium issue on an operational code approach to W. Edwards Deming: the man, the context, the savant, and the legacy. Reprinted by permission of the MCB University Press, Bradford, United Kingdom.

A foreign national, naturalized as an American citizen, recently graduated *summa cum laude* with a degree in computer science with an emphasis on statistics. She applied for a federal position and was accepted as an exceptional scholar in a very prestigious organization. The position was one that required drug testing, a background investigation, personal interviews, and lie detector tests. Having never been exposed to security requirements, she was amazed by, but understood, the necessity for all the rules. Her co-workers readily accepted her. They offered suggestions describing the social norms and methods of operation of the institution.

## An Outsider's Vision

One person suggested to her: “Now, when they give you the lie detector test they will ask you if you have ever taken a pencil home from work. Of course, you must answer yes.” To this, she responded:



“I do not understand. Why must I say ‘yes?’” Her mentor, looking somewhat aghast, said: “Well of course, you have to say ‘yes.’ Everyone does.” Rather than pursue a concept she did not understand, she returned home to relate the story to her husband. His initial reaction was to laugh, for he understood her quandary. His wife was an eth-

ical person, and would not take a pencil from the office. Her husband responded saying: “Look, you do not have to say ‘yes.’ For you, it is a lie. Just tell the truth and never respond to any question with an answer someone has told you to give – just tell the truth.”

*Gould is a professor of Systems Engineering Management, Test and Evaluation Department, Faculty Division, Defense Systems Management College (DSMC), Fort Belvoir, Va. Born and reared in his grandfather's circus, Gould left the circus to enter the United States Military Academy. While there he learned of Deming's work at Aberdeen Proving Ground, but their paths did not cross till some years later. Gould's career spans the development of DoD's large missile systems to the commercial development and patenting of new products. As a managerial development author, consultant, and lecturer, he specializes in facilitating start-up integrated product teams. He is a DoD Certified Acquisition Professional in four major career fields: program management, test and evaluation, systems engineering and manufacturing management. In addition to teaching at DSMC, Gould lectures at Troy State University, Strayer College, and the International Test and Evaluation Association.*

The next day, her husband, who was also employed by the Federal Government, told the story to a fellow worker who had spent some time in an agency similar to the one in which his wife was employed. The fellow worker's response to the husband went along these lines: "You gave her the wrong answer. The part about always telling the truth is right. What is wrong is the aspect of the pencil. Have her go to work and take a pencil so she can say 'yes.' Everyone does."



When her husband returned that evening, he informed his wife of this conversation. On hearing that she should go to work and take a pencil, her indignant response was: "I would rather purchase pencils and take them into the office than do that. Why should I just say yes? At times, I just do not understand you Americans." Her response was triggered by her personal ethical values. To her, ethics are not situational. She had earlier adopted a belief that she had learned: "To be an American means a person does not even take a pencil from the office." The young woman adopted her training in an in-

To achieve harmony,  
all elements of the  
system must work in  
concert with one  
another to achieve  
the orchestration of  
a "finely tuned  
corporate  
structure." Deming  
firmly believed  
that an orchestra  
was the ultimate  
harmonious  
system.

country U.S. firm, and although she did not know it at the time, the ethical principles she espoused were a part of Deming's "14 points and management philosophy."

### **Ethics in Business**

This young woman had been introduced to American culture in a U.S.-owned production facility in Southeast Asia. She and her co-workers were indoctrinated there in the methods and thoughts of Americans. They learned the theory of Deming's "14 points." Since Asians cater to the cult of the individual, this U.S. company did not explain to them who Deming was, or even quote him, but rather defined the company's interpretation of Deming's 14 points as the rules of how the firm would operate. It was a

*quid pro quo* — here is our promise and here is what we expect from you. The requirements were established at the outset. What the woman and every production worker came to understand was that the company's requirements worked fine. By following the company's requisites of social interaction, while engaged in the fabrication of electronic products, the teams and the individual members made more money than they had ever made in their lives. The workers firmly believed that they were emulating U.S. production workers, who they sincerely believed produced the highest quality products in the world. At lunch, the woman and her colleagues would discuss how U.S. workers made their production floor decisions with the good of the company and eventual customer in mind. During lunch they would discuss how they could make their products better, cheaper, faster, and at lower overall cost. Their vision was for them to be like Americans and to produce the finest products in the world. Their quest was to achieve what they believed to be the United States' many virtues:

- Just
- Fair
- Honest
- Hardworking
- Caring
- Trustworthy
- Respectful of One Another
- Freedom of Speech
- Freedom of Religion
- Racially Integrated

### **Graphic Gestalt**

The U.S. employer's acculturation that socialized and conditioned her partly was based on what Third World persons experienced in U.S. movies, a vision that came not only from the dialog or movie plot but also from the graphic *Gestalt*. The clothes that people wore, the food on the table, the hours and days of work, and all else portrayed in the movie scene were all contributors. As outsiders looking in, they were awed at what Americans believed to be commonplace and ordinary. Their vision of the U.S. worker was anything but common and ordinary. Their perceptions were based upon limited experiences with "Made in USA"

products, and an indoctrinated belief in product quality and service to the customer. These are also the ethical principles emanating from Deming's "14 points and profound knowledge." The woman's stated view after years of integrating herself into the fabric of U.S. society is:

*What I believed about America before I came here was wonderment. After being here for a number of years what I see is an unfulfilled vision. I cannot tell my former company teammates the truth. First of all, they would never believe me. Second, I could not destroy their beautiful but distorted image of this wonderful country of ours. To do so would take something from them I have no right to take. My former country seems to have higher standards of ethical values as they relate to religious and racial integration, stealing even a pencil from the company, and producing products of quality. Maybe Americans can learn to be what we believe them to be.*

Deming's 14 points and profound knowledge are the benchmarks of the outsider's view of the United States. Where people of other nations experience synergistic ethical value in Deming's philosophy, we take it for granted and to a certain extent view it cynically.

Laurence J. Quick, associate professor of economics and business at Benedictine College, in an unpublished paper, cites a literature search he conducted covering academic business journals published during the period 1989-1993. He stated: "In the approximately 150 publications identified with Deming in their titles, not one publication addresses the ethical content of the Deming management method." Quick posits: "The Deming, management method would not be effective in the absence of a highly ethical corporate culture." Referencing Deming's 14 points, Quick goes on to say: "Explicit or implicit in the Deming management philosophy are the following ethical principles:

- Drive out fear/build trust (points 1, 4, 8, 11, 12).
- End adversarial relationships/promote cooperation (points 9, 10, 11).

**Deming's 14 points and profound knowledge are the benchmarks of the outsider's view of the United States.**

**Where people of other nations experience synergistic ethical value in Deming's philosophy, we take it for granted and to a certain extent view it cynically.**

- Stop shame/respect human dignity (points 10, 11, 12, 13, 14).
- End greed/promote equity (point 1)" (Quick, not dated, or published).

### **Moral Philosophy**

Quick echoes the view of this woman and her former fellow factory workers in Southeast Asia. They created for their U.S. employer a corporate culture based on Deming's ethical principles by trying to be like the Americans they envisioned. Ethical values must underlie the principles and standards that guide individual, corporate, and governmental behavior. As such, Deming's 14 points would be better described as a "moral philosophy." James Rest describes moral philosophy as presenting guidelines for, "determining how conflicts in human interests are to be settled and for optimizing mutual benefit of people living together in groups" (Rest; 1986, p. 1). Robbins, Ferrell, and Fredrich, among others, cite ethical decision criteria as the basis for making ethical choices. According to Robbins, the tension between deontology<sup>1</sup> and teleology<sup>2</sup> has been nominally interpreted by U.S. business to favor the teleological or utilitarian viewpoint: i.e., "It is in the best interests of the stockholders" (Robbing, 1994, p. 84). This short-term thinking is in sharp contrast with Deming's position: "The customer is the most important part of the production line. Quality should be aimed at the needs of the customer present and future" Deming, 1982, p. 5). Deming, like his mentor Walter Shewart, believes that the long-term good of the customer vs. the good of the short-term profit of the corporation evolves around the design of a product that gives satisfaction at a price the customer can pay.

Although this view on the surface seems to be very deontological, according to the Deming theory of corporate economic growth it is really prescriptive utilitarian. Deming, and those proteges closest to him such as Orsini, Killian, Scherkenbach, Mann, Walton, Joiner, and Scholtes, all cite the chain reaction written by Deming (left) on the blackboard in every meeting he held with

### **DEMING CHAIN REACTION**

- > Improve quality
- > Decrease costs
- > Productivity improves
- > Better quality and lower price capture the market
- > Stay in business
- > Provide jobs and more jobs.

(Deming, 1982, p. 3).

Japanese management from 1950 onward.

Theological theory defines utilitarianism as being: “The right or acceptable actions as those that maximize total, or the greatest good for the greatest number of people” (Ferrell and Fraedrich, 1994, p. 54). The U.S. company promised its Southeast Asian employees that if they would abide by the established ground rules, which contained the implicit requirement to strive toward the vision of “being American,” they would make more money than they had ever made before in their lives. The agreement was an ethical contract teleologically framed. The “pyramid of corporate responsibility” based on the *economics* (being profitable), and proceeding upward to *legal* (obeying the law), and further up to *ethical* (obligated to do what is right, just and fair), and finally to *philanthropic* (improvement of the community’s quality of life) cannot be built without applying Deming’s moral charge in “14 points and his theory of corporate economic growth” (Carrol, 1991, p. 42).

### Kohlberg’s Phase 3

The corporate culture established a set of values, beliefs, goals, norms, and rituals that all the members of the woman’s group shared. “Culture gives the members of the organization meaning and provides them with rules of behaving within the organization” (Ferrell and Fraedrich, 1994, p. 113). The rules established by the U.S. company were Deming’s 14 points. It can be argued that what the U.S. company did was to create a learning environment wherein the opportunity and experiential setting allowed significant advances in the worker’s ethical thinking. It has been argued that ethics cannot be taught because the socialization of the child defines the boundaries of ethical development.

In a Department of Defense training video, James A. Donahue and Martin L. Cook present the rationale behind Lawrence Kohlberg’s “ethical development scale.” It is their view that a lack of experience and opportunity holds most Americans in either Kohlberg Phase

1, pre-conventional (self reward) or Phase 2, conventional (obedience to authority, law and order). The utilization of Deming’s management philosophy provided the construct for the educational curriculum implemented by the U.S. firm. By this experiential technique they were able to inculcate the workers into Phase 3, post-conventional (social contract of

fairness and equity) with both extrinsic and intrinsic motivational factors. The post-conventional phase emphasis on the social contract, equity, and fairness approaches a deontology requirement to preserve individual rights and the honorable intentions of behavior.

### Deming’s 14 Points

Ferrell and Fraedrich posit: “Ethical responsibilities are defined as behaviors or activities that are expected of business by society but are not codified by law” (Ferrell and Fraedrich, 1994, p. 81). To the workers in that Southeast Asian electronics plant, what was expected of them and what the U.S. company promised in return was not codified. Quality was mutually defined and implemented, not just as evidence of success, but as a requisite for survival. The quality ethos of Deming’s philosophy was endemic in every action to produce a product. The 14 points on the left along with Deming’s theory of profound knowledge are the baseline of what could be termed the Deming ethics model for the 21st century. This value set is further illustrated by his opening quotation in *Out of The Crisis*: “Who is that dark-eneth counsel by words without knowledge.” His heartfelt tome was a wake-up call to a U.S. industrial complex that had tossed his theories aside in the wake of the World War II industrial boom. In those times anything that could be made was sold and exported. The United States was the only viable producer in the world. The domination was so complete that the United States became arrogant, slipshod in its work ethic, and compromised in production quality.

Deming knew the power of his doctrine being implemented in Japan and in the Five Tigers of Southeast Asia (Malaysia, Singapore, Hong Kong, Indonesia, and Thailand). He foresaw the U.S. downfall in the automotive market and like John the Baptist was sounding the clarion call. It was his firm belief no one should attempt to counsel others without a firm and structured foundation. He called this foundation, *profound knowledge*. He pressed hard to clarify his theory in his final book, *The New Economics*, before the ravages of prostate cancer overcame

## DEMING’S 14 POINTS

- 1  
**Create constancy of purpose for the improvement of products and services.**
- 2  
**Adopt a new philosophy.**
- 3  
**Cease dependence on inspection to achieve quality.**
- 4  
**End the practice of awarding business on the basis of price tag alone. Instead, minimize total cost by working with a single supplier.**
- 5  
**Improve constantly and forever every process for planning, production, and service.**
- 6  
**Institute training on the job.**
- 7  
**Adopt and institute leadership.**
- 8  
**Drive out fear.**
- 9  
**Break down barriers between staff areas.**
- 10  
**Eliminate slogans, exhortations, and targets for the workforce.**
- 11  
**Eliminate numerical quotas for the workforce and numerical goals for management.**
- 12  
**Remove barriers that rob people of pride of workmanship. Eliminate annual rating or merit systems.**
- 13  
**Institute a vigorous program of education and self-improvement for everyone.**
- 14  
**Put everyone in the company to work to accomplish the transformation (Deming, 1982, dust-jacket).**

him. Deming's system of profound knowledge is based upon four ethical principles: appreciation for a system, knowledge about variation, theory of knowledge, and psychology. Deming, firmly believed that a person or a corporation could not adequately implement his 14 points unless they understood and possessed profound knowledge.

### **Appreciation For a System**

Appreciation for a system starts out with the understanding of what a system is: "A network of interdependent components that work together to try to accomplish the aim of the system" (Deming, 1993, p. 50). The anchor for this statement is of course point 1 of the 14, constancy of purpose. It is management's ethical responsibility to know and understand all of the interrelations of all of the components of the system and the people who work within it. Following a teleological approach, Deming firmly believed that members of a system had an obligation even to the point of sub-optimization to achieve a greater good for the whole of the corporation. Looking at this from another aspect, he would lecture that when a department or division made itself look good at the expense of another department, the offending department was causing the whole company to be suboptimized. To achieve harmony, all elements of the system must work in concert with one another to achieve the orchestration of a "finely tuned corporate structure." Deming firmly believed that an orchestra was the ultimate harmonious system.

### **Knowledge of Variation**

In its simplest terms variation is the very nature of life. All things of a species are similar but all possess a uniqueness possessed by none other. The degree by which two leaves are exactly like one another can be measured just as two machine parts produced on the same computer-controlled lathe can be measured. Minor variations (nothing to worry about) are significantly different from major variations (reason for immediate action). Deming called these common cause and special cause respectively (Deming, 1993 p. 210). Deming charged

**Deming firmly  
believed that  
members of a  
system had an  
obligation even to  
the point of  
suboptimization to  
achieve a greater  
good for the whole  
of the corporation.**

management with two ethical responsibilities: the first is the setting of the metric defining the limits that would separate common cause from special cause. The second is knowledge of the system, which would prohibit management from making a mistake of not knowing the difference between the two. If every little bump in the road caused a panic, calamity would reign and chaos would rule the corporation.

### **Theory of Knowledge**

As each of the 14 points are interrelated, so too are the locutions of profound knowledge. According to Deming, all knowledge is built on theory. Theories convey predictions of the future. Rational predictions require observations and theory to systematically test the outcomes. Systematic revision and extension of theory based on comparisons of prediction and observation defines what should be revised (Deming, 1993, p. 119). Deming studied the use of statistics in theory development with Sir Ronald Fisher and Walter A. Shewart. You may ask: "What does this have to do with ethics?" The easy response is: "Do no wrong." Without theory, neither wrong nor right can be defined. The theory of knowledge is then interlocked

with the theory of variation and psychology.

Point 6 is "institute training on the job." If this training consists of worker training worker in sequential series, management has violated their ethical responsibility. The processes by which things are done are owned by management. Management has the ethical responsibility of knowing the system and all of its components. First-line supervision's ethical responsibility is not oversight, but rather it is coaching, training, and indoctrinating the new employee into the corporate culture. The American corporate success in Southeast Asia was based on management properly accepting and discharging their ethical duty.

### **Psychology**

The management of people requires interaction. Deming's postulate for ethically accomplishing this interaction requires that a manager must have an understanding of motivational as well as other psychological factors. Deming held that the early socialization processes of family life established self-esteem. He lectured on his personal belief that intrinsic motivation was superior and stronger than extrinsic forces. His "points" on training (6), education (13), abusive merit ratings and pride of workmanship (12) centered on management's ethical duty. But, of all of Deming's 14 points, the one he would probably privately admit was most important is point 8, "drive out fear." The kind of change required by Western industry could introduce fear of change, because a fundamental and systematic change is what is needed if the Western world is to remain competitive with Japan and the emerging Tigers of Southeast Asia. In downsizing, fear of job loss is felt at all levels of the organization. The ethical responsibility of management is to establish open communications so as to reduce the rumor mill and the "sickness of victimization." "No one can put in his best performance unless he feels secure" (Deming, 1982, p. 61).

Ethical decision making has its roots in moral philosophies. Deming's profound

knowledge is based on the fundamentals of psychology and is anchored in the “drive out fear” postulation. Clearly, Deming would never presume to invite himself anywhere, believing it to be both pretentious and unethical. He believed that unwanted advice is normally not accepted or even politely tolerated. Yet, Deming’s U.S. adventure with such corporations as the Ford Motor Company features him visiting with the production employees and personally teaching them the theory of the transformation. On a regular basis, he went to great lengths to compliment others by making specific notes in his books or sending them personal letters and post cards. Self-esteem developed through intrinsic value systems was reinforced by Deming’s gracious external validations of personal worth.

### Domains of U.S. Ethics

In the early 1990s, the Joseph and Edna Josephson Institute of Ethics, enduring patron of the pursuit of defining a reference point or standard for U.S. ethics, convened a symposium in Aspen, Colo., to explore ethics. Many notable personages and personalities had been invited to the conference and at the end of the deliberations, they had narrowed the list and defined their terms. The domains of ethics they defined were: personal, cultural, religious, universal, and character. The defining terms of character were:

- Respect for Others
- Integrity
- Caring for Others
- Promise Keeping
- Honesty
- Responsible Citizenship
- Accountability
- Fairness
- Fidelity
- Pursuit of Excellence

These 10 terms were narrowed to six pillars, by combining some terms and eliminating others. The reconstituted six are: trustworthiness, respect, responsibility, justice and fairness, caring and civic virtue, and citizenship. These words, although meaningful in their own right, do not constitute a sufficient theory for

application. When Deming’s 14 points are operationalized (put into practice), they develop a dynamic action that brings all of these terms into play along with many others. Deming believed that the foundation of knowledge was theory. With theory, predictions could then occur, observations be made, corrective action taken, and resultant ethics then practiced.

### Philosophical Underpinnings

In her book, *The Keys to Excellence*, Nancy R. Mann reports that the beginnings of the Deming philosophy took place during World War II, at Aberdeen Proving Ground (Mann, 1988, p. 47). Deming would reminisce, remembering by name the young West Point officers that would gather on the porch of the officers barracks on Sunday afternoons to wax philosophical. Deming, was a deeply religious man giving much of his personal wealth to his Episcopal parish. Would it be far-fetched to believe that at times Deming and these young West Point officers would discuss the meaning and attributes of the Cadet Prayer? In part, it reads:

**Strengthen and increase our admiration for honest dealing and clean thinking, and suffer not our hatred of hypocrisy and presence ever to diminish ... Make us to choose the harder right instead of the easier wrong, and never be content with a half truth when the whole can be won ... (United States Military Academy, 1950. p. 54).**

Deming’s first formal delivery of the 14 points took place in February 1985 at the U.S. Naval Air Rework Facility at North Island, San Diego, Calif. Fortunately for the young woman identified at the outset of this article, Deming’s 14 points and philosophy became the cornerstone for Asian and then U.S. quality movements: hard work, study, cooperation, teamwork, and setting of long-term goals form a powerful force. For her, this philosophy resulted in a new life in a new nation. She is proud to admit her life has been significantly benefited by Deming’s philosophy. And the pencil? Not everyone does!

**Editor’s Note:** The author welcomes questions or comments on this article. Contact him at [JGould@dote.osd.mil](mailto:JGould@dote.osd.mil) or [gould\\_jay@dsmc.dsm.mil](mailto:gould_jay@dsmc.dsm.mil).

---

### E N D N O T E S

1. Deontology focuses on the preservation of individual rights and on the intentions associated with a particular behavior rather than on its consequences.
2. Teology stipulates that acts are morally right or acceptable if they produce some desired result, such as the realization of self-interest or utility.

---

### R E F E R E N C E S

- Carrol, A.B. (1991), “The pyramid of corporate social responsibility: toward the moral management of organizational shareholders,” *Business Horizons*, July/August.
- Deming, W.E. (1982), *Out of the Crisis*, Massachusetts Institute of Technology, Boston, Mass.
- Deming, W.E. (1993), *The New Economics*, Massachusetts Institute of Technology, Boston, Mass.
- Department of Defense (Undated), *Ethics Training for Acquisition Instructors: 505340*.
- Ferrell, O.C. and Fraedrich, J. (1994), *Business Ethics: Ethical Decision Making*, Houghton Mifflin Company, Boston, Mass.
- Mann, N.R. (1988), *The Keys To Excellence*, Prestwick Books, Los Angeles, Calif
- Robbins, S.P. (1994), *Essentials of Organizational Behavior*, Prentice-Hall, Englewood Cliffs, N.J..
- Rest, J.R. (1986), *Moral Development Advances in Research and Theory*, Praeger, New York, N.Y.
- United States Military Academy (1950), *Bugle Notes*, West Point, N.Y.