

# Advance Condemnation for **ADAPTIVE ETHICS** *for* **DIGITAL TRANSFORMATION**

“Complete waste of time.”

—**Attila** (“The Hun”)

“Would not recommend this book for senior political leaders or career-minded executives.”

—**Nic Macchiavelli**

“Schwartz provides step-by-step instructions on manipulating people and wielding power. I applied it in dealing with the public and senior government leaders. Could have used more content on healing and religion”.

—**Grigori Yefimovich Rasputin**

“Fearless Leader burned book as no help in catching moose and squirrel.”

—**Boris Badenov** and **Natasha Fatale**

“The author still has his head after that book about Napoleon?!”

—**Robespierre**

“Loved the chapter on manipulation. Helter Skelter, man.”

—**Charles Manson**

“Not a good book.”

—**His Excellency, President for Life,  
Field Marshal Al Hadji Doctor Idi Amin Dada, VC, DSO, MC, CBE,  
Lord of All the Beasts of the Earth and Fishes of the Seas and  
Conqueror of the British Empire in Africa in General  
and Uganda in Particular**

“Humph! As Schwartz points out, we all have our jobs to do. Too many snarky comments about bureaucracy! I value my place in the boss’s hierarchy and feel a deep sense of belonging.”

—**Beelzebub**, Prince of Hell, Gluttony Department

“I’m not sure I get the point.”

—**Vlad the Impaler**



ADAPTIVE ETHICS  
*for* DIGITAL  
TRANSFORMATION



# ADAPTIVE ETHICS *for* DIGITAL TRANSFORMATION

A NEW APPROACH FOR ENTERPRISE LEADERS

*Featuring Frankenstein vs. the Gingerbread Man*

**MARK SCHWARTZ**

Foreword by Gene Kim  
bestselling author of *The Phoenix Project*

IT Revolution  
Independent Publisher Since 2013  
Portland, Oregon



25 NW 23rd Pl, Suite 6314

Portland, OR 97210

Copyright © 2023 by Mark Schwartz

All rights reserved. For information about permission to reproduce selections from this book, write to Permissions, IT Revolution Press, LLC, 25 NW 23rd Pl, Suite 6314, Portland, OR 97210

First Edition

Printed in the United States of America

28 27 26 25 24 23      1 2 3 4 5 6 7 8 9 10

Cover design by Devon Smith Creative

Book design by Devon Smith Creative

Library of Congress Catalog-in-Publication Data

Names: Schwartz, Mark (Chief Information Officer), author.

Title: Adaptive ethics for digital transformation : a new approach for enterprise leadership in the digital age (featuring Frankenstein vs. the Gingerbread Man) / by Mark Schwartz ; foreword by Gene Kim.

Description: Portland, OR : IT Revolution, [2023] | Includes bibliographical references and index.

Identifiers: LCCN 2023006570 (print) | LCCN 2023006571 (ebook) |

ISBN 9781950508716 (paperback) | ISBN 9781950508723 (ebook) |

ISBN 9781950508730 (pdf) | ISBN 9781950508747

Subjects: LCSH: Business ethics. | Corporations—Moral and ethical aspects.

| Information technology—Management. | Organizational change—Moral and ethical aspects.

Classification: LCC HF5387 .S3887 2023 (print) | LCC HF5387 (ebook) | DDC 174/.4—dc23/  
eng/20230216

LC record available at <https://lcn.loc.gov/2023006570>

LC ebook record available at <https://lcn.loc.gov/2023006571>

ISBN: 9781950508716

eBook ISBN: 9781950508723

Web PDF ISBN: 9781950508730

Audio: 9781950508747

For information about special discounts for bulk purchases  
or for information on booking authors for an event, please visit our website at  
[www.ITRevolution.com](http://www.ITRevolution.com).

FOR BUSINESS LEADERS LIKE ME,  
WHO ARE SINCERELY TRYING TO DO THE RIGHT THING,  
BUT AREN'T ALWAYS QUITE SURE WHAT IT IS.

The doer cannot apprehend who the powers are whose emissary and acting agent he is; he must nevertheless be aware that the fullness of the world's destiny, namelessly interwoven, passes through his hands.

—Martin Buber

And Heaven have mercy on us all—Presbyterians and Pagans alike—for we are all somehow dreadfully cracked about the head, and sadly need mending.

—Herman Melville



# Contents

Foreword by Gene Kim	xi
Preface	xv
Introduction	xix
<b>Part I: Primordial Muck</b>	
<i>Chapter 1</i> Ethics of Bureaucracies	3
<i>Chapter 2</i> Bureaucracies of Ethics	21
<i>Chapter 3</i> Agile (Adaptive) Ethics	39
<b>Part II: Perils and Predators</b>	
<i>Chapter 4</i> Social Responsibility and Business Ethics	57
<i>Chapter 5</i> Numbers and Persons	75
<i>Chapter 6</i> Bullshit	91
<i>Chapter 7</i> Culture	107
<i>Chapter 8</i> Manipulation	123
<b>Part III: Evolution</b>	
<i>Chapter 9</i> Intimacy and Privacy	141
<i>Chapter 10</i> The Monsters Speak	155
<i>Chapter 11</i> Working Virtuously	171
<i>Chapter 12</i> Leadership and Flourishing	187
Afterword	199
<i>Appendix A</i> Handy Chart of Virtues	201
<i>Appendix B</i> Handy Chart of Excuses for Bad Behavior	205
Index	207
Bibliography	223
Notes	237
Acknowledgments	251
About the Author	253



# Foreword

by Gene Kim

I have always admired the writings of Mark Schwartz—maybe it would be more accurate to say that I envy his writings because I know that he’s written things I am simply incapable of writing.

However, when Mark mentioned that he wanted to write a book on ethics a year ago, I likely just smiled politely and said, “That’s great!” Internally, my real reaction was, “How utterly unexpected and odd—hopefully, he’ll move quickly through this phase and do something more useful.”

To my surprise, he not only finished the book but, after I read it, I found it to be one of the most astonishing and rewarding books I’ve read in a long time.

Neither should have been a surprise—and, had I understood more fully what ethics, morality, and philosophy actually were, I should have known that I would love this book. Here is my attempt to convince you why this book might be important to you, despite a title that might not bring to mind a problem you currently have.

First, I think many will agree that, as leaders, we live in a time when we are tasked with solving an unusually high number of novel problems and dilemmas, all of which are highly ambiguous and dependent on context. We should value tools that we can use to get results we can all be proud of, recognizing that organizations and people are truly messy things. And maybe that requires re-examining the fundamentals of why we do what we do.

Second, philosophy might give us some very useful tools.

The Oxford English Dictionary defines philosophy as “the study of the fundamental nature of knowledge, reality, and existence, especially when considered as an academic discipline.” It defines ethics (which is in the book title) as “moral principles that govern a person’s behavior or the conducting of an activity.” Morals are “a person’s standards of behavior or beliefs concerning what is and is not acceptable for them to do.”

After reading this book, it reminds me that one of the things I loved listening to most over a decade ago were the episodes of “Philosophy Talk” I would hear driving home from work. I loved how Drs. John Perry and Ken Taylor were able to precisely decompose and discuss important problems with intelligence, clarity, and incisive wit—which they became famous for.

Third, to help teach us, it's helpful that Mark is not just a philosopher; he's also an accomplished leader and business historian. (Note that I am merely ascribing these skills to him, not asserting any professional credentials.)

He takes us on an astonishing journey to understand why organizations behave in the way they do. Technology leaders all confront the challenge of leading organizations to achieve a goal—and they are often in a situation that requires changing how an organization works. As is often said, “To change something, you must first understand it.”

After reading Mark's book, I started to realize just how much I didn't understand. This book will take you on a wild ride, and you will learn so much to help you understand things so that you can better change them.

- Philosophy
- Platitudes and their origins
- History of management systems
- The nature of the self and how we act and in purpose of what
- Self-improvement
- Business history
- Theory of the firm
- Macroeconomic theory
- Accounting principles
- Nature of personal relationships
- Platitudes to policies to procedures
- Examining the differences between work vs. play

Last, this book has made me rethink the value of platitudes. Over the last several decades, I've always had an aversion to platitudes, those trite or prosaic statements that are often cliché. They strike me as meaningless statements, such as “buy low, sell high.” It is undoubtedly a correct statement but not prescriptive enough to give readers any value. I think my aversion to them has served me well, as a researcher and author.

This book does not just state platitudes but gives their origins, puts them into taxonomies, shows concrete examples of processes that enforce them, and provides excuses you can give to your lawyer when you are prosecuted for not following them. This book truly forces one to examine many topics from first principles.

As such, I'm sure this book is not for everyone—but for anyone who wants to more deeply understand how and why people and organizations work in the way they do, I recommend this book.

(Another reason I love this book: I love order. I love that I can go into a grocery store almost anywhere in the world and a banana will always have a 4011 sticker—and I learned that means I am likely a Deontologist, but I also learned what the benefits of being a Contractarian, Virtue Ethicist, or Consequentialist are.)

In fact, I believe in fifty years this book will be required reading for undergraduates—it will be loved by the university professors (or whatever they’ll be called then), and it will be equally despised by the students who need to fully understand its concepts. But it will be beloved by leaders who want to truly lead.

**—Gene Kim**

Portland, OR

2023



# Preface

May I be forgiven the discovery that all moral philosophy so far has been boring and was a soporific and that “virtue” has been impaired more for me by its boring advocates than by anything else.

—Nietzsche, *Beyond Good and Evil*

A learned man must be broad and resolute, for his burden is heavy and the journey is long. He takes true goodness as his burden: Is that not indeed heavy? And only with death does he stop: Is that not indeed long?

—Confucius, *Analects*

If there’s an elephant in the room, it must be chased out quickly or it will leave a bad smell. I’ll do so in Chapter 6, but some preliminary tidying is in order here.

Each of my books demanded to be written as I was working on the previous one. My first book, *The Art of Business Value*, had a chapter on the CIO’s role in determining what is valuable to a business. That deserved a book in itself, so *A Seat at the Table: IT Leadership in the Age of Agility* forced its way into my word processor. In that book I gently hinted that business and IT folks needed to talk to each other more. The readers—many of them IT folks—agreed but suggested that I deliver that message to the business leaders as well. I tried, and the result was *War and Peace and IT: Business Leadership, Technology, and Success in the Digital Age*. It hit me then that every one of my books made a strange claim that bureaucracy creates business value, and since readers probably didn’t believe me, I would have to explain myself with *The (Delicate) Art of Bureaucracy: Digital Transformation with the Monkey, the Razor, and the Sumo Wrestler*.

Wouldn’t you know it? In that book I had a cryptic sentence about how bureaucracy is a kind of ethics. I was committed. I’d have to write another book. The problem: I’m uniquely unqualified to write a book about ethics. Yes, I have a master’s degree in philosophy. But ethics classes were the ones I slept through. I thought anyone who’d written about how I should behave should have found a better way to use their time, perhaps sleeping through *their* metaphysics classes. Why should I listen to Immanuel Kant telling me what to do, anyway? No one else did. Ethics is the COBOL of philosophy—lots of words, little result, mostly ignored, well past its expiration date in Y2K.

On top of that, everyone else seems to be writing about digital ethics, and they all seem to be angrier than me. They also seem to have qualifications—they’re AI specialists writing about ethics in AI, privacy specialists writing

about privacy ethics, cybersecurity experts writing about cybersecurity ethics, veterinarians writing about cat ethics, pasta experts bringing food to the ethics party.

Every genre of writing has its conventions, and books on ethics have high standards for fear-mongering, soberness, seriousness, smugness, and—damn it—authorial qualifications. I’m sure there’s value in all that, but it just wasn’t me. So, what could I bring to the conversation that was new?

It occurred to me that maybe *that* in itself was the right angle; maybe I could write from the point of view of someone with only a soupçon of anger, trying to think through difficult ethical issues, as puzzled as anyone else, figuring out as I went along what I was supposed to have learned in graduate school. I could bounce back and forth between the point of view of a consumer and that of a business leader, between that of a technologist and that of a Luddite, between someone who amuses himself by making little jokes and someone who was serious about healing the problems of the world.

Instead of writing about evil, greedy tech companies with foosball tables and free soft drinks in their offices, I could stick to the subject I’ve been writing about for years: how large organizations with built-in dysfunctions (they all have them) who are trying to do a digital transformation (whatever that is) can think about ethical issues (that they were probably ignoring). The stuff they knew in the back of their minds they probably would need to deal with after emptying the inbox, escaping from the endless budget review meeting, or finding a new coffee shop after the one they’d been going to closed during the pandemic.

Others were writing about evil tech companies and how their executives were pushing people out of the way so they could grab places at the front of the line for admission to the place of fire and brimstone. But—I don’t know—it seems way too easy to bash companies that are generously donating greenhouse gases to the atmosphere, educating the public on making explosives at home, and playing hide-and-seek with their privacy preferences pages. What if I wrote a book for the ordinary companies, the traditional ones who were weathering a squall of rapid change and felt tossed about and soggy?

That leads us to the odorous elephant in the drawing room. As I said, when there’s a pachyderm snuffling around your salon, you’d better get rid of it before it sits down in your favorite armchair with a Nespresso and your first-edition Kierkegaards.

The elephant: I work for Amazon, which, some believe, is a company that needs an attitude adjustment. How can I be qualified to write a book on ethics?

In answer, I’ll repeat that I’m *not* qualified, so that’s that. Anyway, I’m not going to talk about my company at all. I’ll write about traditional enterprises that are trying to adapt to the digital age, not the gingerbread man companies



scooting ahead and turning back now and then to mock them for being slow. I don't plan to offer any views on my employer except to say that—like any intelligent and aware employee of any company—there are things I agree with and things I don't. If I thought my company was evil, I wouldn't work there. If you think that makes me a miserable, unprincipled baby-eater, please read the book anyway because you're just making an *argumentum ad hominem*.<sup>\*</sup> I still might say some interesting things about ethics—and besides, I've used a Latin phrase, and that usually settles philosophical arguments. In any case, the views in this book are purely mine, not those of Amazon or—I am fairly certain—anyone else on the planet.

There, pachyderm disposed of, and just in time.

Ethics is hard to talk about. I wrote this book knowing that no matter what I said, it would probably make people angry. The typical book on ethics takes a position that the author feels self-righteous about, pronounces self-righteously on it, and assumes that people who disagree are going to buy a different book. I favor nuance and conversation, as you might know from my bureaucracy book, and I'm going to try to write that way.

I know, the apocalypse is coming, and this book will not be opinionated enough to stop it. But that's no reason not to read it. Harry Potter isn't going to stop the apocalypse either. Okay, maybe that's the wrong example. *Fifty Shades of Grey* is not going to stop the apocalypse, and I know you've read that. It's okay, I won't tell anyone. I value your privacy (see Chapter 9).

An authorial trap when writing about virtuous behavior is to imply that a virtuous person is a person exactly like them. When I start to list virtues in later chapters, they might sound like precisely the virtues I believe myself to have. If anything like that happens, it's just coincidence, and anyway, I'm the author.

If you disagree with anything I say, feel free to blame my parents. It's certainly not my fault. Or maybe my grade school teachers, including Ms. Garfinkle, who said I wasn't participating enough in class. I'm participating now. Eighty-plus thousand words. So there.

In any case, I'm going to puzzle through this ethics thing, and I'd appreciate your company for the journey.

—Mark

---

<sup>\*</sup>Argument against the person, rather than the substance of the discussion.



# Introduction

Happiness lies in conquering one's enemies, in driving them in front of oneself, in taking their property, in savoring their despair, in outraging their wives and daughters.

—Genghis Khan, quoted in Witold Rodzinski's *The Walled Kingdom*

Not to speak of the stupidity of moral indignation, which is the unfailing sign in a philosopher that his philosophical sense of humor has left him.

—Nietzsche, *Beyond Good and Evil*

Is it okay to kick a robot dog?<sup>\*</sup> Should robots be free to choose the work they prefer? Do we need to be polite to artificial intelligences? Should Dave have unplugged HAL's circuit boards in *2001: A Space Odyssey*, given that it was causing HAL to sing that atrocious song?

These are great questions, and I shall do my best not to answer a single one of them in this book. Instead, I'll focus on mundane questions like why we work, how we should live, and who wins when Frankenstein's creature fights Gary, the tooting gingerbread man.<sup>†</sup>

Take a deep breath. We're going to talk about ethics.

You may be nervous reading a book on ethics because you worry that I'm going to call you out on the naughty things you've been doing, the principles you've compromised for convenience, the nagging doubts you haven't had time or will to face. Or perhaps you're eager to read it because you hope to bask in warm, righteous feelings as I say things you already believe. I know you want to hear some snarky criticism of big businesses and governments. I see you—nodding like the bobblehead dolls in one of my earlier books.<sup>1</sup>

If any of that's what you expect, you may have chosen the wrong book, but feel free to read it anyway and then use colorful language complaining. I value your feedback. You see, I fully respect your sense of what's right and what's wrong, what your parents and your teachers and your role models and Big Julius, the bully down the street, taught you about morality. I try hard not to quarrel with Big Julius, your spiritual advisors, my ethics professors, or anyone bigger than me. People have strong feelings about the issues I'll take up, and rather than preaching, I'll try to lay down a basis for discussion.

---

<sup>\*</sup> This disturbing question is found in *AI Ethics* by Mark Coeckelbergh, 54.

<sup>†</sup> Yes, there is a story about a tooting gingerbread man. See Tootin' Tom, *Gary the Farting Gingerbread Man*.

That said, I think you'll find that I'm manipulatively sneaking in radical ideas right up until Chapter 8, where we get to the part that says manipulation might be bad.

This book is about ethics in what people call *digital transformation* or *enterprise transformation*, terms that will probably be found wandering the streets in confusion, occasionally bumping into each other, by the time this book appears on an Amazon.com product page. They're terms that might have been meaningful for a moment or two before companies started using them in their press releases or promising them to their investors. What I mean by digital transformation is this:

Something has been changing in the business world, brought on by advances in technology, emerging ideas about good ways of working, new generations of workers and consumers arriving in the marketplace with different values, and changes in government regulation and geopolitics. Large, traditional enterprises like banks, healthcare companies, and even government agencies are trying to learn from more nimble and disruptive digital native businesses, and finding it confusing and stressful.

I know it's confusing and stressful because in my work I meet with the leaders of those companies and I find them confused and stressed. When someone mentions the cloud or becoming data-driven they suddenly need to leave the room for an urgent phone call. I'm writing this book to lower their blood pressure and help them succeed with whatever it is they mean by "digital transformation." Think of it as my contribution to improved healthcare outcomes. That's why I'm going to focus more on the everyday issues of digital business ethics rather than on the sexy issues like the apocalypse that will be upon us if we don't decide right this moment whether it's okay to let artificial intelligences attend company meetings and draw random doodles out of boredom.

What does ethics have to do with digital transformation? I will argue that one reason digital transformation is so difficult is that it involves a change in ethical outlook, one that goes deep, and that a company cannot succeed in this transformation without adjusting its fundamental values. Company leaders find themselves with one foot stuck in the bureaucratic world of traditional enterprises and the other foot desperately trying to plant itself in the always-moving digital world.

I often talk to enterprise executives about the "cultural change" that must accompany digital transformation. Part of what we've been calling cultural change is actually this shift in values. *Of course* your organization resists digital transformation—how much more could you displace people's cheese than by asking them to change their deeply held moral beliefs around cheese displacement?

Traditional enterprises, I'll show in the next chapter, are based on bureaucratic principles. I don't mean just that they have annoying bureaucracy, but rather that deep in their structures and their ways of thinking lie principles of bureaucracy. And bureaucracy, as I said in my last book,<sup>2</sup> is an ethics. Bureaucracy's ethical principles are so deeply embedded that we don't notice them any more. But digital ways of working incorporate a rather different set of values and moral principles.

You might not have noticed that your work takes place in an environment structured with ethical assumptions. I want to drag those assumptions out of their hiding places and scrutinize them. I want to think through some moral puzzles with you, rather than pretending I have the answers. And I want to suggest that just as digitally transforming an enterprise is hard, so is making responsible moral decisions. In fact, there's a connection between the two.

## Little Questions and Big Questions

So, is it okay to kick a robot dog? How will we control artificial intelligence once it becomes smarter than the average politician? I'm not sure I care. Or, more precisely, I don't see these as meaningful questions given what we know today. I fear that the big, dramatic issues like generative AI labradoodles as pets and unprotected avatar sex that get all the attention in the press are distracting us from more immediate ethical issues.

With just a bit of reflection on our lives as consumers rather than as business leaders, the real issues stand out like transistor radios in a metaverse. As a consumer I don't care much about robot dogs—but I do care that companies, some of which I do business with, actively try to mislead me. I care that subscription services make it hard for me to unsubscribe. Airlines and cable companies are pretending to be close friends of mine, and if there's one thing I've learned in my adult life, it's that they are not. I have more than a little discomfort with white collar criminals committing white collar crimes and being punished with just a few nanoseconds in white collar prisons.

I've got a bunch of envelopes in front of me now saying things like "Open immediately! Important information about your account enclosed," or "Congratulations! You qualify for an EXCLUSIVE offer!" when they don't contain information about my account and the offer isn't exclusive. Later today I'll find myself listening to a phone system that says "Your call is important to us. We're experiencing higher-than-expected call volumes, but please stay on the line." It's hard to understand why they don't expect those high call volumes, because their phone message has said that for years. We call that *lying* where I'm from (Earth).

Look—there are workplace versions of Big Julius the bully. Rasputin Inc. is trying to manipulate me into spending my days mindlessly clicking on dancing frogs or listening to people I don't know humbly bragging about how honored they are to be named the most vegan left-handed software developer in the Frankenville metro area for 2022. People are committing statistics all around me, and I'm exhausted from being k-means-clustered every hour of the day.

Frankenstein is getting all the press, while the gingerbread man is running around on the loose.

## Right From Wrong

*Are you going to preach at us?*

No. The truth is that I've failed at ethics.

*You've acted badly?*

No, that's not what I mean. I mean I studied philosophy for a master's degree but found ethics boring. I wanted to do metaphysics and ontology. A philosophy snob.

*But somehow you're confident enough to write a book on the subject?*

I have some doubts. About my expertise. I worry.

*Examples, please?*

## Eduardo

Eduardo worked for me as one of a team of three technical specialists. One day the other two came to me complaining that Eduardo was violent and threatening, and that they were afraid to work with him. Eduardo was tense and wound up; his body language was disconcerting; he stared at them intimidatingly; he kicked the walls of his cubicle.

I met with Eduardo to ask what was wrong—nothing, he said—and to formally document the complaint and the conversation. The next day, I was called into the office of the furious CEO. “Are you planning to fire Eduardo? Is that why you asked him those questions?” Eduardo, I knew, had a close relationship with the CEO that went back long before I joined the company. “Eduardo told me that he's just angry because of the way you treat him. It's your fault! I forbid you to fire him!”

That was strange—to be forbidden to fire one of my employees, one who might be endangering his coworkers. But I had to reflect on what the CEO had said: perhaps there was a problem with my leadership. And Eduardo was pretty much the only Latinx employee anywhere near our IT department. Was it

possible that some stereotyping was going on—you know, some “violent south-of-the-border” character that people were projecting on him?

I didn’t do anything. Several weeks later the head of HR found me in a meeting. “Come with me,” she said. I followed her out into the hall.

“You’re going to come upstairs with me right now and fire Eduardo.”

“What happened?”

“He just got up in a coworker’s face, stared him down, yelled at him, and then gave him a push that sent him flying across the room. Witnesses saw the whole thing.”

“But the CEO told me I’m not allowed to fire him.”

“I don’t care. I’ve already told him you have to.”

So I did. The CEO continued to blame me. But had I improperly endangered the other employees by not doing anything about Eduardo in the first place?

## Mary

In another role, I was working closely with a business peer on a project she was leading. We were in a touchy—some would say toxic—environment, with lots of secrets, hidden agendas, complicated dynamics. Mary and I had developed a close working relationship where we helped each other by sharing everything we knew about these organizational politics and collaborated on trying to make sense of our environment. Sharing information made life more tolerable for both of us.

One day the head of the organization invited me to her office for a talk. (Notice the pattern of closed-door meetings. More on this later.) Mary’s project wasn’t going well, and the executive blamed it on Mary’s leadership. She was going to dismiss Mary from her role and put me in charge instead. The executive also told me that, of course, I wasn’t to tell Mary about this. She wanted to tell Mary herself and wasn’t planning to do so until she figured out where to assign Mary next. She was telling me in advance only so that I could prepare.

Weeks passed and she still didn’t talk to Mary. Mary continued to assume that I was sharing everything I knew with her. The executive said she needed more time. When she finally told Mary that I’d be taking over the project, Mary was predictably furious—at me, for being in on the “plot” and not telling her what was going on. She was right, too—I had thoroughly violated an understanding that we’d had. Once our trust had been destroyed, it was natural for her to suspect that I’d plotted her dismissal from the first to get myself put in charge of the project.

## Alec

Early in my career, while I was still an undergraduate, I was one of five summer interns working at a large company. It was still early days in corporate information security, and for convenience the company had all five of us sharing a single login account. (Don't do this.) One day Alec, a fellow intern, showed me how—due to the company's lax security—he'd been able to get access to a file of employee passwords. He wasn't planning to do anything malicious with it; he just wanted to make a point about how bad the company's security was and show off his hacking skills.

The company's security wasn't as bad as we thought. He'd triggered some sort of alarm, and the security team figured out that the password file had been compromised—by someone using our shared login account. They suspected it was me, because—you won't believe this—I had a tiny reputation as a troublemaker.

They interrogated each of us individually, and I was the first. They asked if I was responsible for the break-in, and I truthfully said no. They asked if I knew who had done it, and I untruthfully said no. I thought about it this way: Alec, who I believed was honest, would tell them he had done it, and I thought he should be the one to tell them. I was also angry that they suspected me, because this was actually something I'd never do—I don't have that hacker personality—and they should know me well enough to realize that. It wasn't fair to put me in this situation, since it was their own security flaws that were responsible. So I said I didn't know.

Later, I was surprised to find out that Alec had denied it. He told me it was because his father also worked for the company—that was why he'd been given the internship—and he was afraid it might compromise his father's position. That left the suspicion on me. But it was too late to enlighten anyone—it just would have brought to light my original lie.

## Ethics

These were just things that came up during the course of working and managing. None of this sexy, biased-AI, peddling-people's-data stuff. There are a few important points to notice. First, these situations were highly ambiguous, at least to me, at least at the time. There was no good option, as far as I could see, and no clear basis for making a decision. No unambiguous rule I could follow that would relieve my responsibility for choosing. Today, I'd still have trouble telling you what was right.

We usually think of business ethics in terms of evil, smirking billionaires doing vile things like defrauding grandmothers and feeding people carcino-



genic rigatoni. But most ethical challenges in business are just situations where there are competing ethical demands, and we have to choose between them. In the case of Eduardo I had a duty to protect employees and a duty of fairness to Eduardo. In Mary's case I had a duty to safeguard a secret I'd been told in confidence and a duty to be candid based on a prior relationship. In Alec's case I had a duty to tell the truth and a duty to annoy my employer. The challenge of everyday ethics is to resolve competing obligations.

Greek tragedies taught that the demands of the gods are contradictory and our obligations are ambiguous. Choosing to obey one god's demand does not relieve us of our other duties—and it makes the other gods angry. As the philosopher and political theorist Isaiah Berlin put it, “The world that we encounter in ordinary experience, is one in which we are faced with choices between ends equally ultimate, and claims equally absolute, the realization of some of which must inevitably involve the sacrifice of others.”<sup>3</sup>

Ethics is the field that tries to answer questions like “What ought we to do?” Or, more broadly, “How should we live?” or “What does it mean to live well?” (to “flourish,” in ethics jargon). Pay special attention to those words “ought” and “should.” Most disciplines concern themselves with fact—what is the case. Ethics is the discipline that deals with what *ought* to be the case. Mathematicians don't ask whether two plus three *ought* to equal five. Physicists don't ask whether everything *ought* to travel slower than light in a vacuum. Ethics is different.

But how do we *know* whether we “ought” to do something, or to refrain from doing something (to “ought not” do it)? And how can we convince someone else they ought or ought not? We have ways to demonstrate what the sum of two and three is; ways to show that nothing moves faster than light; thermometers can measure temperature, cameras can capture events. But how can you prove an ought, convince someone of an ought, or even know what you or someone else should ought?

The eighteenth-century philosopher David Hume famously pointed out that you can't logically derive an “ought” from an “is”—according to “Hume's Law” or “Hume's Guillotine,” no amount of reasoning based on facts can get you to an “ought,” unless you secretly introduce a premise that has an ought in it. Though there are philosophers who disagree with Hume, on the face of it he has a point. I'm not talking about the challenge of moral relativism—the observation that people in different cultures seem to have different oughts—

---

\* A common paraphrase of Hume's argument in *A Treatise of Human Nature* (book III, part I, section I).

but noting that even within a single society, it's hard to prove or know with assurance what the oughts ought to be.

It's common to frame ethics in terms of rules—the sort of shalt and shalt nots that we're familiar with from the Bible and our kindergarten teachers. Should I murder someone? No, I ought not. There's a rule against it. Should I give money to the poor? Yes, I ought. Rule of charity. Save the person sitting near me at the restaurant who seems to be choking, given that I know the Heimlich maneuver? Yes, I have a “duty” of benevolence. Display my middle finger to the driver behind me? No rule; it's up to me, though in New York I ought.

But this kind of ethical thinking, the application of given rules, turns out to be only one of many ways of framing ethical questions. In fact, it didn't become common until the Enlightenment—say around the eighteenth century. Wouldn't you know it—the rules-based approach to ethics grew up more or less in tandem with rule-based bureaucracies in government and businesses. Coincidence it isn't, and the consequences will be interesting when we look at the challenges of digital transformation in the first chapter.

Some people believe oughts come from divine revelation, perhaps inscribed on stone tablets. I won't take that approach in this book, partly because not everyone accepts it and partly because ethics is concerned with logical justification rather than simple belief. There's a certain circularity when you frame ethics with respect to revelation: essentially, you have to make a prior decision to *accept* revelation before the oughts can follow. In Plato's dialogue *Euthyphro*, Socrates provokes poor Euthyphro, who has trouble keeping up with him, saying, “Is what is holy holy because the gods approve it, or do they approve it because it is holy?”<sup>4</sup> Socrates asks annoyingly good questions.

Divine revelation also doesn't seem to cover many ethical decisions we have to make today. For example, I'm not sure what the Bible tells me about whether a company should keep customers' personal information private when law enforcement asks for it, or if I should have fired Eduardo and taken the consequences of my CEO's anger. And not a damn thing about robot dogs.

*Without religion, how do you convince people to act ethically?*

We'll get there. But speaking of that, it's not like you're my conscience, right?

*God, no*

What, then? Interrogator?

*I prefer the term “co-expositor.” A partner, teammate, collaborator. You need my help—trust me on this.*

It would be great if divine revelation told us exactly how to act, because it would relieve a lot of our stress. We'd consult the right stone tablet, scan the ten or so rules, and apply the one that fit. Unfortunately, as business leaders, we constantly find we have complex ethical decisions to make and no tablets to guide us. We struggle with new questions of diversity and inclusion, environmental sustainability, social responsibility, privacy, responsible AI, and ethical linguini sourcing that not even Immanuel Kant, who knew everything, gave us guidance on.

## The Apocalypse Approaches

It's not that there aren't any books on the subject. I'll save you the trouble of reading them. Here's what they say:

Bad things are happening! We're in danger! It's a slippery slope—today someone can predict whether you like your french fries crispy or mushy, so tomorrow the government may lock you up because they think you'll someday jaywalk! Companies are out of control! Elephants are in the room! Technologists are ignoring the dangers of their technologies! We have to make ethical decisions right now, before it's too late! Remember what happened with Frankenstein!

Then they cite some unrelated statistics to insinuate that our problem is dire. "Every day, the amount of new data produced is enough to fill the Grand Canyon with enough left over to take up the overhead racks on every flight where at least one reading light doesn't work!" Finally, they present some vague and therefore hard-to-disagree-with but very strong opinions on whatever the author has very strong opinions on: "We must never never allow scary three-letter government agencies to gather data on how people like our sun-dried tomato capelli d'angelo sauce."

I suppose ethics books sell better when they have that alarmist tone and element of surprise ("Gee—I never thought about that! What *if* a robot someday commands me to make paper clips?"). Some author with an undisclosed conflict of interest is telling readers how to behave. I'm not sure I have much to add on the dangers of paper clips, so, in full disclosure: this is not that kind of book.

All the same, you might want to know what kind of person I am. For the record: I do believe that the planet is plenty warm as it is,\* and I kind of like the species we have on earth today, especially sea otters, and with the exception of mosquitoes, so I see no advantage to mutants that thrive

---

\* See the author's Eversource electricity bills for July–August 2022.

on carbon emissions. I do want there to be succeeding generations who can buy my books. I do believe that we need more diversity and inclusion in our businesses and Northern California yacht clubs. I don't believe in companies using my private information to target ads for fingernail clippers at me. And I sure would like companies to take a more active role in solving difficult social challenges like homelessness and the proliferation of yoga studios.

It's hard to accept that the future is largely out of our control. Alarmist books and articles are appealing because they imply that by planning appropriately, by addressing the questions now, we can gain that control. We were all taught, as we crossed the line from being fun teenagers to boring adults, that we need to plan.

Unfortunately, in situations of high uncertainty and change, plans have limited value. No matter what stance we take today about whether it's okay to kick a robot dog, we don't really know whether robot kicking will someday be an Olympic sport and whether our intuitions today will still be our intuitions when robot dogs start biting our ankles. Think about social media twenty years ago. Who would have thought that social media would affect the self-image of teenage girls? That social media companies might block messages from presidents of the United States? It's hard to talk about the course that disruptive stuff will take—because that's what it means to be disruptive.

But that's neither here nor there; there's a monster on the loose.

## Frankenstein and the Gingerbread Man

*I'm curious—can you explain the subtitle? What's this about Frankenstein and the gingerbread man? Is there a joke I'm missing?*

If you don't read the footnotes and the epigraphs, you might miss some jokes. But the point about Frankenstein is that metaphors matter when we're framing ethical issues. People talk about artificial intelligence or genetic engineering as a Frankenstein monster—out of control, sociopathic, and malevolent. HE MUST BE DESTROYED before he destroys humanity as we know it! But what would happen if we thought of runaway AI as more like the gingerbread man?

*What would happen?*

I'll get to that. But here's a clue. Like Frankenstein's creature, the gingerbread man escapes and runs away. But most of what he does while being chased is to make fun of his pursuers. HE MUST BE DESTROYED . . . well, because we want to eat dessert. He's not very smart, so eventually he gets tricked into being eaten. In the Scandinavian version of the story, he's a pancake. The frightening future of intelligent technology might be flattened dough.

## Refining Our Metaphors

Anyway, it's worth going back to Mary Wollstonecraft soon-to-be-Shelley's novel *Frankenstein* to see what it actually says, because it says some useful things for our discussion here.

First, about Frankenstein: Frankenstein is not actually Frankenstein. I mean that Frankenstein is the name of the scientist, not the monster. In fact, there is no monster; Frankenstein's creature is referred to as "the creature." That's "creature"—a word with the same root as "create." He's also called "fiend" and "wretch," just as I am in some circles. And Frankenstein is not a doctor. He's just referred to as Victor Frankenstein.

The book is not about a monster who escapes from Frankenstein's control. Victor is disgusted by the creature's ugliness and disturbed that he has done something as unnatural as giving birth to an adult, so *he* runs away, leaving the creature to fend for itself. "Accursed creator! Why did you form a monster so hideous that even you turned from me in disgust?" it asks.<sup>5</sup> The creature—really pretty ugly by anyone's standards, since it's made of other people's body parts sewn together—has trouble making friends and finding love and swears vengeance on Victor after trying to negotiate with him to create a female companion.

Frankenstein—Victor, I mean—has turned his back on his child, which was no more considered good form in 1819 than today. He's refused to take on the obligations of creature rearing, including his responsibility for the creature's ethical development. "The wicked are like God—they too do as they please," says the sacred Tamil *Kural* of India,<sup>6</sup> and Victor has indeed usurped the role of God—and, incidentally, of mothers.

We learn about Victor's moral failings—not the creature's—as the wretch/fiend goes on his killing spree, much as we learn about our own biases as we examine the activities of our artificial intelligences. To read *Frankenstein* as the story of an escaped and evil creature and worry that AI might be his cousin is to miss the point.

While Victor remains a morally deficient human being, the creature becomes a better "person" as he learns empathy and kindness by observing other humans. This theme of the creature as Victor's double runs throughout the book, much as the theme of artificial intelligence as our double, subject to the same biases and errors as humanity, runs through discussions on responsible AI. Even a superficial reading of Frankenstein suggests that we should hug our robots and artificial intelligences, not recoil from them. We should teach them to be kind. We should nurture them.

*Frankenstein* is a very personal book about the responsibilities of creators, written at a time when Mary Wollstonecraft was creating little human beings in the usual way with her kooky but apparently good-looking poet-boyfriend, Percy Bysshe Shelley. One of her babies had already died in its infancy, and she was about to lose two more. Victor is a caricature of a Romantic-era hero, as was perhaps—ahem—Percy himself.

*Frankenstein* is a fable about creation—like entrepreneurial creation in our emerging digital world. Long discriminated against for his deformities, Frankenstein's creature has been unfairly maligned, misnomered, and—you'll agree—mis-mental-modeled.

## The Gingerbread Man

The gingerbread man, unlike Frankenstein's creature, *does* escape his creator—the cook. The tale begins when the birthday dessert she's baking for little Billy jumps out of the oven and runs away. The cook chases the gingerbread man and is soon joined in the chase by her husband, a neighbor, a postal worker, and various other upright citizens, not to mention a dog, a cat, a monkey, and a fox. The gingerbread man not only outruns them but taunts them, turning back now and then saying "Run, run, as fast as you can. You can't catch me, I'm the gingerbread man!"

At this point there's some dispute about the historical record. In some accounts, a fox tricks the gingerbread man into riding across a river on his back and then eats him. According to other sources, the gingerbread man is finally caught and fed to Billy, who eats him one limb at a time ("Ouch! There goes my leg!"). In a related Eastern European story called *The Kolobok*, the fox tricks the Kolobok by praising his singing. In a German version, *The Thick Fat Pancake*, the pancake allows itself to be eaten by two hungry orphan children. In any case, the gingerbread man's virtue—tastiness—is finally realized, to the benefit of humanity.

What if artificial intelligence is not Frankenstein's creature but an escaped dessert, thumbing its nose at us comical, famished, slow-moving diners? A slice of pizza making fun of the sleep-deprived software developers coding their gradient descent algorithms?

## Restatement of the Problem

If you're following me—rather than chasing dessert—here's what I'm getting at. Digital transformation requires that we change our ethical assumptions

about business, assumptions we've long taken for granted, because they are largely inherited from legacy bureaucratic ways of thinking. If you don't believe me, please suspend your disbelief until the next chapter, when I'll explain.

Those ethical assumptions structure our *everyday* ways of acting in a business. Ethical decisions are not generally big-picture choices between good and evil—restraining Frankenstein monsters—but the scads of everyday, small matters that cross our desks or flicker up on Zoom. We struggle every day to manage conflicting imperatives, many of which arise because we are squatting in both the digital and bureaucratic worlds.

Because innovation is such an important part of the digital world, we are constantly releasing little Frankenstein critters and ambulatory desserts into the world. Let's not close our minds in fear but rather engage with them. It turns out that they have a lot to teach us—about ourselves.

## Clarifications and Disclaimers

Before we go chasing pancakes, there are a few things I should clarify.

I'm going to use the terms *ethics*, *morality*, and *values*. Ethics, as I have said, is about how we ought to act, or how one should live a good life. Morality means the same thing. I vaguely remember a teacher way back drawing a pedantic distinction between ethics and morals, but today the terms are generally interchangeable. The word *values* refers to things we evaluate as *good*. If we value peace and harmony, for example, that means we think they are good things. Ethics is about how to get to the state that we value; what we ought to do that will bring about peace and harmony, or at least what behaviors are consistent with them.

I was born and grew up in the United States. I know that I can't speak for everyone when it comes to ethics. Expect my background to show through.

Importantly, I haven't worked much in highly manual jobs, factory work, unionized positions—stuff that is often called “blue collar.” I did work, for a while, behind the counter at a coffee shop and once, in a careless move, spilled hot coffee all over a customer in an expensive business suit. That's all I'll claim for my expertise. Activating my excuse that this is a book about digital transformation, I'll focus on the white collar, office worker stuff.

This book is *not* about what is legal. The concepts of ethics and law are distinct, even if they are related. Fraud is illegal, but lying is not. The law says nothing about whether I should have told Mary about her pending demotion.

Laws get things wrong. Slavery was once legal in the United States, but it was never moral. In the 1600s, a woman convicted of being a “common

scold” could be sentenced to the ducking stool.<sup>7</sup> In 1912, the legislature in Saskatchewan, Canada, passed a law forbidding any white woman to work in any restaurant, laundry, or other place of business owned, kept, or managed by any “Japanese, Chinamen or other Oriental person.”<sup>8</sup> The principles of the Nazi genocide were carefully translated into laws that deprived Jews of legal protections and legal status. These were all unethical laws.

If you still don’t believe that law and ethics are different, I’m more than overjoyed<sup>\*</sup> because it gives me a chance to tell you about silly laws from around the globe. In Liverpool, it is illegal for a woman to be topless except as a clerk in a tropical fish store.<sup>9</sup> In medieval Russia you could be fined for assaulting someone’s mustache.<sup>10</sup> In parts of Washington State, it’s a felony to harass Bigfoot, Sasquatch, or any other undiscovered species.<sup>11</sup>

While ethics concerns itself with logical reasoning, some laws are exuberantly illogical: In 1897, the Indiana House of Representatives voted on whether to make the number *pi* equal to exactly 3.2.<sup>12</sup> In the UK it’s illegal to die in the Houses of Parliament,<sup>13</sup> and in Canada you can be imprisoned for life for rendering data meaningless.<sup>14</sup> A proposed law in Kansas declared that “When two railroad trains meet at a crossing, each shall stop and neither shall proceed until the other has passed.”<sup>15</sup>

*Ladies and gentlemen of the jury, law is not ethics.*

## What We’ll Cover

There are really two topics we need to cover: ethics in the workplace—that is, how *people* should behave when they’re working—and business ethics—that is, how *businesses* should behave. Some people think these are the same question; that a business is simply a collection of individuals, and if they behave well, then the business is behaving well. I’ll treat them as separate questions, though I’ll explain why some people would disagree with me.

Since I will suggest that ethical norms evolve and that the best way to learn about them is through inspecting and adapting, just as in Agile IT, I’ve divided this book into evolutionary sections: Primordial Muck (the building blocks for our digital ethics), Perilous Predators (the real problems of business ethics today), and Evolution (how we can face the future with a more adaptive approach).

In “Primordial Muck,” I’ll set the stage for a discussion of the challenges in digital transformation ethics. First, I’ll explain what’s at stake in the shift

---

\* See the chapter on bullshit for an explanation of overjoyed++.



from traditional enterprises to digital ones: what old values no longer apply and what new values are emerging. Then I'll present some of the classic ways of framing ethical questions and assess which of them are useful today. My goal is to explore ways to ground ethical decisions, not to preach about what is right and what is wrong. I'm going to claim, though it might sound odd, that there are "adaptive" or "agile" ways of thinking about ethics.

In "Perils and Predators," I'll explore some of today's dilemmas. I will argue that we've lost sight of what the real questions are, partly because of all the hype around Frankenstein and big scary problems. I'll focus on the areas where we must decide between competing ethical imperatives; where we are torn—often without realizing it—between traditional bureaucratic values and new digital values. For example: Are executives justified in investing in socially responsible initiatives despite their fiduciary duty to shareholders?

In "Evolution," I'll suggest that we learn to think differently about relationships with customers and employees. I will question one of the deepest assumptions of the emerging digital world—the idea of customer intimacy. Frankenstein's creature and the gingerbread man will set us on the right path by explaining how to evolve digital norms by experimenting and learning. I'll frame the ethics of digital transformation as a matter of cultivating and applying virtues rather than applying rules.

Finally, I'll put it all in the perspective of executive visioning: imagining a state of what philosophers call human flourishing. Once we envision it, we can use our managerial skills to get us there. Ethics is not just a matter of refraining from doing bad things. It's a matter of building the world we want, and it's the job of company executives.

## **Why Should You Read This Book?**

There are lots of books on digital transformation, including four I've written. They're great books—if you don't believe me, read Napoleon Bonaparte's foreword to *War and Peace and IT*.<sup>16</sup> Unlike most technology books, they deal with important problems like selecting pasta, harpooning whales, and watching bobbleheads bobble. But while writing them I noticed that everything I was talking about was, in a sense, just surface indications of a deeper set of issues, the froth on the soup that hides the shifts in values that really are the meat and bones of digital transformation. Since ethics is hard, we've all been staring at the surface, stroking our beards and trying to look wise as we speculate on the pattern of the bubbles. This book will help you skim off the froth and see bone marrow bubbling underneath.

Ethics has become an important topic for businesses. Boards of directors and senior executives talk about ESG (environmental, social, and governance standards) and CSR (corporate social responsibility). These topics have emerged so suddenly that many executives find themselves lost figuring out what they should be *doing*—as opposed to what they should be saying—about ethics.

Saying is easy. Here we go: “We are committed to the health of the planet and to employing a diverse workforce.” But how do you act on your oughts when you’re running a business and have angry shareholders chasing you around the company cafeteria with their proxy votes? When will those entitled Gen Z-ers ever be satisfied with what your company is doing, when it’s perfectly clear from your mission statement that your goal is to bring peace and prosperity to the world?

Forget robot dogs. We’ve got more acute problems.

# PART I

## PRIMORDIAL MUCK





# Ethics of Bureaucracies

## *The Challenge of Digital Transformation*

Nothing is so painful to the human mind as a great and sudden change.

—Mary Shelley, *Frankenstein*

That a person stands there and says the right thing—and so has understood it—and then when he acts does the wrong thing—and so shows that he has not understood it; yes, that is infinitely comical.

—Kierkegaard, *The Sickness unto Death*

The typical narrative of digital transformation goes something like this: The pace of change in business is accelerating wildly. Unfortunately, most traditional businesses have organized themselves for stability and continuity, assuming that change will be rare and exceptional. They’ve concentrated on becoming as efficient as possible at what they’ve always done. They’ve formalized processes, set up governance structures, “right-sized” their staff, and—deliberately or not—erected barriers to diverging from what they’re already good at. Over the years, they’ve accumulated “legacy” technologies that support the way they’ve always worked. They innovate, but only through a risk-averting governance process that makes sure they don’t innovate *too* much.

However, they realize that they are not prepared for the emerging business environment—one characterized by complexity, uncertainty, and rapid change. They fear becoming irrelevant like a Blockbuster or a Kodak. Recognizing the mismatch between the fluid external environment and their stodgy corporate structures, they are eagerly—if awkwardly—adopting the practices of the companies that were brought to life in the digital age, the so-called digital “unicorns,” that are better prepared for an environment that’s continuously swept by emerging technologies, shifts in customer preferences and expectations, new regulations and deregulations, geopolitical dynamics, public health crises, and climate change.

A traditional company that wants to imitate unicorns needs a “digital transformation”—a deep change in mindset and culture as well as processes

and technologies—through which they come to use technology as an enabler of business strategies that depend on adaptation and innovation.

## Digital What?

The term *digital transformation* has become confusing as technology companies have crafted marketing messages around it and consultants have twisted it into shapes to fit neatly on PowerPoint slides. Boards of directors, nervously eyeing the survival of their firms and feeling pressure from the capital markets, demand more *transformation* and more *digital* but leave the details to baffled employees. Media outlets with a superficial understanding proffer expert guidance. But the trend is clear enough. In this book I'll use the term as a fuzzy and approximate shorthand for "the stuff that's happening to organizations today, focused on adaptability rather than stability."

The best way to deal with complexity, rapid change, and uncertainty—which have long been factors in the technology world—is through a group of practices we associate with agile IT. These practices include organizing employees into small, empowered, autonomous teams; modernizing IT systems to make them more adaptable; using large amounts of automation; encouraging innovation by testing new ideas quickly in rapid, iterative, learning feedback cycles; and using data to drive decisions. Traditional companies, with their emphasis on planning, stability, deliberation, and control, are at a disadvantage.

Organizing for adaptability is hard enough; companies also have to deal with society's new expectations. As businesses become faster, customers come to expect instant satisfaction, creating pressure for yet more speed. Emerging technologies are rapidly absorbed into the everyday lives of consumers. Deeply interconnected supply chains amplify local difficulties into global crises. The incoming workforce expects a diverse and inclusive workplace. COVID has influenced society in ways that we don't even fully understand.

As they've begun their digital transformations, traditional enterprises have learned some lessons. The first is that it's hard. Successful old-school companies are successful because they've been doing something right, which they struggle to reconcile with "completely transforming" for the new world. Because many of today's ways of working come from technology unicorns, they're framed in terms of process and technology, which makes it easy to miss the deeper organizational and conceptual changes needed. Leaders retreat into vague theory and abstraction—there may be broad agreement across the company on a need to "change culture," "become data-driven," or "deepen customer relationships," but that agreement does not in itself cause any change. That's the bobblehead effect I talked about in *War and Peace and IT*.<sup>1</sup>

But what makes digital transformation especially difficult is that it is not just a change in how businesses do business and technologists do technology, but a deep change in moral outlook and ethical assumptions. Many of today's ethical challenges arise because we retain the ethical stance of bureaucracy while trying to adopt the values of the digital enterprise. Digital transformation doesn't just *raise* ethical issues, it—in itself—is an ethical shift.

## The Traditional Enterprise

The best way to locate this ethical shift is to be very clear on what we're transforming *from* and what we're transforming *to*. Both are difficult to pin down, for different reasons: it's hard to know the "to" part as it's constantly evolving, and it's hard to know the "from" part because it's so thoroughly ingrained in how we think about businesses that it's almost invisible to us. I'll start with the "from" part.

Traditional businesses, as we've known them for the last couple hundred years, have been based on bureaucratic principles, refined over the twentieth century with "scientific" principles of management. By *bureaucratic*, I don't mean anything negative; in fact, the bureaucratic structure of businesses is something that we've come to expect and value. I'm using the technical, academic definition of bureaucracy, not our everyday sense of it as a frustrating, obstructive, soul-destroying, lumbering Frankenstein creature. The sociologist Max Weber, writing in the early twentieth century, defined bureaucracy as an organizational system with six characteristics: (1) division of labor, (2) hierarchical organization, (3) technical competence, (4) rules, (5) formal, documented communications, and (6) impersonality.\*

In *The (Delicate) Art of Bureaucracy*, I grouped these characteristics like this: **rigid roles** (a formal delineation of accountabilities, organized into a hierarchy and filled with people who have the expertise to perform their roles) and **rigid rules** (activities that are determined by rules applied universally and impersonally, with a paper trail that shows the rules have been followed).

*Is that a pitch for your book?*

Maybe. I think it's pretty good.

*Shouldn't you disclose the conflict of interest?*

Yes.

(...)

---

\* This is my version of the characteristics Weber talks about in *Economy and Society*.<sup>2</sup> Other writers have their own ways of paraphrasing and organizing them.

By the way, I thought you weren't my conscience.

*Agility. I step in where I'm needed. That's a joke.*

Good one.

*Well, if you're not coercing readers into buying your other book, can you give us the summary? Why do you say that traditional companies are always bureaucracies?*

You'll recognize Weber's definition in the way businesses are typically structured. Rigid roles—properties 1, 2, and 3—are just what we call an org chart (property 3 means that the person in each role has the right skills for that role). Properties 4 and 5 say that there are formal mechanisms through which different parts of the org chart interact with one another and with the public, and that those formal interactions are supported by a flow of paper. Even though the flow of paper is now often a flow of online forms, packets of client-server interactions, emails, and texts, it serves the same purpose.

Property 6 is especially interesting, and I'll talk more about it below. Think of it as a principle that the roles in a bureaucracy are independent of the particular people filling them at any moment. An org chart mainly shows the company's organizing principles, though it may also reveal the identities of the people in the roles.

This should sound familiar. Sales is one branch of an org chart and marketing is a different branch. Sales people have sales skills and do sales things; marketing people have marketing skills and do marketing things. They interact through a well-defined mechanism: marketing generates leads and passes marketing-qualified leads (MQLs) to sales. An org chart depicts a hierarchy with increasing authority and accountability toward the top. Traditional companies refine their business processes over time, document them, make them repeatable, and enforce them. They are bureaucracies by definition.

*And there's an IT department, divided into functional specialties like development, operations, and security.*

Yup.

*And I suppose IT interactions are triggered by a flow of helpdesk tickets.*

Unfortunately, yes.

Bureaucracy is just a way of organizing social interactions, with advantages and disadvantages. It helps businesses solve challenges of scale, control, and repeatability (think of McDonald's trying to get all of its franchises to make their milkshakes the same way). It allows businesses to comply with regulations and prove to auditors that they are enforcing controls. It lets them fine-tune their processes and make sure employees use them. It even helps them main-



tain the consistency of their brands by setting rules about how logos will be used, what typefaces their communications will appear in, and what tone their messaging will take.

Weber saw bureaucracy as necessary and beneficial. To him, bureaucracy was

capable of attaining the highest degree of efficiency and in this sense formally the most *rational* known means of exercising authority over human beings. It is superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability. . . . The choice is only that between bureaucracy and diletantism in the field of administration. [emphasis mine]<sup>3</sup>

If these positive words seem strange, realize that Weber was writing in a period when rationality was a guiding principle. Bureaucracy was the most logical (“rational”) way to set up an efficient organization. Bureaucracies could maintain quality, capture economies of scale, and progress quickly up the experience curve.

## The Rise of Bureaucracy

While bureaucracies have existed since ancient times, they became especially important during the industrial revolution, when they crossed over from government to business. As a tool of mass democracy, bureaucracy had provided the necessary legal-rational structure to replace rule by monarchy in the early nineteenth century. As capitalist enterprises grew larger and more global later that century, they borrowed bureaucratic ideas from government to substitute for the firsthand intimacy they had had when smaller.

These new enterprises were—originally, at least—large manufacturers. Bureaucracy, with its emphasis on repeatability, predictability, and processes fine-tuned for efficiency, was a perfect fit for companies with factories at their core. Bureaucracy’s division of labor broke down production into its component activities; its rules and formalized interactions helped guarantee repeatability and control quality; its hierarchical structure gave managers at the top a view across all the granular operations that produced the company’s outputs. Labor and machinery could be combined into a production process that was . . . well, mechanical.

Weberian bureaucracy has so thoroughly dominated our culture that it’s hard for us to imagine any other way of doing things. It’s not just our model for businesses and governments, but the way we organize most of our social world—from yacht clubs to criminal gangs to religions and family interactions.

The fact that bureaucracy was the governmental solution for mass democracy is a clue that an ethics lies buried inside it. Another clue is its connection to religious principles, as Weber—our bureaucracy expert—noted in *The Protestant Ethic and the Spirit of Capitalism*: “The phenomenon of the division of labor, and of the structuring of society according to occupation, had already been seen by Thomas Aquinas . . . as the direct result of God’s plan for the world.”<sup>4</sup>

As I describe each of bureaucracy’s values in the next paragraphs, think about how they guide our actions in the workplace and how they might need to change today. I’ll show how these values, when brought into the digital world, are responsible for the conflicting ethical imperatives we face.

## The Core Bureaucratic Value: Impersonality

Bureaucracy’s most important value is contained in property 6—impersonality—which is closely related to values of impartiality, fairness, and justice. Employees and civil servants in bureaucracies are required to perform their roles solely according to the rules and the authorities delegated to their roles, not according to their own feelings or opinions. They are to treat everyone by the same, objective rules. They execute their roles “*sine ira et studio*”—without anger or bias—that is, without personal feelings. As Weber says,

Bureaucracy develops the more perfectly, the more it is “dehumanized,” the more completely it succeeds in eliminating from official business love, hatred, and all purely personal, irrational, and emotional elements which escape calculation. This is appraised its special virtue by capitalism.<sup>5</sup>

Fairness is seen as a matter of impersonality, which is understandable, since bureaucracy replaced rule by kings and queens. Monarchs are anything but impersonal: “*L’état, c’est moi*” (The state—that’s me!).\* They don’t need to be fair—they bring their biases to work, fill their governments with friends and relatives, and make up rules whenever they feel like it. If the king thinks all software should be written in Java and you write some in Python, you should expect to find yourself in the Bastille. At the company foosball table, you always let the emperor win.

Bureaucracy is annoying when we don’t *want* to be treated according to strict rules. But those rules, executed impersonally, are intended to guarantee equal treatment. A CEO cannot chop employees’ heads off, no matter how badly they miss their sales goals. If Rumpelstiltskin is a customer and I am a

---

\* Attributed to Louis XIV in a speech to Parliament.

cable provider, I must mystify Rumpelstiltskin with complicated pricing tiers and must not show up for scheduled home visits, just like I do with every other customer.

Bureaucracy is so thoroughly oriented toward fairness that unions love it. When they bargain with management, they are generally looking to *add* bureaucracy: employee cubicles should have such-and-such a size, seniority should be respected in such-and-such a way, and the union must be notified of planned changes in working conditions using such-and-such a form so-and-so number of days in advance.

Employees are asked to “leave themselves at home”; when they show up at the office, they take on their work role and execute it as it has been defined. Bringing personal issues to work is unprofessional. Bringing work home, for most employees, is also a no-no—once an employee leaves work for the day, they no longer have the authority of their role.

This all makes sense when you realize that business bureaucracy was born from a factory model. Work is done in a factory, not at home, because it requires the machinery of production. When you leave the factory each day, you no longer have access to the tools and the assembly line. Work means dedicating yourself some number of hours each day to doing what you’ve been told to do, no more and no less. Personal concerns just get in the way.

*I see where you’re going. This is changing in the digital world, isn’t it?*

Exactly. I’ll get to that in a few pages. But first there’s more to say about the ethics of bureaucracy. Impersonality is the key, but there are other important values.

## **Bureaucratic Value: Rationalized Production**

Management’s goal in the bureaucratic model is to control workers and machines, the factors of production, to achieve the company’s objectives efficiently. Henry Ford’s analysis showed that of the 7,882 operations required to build a Model T, 670 could be performed by legless men, 2,637 by one-legged men, 2 by armless men, 715 by one-armed men, and 10 by blind men.<sup>6</sup> “Why is it that when I ask for a pair of hands,” Ford asked, “a brain comes attached?”<sup>7</sup>

As an important side note, Ford did this analysis in order to be able to employ more people with disabilities. The example shows us both the mechanical nature of rationalized production and the fairness it can provide.

Since the job of employees is more or less mechanical execution, science and engineering are models for continuous improvement. Frederick Taylor, credited with founding “scientific management,” sent his assistants to analyze

the movements of workers with stopwatches, then—as the story goes—derived the optimal series of motions, standardized and enforced them, and made production more efficient. Actually, he did nothing of the sort, but that’s for a later chapter.

In any case, bureaucracy assumes that a scientific, rational approach to designing work leads to the highest degree of efficiency—which is its objective. Yes, it’s strange when you think about the mounds of paperwork filled out in triplicate, approvals from bored rubber-stampers, and trolls who pop up now and then to stop work dead, quoting rules conceived two centuries ago. But bureaucracy does not come packaged with the bored rubber stampers—they’re just a feature of highly mature bureaucracies.

Even the human aspects of management could be treated as engineering problems. William Whyte’s *The Organization Man*, a classic work on bureaucratic corporations from the 1950s, talked about a “social ethic” by which society controls the worker, with “scientism” as its foundation:

[Scientism] is the practical part of the Social Ethic, for it is the promise that with the same techniques that have worked in the physical sciences we can eventually create an exact science of man. In one form or another, it has had a long and dismal record of achievement; even its proponents readily admit that the bugs are appalling. But this has not shaken the faith in scientism, for it is essentially a Utopian rather than a technical idea.<sup>8</sup>

A Utopian idea, a matter of faith—or, better, a matter of underlying values. Scientism is not a science but a way of engineering social activity to align with the bureaucratic value of rational design for efficiency.

## Bureaucratic Value: Neutrality

Bureaucracies have built pyramids, distributed medical supplies, offered housing to the poor—and exterminated Jews during the Nazi Holocaust. Bureaucracy itself is value-neutral: its goal is to find the most rational and efficient way to accomplish whatever goal is given to it.

The “metaphysical heart of rationalism,” as Louis Menand states, paraphrasing Isaiah Berlin, is the belief that “all rational ends are commensurable, that unhappiness is caused by the irrational or insufficiently rational, and that when everyone becomes rational and obeys rational laws, human beings will be free.”<sup>9</sup> That is the paradoxical, Utopian dream of bureaucracy.

## Bureaucratic Value: Owned Time

Between nine a.m. and five p.m., the company owns an employee's time; the employee yields control of their productive capacity to a manager. Though we've grown used to the idea, there's something strange about it. The anthropologist David Graeber points out that for most people throughout history, work was done in spurts, interspersed with periods of relaxation or lighter work. Farming, for example, requires bursts of activity around planting and harvesting, while the rest of the time the effort required is approximately that of watching the grass grow. Medieval serfs probably worked long hours twenty or thirty days a year but just a few hours a day otherwise.<sup>10</sup>

The idea that one person's time can belong to someone else is actually quite peculiar. First, to think of the potter's capacity to work, his "labor-power," as a thing that was distinct from the potter himself, and second, to devise some way to pour that capacity out, as it were, into uniform temporal containers—hours, days, work shifts—that could then be purchased, using cash. To the average Athenian or Roman, such ideas would have likely seemed weird, exotic, even mystical. How could you buy time?<sup>11</sup>

The idea of buying employees' time implies that any idleness on the part of an employee is not just inefficient—it's actually *immoral*. It is theft, given that the employer is paying for the time.<sup>12</sup>

Nevertheless, employees will try to be idle. Bureaucracies assume that workers are recalcitrant, so managers must oversee them to make sure they stay productive.

## Bureaucratic Value: Technical Skills

Bureaucracies value narrow but deep functional skills. Weber believed—with considerable justification—that businesses were becoming increasingly complex and technical. Employees could not be expected to master more than one specialty. That's why the ideal division of labor breaks down activities into technical (functional) specialties and makes sure that the employee hired for each role has adequate functional expertise. That model fit the needs of manufacturing companies during the industrial revolution and fit even better as technologies advanced and grew more complex.

Since each role involves a single functional specialty, the company can write a job description listing the skills it requires and hire the candidate who

best demonstrates those skills. This allows a bureaucracy to be meritocratic (that is, fair in hiring and promotion).

### **Bureaucratic Value: Conformity**

Bureaucracies are said to be “faceless.” They are indeed, in the sense that work is performed impersonally. They are also faceless in that the people who happen to fill the roles at the moment are irrelevant. And they are faceless because new employees are quickly absorbed and learn to display publicly only the image the company has chosen for them. One employee quoted in Studs Terkel’s book *Working*, a collection of over a hundred interviews with employees in a wide range of jobs, says “Who you gonna sock? You can’t sock General Motors.”<sup>13</sup> A company is an abstraction, not a set of particular people.

Whyte says that the social ethic includes three propositions: a belief in the group as the source of creativity, a belief in belongingness as the ultimate need of the individual, and a belief in the application of science to achieve the belongingness.<sup>14</sup> Conformity is valued. A new employee must adjust to the company, not the reverse. This conformity satisfies the employee’s need for belongingness.

### **Bureaucratic Value: Predictability (Calculability)**

Bureaucracy thrives on predictability, or as Weber calls it, *calculability*. A bureaucracy’s rules are deterministic; employees know what to expect from their interactions with other parts of the company. Predictability yields a kind of transparency that supports fairness.

Organizational hierarchies pass goals and targets down and results up; making the two match is an obsession. Public companies project quarterly results and must deliver on those expectations, business cases with financial projections are used to make investment decisions and gauge their success, and Gantt charts document milestones that must be adhered to.

The need for predictability explains why innovation is risky: it adds an unknown element into the calculations. Even when innovation is permitted, it tends to be incremental and modest, since the organization optimizes “locally” within each functional area, rather than across the entire enterprise.

### **Bureaucratic Value: Deference**

A bureaucracy is a class system: it distinguishes between senior (strategic) leaders, operational managers, and workers. Senior leaders and middle managers

make decisions; workers execute them. “Workers are bodies without minds, managers minds without bodies,” as the philosopher Matthew Stewart says in *The Management Myth*.<sup>15</sup> The very way that we draw the org chart—leaders at the top—establishes a pattern of deference to authority. An org chart could, theoretically, be drawn left to right, or with the branches stretching upward.

Senior managers set strategy and operational managers lead its execution—a further class distinction. “Strategic planning is a species of rhetoric—a kind of ‘expert talk’—that justifies the power of top management over the middle,”<sup>16</sup> Stewart says. The media glorification of famous CEOs further increases this class distinction between leaders and the people below them in the org chart.

## Summary of Bureaucratic Values

The bureaucratic value system is based on impersonality: the idea that employees must leave their personalities, peculiarities, and biases at home and bring to work only the technical skills required for their work roles. Because bureaucracy impersonally applies rules that are the same for everyone, it is demonstrably fair.

*Hang on—one point of clarification.*

Yes?

*You said this was going to be about ethics, but instead you’re talking about values.*

*What’s the connection?*

Technically, values are criteria we use to assess whether a state of affairs is good, while ethics is about how to reach those good states. Think of values as a higher level of abstraction, a step up the ethical org chart. Since there are different ethical frameworks available to us—I’ll explain in the next chapter—I’m trying to stay neutral between them by talking about values here.

*I see. That helps. But can you give us some idea of how it translates into ethics?*

Yeah, I’ll give it a try. Here’s a loose description of the bureaucratic ethic.

Though we’re not quite ready to formalize them, a number of ethical principles follow from the bureaucratic value system I described above. As an employee, you should not bring any of your beliefs, opinions, feelings—or indeed, anything personal—to work. You should execute your role as defined, and demonstrate expertise in your technical function. You should be fair, in the sense of treating everyone the same. You should conform to the organization and dedicate the required period each day to your employer, productively. You should defer to those senior to you in the org chart.

If you are a manager or leader, you should strive to create an efficient and productive organization to accomplish the goals you are given, whatever they are. The company as a whole should efficiently execute on its given objectives, which, in recent practice, are chosen by the owners of the business.\* There's more, but these rules are the essence of the bureaucratic ethic.

## The Digital Enterprise

A lot has changed—in the business environment, in technology, in our understanding—since the days when mass industrialization made possible the efficient production of bobbleheads. Norms have evolved. History has been written into history books. Service-oriented architectures have become micro-service-oriented architectures. Pandemics have led to questioning as well as sneezing. The world looks pretty different from the way it looked when bureaucracy was celebrated by Weber.

First, software, as they say, is eating the world; in truth, shoveling it disgustingly fast down its gullet. Software is agile; it can be changed at any time just by typing on a keyboard, while hardware—physical products—cannot. The companies we interact with every day online make thousands of small, mostly unnoticeable software changes every week. The world moves quickly through software's intestines and turns to . . . yes, well, bullshit is the topic of Chapter 6.

Businesses are caught in a cycle of rapid change. Competitors sprint ahead like gingerbread men and consumers change their preferred vendors in the time it takes an executive to tweet a tasteless joke. Sudden supply chain disruptions require sudden responses. War interferes with offshore software development and causes shortages of essential commodities like bolognese sauce. Increasingly, business demands agility, which I define as the ability to respond to change quickly, creatively, cheaply, and at low risk.

Second, our model for business success has become the entrepreneurial venture. It's no longer the tycoons who run huge manufacturing enterprises we admire and hate, but the creative, aggressive, and emotionally unstable outsiders who create something quickly from nothing—the Victor Frankensteins. The American Dream is no longer about slow steps to tycoonship but a sudden leap to gazillionaireship.

I'll call it *The Leprechaun Theory*, the idea that we become prosperous by following a moody, untrustworthy, sometimes unpleasant CEO who will lead us to a pot of gold at the end of a rainbow.

---

\* According to the Friedman Doctrine, which I discuss in Chapter 4.



Third, jobs in advanced economies have shifted toward “knowledge work,” services, and administration rather than factory work. Technologists—software developers, digital designers, and so on—don’t produce identical products like a factory does, and their work doesn’t always involve repeatable processes.

And fourth, mom and pop are messing with our economy.

## **Mom and Pop**

Thomas Dunfee, professor of legal studies and business ethics at Wharton, suggests that we are now in a Marketplace of Morals (MOM), where consumers act under the influence of their moral preferences. Eighty-seven percent of consumers say they would purchase a product because a company advocated for an issue close to their hearts.<sup>17</sup> Ethical preferences get priced into goods; companies that satisfy those preferences can command a markup. Customers may even boycott companies that don’t meet their ethical standards. In a MOM, the ordinary principles of a market economy still apply, but ethical reputation must be factored in as a driver of customer behavior.

Job seekers make similar trade-offs—they may be willing to take lower pay to work for a company that meets their ethical standards or refuse to work for one that doesn’t. Once in the workplace, they act on their values. Global warming is a serious threat to young workers who intend to live forever as medical innovations appear. Born to rapid change, they’re impatient to solve the world’s social problems.

Cutely, Dunfee defines a POP, or Passion of Propriety, to be a preference consumers display in a MOM. POPs are not necessarily positive—some may support racial, religious, ethnic, or gender discrimination. But because of MOMs and POPs, businesses operate in an economic environment structured with ethical considerations. His conclusion is that “we should always pay attention to what MOM tells us. We should respect and appreciate MOM.”<sup>18</sup>

As we move away from the factory model toward a leprechaun economy of rapid change with morality embedded in it, the values of bureaucratic organizations seem a poor fit. Let’s compare the emerging digital values with the bureaucratic values above.

## **Digital Values**

### **Impersonality versus Inclusion**

The primary value of bureaucracy—impersonality—is breaking down. As work becomes less mechanical and better suited to bodies that come with brains

attached, impersonality is both less important and less feasible. Instead, we value inclusivity. Work groups benefit from members who arrive to work with actual personalities. Progressive Insurance's website, for example, says "Just as we're committed to bringing our name to life each day, we celebrate our employees for bringing their true selves to work in every way."<sup>19</sup>

"Bringing their true selves to work in every way"—note that within a bureaucratic ethic, that is highly unethical!

Employees who leave themselves at home deny their employers the benefit of the synergies, the  $1+1>2$  value, that comes when you combine people with real differences into teams. Innovation happens faster and better in a diverse team—which matters because, given the speed of the digital economy, competitive advantages are ephemeral. A bureaucratic organization, on the other hand, with its ideal of facelessness, tries to trim away differences, leaving only what is specified in a role description.

Of course, it's difficult to *avoid* bringing yourself to work today, because work has come to your home. Since the beginning of the pandemic employees have regularly hosted colleagues in their homes by video. Pets participate in board meetings. Adorable children join team discussions to be adored.

The distinction between work and personal *time* has also dissolved. We recognize that our colleague Rumpelstiltskin will receive unexpected visits from the cable company, and that coworkers will adjust their schedules based on their childcare responsibilities. We hold meetings at odd hours to accommodate colleagues in distant time zones and take advantage of our more energetic moments, whatever time of day they come, to grind through backlogs of work.

## Rationalized Production versus Continuous Innovation

The goal of work is no longer just efficient, repeatable production. Before WWII, only 18% of jobs in the US required high discretion. By 1982, it was 43%, and by 2000, 62%.<sup>20</sup> Automation has replaced many manual workers, while professional, managerial, clerical, sales, and service workers tripled between 1910 and 2000, from one-quarter to three-quarters of total employment.<sup>21</sup>

It's not that efficiency is unimportant, but that leanness (short lead times) and innovation are more directly tied to business results. The value produced by an organization depends not just on the quantity and productivity of labor, but on new factors such as the availability and usability of its data. Since productivity no longer determines success, it can no longer be the measure of employee contribution.

## Neutrality versus Care

While bureaucracy is neutral with respect to ends, workers today are often invested in the outcomes of their labor and emotionally connected with the consequences of their efforts. The workplace is no longer a neutral machine—it is a place where equity may be lacking, where diversity and inclusion should be encouraged, where the supply chain must be examined for fair wages and working conditions. Employees have become activists; caring workers care about whether the result of their labor is the production of children’s learning toys or efficient genocide.

Feminist economic theory points out that most work has always been “caring labor,” work directed at other people, involving a certain amount of interpretation, empathy, and understanding. Even the workers building a bridge, as David Graeber says in *Bullshit Jobs*, reflect on the social value of their work—making it possible for people to cross the river.<sup>22</sup>

## Dedicated Time versus Dedicated Efforts

Workers in a digital enterprise are not constrained by a need for factory machinery. There is nothing magic about the eight-hour, nine-to-five day—it’s a historical accident.

Since an employee is obligated to do the best job they can for their employer, they *should* work whenever and wherever they can work most effectively. “Production” of innovative ideas may happen best when an employee is taking a shower, gargling, or feeding the labradoodle. It may happen in meetings with people in distant time zones at odd hours of the day. It may very well *not* happen during official working hours when writer’s block or blood sugar levels interfere. Adjusting schedules to maximize productivity is not “theft” of time that the employer “owns.” On the contrary, it can be the act of a truly dedicated employee.

While it’s true that workers who are treated like machines may maximize their personal utility by working as little or as unenthusiastically as possible, workers who *care* maximize their utility by accomplishing meaningful results. Overcoming recalcitrance is no longer the main function of management.

## Technical Skills versus Generalist Skills

Bureaucracy values specific functional (technical) skills to cope with increasing complexity. Unfortunately, businesses have found that the division of labor

requires hand-offs between silos, which introduces waste and slowness. Digital organizations instead organize into cross-functional teams that take complete responsibility for their outputs. Although Weber was right that technology continues to become more complex, layers of simplification often make it surprisingly more manageable.

Cross-functional teams thrive when members have generalist skills—the ideal employee is said to be “T-shaped,” with broad skills as well as a particular area they have deep knowledge of. Flattened hierarchies also benefit from generalist skills, as managers can oversee a broader range of disciplines. Innovation is more likely among generalists, who bring metaphors and analogies from other disciplines to reframe challenges in unexpected ways. Agility increases when an organization employs generalists, since they can be reassigned as the company’s needs change. So, while specialization is essential to bureaucracy, generalist skills are valuable to a digital organization.

## **Conformity versus Contribution**

Bureaucracies are afraid that people will bring their biases to work. Digital organizations don’t value biases, exactly, but they do value human differences, backgrounds, and experiences for the contributions they can make. Where bureaucracies value conformity—that is, erasing differences—digital organizations value harnessing and synthesizing differences.

Employees are no longer like factory machinery that can easily be replaced. The idea of interchangeable parts—an important enabler of the machine age—doesn’t apply to people. Instead of a factory model of labor, we now have something closer to an artisan model.

## **Deference versus Impeccability**

Managing has become less about demonstrating authority and demanding obedience from recalcitrant employees. With productivity as the sole metric, it was easier for managers to know how their actions would affect results. But with more ambiguous goals—innovation, employee retention, customer satisfaction, and a broad range of squishier objectives—the best way for managers to get results is through experimentation, support for the creativity of teams, and feedback loops.

We’ve come to realize that organizations are complex adaptive systems in which traditional management techniques don’t necessarily provide leaders the “control” they expect. Instead, behavior is emergent and organic. Employ-

ees and workgroups have their own beliefs and desires, their own strategies for competing and cooperating with other employees.

The ideal employee demonstrates *contribution*, rather than obedience. It is through acting impeccably, taking responsibility and acting on it creatively and with purpose, that an employee serves the interests of their employer.

## Predictability versus Adaptability

Success in the digital world comes from fluidity, responsiveness, and creative adaptation. Predictability is less important and in many cases impossible or undesirable. In a fast-changing environment, initiatives whose requirements are determined upfront and rigidly adhered to are risky, while short, incremental efforts, adjusted with constant feedback, reduce risk and increase the pace of returns.

Managers and employees have had to become better at handling uncertainty, working with rough estimates, and making decisions quickly with incomplete information.

## Summary: Conflict of Values

A traditional organization, as Whyte says, believes that “conflict, change, fluidity—these are the evils from which man should be insulated.”<sup>23</sup> In the digital organization these are the essence of the job. A digital organization accepts that the world is probabilistic, unpredictable, disorderly, and uncertain. Because of this difference in worldviews, the two types of organizations have different values, and their participants have different ethical obligations. (See Table 1.1 on page 20.)

Through the book, I’ll refer to the older kind of enterprise and its value system as the “traditional” or “bureaucratic” enterprise, and the new kind—for lack of a better name—as the “digital” enterprise. The challenge for digital transformation leaders is to reconcile the two conflicting value systems, for the values of bureaucracy have influenced us more than we think.

Now we need to leave the topic of digital transformation and take a little detour into the world of ethics. The questions we’ll try to answer are: How does one know what’s ethically correct? If we’re not consulting stone tablets, how do we justify our choices? I’m going to give a brief history of philosophical approaches to ethics, and perhaps surprise you and my former philosophy professors by showing that some of them share the bureaucratic mindset.

**Table 1.1:** Values

Traditional Bureaucratic Organization	Digital Organization
Impersonality (Leave Yourself at Home)	Inclusion (Bring Yourself to Work)
Rationalized Production	Continuous Innovation
Neutrality	Care
Owned Time	Owned Efforts
Functional Skills	Generalist Skills
Conformity	Contribution
Deference	Impeccability
Predictability	Adaptability