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. . . The men who create power make an indispensable contribution to the nation's greatness, but the men who question power make a contribution just as indispensable . . . for they determine whether we use power or power uses us.

John F. Kennedy

Mel G. Chaloupka

Faced with moral conflict or unethical behavior within an organization, an individual who objects has a choice of three possible responses—exit, voice, and loyalty. The choice and the intensity of pursuit of that choice affect the organization as well as the individual differently. This article examines the factors affecting the availability and appropriateness of each.

Neither the bases for morality nor the circumstances which create ethical dilemmas are the focus of this review. Rather it is the next and crucial event, where the moment of truth transpires into action. It is here that our principles may be found wanting, for morality is a matter of choices—not of ultimate goals. As Confucius said, "The path of duty lies in what is near";[1] principled character is always a matter of the next step.

In this discussion I will introduce exit and voice responses before concentrating on the conditions and special circumstances of organizational loyalty. The foundation for the initial analytical propositions comes from Albert Hirschman's seminal work, *Exit, Voice, and Loyalty*.

Under any social system, individuals or organizations are subject to lapses from law-abiding, virtuous, or otherwise functional behavior. The basic situation throughout this paper assumes that members of an organization depart from moral or ethical standards. Thereupon leadership finds out about their relative or absolute lapse of ethics via two alternative routes:

"1. Members leave the organization. This is the 'exit' option. As a result, membership declines and management is impelled to search for ways and means to correct the faults that have led to exit.

2. Members express their dissatisfaction directly to senior management or to some other authority to which management is subordinate—directly or

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indirectly, or through general protest to anyone who will listen. This is the 'voice' option."[2] As a result, management once again engages in a search for the causes of members' dissatisfaction.

Both these routes are assumed by Hirschman to lead to recuperative measures by the organization. But is the organization, in fact, "impelled" to improve? If so, under what conditions? The search for answers to these questions provides the foundation for the following three major themes:

- The individual not only should, but can make a difference in organizational morality.
- Organizations, in order to achieve long-term effectiveness, require voice and exit, but both are a threat to organizational leaders. This tension will always exist in any effective organization.
- The virtue of individual loyalty can be found in either exit or voice.

But before we ask whether the individual can make a difference, we need to ask: Is the *individual* responsible to make a difference?

In a famous lecture given in 1919, German sociologist Max Weber insisted: "The honor of the civil servant [officer] is vested in his ability to execute conscientiously the orders of superior authorities."[3] Obedience was regarded as the supreme virtue. Only the politician had the right and duty to exercise personal responsibility. It would, of course, be difficult to conceive of worse advice to offer the German bureaucrats and military at the time, advice that was regrettably followed to 1945. In essence, of course, Weber argued for rationality. He believed that in order for an organization to be rational it had to consistently follow orders, and therefore, not arbitrarily interpret them. But this introduces the basic dilemma of organizational rationality versus individual ethics/morality.

In contrast to state dominated and acquiescent bureaucracies, the earliest U.S. traditions included the belief in personal responsibility. And while this concept has been challenged in this century by those offering "psychological" and "sociological" justifications for *misbehavior*, the original conviction of personal accountability remains rooted in law and custom. Eighty percent of the American public support the death penalty for instance.[4] Within the military context, personal responsibility has been upheld in practice and reinforced in the much publicized trials of Nazi war criminals at Nuremberg and of Lieutenant Calley in the aftermath of MyLai.

If American traditions hold that an individual is responsible for his actions, then logically he is also responsible to make a difference, and thus is responsible to make a choice to do so. An individual can make a difference only if his actions (exit or voice) affect the situation or the organization. Can this be done?

First, to put the choices of exit and voice in perspective, let's compare our specific organizational and ethical situation to the basic schism between economics and politics. Exit belongs to the former realm, voice to the latter.

"The customer who is dissatisfied with a firm's product shifts to the products of another and sets in motion market forces for correcting the performance of the disadvantaged firm . . . . This is the mechanism economics thrives on. It is neat—one either exits or one does not; it is impersonal. In this respect, voice is just the opposite of exit . . . . It is a far more "messy" concept because it can be graduated, all the way from faint grumbling to violent protest; . . . it is direct and straightforward rather than roundabout. Voice is political action par excellence."[5]

The Choice of Exit

According to Hirschman, mass exit or exit in the aggregate from an organization will *impel* leadership to change. In the military, this has not been the rule. Although there are instances where the military has withered away through desertions or through members voting with their feet due to organizational immorality or injustice, in most cases individuals chose to leave the military because it failed to provide adequate subsistence or to alleviate hardship. When the services lose too many pilots or nuclear submariners, the services do respond and give aviation and submarine bonuses. In the case of desertions in Vietnam, however, the case is different. Military and government officials argued that Vietnam AWOL rates were lower than World War II and not much higher than Korea. That claim, while technically correct, obscured the fact that long-term absences in Vietnam peaked at much higher levels than other wars and corresponded directly with the war's increasing unpopularity at home.[6] Military leaders were not influenced by these desertions; they were not impelled to respond.

Thus mass exit by itself has not had much of an impact on American military ethics, but there might be promise that determined individual exit can impel military leaders to question organizational ethics. Further discussion of this will be postponed until it can be put into the proper context, when we discuss loyalty.

But now we need to consider *voice*, since it has become apparent in this era of protests, leaks, and whistle-blowers that dissatisfied consumers or members of organizations can "kick up a fuss" or otherwise try to change conditions through voice. It is appropriate to examine the conditions under which the voice option is likely to make an effective appearance, either as a complement to exit or as a substitute for it.

The Choice of Voice versus Exit

First a few remarks on the working of voice in isolation, as compared to that of exit. If conditions are such that the moral decline within an organization leads to voice rather than to exit, then the effectiveness of voice will increase, up to a certain point, with its intensity.

Voice, in relation to exit, can be viewed as a residual—whoever does not exit is a candidate for voice. The role of voice increases as the opportunities for exit decline; up to the point where, with exit wholly unavailable, voice must carry the entire burden of alerting leadership of its failings.

Voice can also be viewed as an alternative to exit. That is, exit will be considered in light of the prospects for the effective use of voice. If members are sufficiently convinced that voice will be effective, they will postpone exit. It may be appropriate to put matters this way for if moral decay is a process unfolding in stages over a period of time, the voice option is likely to be taken at an early stage. Once organizational members have exited, they have lost the opportunity to use voice, but not vice versa. Therefore, it appears that voice can be a substitute for exit, as well as a complement to it. What are the conditions, then, under which voice will be preferred to exit?

In choosing the voice option, the member opts to continue in the deteriorating organization because he presumably wishes and expects this present organization to recover. Ordinarily, a member will undergo the sacrifice of staying because he feels that he wants and is able to "do something" about it and by remaining a member will be able to exert this influence. However, the decision not to exit could also be taken by members who expect the complaints and protests of *others* to be successful. Additionally, members may not care to leave because of the costs that may be involved, such as a loss of pension. Finally there are those who stay with an organization out of "loyalty," that is, in a less rational fashion. Many of these loyalists will actively participate in actions designed to change the organization's policies and practices but some may simply refuse to exit and suffer in silence, confident that things will get better—even if they do not. Thus the voice option includes vastly different degrees of activity in the attempt to achieve change from within; it can be costly and is conditioned on the influence and bargaining power members can bring to bear within the organization.

One important way of bringing influence to bear on an organization is to threaten exit. But this threat, of course, is diminished when there are few viable alternatives, so that voice is not only handicapped when exit is possible, but also, when it is not. But those who have nowhere else to go are not powerless! There are still a great many ways in which members can express their dissatisfaction with organizational practices. For example, it has been due in part to dissenting individual employees that corruption has come to light: Ernest A. Fitzgerald (defense cost overruns); Frank Serpico (New York City police corruption); Daniel Ellsberg (the self-serving politics of the Vietnam War); Deep Throat (Watergate corruption); and Karen Silkwood (unsafe nuclear material processing).

Indeed, in the late 1960s and 1970s the whistle-blower gained prominence. Not only did such individuals become celebrities, but whistle-blowing also

became institutionalized. Statutes provided special channels through which whistle-blowers could make disclosures without fear of retaliation. High-level support was evident. President Reagan proclaimed: "Federal employees or private citizens who wish to report incidents of illegal or wasteful activities are not only encouraged to do so but will be guaranteed confidentiality and protected against reprisals."[7]. More than 74,000 calls to a congressional fraud hot line have uncovered hundreds of cases of waste and abuse in the federal government.[8].

What exactly is this relatively new form of voice? Alan Campbell, Director of the Office of Personnel Management has usefully defined it as: "Quite simply, I view whistle-blowing as a popular shorthand label for any disclosure of a legal violation, mismanagement, a gross waste of funds, an abuse of authority, or a danger to public health or safety, whether the disclosure is made within or outside the chain of command."[9] But, the appropriateness of choosing between the latter avenues, according to Arleigh Burke depends on "whether the individual has made an honest effort to correct the wrong by using the chain of command channels that are available."[10]

In general the disclosure of waste, illegal activity, and abuse of power is seen as a commitment to make government more worthy of public trust. The underlying belief is that open discussion strengthens, not weakens, a democratic society.

It also helps a military organization. Arleigh Burke notes that at the Naval Academy midshipmen are taught the difference between a professional and a careerist: ". . . the careerist is more likely to be someone who would choose to cover up those things that might draw discredit to his own unit. The professional takes on the issues directly and does not swerve to avoid criticism."[11]

Military leaders should constantly be in search for more and better ways to elicit substantial remedial voice within the organization. There are a number of channels in the military that are now being urilized, including for example: the office of ombudsman, inspectors general, captain's call, and "fraud, waste, and abuse" programs, etc. While exit requires nothing but a clear-cut either-or decision, voice is essentially an art evolving in new directions.

This whole matter is further complicated by the phenomenon to which we now turn, loyalty.

Loyalty: Either Exit or Voice

An understanding of the conditions favoring coexistence of exit and voice is gained by introducing the concept of *loyalty*. As a rule, loyalty holds exit at bay and activates voice. It is true that, in the face of discontent with the way things are going in an organization, an individual member can remain loyal

without being influential himself, but hardly without the expectation that someone will act or something will happen to improve matters. That paradigm of loyalty, "our country, right or wrong," surely makes no sense if it were expected that our country would continue forever to do nothing but wrong. Implicit in that phrase is the expectation that our country can be moved again in the right direction after doing some wrong. The expectation that, over a period of time, the right turns will more than balance the wrong ones profoundly distinguishes loyalty from blind faith.

When is loyalty functional? The importance of loyalty from the view of organizational performance is that it can neutralize within certain limits "the tendency of the most conscientious member to be the first to exit. This tendency deprives the faltering organization of those who could best help fight its shortcomings and its difficulties. As a result of loyalty, these potentially most influential members will stay on longer than they would ordinarily, in the hope or, rather, reasoned expectation that the improvement or reform can be achieved from within. Thus loyalty, far from being irrational, can serve the socially useful purpose of preventing deterioration from being cumulative, as it often does when there is no barrier to exit."[12]

Loyalty is a key concept in the battle between exit and voice not only because members may be locked into their organizations a little longer and thus use the voice option with greater determination and resourcefulness than would otherwise be the case; it is helpful also because it implies the possibility of disloyalty, that is, exit. While loyalty postpones exit its very existence is predicated on the possibility of exit. The chances for voice to function effectively, as stated above, are appreciably strengthened if voice is backed up by the threat of exit, whether it is made openly or whether the possibility of exit is merely well understood.

The reluctance to exit in spite of disagreement with the organization is the hallmark of loyalist behavior. The individual feels that leaving carries a high price, whether imposed or merely internalized. The decision to remain a member and not to exit would thus appear to follow from a perfectly rational balancing of prospective private benefits against private costs.

Loyalist behavior, however, may be motivated in a less conventional way. In deciding whether the time has come to leave an organization, members, especially the most influential ones, will sometimes be held back not so much by the moral and material sufferings they would themselves have to go through as a result of exit, but rather by the anticipation that the organization to which they belong would go from bad to worse if they left. A strange assumption has been introduced: the member continues to care about an organization even after he has technically left it.

The only rational basis for such behavior is a situation in which the output or quality of the organization matters even after exit. In other words, full exit is impossible; he remains identified with the organization or he continues to

be affected by the organization or its functions. For example, if he exits the military he is still a citizen protected by the military and still may be recalled in time of war.

In this case, he should be interested in making his formal exit contribute to improvement of the organization he is leaving. To exit will now mean to resign under protest and, in general, to denounce and fight the organizational evils from without instead of working for change from within. In other words, the alternative is not between voice and exit but rather between voice from within and voice from without (after exit). The exit decision then hinges on a totally new question: At what point is one more effective? Let's now examine this.

Vice Admiral Stockdale sees a great generational divide in attitude over his own resignation from the presidency of a college where he had disagreements and over the more general moral dilemmas of combat:

- To the first he comments: "With a few notable exceptions, my elders say, 'Regrettable. Too bad you couldn't work out a consensus, a compromise . . . .' My younger adult friends sing a different tune: 'Way to go! Stick it in their ear . . . .' I think it is born of a new, responsible awakening of moral sensitivity. I like it."[13]
- To the latter he states: "An oft-chosen Vietnam dilemma . . . was the problem of the on-scene commander who was deluged by overcontrol and meddling from Washington. The older officer typically wrote: 'Our commanders frequently could not do what they thought was right. They were forced to make continual compromises. Nevertheless, they had a lifetime of experience that their country needed and thus a moral obligation to hang in there and work it out. No purpose would have been served by their stepping down in protest.' More than a few young bucks—Army, Navy, Air Force, Marines—had a different slant: 'It was a bad show. No officer should let himself get trapped into compromising or waffling his principles. Any commander worth his salt so trapped should quit in protest.'"[14]
- Concerning both he asks: "Has my generation become so hooked on collegial solutions, on keeping the lid on, on seeking a consensus, on making a deal to preserve unanimity?"[15]

We've previously discussed the importance of voice to organizational improvement. Now we discover that exit also has an essential role to play in restoring the quality of the military, as in any other organization. Exit will operate either to make it reform itself or bring it to task by the external environment. In either case, the jolt provoked by the clamorous exit of a respected member is in many situations an indispensable complement to voice.

Organizational Constraints

It must be realized, however, that loyalty-promoting institutions are not only uninterested in stimulating voice at the expense of exit, indeed they are

often meant to repress voice alongside exit. While feedback through exit or voice is in the long-term interest of organizational leaders, their short-term interest is to entrench themselves and to enhance their freedom to act as they wish, unmolested by either desertions or complaints of members. Hence management can be relied on to think of a variety of institutional devices aimed at anything but the promotion of a combination of exit or voice which may be ideal from the point of view of long-term organizational well-being. High fees for entering an organization and stiff penalties for exit are among the main devices generating or reinforcing loyalty in such a way as to repress either exit or voice or both. How do these devices affect our model of loyalist behavior?

The concept of "unconscious" loyalist behavior can serve to open up the subject. By definition, unconscious loyalist behavior is free from felt discontent. It therefore will not lead to voice and differs from the conscious loyalist behavior previously addressed. This type of behavior cannot give rise to voice; and because like all loyal behavior it postpones exit, it will be prized by organizations whose management wishes members to refrain from both exit and voice. Such organizations will be looking for ways to, in effect, convert conscious into unconscious loyalist behavior.

The dividing line between the two may not be clear, however, because the member of an organization may have a considerable stake in self-deception, that is, in fighting the realization that the organization he belongs to is defective. He will particularly tend to repress this sort of awareness if he has invested a great deal in the purchase of his membership. "By the same token, however, it may be expected that once deterioration is fully recognized, members of an organization that requires severe initiation will fight hard to prove that they were right after all in paying that high initial price. Thus while the onset of voice will be delayed by severe initiation, resort to it is likely to be more active than is ordinarily the case."[16]

A different kind of distortion of the model of loyalist behavior occurs when an organization is able to exact a high price of exit. Such a price can range from loss of lifelong associations to loss of life, with an intermediate penalty of loss of livelihood. If an organization, such as the military, has the ability to exact a high price for exit, it thereby acquires a powerful defense against one of the members' most potent weapons—the threat of exit.

What happens to voice in organizations where high fees for both entry and exit are present? It is of particular concern because it most clearly resembles the military. Because of the high price of entry, the onset of felt discontent and therefore of voice will be delayed. And because the high price of exit does away not only with exit, with the threat of exit as an effective instrument of voice, these organizations (e.g. military) will often be able to repress both voice and exit. In the process, they will largely deprive themselves of both recuperative mechanisms.

This places the military services in a dilemma. The organization wants public confidence in its ethical and professional behavior, but institutional and traditional barriers restrict conscientious members from effectively bringing pressure to bear. This is reminiscent of Samuel Goldwyn's famous quote: "I don't want any yesmen around me. I want people who tell me the truth even though it costs them their jobs."[17]

Considerations

Organizational Improvement. The short-run interest of management is to increase its own freedom of movement. Leadership will therefore strain to strip the members of the weapons which they can wield, whether exit or voice, and to convert, as it were, what should be feedback into a safety valve. Thus voice can become mere "blowing off steam" as it is emasculated by institutional and routine procedures. And exit as shown can be similarly blunted.

But both exit and voice are necessary to enduring organizational effectiveness. Thus the channels for voice need to be strengthened, and, as well, the effects of exit should not be unknown or underestimated. Here the phrase by Erik Erikson should apply full force to those who care deeply about their organizations: "You can actively flee, then, and you can actively stay put."[18]

Perhaps critically, in the U.S. military, exit under protest is unfamiliar. In the May 1980 issue of *Army*, Richard Gabriel pointed out that over the previous 20 years Canada had 27 generals retire in protest, while during the same period the U.S. Army had *one*. We can ask: What have been the lost opportunities to improve the U.S. military? What may have been accomplished?

Although exit is not usually undertaken for the purpose of gaining more influence than one has as a member, that is the way it often works out, especially when exit is a highly unusual event. Exit is unsettling to those who stay behind as there can be no "talking back" to those who have exited. By exiting one renders his arguments unanswerable and more powerful, as martyrs throughout history have illustrated.

Loyalty as Individual Virtue. Individual loyalty is popularly thought to be a virtue, but perhaps it is not completely so. Loyalty, in practice, is a mutual responsibility—it occurs between two parties. An individual is loyal in return for some benefit. For example, national loyalty is a conditioned allegiance towards a particular way of life and its particular social precepts.

Loyalties should cease to exist when the loyalty object fails to live up to its end of the bargain or fails to present the reasonable prospect of doing so. "Loyalty is earned, not commanded. It is incumbent upon the leader, company, religion, or country to present some characteristic worth being loyal to . . . . For loyalty is certainly not an absolute."[19]

"It is the *moral* level of our choices, in addition to the quality or subsequent ends to which we will go to uphold those choices,"[20] that establishes the virtuousness of loyalty. It is the inviolability of each man's firmness in the right as God gives him to see the right. It may best be described as principles—those that transcend insofar as possible considerations of self-interest, time, and circumstances. "It is not service to a country because one is born there, but for the more important reason of what that country stands for, what its principles are."[21] Likewise, loyalty to an organization depends on the organization maintaining its standards. Vice Admiral Stockdale remarks that organizational life itself "breeds that slide to accommodation we are told is necessary to get something accomplished, and that is an invitation to moral weakness."[22]

But loyalty does not require the loyal to go against what they believe is right. On the contrary, the loyalty object should contain what is right and should continually be examined lest the original worthy characteristic slip away. Arleigh Burke believes: "Individuals are responsible for their own integrity . . . . People are responsible for establishing their own standards, and their choices determine the kind of person they will be."[23]

". . . loyalty is indeed a virtue, when it is placed wisely and defended courageously."[24] This article focuses on the latter, but its purpose is to do more than encourage members to defend courageously. It is written to help members to defend smartly, to discern the possible responses to unethical practices and to understand the impact and circumstances for selecting each response. In other words, to suggest that "to actively flee or to actively stay put"[25] may serve two intents—to promote high organizational ethics and to ennoble the virtue of individual loyalty.

Notes

1. From Confucius' political observation: "The path of duty lies in what is near, and men seek for it in what is remote," in Abraham Kaplan, *American Ethics and Public Policy* (New York: Galaxy Books, 1963), p. 103.

2. Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, Mass.: Harvard University Press, 1970), p. 4.

3. Paul Johnson, *Modern Times: The World From the Twenties to the Eighties* (New York: Harper & Row, 1983), p. 123.

4. Ted Gest et al., "Justice Under Reagan," *U.S. News and World Report*, 14 October 1985, p. 58.

5. Hirschman, p. 16.

6. Myra MacPherson, *Long Time Passing: Vietnam and the Haunted Generation* (New York: Doubleday, 1984), p. 336.

7. U. S. President, Speech, 16 April 1981 quoted in *A Report to Congress from the Office of Special Counsel, Fiscal Year 1983* (Washington: 1983), p. 13.

8. From Sen. James Sasser (D.-Tenn) in "Hot Line for Federal Fraud has Resulted in 74,000 Calls," *The New York Times*, 25 February 1986, p. A-19.

9. James Bowman et al., *Professional Dissent: An Annotated Bibliography and Resource Guide* (New York: Garland, 1984), p. 3.

10. Arleigh Burke, "Integrity," U.S. Naval Institute *Proceedings*, October 1985, p. 119.

11. *Ibid.*

12. Hirschman, p. 79.

13. James B. Stockdale, "What is Worth Resigning For?," *Ten Years of Reflection: A Vietnam Experience* (Stanford, Calif.: Hoover Institution Press, 1984), p. 91.
14. *Ibid.*
15. *Ibid.*
16. Hirschman, p. 94.
17. Bowman et al., see Foreword.
18. Erik Erikson, *Insight and Responsibility* (New York: W. W. Norton & Co., 1964), p. 86.
19. Marshall Colt, "On Loyalty," *Naval Reserve Association News*, February 1986, p. 9.
20. *Ibid.*
21. *Ibid.*
22. Stockdale, p. 92.
23. Burke, p. 116.
24. Colt, p. 9.
25. Erikson, p. 86.