

BUSINESS
PAPERS

Business Papers

Introduction

BY LEIGH HAFREY

The 2018 FASPE Business program group consisted of 11 Fellows from various American MBA programs and two faculty members: Michael Eichenwald, Advisory Leader with LRN, a consulting firm in New York, and me. The syllabus for the Business program drew on both the historical materials provided by Thorsten Wagner (FASPE's Academic Director) and Thorin Tritter (FASPE's Executive Director at the time) and our areas of interest and expertise: in my case, professional ethics and leadership, with attention to shareholder/stakeholder value, corporate social responsibility, and corporate personhood; in Eichenwald's case, governance, culture, and leadership in organizations like those with which he consults for LRN.

Early assignments included reading Milton Friedman's essay "The Social Responsibility of Business Is to Increase Its Profits" (1970) juxtaposed with an article by business law scholar Lynn Stout, author of *The Shareholder Value Myth* (2012). Fellows also engaged in a small-group exercise taken from Mary Gentile's enormously popular business ethics series, *Giving Voice to Values*, and worked through additional sessions on moral imagination, the Rwandan genocide of 1994, Yahoo operations in China, and compassion in business. As the program's seminars moved on to focus on more recent events in the private sector, the group considered how to build workplaces that better address the need for diversity and equity; discussed Blackrock CEO Larry Fink's 2018 "Letter to CEOs: A Sense of Purpose"; explored the ethical implications of the growing institutional collection and use of digital data; and ended with reflections by the Fellows on their experiences on the road with FASPE.

Following completion of the program, Eichenwald and I set up a blog on which Fellows were asked to post entries over the summer in response to four prompts:

1. What are your deepest and most important values? What challenges do you anticipate in embodying them in your work life? What steps can you take today to help you fully meet these challenges?

2. What experience or discussion or reading from our time together continues to challenge you? What difficulty does it present? What kinds of solutions does it call for?
3. Have you faced an ethical dilemma since returning from our trip that you feel comfortable sharing with the group—in business or personal life? If not, is there one from your prior experience that you can share? What happened? How did you deal with it? Did the experiences or learning with FASPE change how you think about your own behaviors, the behaviors of others, or the situation more broadly?
4. What is the purpose of business and what is one thing business (in general) or a business (one company) could do to better achieve it?

Business Fellows were also asked to use the blog to support or challenge one another and, in so doing, continue the collective learning that they began together in Europe. By the end of the summer, participants had amassed a significant collection of sometimes humorous, sometimes sobering, always thoughtful views. Here, we present five of their musings.

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Values

Empathy as a Business Tool

BY MARC TOLEDO

At the core of my system of beliefs today is the aspiration to “understand others’ feelings” and “treat others as I wish to be treated myself.” These outweigh any other values I could compare them to.

I envision empathy as the ultimate instrument to frame ones thinking on utilitarianism and as a necessary anchor for one’s moral compass in order to avoid falling into the ethical abyss that we explored during FASPE in visiting Auschwitz and other sites related to the Holocaust and Nazi Germany.

My main issue using this virtue effectively is limitation of scope. While I think many of our business decisions carry with them an ethical component, at times the lack of foresight can diminish my own certainty about them. How can I know if my current employer makes decisions ethically? Even when I avoid “ethically unclear” projects, does the fact that my employer is involved in such projects make working for this employer unethical? And *how* unethical at that? Should I become the agent of change within a non-ethical organization, or should I leave the organization and risk the possibility of being less effective fighting those injustices from the outside? How much and what exactly am I willing to sacrifice for doing so? How would I change my actions if I were directly affected by some sort of unethically collateral damage? How bad do things need to be to start asking these questions?

The way I try to broaden my perspective in order to understand these questions is through open communication and by developing a culture of honesty and open-mindedness.

I try my best to find the right stakeholders to ask the most uncomfortable questions I might have about a current or future employer, and I make sure that the company’s culture accepts those questions and accountability checks as openly as possible. I value the chances I have to talk with people who have had to make similar decisions in the past, as well as to individuals directly affected by a situation, and to see what these various individuals think could be done differently to make things better.

I also try to make sure that I do not think in terms of sunk cost and that I am ready to act—whether that means talking to a superior, seeking allies, reporting unethical behavior, or ultimately leaving a firm. Putting myself in someone else’s shoes and constantly evaluating how my actions are affecting others are tools that define my plan of choices in any given scenario.

Ultimately, I try not to become overconfident in my own progress in making ethical decisions by feeding my vanity or any feelings of infallibility. One of the most valuable takeaways from my experience with FASPE is that all of us, at any point and regardless of our past record, can become collaborators in malpractice or unethical scenarios. As often as possible, I question my own values, not taking wisdom for granted and dismissing the perception that my sense of empathy might be failsafe.

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Challenges

Weaning Myself Off Social Media

BY JENNIFER GILBERT

The readings from the FASPE Business program could easily fill a college course, and many of them resonated with me. Like other Fellows, I've struggled quite a bit with how much acting as a perpetrator is normalized in the world around me. One of the readings for the program which most challenged me was a short story by Ursula K. Le Guin, called "The Ones Who Walk Away from Omelas," which portrays an idyllic city where all are happy, but one: a mentally disabled child who is kept locked in a basement broom closet. The idea behind the story is that we have built a society where the majority may benefit from the suffering of a select few. However, the FASPE readings that may have had the most direct impact on me were from one of our final discussions, which focused on how social media can both simplify and radicalize our viewpoints by recommending progressively more extreme pieces to read based on our browsing history.

When we discussed *The Road to Unfreedom: Russia, Europe, America*—the most recent book by Timothy Snyder, in which the Holocaust historian trains his eye on the current rise of nationalism and authoritarianism—I was struck by the idea that boundless capitalism could breed fascism by promoting extremism. I have been very concerned with the way social media has influenced debate and discussion among my friends, family, and fellow students at my MBA program. Major misunderstandings are spread by simplified sources and discussion and by recommended links that nudge one further into the depths of an echo chamber. I feel this is especially dire given the political state of the U.S. today.

A few weeks after FASPE, I noticed how much social media had this effect on me, and I decided to delete all of my social media applications from my phone so that I would break the chain of idly allowing Facebook recommendations to influence me and so I would also only have vetted news sources available from which to easily get my news. This was still not as big a step as directly closing all of my accounts—and I have since added back one or two social media apps, albeit with more restricted access. Still, deleting these apps from my phone at least severely curtailed the amount of data and time I give to companies that I do not trust to protect either, and which would much

rather use my data and time in a way that is profitable for them rather than in ways that would protect my best interests.

I would highly recommend trying this initial step to anyone who is not ready to completely pull the plug and delete their social media accounts permanently from all their devices. Realizing how much idle time I spent on these apps was shocking to me and has given me a lot more space to think critically on my own about the information I receive and how it influences me.

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Ethical Dilemma

The Search Continues

BY HO YEE CYNTHIA LAM

“Made it!”

I sighed with relief as I slid into the cool, air-conditioned seat. With just one minute to spare, I had made it onto the 5:15 pm New Jersey Transit train going from Trenton to New York Penn Station. Leaning back, I closed my eyes and prepared myself for a nice, peaceful nap. *Ah, time to sleep...*

Just as I was about to doze off, a chorus of tense voices interrupted my slumber. From the corner of my eye, I could see the train conductor standing before an older man with a small dog in his lap, sitting several rows away from me.

“I’m sorry, sir, but you have to leave. You can’t bring a service animal on board without your service card. That’s the rule.”

“No, I’m not going anywhere. I told you already—I dropped my card on the tracks. I paid my way, and I’m staying on the train.”

“Sir, you cannot be on here. It’s the rules. Please don’t make me escort you off. This is your last chance.”

“You can’t make me do anything. I’m not leaving.”

“Well, then I’m going to get the NJ Transit police.”

As the conductor brushed past me on his way to get back-up, I could feel the tension in the air. It was 5:38 pm—way past the 5:15 pm departure time—and the train had not moved. People around me were getting restless. They were whispering, pointing, and openly gawking at the man. He sat silently in his seat, holding onto his dog firmly.

One young woman stood up and kindly offered to help him look for his service card: “Why don’t you tell me where you dropped it? We can go find it together.”

He shook his head and crossed his arms. “I told you—I’m not going anywhere. I’m staying on the train. I need to get home.”

Another woman jumped in. “We all want to get home too! You’re holding us up.”

Others around her nodded in agreement.

“Come on, man, just take the next one. You’re making this hard for everyone,” said someone else.

The man sat stoically in his seat, staring straight ahead. I purposely turned away, because I did not want to add to the scene. As a bystander, I felt out of place, and I did not know what I could or should have done. So I sat quietly and listened.

Minutes later, a squad of NJ Transit police officers entered the train. Multiple attempts at reconciliation were made, but the man refused to move. Use of mace was mentioned. Eventually, our entire car was evacuated, so he could be escorted off. The train finally departed the station at 6:26 pm.

As we pulled away, I felt incredibly conflicted. There were clearly multiple factors at play, but at its core, this conflict stemmed from the need to follow a set of rules. Rules are put in place for a reason, and I understood why the NJ Transit system required travelers to carry proper documentation for service animals. But at the same time, I could not help but wonder whether following a rule was worth all this trouble. The conductor could have easily made an exception, before the situation escalated and erupted into a huge scene. How much would the system have really suffered?

In the past, I had rarely questioned authority. FASPE has taught me to challenge myself and challenge others in everyday situations. I still do not know the answer. But I do know that I am constantly, relentlessly seeking it.

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Purpose of Business Stakeholders

BY PAUL SCHOLTEN

To my memory, one of the more vigorous debates the FASPE Business Fellows had during our two weeks in Europe, and rightfully so, was also one of the first: Should the objective of a business be to maximize shareholder value?

The benefits of this approach are clear. It's clean, objective, and blissfully free of the myriad conflicts, anglings and spin that can confuse the issue. It allows us to measure the success of management against the company's history and its competitors. Why wouldn't this be the purpose of business?

Unfortunately, in business, as in life, things are rarely so simple. Which is why I don't think we can define the purpose of business in this narrow, Friedmanian way. (The economist Milton Friedman is famous, among other things, for having espoused the idea that a company's sole responsibility is to maximize profits for its shareholders.)

I think a better way forward is to define the purpose of business as serving our stakeholders.

This will inevitably be messier and more difficult to disseminate via a spreadsheet or a graph in an earnings report, but it does a better job of encompassing the multiple constituencies (and their differing priorities) that a business must serve. Shareholders are certainly stakeholders, and perhaps they should be given the most weight in the calculus of how a business serves its stakeholders, but they are far from the only ones. Employees, customers, community members, suppliers, etc. must all be well-served by a business, and each group doesn't necessarily place share price above all else.

It seems to me that, in practice, many companies already attempt to serve their various stakeholders to a certain degree, but under the guise of it being part of shareholder maximization, as in: "We must invest in our communities to attract the best talent, which will lead to better management of our business, which in turn will lead to higher shareholder value." I think it is time businesses become more explicit

about all of the stakeholders they serve and the divergent priorities therein. Instead of seeing investment in communities as a roundabout way of achieving a higher stock price, companies should invest in communities because part of their purpose is to serve the communities in which they operate.

Change is clearly happening. The increasing numbers of companies seeking a B Corp certification—which is based on how well a company is meeting both social responsibility and environmental stewardship standards to balance profit and purpose—and the types of companies that are certifying as such (Danone North America, maker of Dannon yogurt and many other retail food brands, recently became the largest B Corp company in the world with annual revenues of \$6 billion) is a testament to the changing idea of what business should be. There are prime examples in the business world that demonstrate handsome profits and social responsibility are not mutually exclusive. The clothing and outdoor gear company Patagonia and the ice cream manufacturer Ben & Jerry's provide two such examples.

The question remains, will the broader market see value in these pursuits or penalize companies who don't slavishly follow a shareholder maximization strategy? Without widespread acceptance from the business/investment world, it seems that these sorts of changes may never grow beyond the margin.

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Purpose of Business Allocation of Resources

BY KEN HAMPSHIRE

As human beings, we have a seemingly innate compulsion to categorize things neatly into dualisms. The thread of good versus evil is woven into the fabric of countless societal narratives since time immemorial. As I reflect on our discussions at FASPE, I realize that we have cast the purpose of business into the same framework. The purpose of business is thus presented as either to maximize shareholder value, or to maximize corporate social responsibility to the point of extending into influencing policy. The exact antagonist to the shareholder value theory is often nebulous, but can be cast as “anti-profit maximization,” for lack of a better phrase. But the characterization of both sides is incorrect.

The purpose of business is not to exclusively maximize shareholder value, nor is it only to serve as a pseudo-governmental policymaker bent upon forming the world according to whatever image it deems currently fashionable. As many have correctly pointed out, a slavish devotion to the former can oftentimes result in ethical breakdowns justified by a narrowly defined and conveniently quantifiable objective. But the latter has its own problems, chief among them being that as corporations grow in influence, they have the potential to act as arbiters of policy, at least in shaping public opinion. One need look no further than recent headlines about Facebook’s refusal to censor Holocaust deniers to imagine how this might go awry. A company’s influence on social policy can be a blessing or a curse, depending upon whether or not you agree with that company’s stance on the particular issue. Yet, in no instance is the company beholden to the wishes of the majority, as would be a democratically elected official or governing body. It might be said that the people can “vote with their money,” but who could afford to live offline if all smartphone producers claimed that human rights violations in their supply chains were not their problem?

The purpose of any business is simple: the allocation of resources. Why would anyone endeavor to practice business for any other reason? A company ultimately takes resources from a particular environment to transform them into other resources with increased value. For instance, a person might allocate his or her time to receive

economic benefit so that he or she can then use said benefit to gain a different resource. Corporations facilitate this exchange. Even corporate social responsibility falls under this definition. In exerting influence to change a particular policy or public opinion, corporations are in a sense converting economic benefit into an ostensible societal benefit.

Both views (shareholder value and corporate social responsibility) are thus represented by this definition. Viewing business as a resource allocator necessarily demands consideration of profit maximization in order to have enough influence to affect societal change. Of course, either taken to its extreme can have negative consequences. On the one hand, we might risk enabling human rights abuses to produce cheaply, while on the other hand, we could risk obsolescence by misappropriating resources for quixotic campaigns that serve policy ends.

To better realize its main purpose as being an allocator of resources, business in general would do well to take a more nuanced approach. In short, business should recognize that its function is to allocate resources, but in a way that does not cause or enable damage to people or the planet. Tradeoffs will have to be made, of course, which is why business is a profession requiring leadership. If business can begin to expand its scope of stakeholders beyond the bottom line while also realizing that the bottom line enables its survival, we can all begin to view business as it should be viewed: as a tool to improve the society and world in which it operates.

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