Business Value and Business Values: All that Glitters is Not Gold

Wittenberg 2017 Research Conference

June 29, 2017

Business in Society?
Two Narratives

1931

1932

2004

ADOLF A. BERLE*

I. PERSONAL PRIVILEGE

Pioneer work usually does (and invariably should) come in for critical rake-over a generation later. By that time, the author is usually dead. I am not, and find the experience piquant.

Appreciating the subtle flattery implied in the title—and in being considered "folklore" in the text—something more than courteous passivity is indicated. It is nice to be credited with having asked the right questions in 1932. But I can not escape the feeling that it is also incumbent on lawyers and scholars to come up occasionally with the right, or at least with viable, answers.

Folklore is commonly considered legend rather than description. Later generations, criticizing, did not live through the period that produced the original work. Professor Manne and his contemporaries did not live through World War I and the decade of the twenties, and the crash of 1929, culminating in the breakdown of the American economic system in 1933. They have not experienced a corporate and financial world without the safeguards of the Securities and Exchange Commission, without systemization and enforced publicity of corporate accounting, without (more or less) consistent application of antitrust laws, without discouragement of financial pyramiding, and which tolerated conflicts of interest to a degree unthinkable now. They have not experienced a banking, credit, and currency system unguided by the reorganized Federal Reserve Board. Least of all have they lived in a political-economic world in which great corporations were not consistently held by active public opinion to public responsibility. Naturally, books reflecting the conditions then prevailing seem "folklore" to them, as the tales of Marco Polo and the travels of Herodotus seemed myths to their readers. Historical research later usually verifies—and I think would verify in respect to my own work—that what is later taken as folklore was a more or less accurate account of existing historical conditions.

Prediction is another story. Some, at any rate, of the extrapolations made in 1931 by Dr. Means and myself have not come true. It would, I think, be fair to acknowledge that we had something to do with this. Some of us went into that phase of active government known historically as the "New Deal." We did our level best to prevent those predictions from being realized. The "grandfather clause" embodying the death sentence for unduly

† This article is a reply to Manne, *The "Higher Criticism" of the Modern Corporation*, appearing in this issue, 62 COLUM. L. REV. 399 (1962).
* Professor of Law, Columbia University.

vs.

HARVARD LAW REVIEW

VOL. XLV MAY 8, 1932 No. 7

FOR WHOM ARE CORPORATE MANAGERS TRUSTEES?

AN individual who carries on business for himself necessarily enters into business relations with a large number of pers... who become either his customers or his creditors. Under ... system based on private ownership and freedom of con... has no duty to conduct his business to any extent for ... of such persons; he conducts it solely for his ow... and owes to those with whom he deals only the ... out such bargains as he may make with them.

If the owner employs an agent or agents ... ing on business, the situation is only ... enterprise is still conducted for the so... customers and creditors have cont... normally against the agent even ... actually transacts business w... in the receipts of the enter... agreement. He, howev... a contract duty towa... loyally serve his p...

Substitute s... altered, exce... of the ente... owner, as wel... enterprise, maki... persons selected by ...

vs.

Organization Science

The Corporate Objective Revisited

Anant K. Sundaram

Andrew C. Inkpen

vs.

Organization Science

Stakeholder Theory and "The Corporate Objective Revisited"

R. Edward Freeman, Andrew C. Wicks, Bidhan Parmar

2009

...A N G E

...If It Yields More ...tive

vs.

E X C H A N G E

Green Management Matters Regardless

1970s

The Social Responsibility of Business Is to Increase Its Profits[1]

Milton Friedman

When I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system", I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with promoting desirable "social" ends; that business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are – or would be if they or anyone else took them seriously –preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.

The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack of rigor. What does it mean to say that "business" has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

Presumably, the individuals who are to be responsible are businessmen, which means individual proprietors or corporate executives. Most of the discussion of social responsibility is directed at corporations, so in what follows I shall mostly neglect the individual proprietors and speak of corporate executives.

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in

[1] Published in: The New York Times Magazine, September 13, 1970. Copyright © 1970 by The New York Times Company. Reprinted by permission of The New York Times Syndicate, Paris, France.

vs.

Ralph Nader

Mark Green

Joel Seligman

Taming the Giant Corporation

W · W · NORTON & COMPANY · INC · NEW YORK

2011

"First They Ignore You…": The Time-Context Dynamic and Corporate Responsibility

Pietra Rivoli
Sandra Waddock

"First they ignore you, then they laugh at you, then they fight you, then you win."—Mahatma Gandhi

After nearly 30 years of research, three issues related to corporate social responsibility (CSR or in its more updated version, corporate responsibility, CR) remain unsettled.[1] First, we still lack an agreed-upon definition of CR, with the result that the concept ...

vs.

CSR Stuck in a Logical Trap

A response to Pietra Rivoli and Sandra Waddock's "'First They Ignore You…': The Time-Context Dynamic and Corporate Responsibility"

Aneel Karnani

Pietra Rivoli and Sandra Waddock acknowledge that corporate social responsibility (CSR) discussions often fall prey to a logical trap.[1] If some socially desirable activity is profitable, then it is best described as "intelligent operation of the business." When private profits and public welfare are aligned, CSR is irrelevant. Companies will undertake this activity spurred by their self-interest, even though they publicly trumpet their actions as CSR. If the socially desirable activity is not profitable, then companies ...

A Fallacy of Composition

The error of concluding that something that is true of the whole because it is true of some or all of its parts.

Theory of the firm $\neq$ Theory of business

It is impossible to fully understand the nature of business in society by looking at the descriptive principles that undergird the creation of a firm.

Contents lists available at ScienceDirect

Research in Organizational Behavior

journal homepage: www.elsevier.com/locate/riob

Toward a theory of business

Thomas Donaldson [a], James P. Walsh [b,*]

[a] The Wharton School, University of Pennsylvania, Philadelphia, PA 19104, USA
[b] Ross School of Business, University of Michigan, Ann Arbor, MI 48109, USA

ARTICLE INFO

Article history:
Available online 21 November 2015

ABSTRACT

What is the purpose of business? While most agree that business minimally involves the creation of value, a blurred double image of value haunts our discussion of purpose. The image of what counts as value for a single firm is laid atop an image of what counts as value for business in general. These two images cannot match. Indeed, the resulting conceptual blurriness is a classic example of a composition fallacy. We should never mistake the properties of a part for the properties of the whole. A theory of the firm is ill equipped to handle the many expectations we hold for business practice. As such, we seek to establish the beginnings of a theory of business, one that is both empirical and normative. Offering four central propositions about the purpose, accountability, control and success of business, we close with a consideration of several important theoretical issues and practical opportunities that await us in the years ahead.

Introduction

> "Law is to justice, as medicine is to health, as business is to _____."

We have asked business students and colleagues alike to fill in the blank above. The first reaction is always one of awkward silence. People are surprised that the answer does not roll off the lips. There is always a sense in the room that we should know the answer and yet, we do not. Then the answers come. A cluster of people will focus on profit, money, and wealth. Others, more expansively, will talk about value creation and prosperity. Still others will focus on the likes of coordination, exchange, production, and innovation. Some will take a decidedly macro perspective and speak about commerce, the economy, collective well-being, and society. And finally, some will shift gears and focus not on wealth but greed, not prosperity but power, not well-being but oppression. One colleague in a recent Academy of Management symposium memorably said "our fucked-up global economy." This exercise points out three challenges when we think about the nature of business. One is that we grapple with its purpose. The second is that we have a hard time disentangling our thinking about a single business enterprise from business more broadly, an agglomeration of those enterprises in their institutional and historical context. And finally, we know that business may not be an unalloyed good. All of these tensions are on display when we appraise our thinking about the place of business in society.[1]

What is the purpose of business? While most agree that the purpose of business minimally involves the creation of value, today's discussion is haunted by a blurred double image of value. The image of what counts as value for a single firm is laid atop an image of what counts as value for

* Corresponding author. Tel.: +1 734 936 2768; fax: +1 734 764 2555.
E-mail addresses: donaldst@wharton.upenn.edu (T. Donaldson), jpwalsh@umich.edu (J.P. Walsh).

[1] As we consider the purpose of business in light of our understanding of medicine and law, we will sidestep the thorny issue of whether or not the practice of business constitutes a profession. Yes or no, the question of purpose still matters.

http://dx.doi.org/10.1016/j.riob.2015.10.002
0191-3085/

Theory of Business:
Purpose, Accountability, Control, and Success

P1: The purpose of business is to optimize collective value.

P2: Business is accountable to those who affect and are affected by its activities, those in the present, past, and future.

P3: Business control must prohibit any assault on participants' dignity.

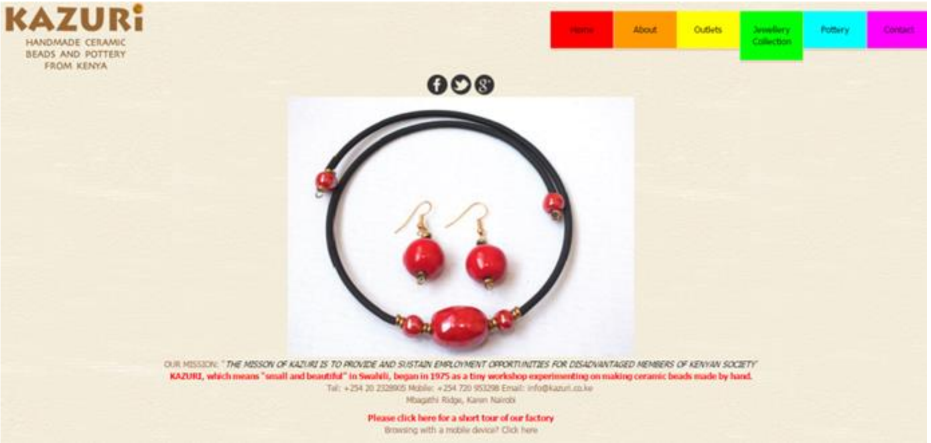
P4: Optimized collective value is the mark of business success.

- "optimized subject to clearing the Dignity Threshold"

A Normative Theory

Dignity* -- an Intrinsic Value prescribing that each Business Participant be treated with respect, compatible with each person's inherent worth.

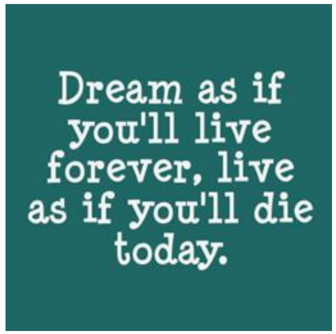
Dignity Threshold -- the minimum level of respect accorded to each Business Participant necessary to allow the agglomeration of Benefit to qualify as Business Success.

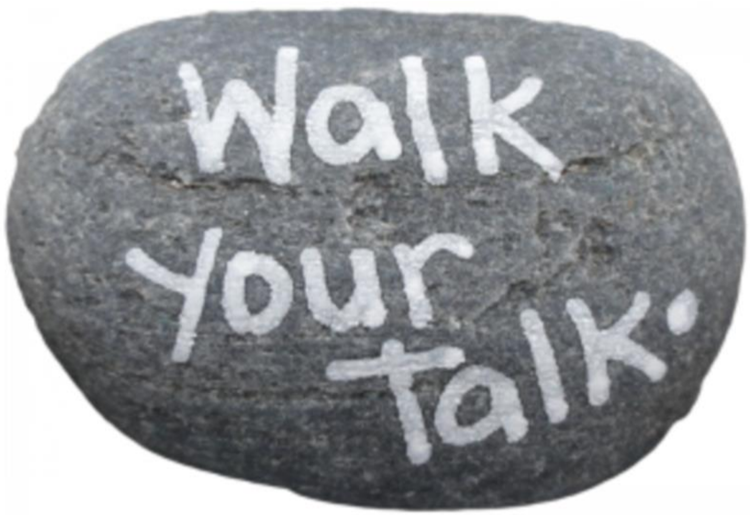


*Dignity: "an inner transcendental kernel of inestimable value" (Rosen, 2012: 9, 70).

- **Business:** a form of cooperation involving the Production, Exchange and Distribution of goods and services for the purpose of achieving Collective Value.
- **Business Participant:** someone who affects or is affected by the pursuit of Collective Value. Some Business Participants are identified through their membership in entities that affect or are affected by the pursuit of Collective Value.
- **Positive Value:** a reason for acting where the object of the act is seen as worthy of pursuit.
- **Negative Value:** a reason for acting where the object of the act is seen as aversive.
- **Intrinsic Value:** a Positive Value whose worth does not depend on its ability to achieve other Positive Values.
- **Benefit:** the contributions made by Business to the satisfaction of a Business Participant's Positive and Intrinsic Values, net of any aversive impact on the satisfaction of those same values.
- **Collective Value:** the agglomeration of the Business Participants' Benefits, again, net of any aversive Business outcomes.
- **Dignity:** an Intrinsic Value prescribing that each Business Participant be treated with respect, compatible with each person's inherent worth.
- **Dignity Threshold:** the minimum level of respect accorded to each Business Participant necessary to allow the agglomeration of Benefit to qualify as Business Success.
- **Business Success:** optimized Collective Value, optimized subject to clearing the Dignity Threshold. Equifinality assumed, alternative states of Business Success are possible.

Clearing the Dignity Threshold





Value, the *sine qua non* of business

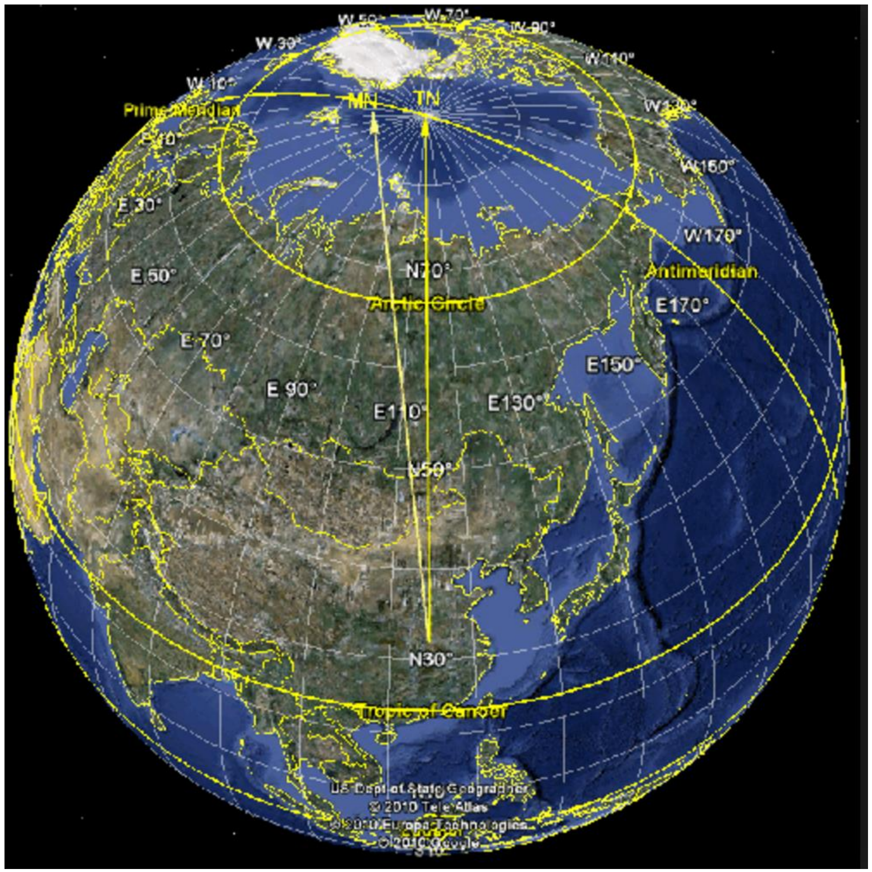
Stakeholder	Resource	Value in exchange: Stakeholder POV	Value in exchange: Firm POV
Investors	Capital	Shareholder value	Market value
Customers	Consumption	Use value	Consumer value
Employees	Talent	Extrinsic (and intrinsic) reward	Labor value
Suppliers	Factor inputs	Exchange value	Value-add
Community	A setting	Optimized collective value	License to operate

Our values are revealed in the imagination, creation, exchange, and distribution of business value.

Something is Awry

Stakeholder	Resource	The "is" of market value ≠ the "ought" of market value	Reform Ideas
Investors	Capital	Self-dealing, greed, market bubbles, and crashes	Stakeholder Theory THE STATE OF THE ART
Customers	Consumption	Consumerism	The End(s) of Marketing and the Neglect of Moral Responsibility by the American Marketing Association David Glen Mick
Employees	Talent	Alienation and exploitation	M ROSS CENTER FOR POSITIVE ORGANIZATIONS
Suppliers	Factor inputs	Cost and price pressure	The Transparent Supply Chain Let your customers know everything about where your products come from—before they discover it first. by Steve New
Communities	A setting	Race to the bottom	THE SOCIAL ENTERPRISE LAW MARKET J. HASKELL MURRAY*

Glitter and Gold:
Non-Intrinsic and Intrinsic Values



Loss Aversion and the Allure of Business Value, Non-Intrinsic Values

ECONOMETRICA
VOLUME 47 MARCH, 1979 NUMBER 2

PROSPECT THEORY: AN ANALYSIS OF DECISION UNDER RISK

BY DANIEL KAHNEMAN AND AMOS TVERSKY[1]

This paper presents a critique of expected utility theory as a descriptive model of decision making under risk, and develops an alternative model, called prospect theory. Choices among risky prospects exhibit several pervasive effects that are inconsistent with the basic tenets of utility theory. In particular, people underweight outcomes that are merely probable in comparison with outcomes that are obtained with certainty. This tendency, called the certainty effect, contributes to risk aversion in choices involving sure gains and to risk seeking in choices involving sure losses. In addition, people generally discard components that are shared by all prospects under consideration. This tendency, called the isolation effect, leads to inconsistent preferences when the same choice is presented in different forms. An alternative theory of choice is developed, in which value is assigned to gains and losses rather than to final assets and in which probabilities are replaced by decision weights. The value function is normally concave for gains, commonly convex for losses, and is generally steeper for losses than for gains. Decision weights are generally lower than the corresponding probabilities, except in the range of low probabilities. Overweighting of low probabilities may contribute to the attractiveness of both insurance and gambling.

Organizational Behavior and Human Decision Processes 137 (2016) 172–183

Contents lists available at ScienceDirect

Organizational Behavior and Human Decision Processes

journal homepage: www.elsevier.com/locate/obhdp

ELSEVIER

Cheating to get ahead or to avoid falling behind? The effect of potential negative versus positive status change on unethical behavior

CrossMark

Nathan C. Pettit[a,*], Sarah P. Doyle[b], Robert B. Lount Jr.[b], Christopher To[a]

[a] Department of Management and Organizations, Stern School of Business, New York University, Kaufman Management Center, 44 W. 4th Street, New York, NY 10012, United States
[b] Department of Management and Human Resources, Fisher College of Business, The Ohio State University, Fisher Hall, 2100 Neil Avenue, Columbus, OH, United States

A R T I C L E I N F O

Article history:
Received 27 July 2014
Revised 14 July 2016
Accepted 29 September 2016
Available online 4 October 2016

Keywords:
Status change
Status
Cheating
Social hierarchy

A B S T R A C T

This research examines how being faced with a potential negative versus positive status change influences peoples' willingness to ethically transgress to avoid or achieve these respective outcomes. Across four studies people were consistently more likely to cheat to prevent a negative status change than to realize a positive change. We argue that what accounts for these results is the enhanced value placed on retaining one's status in the face of a potential negative change. Taken together, these findings offer a dynamic perspective to the study of status and ethics and contribute to knowledge of the situational factors that promote unethical behavior.

"A salient characteristic of attitudes to changes in welfare is that losses loom larger than gains. The aggravation that one experiences in losing a sum of money appears to be greater than the pleasure associated with gaining the same amount" (p. 279).

"Across four studies people were consistently more likely to cheat to prevent a negative status change than to realize a positive change" (p. 172).

After all, Much is at Stake

Stakeholder	Resource	Value in exchange: Stakeholder POV	Value in exchange: Firm POV
Investors	Capital	Shareholder value	Market value
Customers	Consumption	Use value	Consumer value
Employees	Talent	Extrinsic (and intrinsic) reward	Labor value
Suppliers	Factor inputs	Exchange value	Value-add
Community	A setting	Optimized collective value	License to operate

Collective Value: the agglomeration of the Business Participants' Benefits, net of any aversive Business outcomes.

Even Higher Stakes

210 OXFAM BRIEFING PAPER 18 JANUARY 2016

Tondo slum in Manila, Philippines, 2014. Photo: Dewald Brand, Miran for Oxfam

AN ECONOMY FOR THE 1%

How privilege and power in the economy drive extreme inequality and how this can be stopped

CENTRE FOR THE STUDY OF EXISTENTIAL RISK
UNIVERSITY OF CAMBRIDGE

About News Research Publications Events Press Support CSER Contact

If you're new here, you may want to subscribe to our Newsletter. Thank you for visiting!

The Centre for the Study of Existential Risk is an interdisciplinary research centre within the University of Cambridge dedicated to the study and mitigation of risks that could lead to human extinction or civilisational collapse.

Contents lists available at ScienceDirect

Research in Organizational Behavior

journal homepage: www.elsevier.com/locate/riob

Toward a theory of business

Thomas Donaldson[a], James P. Walsh[b,*]

[a] The Wharton School, University of Pennsylvania, Philadelphia, PA 19104, USA
[b] Ross School of Business, University of Michigan, Ann Arbor, MI 48109, USA

ARTICLE INFO

Article history:
Available online 21 November 2015

ABSTRACT

What is the purpose of business? While most agree that business minimally involves the creation of value, a blurred double image of value haunts our discussion of purpose. The image of what counts as value for a single firm is laid atop an image of what counts as value for business in general. These two images cannot match. Indeed, the resulting conceptual blurriness is a classic example of a composition fallacy. We should never mistake the properties of a part for the properties of the whole. A theory of the firm is ill equipped to handle the many expectations we hold for business practice. As such, we seek to establish the beginnings of a theory of business, one that is both empirical and normative. Offering four central propositions about the purpose, accountability, control and success of business, we close with a consideration of several important theoretical issues and practical opportunities that await us in the years ahead.

Dignity Threshold -- the minimum level of respect accorded to each Business Participant necessary to allow the agglomeration of Benefit to qualify as Business Success.

Optimism:
Taboo Trade-Offs

The Psychology of the Unthinkable: Taboo Trade-Offs, Forbidden Base Rates, and Heretical Counterfactuals

Philip E. Tetlock, Orie V. Kristel, S. Beth Elson, and Melanie C. Green
Ohio State University

Jennifer S. Lerner
Carnegie Mellon University

Five studies explored cognitive, affective, and behavioral responses to proscribed forms of social cognition. Experiments 1 and 2 revealed that people responded to taboo trade-offs that monetized sacred values with moral outrage and cleansing. Experiments 3 and 4 revealed that racial egalitarians were least likely to use, and angriest at those who did use, race-tainted base rates and that egalitarians who inadvertently used such base rates tried to reaffirm their fair-mindedness. Experiment 5 revealed that Christian fundamentalists were most likely to reject heretical counterfactuals that applied everyday causal schemata to Biblical narratives and to engage in moral cleansing after merely contemplating such possibilities. Although the results fit the sacred-value-protection model (SVPM) better than rival formulations, the SVPM must draw on cross-cultural taxonomies of relational schemata to specify normative boundaries on thought.

"Money may be a universal solvent in economic theory, but most people manifestly want to cordon off certain spheres of human activity from its corrosive powers."

"People who function like intuitive scientists or economists in one setting can be quickly transformed into intuitive moralists-theologians when provoked by assaults on sacred values."

MANAGEMENT SCIENCE
Vol. 62, No. 1, January 2016, pp. 29–36
ISSN 0025-1909 (print) | ISSN 1526-5501 (online)

informs

http://dx.doi.org/10.1287/mnsc.2014.2085

Deciding for Others Reduces Loss Aversion

Ola Andersson
Research Institute of Industrial Economics (IFN), SE-102 15 Stockholm, Sweden; and
Department of Economics, Lund University, SE-220 07 Lund, Sweden, ola.andersson@ifn.se

Håkan J. Holm
Department of Economics, Lund University, SE-220 07 Lund, Sweden, hj.holm@nek.lu.se

Jean-Robert Tyran
Department of Economics, University of Vienna, A-1090 Vienna, Austria; and University of Copenhagen,
DK-1165 Copenhagen, Denmark, jean-robert.tyran@univie.ac.at

Erik Wengström
Department of Economics, Lund University, SE-220 07 Lund, Sweden; and University of Copenhagen,
DK-1165 Copenhagen, Denmark, erik.wengstrom@nek.lu.se

We study risk taking on behalf of others, both when choices involve losses and when they do not. A large-scale incentivized experiment with subjects randomly drawn from the Danish population is conducted. We find that deciding for others reduces loss aversion. When choosing between risky prospects for which losses are ruled out by design, subjects make the same choices for themselves as for others. In contrast, when losses are possible, we find that the two types of choices differ. In particular, we find that subjects who make choices for themselves take less risk than those who decide for others when losses loom. This finding is consistent with an interpretation of loss aversion as a bias in decision making driven by emotions and that these emotions are reduced when making decisions for others.

Keywords: risk taking; loss aversion; experiment
History: Received September 23, 2013; accepted September 1, 2014, by Uri Gneezy, behavioral economics. Published online in *Articles in Advance* December 19, 2014.

Rx

De-biasing for a Better World…

Economics Letters 114 (2012) 102–105

Contents lists available at SciVerse ScienceDirect

Economics Letters

journal homepage: www.elsevier.com/locate/ecolet

ELSEVIER

economics letters

Risk-taking for others under accountability

Julius Pahlke, Sebastian Strasser, Ferdinand M. Vieider *
LMU-Munich, Faculty of Economics, Geschwister-Scholl-Platz 1, 80539 Munich, Germany

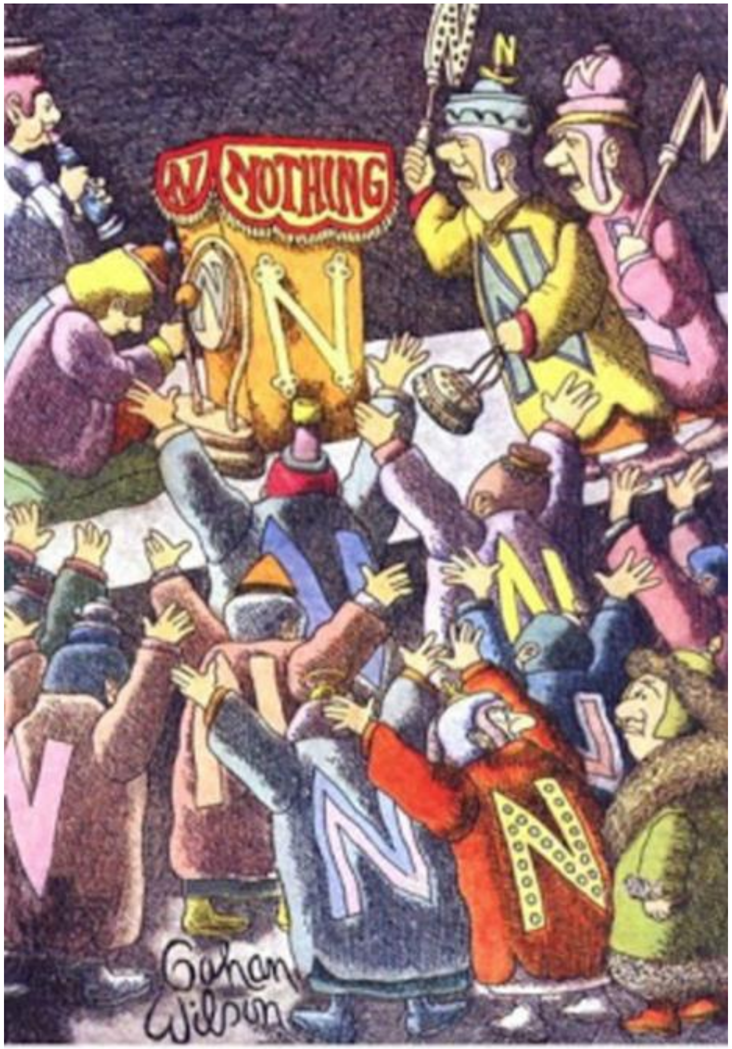
ARTICLE INFO

Article history:
Received 25 May 2011
Received in revised form
23 September 2011
Accepted 26 September 2011
Available online 2 October 2011

ABSTRACT

We let subjects take risky decisions that affect themselves and a passive recipient. Adding a requirement to justify their choices significantly reduces loss aversion. This indicates that such an accountability mechanism may be effective at debiasing loss aversion in agency relations.

17 Years On…



"Is nothing sacred?"

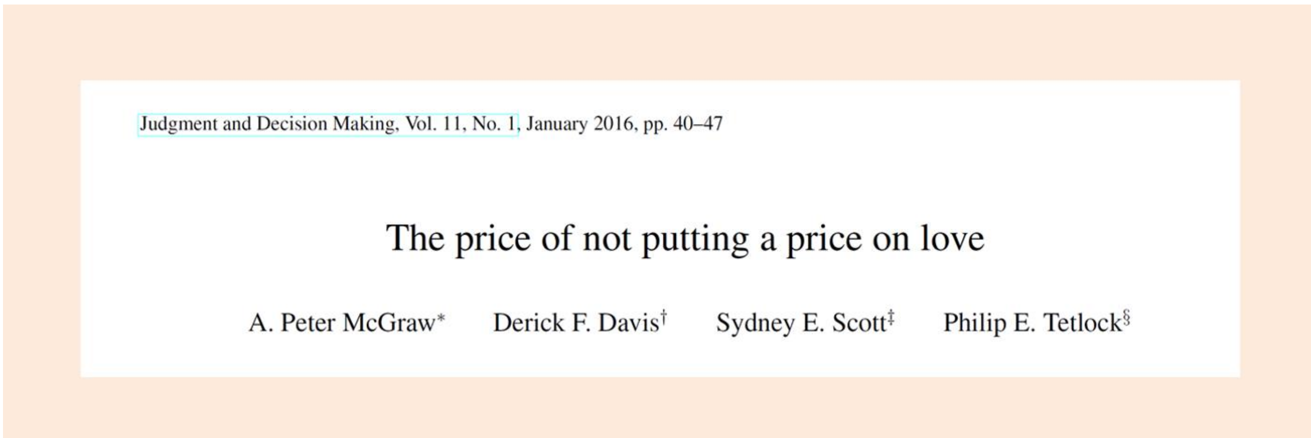
American Economic Review: Papers & Proceedings 2017, 107(5): 96–99
https://doi.org/10.1257/aer.p20171110

Sacred versus Pseudo-Sacred Values:
How People Cope with Taboo Trade-Offs†

By Philip E. Tetlock, Barbara A. Mellers, and J. Peter Scoblic*

"We propose viewing people as varying along a continuum of interest in seeking out caveats: from hard-core Machiavellians for whom nothing is sacred and who do not bother pretending otherwise, to Batson's moral hypocrites, to more altruistic souls who make moderate-to-big sacrifices to uphold the normative order. Most of us are arguably better classified as semi-hypocrites, neither fanatical defenders of deontic principles nor devoid of sentimental attachments to these principles. We just realize, at some level of awareness, that even the most precious things can become too expensive to defend" (pp. 97-98).

An even more interesting conclusion when seen in light of “his” 2016 study



Judgment and Decision Making, Vol. 11, No. 1, January 2016, pp. 40–47

The price of not putting a price on love

A. Peter McGraw* Derick F. Davis† Sydney E. Scott‡ Philip E. Tetlock§

“Our inquiry reveals that, when a purchase is symbolic of love, people are reluctant to seek cost saving options and thus spend more money than is necessary given the availability of lower cost (yet equivalent quality) items in the marketplace” (2016:45).

* Love ≈ engagement rings and cremation containers

Nevertheless

Phenom Cogn Sci (2008) 7:51–66
DOI 10.1007/s11097-007-9058-y

REGULAR ARTICLE

Moral masquerades: Experimental exploration of the nature of moral motivation

C. Daniel Batson

Article

A Meta-Analytic Review of Moral Licensing

Irene Blanken[1], Niels van de Ven[1], and Marcel Zeelenberg[1]

Personali
Psycholog
1–19
© 2015 by
and Social P
Reprints and
sagepub.com
DOI: 10.117
pspb.sagepub.
SAGE

Available online at www.sciencedirect.com
ScienceDirect

RESEARCH IN ORGANIZATIONAL BEHAVIOR

ELSEVIER

Research in Organizational Behavior 30 (2010) 153–173

The ethical mirage: A temporal explanation as to why we are not as ethical as we think we are

Ann E. Tenbrunsel[a,*], Kristina A. Diekmann[b], Kimberly A. Wade-Benzoni[c], Max H. Bazerman[d]

[a] Mendoza College of Business, University of Notre Dame, Notre Dame, IN 46556-0399, USA
[b] David Eccles School of Business, University of Utah, Salt Lake City, UT 84112, USA
[c] Fuqua School of Business, Duke University, Durham, NC 27708-0120, USA
[d] Harvard Business School, Harvard University, Boston, MA 02163, USA

ELSEVIER

Contents lists available at ScienceDirect

Research in Organizational Behavior

journal homepage: www.elsevier.com/locate/riob

Review

Ethically adrift: How others pull our moral compass from true North, and how we can fix it

Celia Moore[a,*], Francesca Gino[b]

[a] London Business School, London, United Kingdom
[b] Harvard Business School, Allston, MA, United States

Dignity and Moral Foundations Theory

PERSONALITY PROCESSES AND INDIVIDUAL DIFFERENCES

Liberals and Conservatives Rely on Different Sets of Moral Foundations

Jesse Graham, Jonathan Haidt, and Brian A. Nosek
University of Virginia

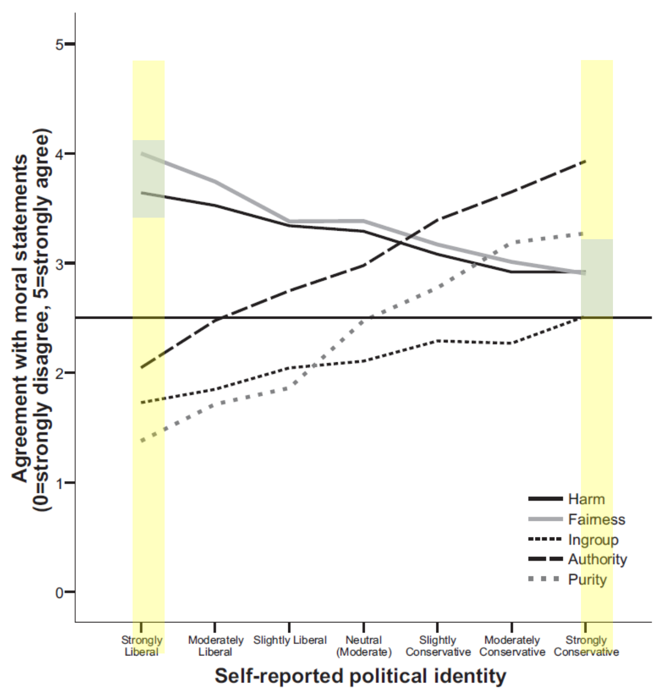


Figure 3. Agreement with moral statements across political identity, Study 2. The horizontal line at 2.5 indicates division of agreement and disagreement (2 indicates slight disagreement and 3 indicates slight agreement).

Journal of Personality and Social Psychology
2011, Vol. 101, No. 2, 366–385

0022-3514/11/$12.00 DOI: 10.1037/a0021847

Mapping the Moral Domain

Jesse Graham
University of Southern California

Brian A. Nosek and Jonathan Haidt
University of Virginia

Ravi Iyer
University of Southern California

Spassena Koleva and Peter H. Ditto
University of California, Irvine

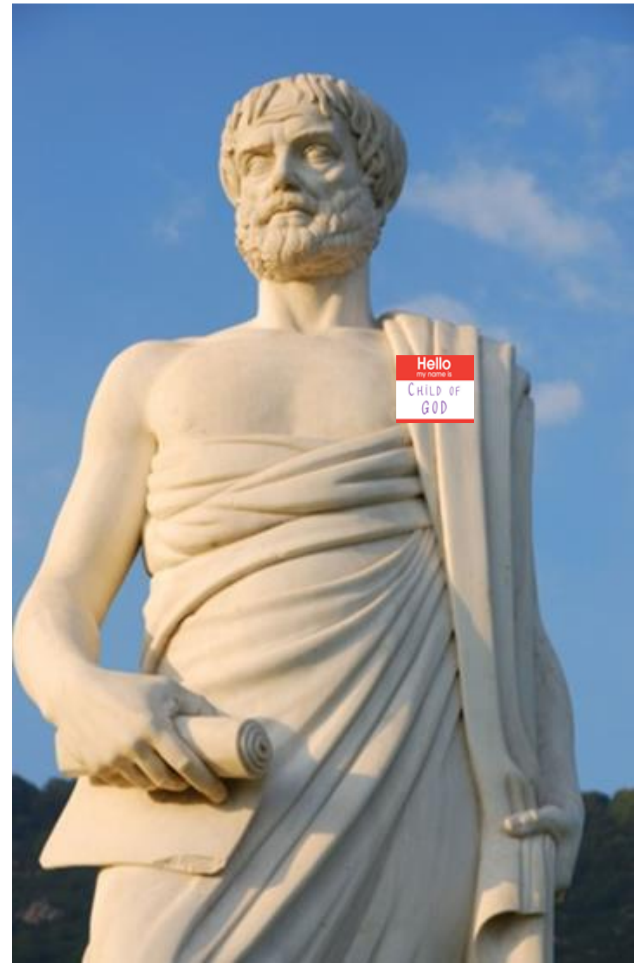
3. Gender differences in foundation endorsement. The MFQ reveals interesting gender differences as well. In the large international data set collected at YourMorals.org (49,428 women; 68,812 men), women score higher than men on Harm (mean difference = .47), $t(118238) = 99.16$, $p < .0001$, $d = 0.58$; Fairness (mean difference = .16), $t(118238) = 37.75$, $p < .0001$, $d = 0.22$; and Purity (mean difference = .16), $t(118238) = 25.10$, $p < .0001$, $d = 0.15$—with men just barely higher on Ingroup and Authority (mean differences < .06, ds < 0.06). Women were more concerned than men about Harm, Fairness, and Purity, even controlling for political ideology. As the effect sizes show, these gender differences were much stronger than the differences between Eastern and Western cultures. The gender patterns make sense in light of previous research on empathy (Davis, 1983), egalitarianism (Arts & Gelissen, 2001), and disgust sensitivity (Druschel & Sherman, 1999), but they also show an important divergence from the political patterns in that Purity is here grouped with Harm and Fairness, rather than Ingroup and Authority. Here too the finer resolution and broadened scope of MFT allowed us to find and describe differences in moral personality not possible before.

“Homo Economicus”

[Political economy] does not treat of the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end. … It makes entire abstraction of every other human passion or motive… With respect to those parts of human conduct of which wealth is not even the principal object, to these Political Economy does not pretend that its conclusions are applicable.

…John Stuart Mill (1844). On the definition of political economy. *Essays on Some Unsettled Questions of Political Economy*: http://www.econlib.org/cgi-bin/searchbooks.pl?searchtype=BookSearchPara&id=mlUQP&query=modified+by+the+social+state

“Homo Practicus”



Consider Business Schools

A university is only incidentally a market. It is more essentially a temple - a temple dedicated to knowledge and a human spirit of inquiry. It is a place where learning and scholarship are revered, not primarily for what they contribute to personal or social well-being but for the vision of humanity they symbolize, sustain, and pass on. … Higher education is a vision, not a calculation. It is a commitment, not a choice. Students are not customers; they are acolytes. Teaching is not a job; it is a sacrament. Research is not an investment; it is a testament.

…Jim March (2003: 206)

First Things First:
Address the Secular in our Sacred World

* Academy of Management Review
2011, Vol. 36, No. 2, 215–234.

2010 Presidential Address

EMBRACING THE SACRED IN OUR SECULAR SCHOLARLY WORLD

JAMES P. WALSH
University of Michigan

I am honored to speak to you as our sixty-fifth president. Sitting down to prepare my remarks, I realized that I could talk with you about absolutely anything. I decided to talk about us. I hate to say it, but I fear that we are not all that we can be. Please don't worry—this will not be another presidential address that will call on us to be relevant. We are plenty relevant. The fact is this should be our Golden Age. But something is very amiss. Something is keeping us from being all that we can be. As you can tell from my title, I think that "something" is our reaction to what I am calling our secular world. My goal here is to at least provoke us—and who knows, maybe even to inspire a few of us—to live our lives differently.

My address comprises three parts. I will briefly talk about why I think this should be our Golden Age. I will then take a look at our secular world and share what gives me pause. In so doing, I will talk about the audit culture that has emerged around us, our problematic reaction to it, and the consequences of that reaction. And I will close by reminding us of the sacred nature of our work. But I will not just leave it at that. I want to share an idea or two about how to move forward. Some of us will need to summon some courage if we are to live in a world where we can thrive.

OUR GOLDEN AGE

This really should be our Golden Age. Viewed from any historical perspective, we can see that business has emerged as a central feature of life in contemporary society—and maybe is *the* central feature of our lives today. People may debate whether we live in a society of organizations (Perrow, 1991) or a society defined by markets (Davis, 2009), but it is clear that business rivals the church and the state as a central aspect of modern life. Indeed, business sensibilities now inform how we conduct our governments' business (Kelman, 2007) and operate our civil society (Austin, Gutiérrez, Ogiastri, & Reficco, 2007). Perhaps unbelievably, there are now over 12,000 schools of business worldwide (AACSB International, 2010). Indeed, the Academy of Management's membership growth reveals this kind of scale. Now on the cusp of 20,000 members, our size has nearly doubled in the past ten years. Moreover, our growth rate outside the United States is now three times what it is inside the United States (see Figure 1). I do not have a worldwide estimate of business school graduates at hand, but the U.S. Department of Education (2009) tells us that we are educating nearly half a million business students each year (see Figure 2). Of course, those students go on to touch the lives of many millions more.

This essay complements the address I gave at the August 2010 Academy of Management meeting in Montréal. The differences are two: (1) I am now able to formally connect my ideas with other work on this theme, and (2) I have the opportunity to share a few ideas that time did not permit when I delivered the address. I want to express a great deal of sincere gratitude before I begin. First of all, to my wife, Sue Ashford, thank you for being there for the past thirty years. There is no way in the world that I would have had this opportunity if it were not for you. To our three kids—Allie, Hannah, and Maddy—what can I say? Thanks for being you. Thanks, too, to my extended family for all of your love and support (especially to Karin and Kim for coming all the way from Napa to Montréal to hear what I had to say). To all of my friends—including everyone from Briarcliff Manor, who help to make us all who we are—thank you for standing by me for so many years. And, finally, thanks to Paul Adler, Sue Ashford, John Chamberlin, Michael Cohen, Marianne Esders, Michael Gordon, Anne-Wil Harzing, Joshua Margolis, Dave Mayer, Alan Meyer, Lance Sandelands, Cathy Shakespeare, Maxim Sytch, Judith Walls, Karl Weick, Joe White, Amy Wrzesniewski, and my colleagues in the Ross School's Management and Organizations department and our Hosmer Seminar for your conversations with me about this address, and to Laura Berdish, Mary Christianson, Regina Fitzpatrick, Ira Fried, Juliane Iannarelli, Patti Lamparter, Corey Seeman, Sean Sullivan, Matt Suppa, and Nancy Urbanowicz for your help with the presentation. I am a lucky man. An audio of the address (along with the slides) is posted on my own and the Academy of Management's website. I will not offer specific web addresses here since I am sure the links will change with time. They should be easy enough to find.

* Academy of Management Review
2011, Vol. 36, No. 2, 215–234.

2010 Presidential Address

ADDRESSING THE SECULAR IN OUR SACRED SCHOLARLY WORLD

JAMES P. WALSH
University of Michigan

I am honored to speak to you as our sixty-fifth president. Sitting down to prepare my remarks, I realized that I could talk with you about absolutely anything. I decided to talk about us. I hate to say it, but I fear that we are not all that we can be. Please don't worry—this will not be another presidential address that will call on us to be relevant. We are plenty relevant. The fact is this should be our Golden Age. But something is very amiss. Something is keeping us from being all that we can be. As you can tell from my title, I think that "something" is our reaction to what I am calling our secular world. My goal here is to at least provoke us—and who knows, maybe even to inspire a few of us—to live our lives differently.

My address comprises three parts. I will briefly talk about why I think this should be our Golden Age. I will then take a look at our secular world and share what gives me pause. In so doing, I will talk about the audit culture that has emerged around us, our problematic reaction to it, and the consequences of that reaction. And I will close by reminding us of the sacred nature of our work. But I will not just leave it at that. I want to share an idea or two about how to move forward. Some of us will need to summon some courage if we are to live in a world where we can thrive.

OUR GOLDEN AGE

This really should be our Golden Age. Viewed from any historical perspective, we can see that business has emerged as a central feature of life in contemporary society—and maybe is *the* central feature of our lives today. People may debate whether we live in a society of organizations (Perrow, 1991) or a society defined by markets (Davis, 2009), but it is clear that business rivals the church and the state as a central aspect of modern life. Indeed, business sensibilities now inform how we conduct our governments' business (Kelman, 2007) and operate our civil society (Austin, Gutiérrez, Ogiastri, & Reficco, 2007). Perhaps unbelievably, there are now over 12,000 schools of business worldwide (AACSB International, 2010). Indeed, the Academy of Management's membership growth reveals this kind of scale. Now on the cusp of 20,000 members, our size has nearly doubled in the past ten years. Moreover, our growth rate outside the United States is now three times what it is inside the United States (see Figure 1). I do not have a worldwide estimate of business school graduates at hand, but the U.S. Department of Education (2009) tells us that we are educating nearly half a million business students each year (see Figure 2). Of course, those students go on to touch the lives of many millions more.

This essay complements the address I gave at the August 2010 Academy of Management meeting in Montréal. The differences are two: (1) I am now able to formally connect my ideas with other work on this theme, and (2) I have the opportunity to share a few ideas that time did not permit when I delivered the address. I want to express a great deal of sincere gratitude before I begin. First of all, to my wife, Sue Ashford, thank you for being there for the past thirty years. There is no way in the world that I would have had this opportunity if it were not for you. To our three kids—Allie, Hannah, and Maddy—what can I say? Thanks for being you. Thanks, too, to my extended family for all of your love and support (especially to Karin and Kim for coming all the way from Napa to Montréal to hear what I had to say). To all of my friends—including everyone from Briarcliff Manor, who help to make us all who we are—thank you for standing by me for so many years. And, finally, thanks to Paul Adler, Sue Ashford, John Chamberlin, Michael Cohen, Marianne Esders, Michael Gordon, Anne-Wil Harzing, Joshua Margolis, Dave Mayer, Alan Meyer, Lance Sandelands, Cathy Shakespeare, Maxim Sytch, Judith Walls, Karl Weick, Joe White, Amy Wrzesniewski, and my colleagues in the Ross School's Management and Organizations department and our Hosmer Seminar for your conversations with me about this address, and to Laura Berdish, Mary Christianson, Regina Fitzpatrick, Ira Fried, Juliane Iannarelli, Patti Lamparter, Corey Seeman, Sean Sullivan, Matt Suppa, and Nancy Urbanowicz for your help with the presentation. I am a lucky man. An audio of the address (along with the slides) is posted on my own and the Academy of Management's website. I will not offer specific web addresses here since I am sure the links will change with time. They should be easy enough to find.

215

Copyright of the Academy of Management, all rights reserved. Contents may not be copied, emailed, posted to a listserv, or otherwise transmitted without the copyright holder's express written permission. Users may print, download, or email articles for individual use only.

The Rankings (2001 – 2016):
Addressing the Secular in our Sacred Scholarly World

Financial Times Rank

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
University of Pennsylvania: Wharton	INSEAD	7	6	6	4	8	8	7	6	5	5	4	6	6	5	4	1
Harvard Business School	Harvard Business School	2	2	2	2	1	2	3	5	3	3	3	2	1	1	1	2
Stanford Graduate School of Business	London Business School	8	9	7	4	5	5	5	2	1	1	1	4	4	3	2	3
University of Chicago: Booth	University of Pennsylvania: Wharton	1	1	1	1	1	1	1	1	1	2	1	3	3	4	3	4
Columbia Business School	Stanford Graduate School of Business	3	3	4	7	4	3	3	4	6	4	4	1	2	2	4	5
MIT: Sloan	Columbia Business School	5	3	3	3	3	4	2	3	4	6	7	5	5	5	6	6
INSEAD	University of California at Berkeley: Haas	14	15	15	22	13	16	25	32	31	28	25	14	12	11	10	7
London Business School	University of Chicago: Booth	4	3	5	4	6	6	6	9	11	9	12	12	10	9	9	8
Northwestern University: Kellogg	MIT: Sloan	6	6	10	9	13	10	14	7	9	8	9	7	9	8	8	9
New York University: Stern	University of Cambridge: Judge	NR	22	30	34	42	35	15	10	17	21	26	26	16	16	13	10
IMD	Northwestern University: Kellogg	9	10	9	11	11	17	19	24	21	22	21	16	13	15	14	11
UCLA: Anderson	IE Business School	31	35	26	15	19	12	11	8	6	6	8	8	11	13	12	12
Dartmouth College: Tuck	IMD	11	14	13	12	13	14	13	14	14	15	14	13	19	12	20	13
University of California at Berkeley: Haas	HKUST Business School	48	47	59	69	44	47	NR	17	16	9	6	10	12	8	14	14
Cornell University: Johnson	HEC Paris	52	67	62	53	37	22	18	18	29	18	18	18	21	21	16	15
University of Michigan: Ross	Iese Business School	24	25	18	13	12	13	16	11	12	11	9	9	7	7	7	16
Carnegie Mellon: Tepper	China Europe International Business School (Ceibs)	NR	92	90	53	22	21	11	11	8	22	17	24	15	17	11	17
Duke University: Fuqua	Yale School of Management	20	12	12	13	9	11	10	16	19	16	15	20	14	10	17	18
Western Ontario: Ivey	New York University: Stern	10	8	8	8	9	7	8	13	10	13	15	17	19	17	18	19
Yale School of Management	University of Michigan: Ross	16	23	25	30	16	14	19	27	23	28	24	29	30	23	24	20
University of North Carolina: Kenan-Flagler	Duke University: Fuqua	18	19	15	20	18	27	23	28	22	20	20	15	18	17	21	21
University of Virginia: Darden	Dartmouth College: Tuck	13	11	11	10	7	8	9	15	13	13	18	19	16	20	23	22
University of Maryland: Smith	Esade Business School	64	79	83	71	35	27	24	21	18	19	21	33	22	22	29	23
Iese Business School	IIM-Ahmedabad	N															24
University of Texas at Austin: McCombs	SDA Bocconi	3															25
Vanderbilt University: Owen	Chinese University of Hong Kong Business School	N															26
Rotterdam School of Management, Erasmus University	University of Virginia: Darden	2															27
Emory University: Goizueta	University of Oxford: Saïd	3															28
Georgetown University: McDonough	Indian School of Business	N															29
University of Rochester: Simon	Nanyang Business School	N															29
IE Business School	Cornell University: Johnson	1															31
University of Southern California: Marshall	National University of Singapore Business School	8															32
Washington University: Olin	Carnegie Mellon: Tepper	1															33
University of Oxford: Saïd	UCLA: Anderson	1															34
York University: Schulich	Imperial College Business School	6															35
Alliance Manchester Business School	City University: Cass	7															37
McGill University: Desautels	Alliance Manchester Business School	3															38
University of California at Irvine: Merage	Shanghai Jiao Tong University: Antai	N															39
SDA Bocconi	The Lisbon MBA																40
Warwick Business School	University of North Carolina: Kenan-Flagler	2															41
Cranfield School of Management	Rotterdam School of Management, Erasmus University	2															42
Indiana University: Kelley	Renmin University of China School of Business	N															43
AGSM at UNSW Business School	Georgetown University: McDonough	2															44
Purdue University: Krannert	University of Hong Kong	N															44
University of South Carolina: Moore	Warwick Business School	4															46
University of Toronto: Rotman	University of Texas at Austin: McCombs	2															47
SMU: Cox	Fudan University School of Management																47
HKUST Business School	University of Washington: Foster	N															49
University of Illinois at Urbana-Champaign	Mannheim Business School																49
University of Edinburgh Business School	University of Maryland: Smith	23	29	33	27	30	38	30	37	44	43	40	58	50	50	49	51

Foreign Rank Share			
	Top 10	Top 11-20	Top 21-50
2001	20%	20%	47%
2016	30%	60%	63%

European Rank Share			
	Top 10	Top 11-20	Top 21-50
2001	20%	10%	30%
2016	30%	30%	30%

Asian Rank Share			
	Top 10	Top 11-20	Top 21-50
2001	0%	0%	7%
2016	0%	20%	30%

Normative Theory?
"Bear the fate of the times as a man"

Our goal here is to begin to develop a conceptually robust theory of business. Again, it will be an empirical and normative theory. Well aware of the promise of value free science – and the scorn that may befall those who bring a consideration of values to science – we are nevertheless intent on developing a normative theory. Not mincing words, Weber (1922/1968, pp. 152, 155) pointed to the peril in our path:

> Science today is a 'vocation' organized in special disciplines in the service of self-clarification and knowledge of interrelated facts. It is not the gift of grace of seers and prophets dispensing sacred values and revelations, nor does it partake of the contemplation of sages and philosophers about the meaning of the universe." He went on to say, "To the person who cannot bear the fate of the times like a man, one must say: may he rather return silently, without the usual publicity build-up of renegades, but simply and plainly. The arms of the old churches are opened widely and compassionately for him.

“The Fate of the Times?”

210 OXFAM BRIEFING PAPER 18 JANUARY 2016

Tondo slum in Manila, Philippines, 2014. Photo: Dewald Brand, Miran for Oxfam

AN ECONOMY FOR THE 1%

How privilege and power in the economy drive extreme inequality and how this can be stopped

62 people now own as much as half the world (3.6B – they own $1.76 trillion).
The top 1% have more wealth than the other 99% combined.

“The economic system ‘works itself.’”

Coase (1937: 387)

- An economist thinks of the economic system as being co-ordinated by the price mechanism and society becomes not an organization but an organism.[4] The economic system “works itself.”

  [4] See F.A. Hayek, “The Trend of Economic Thinking,” *Economica*, May, 1933.

Hayek (1933: 130)

- It is, of course, supremely easy to ridicule Adam Smith's famous "invisible hand " - which leads man " to promote an end which was no part of his intention." But it is an error not very different from this anthropomorphism to assume that the existing economic system serves a definite function only in so far as its institutions have been deliberately willed by individuals. … we still refuse to recognise that the spontaneous interplay of the actions of individuals may produce something which is not the deliberate object of their actions but an organism in which every part performs a necessary function for the continuance of the whole, without any human mind having devised it.

The Continuance of the Whole?