

RICSI QUASI Seminar Series: 3/5/21 Chat Transcription

Can Ethics Drive Firms To Do The Right Thing If There Is No Business Case?

Yes: Wayne Eastman; No: Tobey Sharding; It Depends: Joanne Ciulla; Moderator: Danielle Warren

11:34:30 From Kevin Kolben to Everyone : the original was on 74th. from native upper west sider.

11:38:03 From Mike Barnett to Everyone : Please post your questions/comments/answers to NYC trivia here. We'll draw from this in the Q&A period, and we'll archive all of this for future reference.

11:39:54 From murad mithani to Everyone : In Foxconn's case, there is no counterfactual. How do we know if a fairer deal for Foxconn would have made them more benevolent with their workers.

11:42:04 From Mike Barnett to Everyone : Who says Broadway is closed?

11:42:28 From Alan Brejnholt to Everyone : more like broadzoom

11:43:00 From Sushant Bhargava to Everyone : Yeah! Its as close to Broadway as you can get via Zoom

11:44:08 From Gerard Farias to Everyone : Not to be picky... but the K is silent in Kshatriya

11:45:28 From Deepika Chhillar to Everyone : +1 Gerard - I was going to raise it, but some Hindi/Sanskrit words can be hard to pronounce

11:50:29 From Mike Barnett to Everyone : Act II!

11:55:17 From Nishant Kathuria to Everyone : Dr. Wayne Eastman, a great way to connect Bhagawad Gita with decision making. I agree that Gita prescribes to do duties and fulfil responsibilities without desiring success and fearing failure. I would also connect the case with Ronald Coase (1960). This is because, firms are responsible for externalities-intended or unintended! So can't ignore ethics and have a blind eye towards stakeholders other than shareholders per Gita's prescriptions :)

11:55:48 From Sandra Waddock to Everyone : What would a pragmatist say?

11:56:23 From Kathy Lund Dean to Everyone : @murad Great point. How do we keep the higher ups from simply pocketing extra \$

11:56:37 From Wayne Eastman to Everyone : Wanted to include William James...he's on the yes side I think...

11:56:50 From Wayne Eastman to Everyone : Thx for the pronunciation correction!

11:56:54 From Mike Barnett to Everyone : What do you all think of Tobey's third point: Ethics can only drive individuals; ethics cannot drive firms. I'm looking forward to more on that.

11:57:25 From Sushant Bhargava to Everyone : Are we talking about ethics in business conducted by firms or ethics prevailing within firms?

11:57:31 From Mike Barnett to Everyone : It's entirely ethical to baby bomb

11:58:32 From Nishant Kathuria to Everyone : @Sandra Waddock, I think the definition of pragmatist is largely influenced by economics.. There is still a room to include moral/normative/ethics in the definition of rationality.

11:59:13 From Brian Kelleher Richter to Everyone : But Milton Freidman cautions "within the rules of the game". How does that play in?

11:59:40 From Gerard Farias to Everyone : Friedman... said that "as long as they do not steal or commit fraud"

11:59:50 From Kathy Lund Dean to Everyone : @Brian-- people forget the "no force or fraud" piece

11:59:53 From Sandra Waddock to Everyone : What is the purpose of business were changed to what Donaldson & Walsh (2015) call collective value?

12:00:11 From Brian Kelleher Richter to Everyone : "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud."

12:00:41 From Gerard Farias to Everyone : Jensen said they were entitled to profits "after accounting for externalities"

12:00:47 From Jerry Davis to Everyone : @Brian and friends: rules of the game WHERE? In China, or Bangladesh, or Bermuda, or Ireland?

12:01:12 From Mike Barnett to Everyone : Kind of all falls apart if they set their own rules, and they enforce these rules themselves.

12:01:23 From Sandra Waddock to Everyone : People and firms have multiple objective functions all the time! It may be more difficult--but certainly not impossible to have more than one.

12:01:25 From Jerry Davis to Everyone : Or shop for rules globally, as all MNCs do.

12:02:08 From Brian Kelleher Richter to Everyone : @Mike Exactly what I was wondering. At least if they can set unethical/distortionary rules for themselves...

12:02:26 From Sandra Waddock to Everyone : And see Lynn Stout re whether there's actually a legal requirement to maximize profits/shareholder wealth.

12:02:42 From Brian Kelleher Richter to Everyone : @Jerry This is an important point too

12:09:30 From Mike Barnett to Everyone : Are managers individuals -- or firms?

12:09:41 From Gerard Farias to Everyone : But isn't it said that "Corporations are people"?

12:10:10 From Wayne Eastman to Everyone : Yes on Lynn Stout! Excellent discussion by her of Dodge v. Ford...too bad she's no longer with us :(

12:10:10 From Alan Brejnholt to Everyone : so governments have no moral obligation because these are merely a collection of individuals?

12:10:14 From Marcelo @ LMU to Everyone : Who or what are markets in this context?

12:12:15 From Timothy Devinney to Everyone : Legally, managers have no requirement to maximise profits. They and the board are legally required to align its decisions with the shareholders as 'owners' as dictated by the exercise of the power of the shareholders in terms of their voice as expressed in resolutions and their support through voting rights. If the shareholders, in resolutions, say do away with dividends and give the money away, then the board and managers would have to accommodate this position.

12:14:04 From Siri Boe-Lillegraven to Everyone : It seems the business case is defined in terms of an opportunity for the business to profit. I think it would be helpful to further define what we mean with the business case. E.g. is it from a long term or short term perspective that the business case is calculated? Does 'no business case' mean no opportunity to increase value appropriation AND no opportunity to increase the total value creation that the business is involved in?

12:15:20 From Jerry Davis to Everyone : @Timothy: actually, even if shareholders unanimously voted to give away dividends to charity, the board could ignore them. Shareholder proposals in the US are almost inevitably "precatory" (i.e., advisory to the board only).

12:15:24 From dorozco to Everyone : I agree. Boards are fiduciaries, like trustees. Under Delaware law they only have liability if they commit gross negligence (recklessness) wrt business actions, or failure to act. Self-dealing is a much stronger basis for liability (loyalty violations). Outside of that, case law demonstrates there is very little room to establish liability for waste or "bad" decision-making, even if it is for ethical decisions.

12:15:34 From Brian Kelleher Richter to Everyone : What about the role of markets? True we have business and society, but what about business, markets and society?

12:15:34 From Cristian to Everyone : Is it necessary to think in a dualistic way about profit and ethics? Is it not possible to think about something like "metaprofit." That is what companies pursue beyond profit and through profit.

12:17:49 From Mike Barnett to Everyone : @Cristian: the "win-win" outcome is ideal; but much recent work is pointing out it's rarity.

12:19:50 From Gerard Farias to Everyone : Can we reverse the question? Does a business need a social, moral, environmental etc... case to exist?

12:23:04 From Timothy Devinney to Everyone : @Jerry ... yes they could but they would find themselves subjected to joint liability lawsuits from powerful shareholders. My point is that the shareholders can reveal their preferences, whereas the strawman argument is 'profits' over everything else. It is profits because the shareholders want profits.

12:23:10 From Jerry Davis to Everyone : @Gerard: it's not too hard to engineer a moral case to exist. Purdue Pharma exists to alleviate human suffering.

12:24:19 From Timothy Devinney to Everyone : The expensify example is really not relevant for public companies. Barrett is the founder of a small unicorn that is a private company where and other

founders are the main shareholders. His only issue is what his VC supporters think but they were uniformly pro Biden.

12:25:11 From Jonathan Doh to Everyone : To me a conundrum is the issue of temporal and geographic proximity. As Singer argues, there is no philosophical reason why we should preference the welfare of someone "close" to us in time or space versus those more distant, but that's exactly what we do. We are more concerned about our immediate surroundings even if our philanthropy or sacrifice (e.g. paying a slightly higher price for an iPhone) would be more effectively directed abroad.

12:27:33 From Jerry Davis to Everyone : @Timothy: I've found that law professors seem to be pragmatists (in the William James sense), and claim that shareholders are mere placeholders -- it's share price (as set by efficient capital markets) that should guide managerial action, not the literal wishes of actual shareholders. See, e.g., Easterbrook & Fischel.

12:28:30 From Gerard Farias to Everyone : Don't we need to differentiate between harm with in the value chain (e.g. the Foxconn example) and CSR that is outside (usually reputational) the value chain

12:29:14 From Wayne Eastman to Everyone : Agree w you, dorozco, on Delaware law

12:30:33 From Timothy Devinney to Everyone : @Jerry ... I would not argue against that. I argue that large pension funds are more likely not to be 'placeholders' because they cannot easily shift their holdings. ... Again, shareholders are revealing preferences .. either by voting and pressuring and/or shifting their ownership away from that firm (e.g. a vote of no confidence). I worry that we think that shareholders (that include us btw) are not culpable.

12:30:53 From Ellie Okada to Everyone : When a business recognizes something is worn or some individual or eson is in need, it logical and morally follows that h y shod do something- internal moral motivation

12:31:05 From Tilman Bauer to Everyone : May I ask, will the slides of the presenters, as well as the recording, be available?

12:31:18 From mthompson to Everyone : Would this discussion be different if it was about climate justice/ethics? How do we take account of actors without voice - trees, plants, flora, fauna etc on which we are mutually dependent for our own survival?

12:32:21 From Mike Barnett to Everyone : Yup, everything is archived on the RICS website.

12:32:22 From dorozco to Everyone : There is a big debate about whether Delaware has sparked a race to the bottom by giving so much insulation from managerial/director liability for "bad" decision-making, but on the other side this discretionary policy might actually give much room for CSR/ethical experimentation without liability.

12:33:23 From Deborah Flamengo to Everyone : The RICS site is <http://business.rutgers.edu/ricsi/quasi-seminar-series-presentations>

12:34:04 From Cristian to Everyone : @Mike. Putting it as a win-win is again a dualistic approach. But I agree with you that the evidence is scarce. Why is that the case? Are we teaching the relationship profit-ethics as a dichotomy?

12:35:11 From dorozco to Everyone : Awesome!

12:35:52 From Mike Barnett to Everyone : @Cristian: In much of old-school finance & established biz curriculum: we are teaching the dichotomy. In many reformed curricula in biz schools, we now teaching win-win.

12:36:27 From dorozco to Everyone : Demand a recount!

12:36:28 From Jerry Davis to Everyone : I read the poll as an empirical question, not a value question.

12:36:35 From Hussein Issa to Everyone : the poll was rigged! haha

12:37:08 From Ali Unal to Everyone : How are you? Miss you too!

12:37:11 From Ali Unal to Everyone : Maine

12:37:13 From Mike Barnett to Everyone : Toddlers are going to storm the Eastman house!

12:37:30 From Ali Unal to Everyone : University of Southern Maine, I started last fall

12:37:47 From Jonathan Doh to Everyone : Or "Does" ethics....

12:38:08 From Mike Barnett to Everyone : Barnett defense: they all agreed to the question!

12:38:35 From Jerry Davis to Everyone : It's because Mike sends emails that make an Apple EULA look terse.

12:38:52 From Mike Barnett to Everyone : My dynamic capability, Jerry.

12:40:07 From Wayne Eastman to Everyone : I originally followed Jonathan's approach by arguing that ethics \*does\* make a difference, but after I met w Tobey and Danielle and Joanne, I decided it made more sense to argue in normative terms

12:40:53 From Mike Barnett to Everyone : And those firms that go bankrupt because they refuse to behave ethically?

12:41:17 From Mike Barnett to Everyone : How you gonna get concrete straightjackets by IRB?

12:41:57 From Siri Boe-Lillegraven to Everyone : Sounds like a business case approach to dissertations

12:41:58 From Gerard Farias to Everyone : Did Ryan find firms to study?

12:42:25 From Cristian to Everyone : What is Ryan researching now?

12:42:37 From Pushpika Vishwanathan to Everyone : @Siri: hahaha... exactly!

12:42:41 From ARSI AGOLLI to Everyone : Is it Ethical for Amazon increase their stock price while there are several articles and reports that show the unethical practices with their warehouse workers (injuries, minimal wage, no paid leave, etc)?

12:42:43 From Nishant Kathuria to Everyone : Is it possible to get slide and video recording of this session? If yes, that would be great!

12:44:30 From Deborah Flamengo to Everyone : Recordings and presentations can be found on the RICS site: <http://business.rutgers.edu/ricsi/quasi-seminar-series-presentations>

12:44:44 From Deepika Chhillar to Everyone : I am wondering how does the penultimate argument by Danielle relates to organisational purpose (closer to institutional theory arguments)? That organisations with no societal value will eventually go bankrupt.

12:45:34 From Mike Barnett to Everyone : We'd like to prioritize doctoral students in Q&A. Can you please identify yourself as such and type your question here?

12:45:55 From Jeana Wirtenberg to Everyone : I liked Danielle's comment about how students are much more open to CSR, ethics, role of business in society. There is tons of recent evidence that students, millennials (MBAs in particular) want to work in purpose driven organizations, increasing their engagement, productivity, reducing turnover, etc. Isn't this a very positive sign and indicator for a new business case that incorporates societal impact and corporate social responsibility?

12:47:36 From Tilman Bauer to Everyone : Doctoral student here :) May I ask, will the slides of the presenters, as well as the recording, be available?

12:48:06 From Jiancheng Du to Everyone : Does ethics drive human behaviors and set norms or perhaps some business people care about ethics, set an example, and others to follow? If no business case, how to study it?

12:48:07 From Mike Barnett to Everyone : Yes, slides, recording, chat, reading list will all be available on the RICS website ([business.rutgers.edu/ricsi](http://business.rutgers.edu/ricsi))

12:48:23 From Tilman Bauer to Everyone : Thank you.

12:48:42 From Jeana Wirtenberg to Everyone : Also consider the often repeated mantra, "Business cannot succeed in a society that fails," Given climate change, innumerable future challenges facing humanity during this century, isn't it fundamentally unethical to promote profit driven businesses at the expense of society and the survival of the species?

12:49:16 From mthompson to Everyone : Foxconn is now turning to robotics and automation to get rid of the worker problem ...

12:49:20 From Timothy Devinney to Everyone : Actually, the suicide rate at Foxconn was quite significantly lower (I think about 1/10th) than that at an average Chinese manufacturing operation and in the general population.

12:53:03 From Jeana Wirtenberg to Everyone : I thought (the late and wonderful) Lynn Stout's book on the Myth of Shareholder Value was pretty definitive on debunking that from a legal perspective.

12:54:45 From Mohamed Genawi to Everyone : PhD student: Can firms be expected to act 'ethically' without a moral handbook? Are the writers of moral handbooks governments?

12:55:00 From Deepika Chhillar to Everyone : Thank you Mike, for prioritising questions by students. I am a doctoral student at UIUC. My question was about how the penultimate argument by Danielle relates to organisational purpose (closer to institutional theory arguments)? That organisations with no

societal value will eventually go bankrupt. Rolling it even further up, how important is it to build an organisational culture (for all employees) or does it only matter that the leadership is ethical?

12:58:37 From Timothy Devinney to Everyone : @mthompson ... indeed, at the same time they announced all the labor condition and pay changes they also announced their \$1B investment in robotics ...

12:59:24 From Nishant Kathuria to Everyone : Jensen and Meckling 1976 "The firm is not an individual" (p 311). It is a legal entity..

13:00:56 From Robert Tomasko to Everyone : What about corporate statements of their values and ethics? These are about the entity, not the individual, but they are to guide individual behavior

13:01:22 From Jiancheng Du to Everyone : In terms of comparative country comparisons, what is the proper way to study it, can we use similar measures in different countries, and who and how to define ethics? For example, perhaps different countries are in different stages and what motivates corporate behaviors in poor countries is different, and people have different concerns. Perhaps in poor countries, solving poverty matters, but ethics matters in developed countries.

13:01:40 From Timothy Devinney to Everyone : Here is something I wrote about apple/foxconn at the time in 2012 ... <https://modern-cynic.org/2012/02/27/first-nike-then-starbucks-is-it-now-apples-turn-to-be-held-up-by-protesters/>

13:01:43 From Hussein Issa to Everyone : This was an excellent session! thank you for organizing it

13:02:01 From Deborah Flamengo to Everyone : <https://business.rutgers.edu/ricsi>

13:03:08 From Nishant Kathuria to Everyone : Great session! Thank you everyone

13:03:17 From Marcelo @ LMU to Everyone : Thank you! Excellent session

13:03:18 From Tianhao Liu to Everyone : Thank you!

13:03:50 From Itzel Palomares-Aguirre to Everyone : Thank you, great session

13:05:14 From Joris Gjata to Everyone : Thank you all for this session!

13:05:15 From Deepika Chhillar to Everyone : Thank you for answering that, glad I stuck around.

13:05:31 From Tilman Bauer to Everyone : I'm a doctoral student.. May I switch on my mic?

13:05:50 From Gerard Farias to Everyone : repeating my question for Danielle... Did Ryan find firms to study?

13:06:39 From Tilman Bauer to Everyone : I'd like to offer my perspective on the "purpose of business" question.

13:07:17 From Gerard Farias to Everyone : I once asked a Whole Foods manager if they would stop selling bottled water... he just smiled

13:11:45 From Gerard Farias to Everyone : <https://www.foei.org/wp-content/uploads/2021/02/Friends-of-the-earth-international-carbon-unicorns-english.pdf>

13:12:18 From Gerard Farias to Everyone : the url and the earlier comment are not related. That is a coincidence

13:15:00 From Jeana Wirtenberg to Everyone : Thanks Mike and everyone, very much. Need to leave now. Bye.

13:18:07 From Nishant Kathuria to Everyone : Thank you so much for taking my question and sharing your views :)

13:20:15 From Yoseph Mamo to Everyone : Thank you all!

13:20:24 From Jc Spender to Everyone : Tilman is right on the money!

13:21:53 From Cristian to Everyone : How would you explain the existence of the weapon Industry? as an Instrument for Peace?

13:22:50 From Nishant Kathuria to Everyone : @Cristian- e.g. India and Pakistan would have had more wars without sophisticated weapons

13:23:06 From Nishant Kathuria to Everyone : Though I am not in favor of weaponization

13:23:21 From Mike Barnett to Everyone : Peace through strength (in theory)

13:26:06 From Daniela Petrovski to Everyone : Amazing session, thank you!

13:26:16 From Nishant Kathuria to Everyone : Thank you everyone!

13:26:37 From Deepika Chhillar to Everyone : Thank you - to all the panelists!

13:26:38 From Cristian to Everyone : Thank you everyone!