
Values, Ethics and Business Decisions

International MBA - Renmin University - Sept-Oct 2011

The Power of Money:
A Day at the Big Bank

A word from Atos T. Anders

“I think we all agree that this tax is a threat to us, and it’s also political nonsense. It is obviously our interest and our responsibility to prevent the adoption of a mandatory policy that would constrain our activities and harm economic growth. We have no choice but to keep telling policy-makers and the public how irrational this solution is.”

Atos' strategy:
Fight against action

- Goal: Prevent –or delay– policy action on financial transactions taxation and regulation
 - Tactics:
 - Denying the dilemma
 - Contesting and influencing the scientific rationale
 - Influencing public perceptions
 - Impairing policy processes
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A word from Gerry J. Matheson

« We should focus on our core business: banking with good governance

[...] I don't think there is any urgency. So this is not the right time to act. [...] We don't need politicians to drop this initiative, as long as it entails no consequences for us. [...]

I would propose the creation of a 'Federation for Banking and Governance' ».

Gerry's strategy:
Wait and See

- Goal: Be prudent, stay focus, contain the threat, free ride
 - Tactics:
 - Accepting the possibility of a dilemma, but divert attention
 - Do not openly oppose science
 - Announcing good intentions, without commitment
 - Developing political connections, with discretion
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A word from Mary Paine

“The poor are among those who bear the biggest burden of crises, as wages plummet and unemployment soars. If other countries criticize liberalization, it is because they don’t benefit as much as we do from it

“We risk losing our ‘social license to operate’ if we don’t regain the trust of our stakeholders”

“the principle is anticipating regulations driven by the need to stabilize the banking industry”

“Let’s get the world on our side and become the bank people dream of!”

Mary's strategy:

Proactive

- Goal: Taking advantage of the situation

 - Tactics:
 - Facing the dilemma and trying to address it
 - Acknowledging the scientific rationale
 - Meeting stakeholders expectations
 - Supporting the policy process
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Discussion

Is there really a difference between these 3 strategies?

- ***In terms of Business?***
 - ***In terms of Ethics?***
 - ***In terms of Management?***
 - ***In terms of Communication?***
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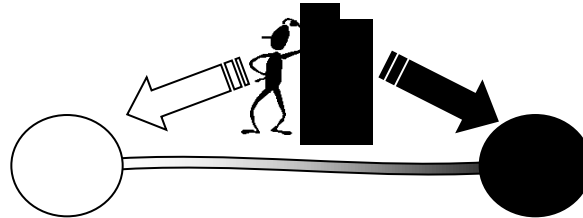
Business: interest, risk and opportunities

Which strategy best favors business interest?

What are the risks of each strategy?

What are the opportunities of each strategy?

Ethics: Being Systematic



To which extent is it unethical?

- **Emotions/Virtue:**
Do I feel bad?
Is this an unnatural way to act?
- **Deontology/Idealism:**
What sort of principle, rule or norm do I violate?
What happens if everybody does the same?
What happens if I always act like this?
- **Utilitarianism/Consequentialism:**
What are the bad consequences for others?
Would I suffer these consequences for myself?
What are the bad consequences for the environment?
Would the children of my children dislike these consequences?

To which extent is it ethical?

- **Emotions/Virtue:**
Do I feel good?
Is this a natural way to act?
- **Deontology/Idealism:**
What sort of principle, rule or norm do I respect?
What happens if everybody does the same?
What happens if I always act like this?
- **Utilitarianism/Consequentialism:**
What are the good consequences for others?
Would I like these consequences for myself?
What are the good consequences for the environment?
Would the children of my children like these consequences?

Management: Empowerment and Motivation

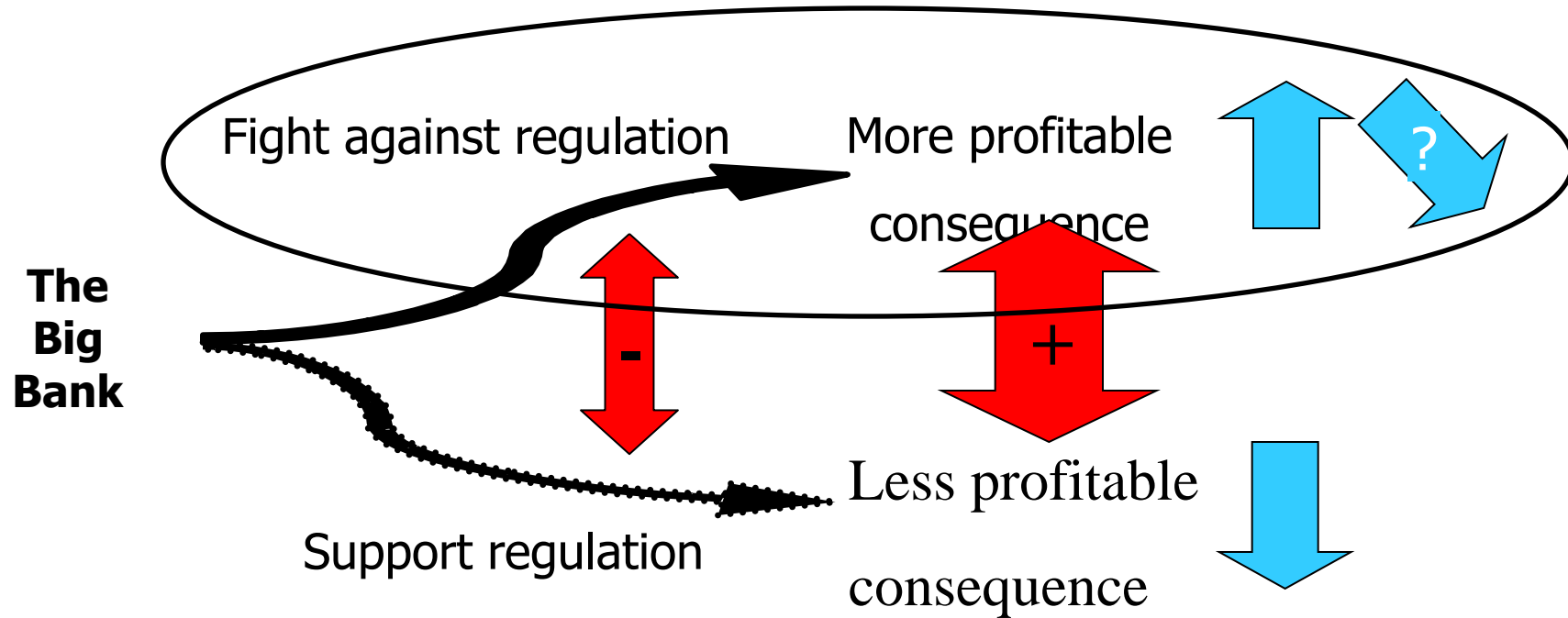
- Which strategy best empowers employees?
 - Which strategy is closer to *your* own values?
 - For which strategy would *you* prefer to work?
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Communication: Truth, Credibility and Trust

1. As a person of conscience, I consider unjust that the poor pay higher prices for banking products and services.
2. As Chairman of a leading bank, I acknowledge my responsibility in the current situation of financial injustice and exclusion, and I am determined to improve accessibility and affordability of banking products and services to the poor.
3. I believe that the financial interests of the bank may correspond to the interests of the poor. However, when this is not the case, I commit to trading off part of the bank's profit in favor of the interests of poor people.
4. I will regularly report on my efforts against financial injustice.

The pledge of Jason B. Spence, CEO of the Big Bank

Priority to Business?



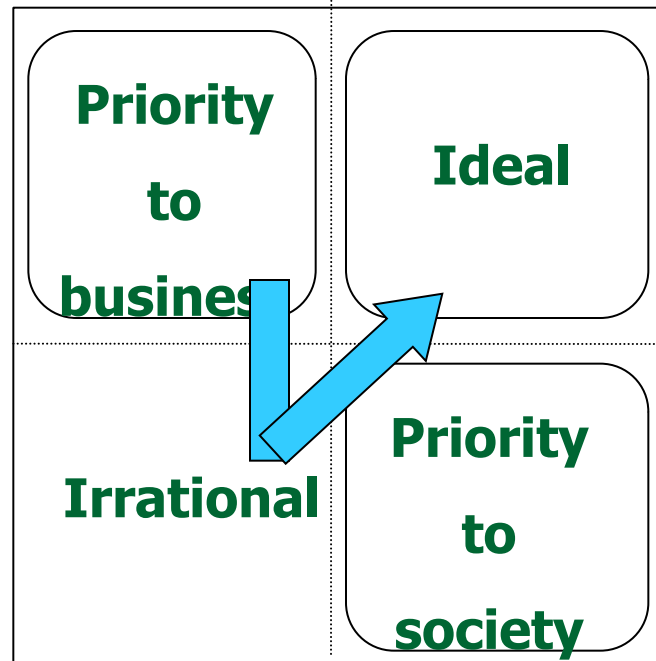
1. Emphasizing the business consequences differential
2. Weakening the ethical differential
3. Confidentiality of the strategy – Bad faith communication

By giving priority to business, ethics becomes mainly an issue of public relation

Tactics: Priority to Business

- Denial of the unethical process;
 - Emphasis of the costs of sacrifice;
 - Search for industry coalitions;
 - Influence and distortion of scientific research;
 - Influence and subversion of political and international institutions;
 - Influence and manipulation of public opinion;
 - Confidentiality of strategic choices.
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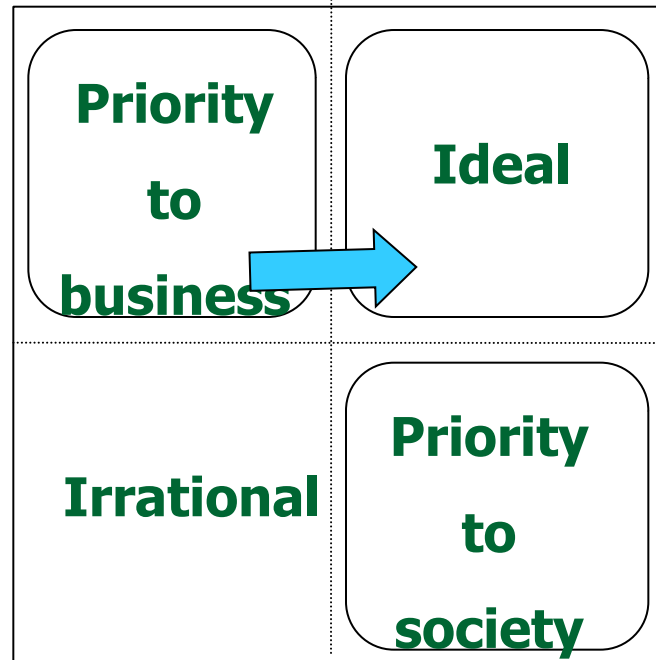
A Reactive Strategy...



We wait for change to become necessary

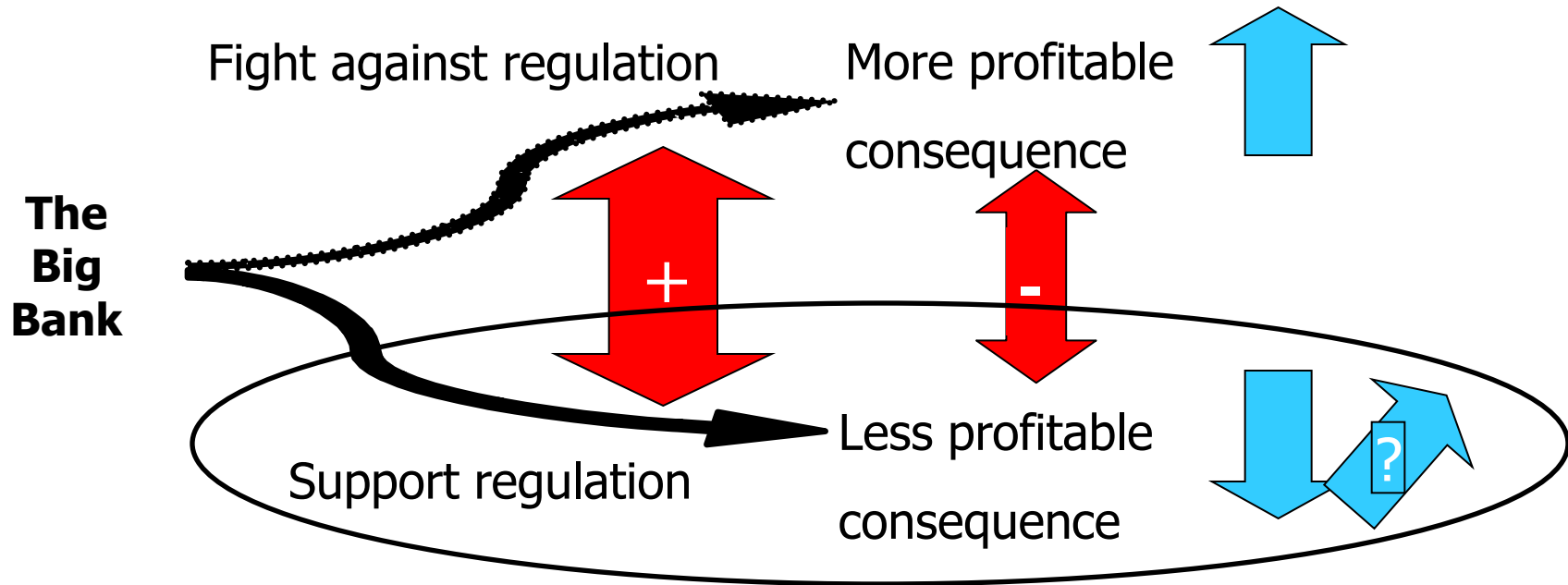
But this can be dangerous...

An Ambiguous Strategy...



Few will believe it,
Outside or inside the company...

Priority to Society



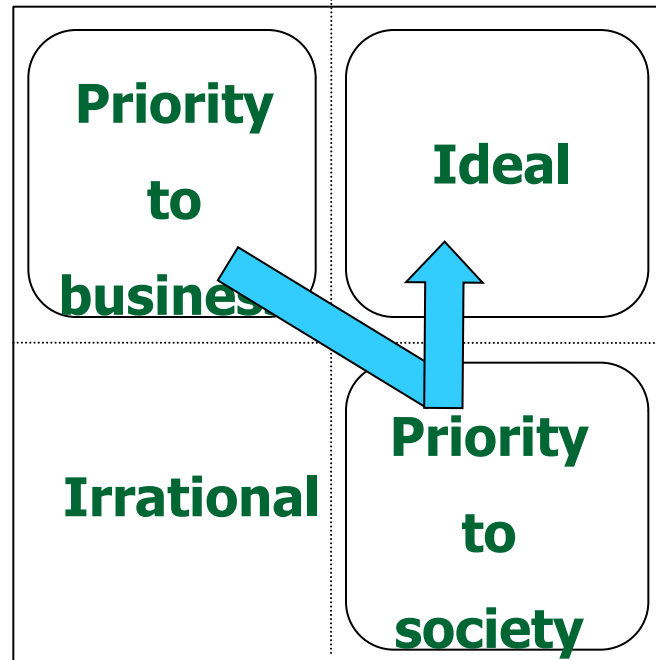
- 1. Weakening the business consequences differential**
- 2. Emphasizing the ethics differential**
- 3. Transparency of the strategy – Ambiguity of good faith**

By giving priority to ethics, it becomes a factor of strategic management

Tactics: Priority to Society

- **Acknowledgment of the unethical process;**
 - **Mitigation of the cost of sacrifice;**
 - **Emphasis of long term benefits;**
 - **Strategic re-positioning;**
 - **Search for differentiation and competitive advantage;**
 - **Ambiguity of the sacrifice;**
 - **Transparency of strategic choices;**
 - **Making amends?**
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A Proactive Strategy...



We are likely to be more credible,
And certainly motivated for change...
Visionary leaders welcome!

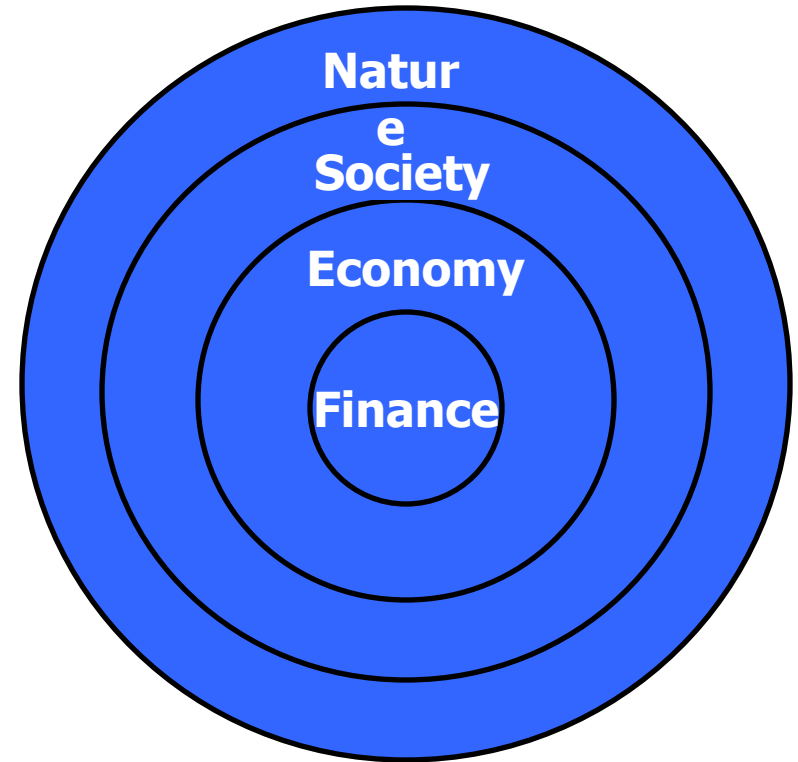
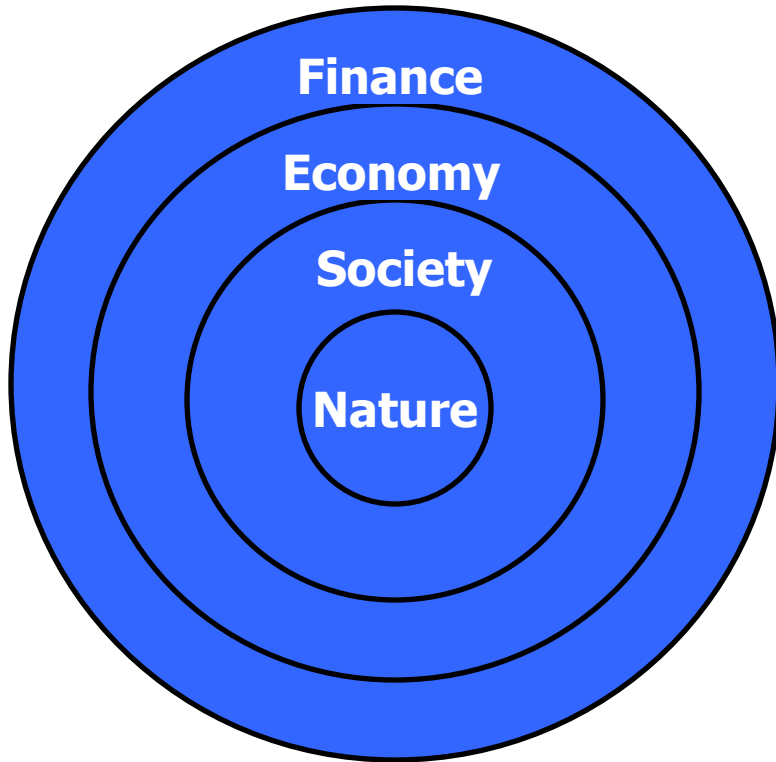
Unexpected Costs of Fighting against Society

- Society imposes increased accountability and liability;
- Value of brand name;
- Costly regulations;
- Increased organizational inertia due to confidentiality;
- Reduced internal motivation and trust due to deceptive public communication.

Unexpected Benefits of Aligning with Society

- Alignment with society may reduce liability;
 - Preserved brand name;
 - Exploration of alternative profitable business consequences;
 - First mover on new business opportunities;
 - Organizational learning process;
 - Increased internal motivation and trust.
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Hierarchy of Values and Business Dilemmas



What means for which end?

Conclusions

Stakeholders expect business to help solve the major social and environmental challenges the world is facing

The pursuit of financial performance by business actors is not perceived as sufficient to meet these challenges

Most successful companies already communicate their pledge towards society and the environment.

The usefulness and credibility of such value statements are determined by decision situations where such “ethical values” conflict with “business values”

To prepare you for these situations, think and talk about what is more important than financial performance

Cree Prophecy

- Only after the last tree has been cut down
 - Only after the last fish has been caught
 - Only after the last river has been poisoned
 - Only then will you find money cannot be eaten
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