

## Can profits and ethics coexist?

The right thing may also be the smart thing, argues a researcher known for his studies of baby boomers.

Book review by Rushworth Kidder

18 July 2006

*The Christian Science Monitor*

© 2006 Christian Science Monitor.

NOW AND THEN a new book comes along in which nearly every sentence deserves underlining. Such books are short, essential, and wise. Pursuing a single bright line of clear argument, they depend less on footnoted research than on the author's credibility. They don't come along often, because they take a lifetime to write.

*Profit with Honor* is such a book. In it, Daniel Yankelovich brings decades of work—as one of the world's most respected social science survey researchers and as a member of numerous corporate boards—to bear on the issue of values and ethics. His subtitle, "The New Stage of Market Capitalism," explains accurately if drably what he's after: How businesses can combine ethics and profitmaking. Had I been his editor, I'd have plumped for a more in-your-face subtitle—like, "Is Corporate Ethics an Oxymoron, and If Not, What the Heck Can We Do About It?"

Even if you're not in business, this question matters. It finds us today facing what Yankelovich calls a "third wave of mistrust of business and other institutions," following two earlier waves around the time of the Great Depression and again in the late 1960s.

Yankelovich argues that the current mistrust, while fed by scandals at Enron, Tyco, WorldCom, and elsewhere, springs from a convergence of three deeper trends:

- The deregulation of the 1980s and 1990s that "transformed the gatekeepers — the accounting firms, the investment bankers, the business law firms, the regulatory agencies— into enablers."
- The excesses of CEO pay, which tied it to "the vagaries of the stock market" and "sorely tempted" CEOs to "take questionable shortcuts, or even cheat."
- The importing into business of bad cultural norms that include winning at all costs and gaming the system.

Fighting such trends with laws and compliance structures isn't enough. "If you want positive results," he writes, "you need to give people a positive basis for trust and respect and an ethical vision to live by, not merely severe punishment for misdeeds."

Fair enough. But how? Unlike many laments about corporate malfeasance that are awash with diagnoses but scant on prescriptions, this book steers directly toward a concept that Yankelovich describes as "stewardship ethics." He sees it as "a new stage of enlightened self-interest" that brings social norms together with business imperatives, focuses on community, and "emphasizes the conscious effort required to reconcile profitability with social good."

Yankelovich locates his concept between two popular but (in his view) flawed theories about business ethics.

One is a laissez-faire approach that assumes “all reasonably honest ways of making profit somehow serve the public good” with no additional ethical imperatives required. The other is a corporate social responsibility approach. Arising from the nonprofit sector, this theory finds profitmaking suspect, and seeks to burden business with the correction of social ills unrelated to its core objectives.

Were he a typical academic, Yankelovich would at this point ground his ideas in the writings of the great thinkers. To be sure, he mentions Hegel, Marx, Tocqueville, and Adam Smith, but almost impatiently. Instead, he moves directly to the heart of the problem, which is the practicality of his theory. Will it matter? Will hard-driving executives buy into stewardship ethics? Here he draws two strong arguments from his own work over the years.

The first concerns executive pay. He divides compensation into two pieces: “the wealth needed to provide a CEO with financial security and a high-status lifestyle, and the wealth desired mainly for scorekeeping purposes (‘my bonus is bigger than yours’).” His own research has convinced him that baby boomers — who make up the bulk of today’s CEOs— desire more than money. He finds them “hungry for recognition and for the conviction that they are leaving a valued legacy for the future.” If that hunger can replace the “scorekeeping” part of executive compensation—and Yankelovich thinks it can—then stewardship ethics may well be attractive to the CEO.

The second argument concerns our culture’s broad social norms. “The good news is that the larger culture is ready for less self-centered, more-communal-

minded values,” he writes.

In the hands of a less trusted author, either argument would require at least a chapter of charts, graphs, and quotations. Who but Dan Yankelovich can talk so briefly about baby-boomer longings or civil-society norms—and be so readily believed? If you hunger for scholarly detail, “Profit with Honor” may not satisfy you. But if you suspect that what’s most needed today is a new vision for corporate ethics, this book makes perfect sense.

Rushworth M. Kidder is president of the Institute for Global Ethics and author of “Moral Courage.”

*Profit with Honor: The New Stage of Market Capitalism*, By Daniel Yankelovich, Yale University Press, 2006.