

Introduction

in 2008

The year 2009 will go down in history for many reasons. The first African-American was elected as the president of the U.S.A.; the first South American city was chosen as the location for the 2016 Olympics; the premature death of one of the world's greatest music stars; and many more memorable events.

But it seems that more than anything else, 2009 will be remembered as the year the world struggled to re-consider its practices and theories in the fields of economics, management and ethics. 2008 brought the world the global financial crisis (GFC) that presumably started as a sub-prime mortgage crisis and slowly, like a cancerous tumour, spread into the entire global economy, bringing down 100-year-old financial institutions and automakers that were once the pride of American capitalism. During 2009, while still licking its wounds and trying to understand the actual reasons for the GFC, people around the world started engaging in a game that has become a second nature to humans, *The Blame Game*.

Many were the targets of this onslaught, but none suffered the pointed arrows of blameworthiness as the graduates of the MBA programs. Blamed for every wrong the world has seen, both individuals holding an MBA degree and institutions issuing the degree started defending themselves while re-thinking the purpose and structure of the MBA programs.¹

While a number of issues have emerged out of this process, it seems none received more publicity than an initiative by a number of Harvard Business School students to create an MBA Oath.² Hoping to "... a) make a difference in the lives of the students who take the oath b) challenge ... classmates to work with a higher professional standard, whether they sign the oath or not and c) create a public conversation in the press about professionalising and

¹ For different opinions from both sides of the argument, see the discussion in the Harvard business Review Blog under the title: How to Fix Business Schools: <http://blogs.harvardbusiness.org/how-to-fix-business-schools/>

² For the full version of the MBA oath see: <http://mbaoath.org/about/the-mba-oath/#Fullversion>

improving management",³ they started a phenomena³ which ended up inspiring almost 1700 individuals across the U.S.A and in other parts of the world from India to Spain to sign the oath.⁴

The oath, which declares that as a manager, the oath takers' purpose is, among other things "... to serve the greater good by bringing people and resources together to create value that no single individual can build alone", has been received with mixed feelings inside and outside the MBA community. Thus, we decided to invite two current MBA candidates (due to privacy issues we will call them Dr. Ethicist and Mr. Cynical) for a debate. The question on the table is: **Is there a need for an MBA oath?** Following are their answers in three rounds.

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Round 1:

Dr. Ethicist:

Will the MBA oath solve the problems of fraudulent business practices? **No**. Will it stop managers from lying, cheating or stealing? **No**. Will it prevent another financial crisis in the future? **Probably not**.

Is there a need for an MBA oath? My astounding answer is **YES**.

Not because an MBA oath is a cure for the world's problems, but because it is a symbol. It is a symbol of accountability. A symbol that students, who see themselves as the world's future leaders and managers, agree to voluntarily^{ily} think about the consequences of their actions. That these people understand that in a capitalist system, even as each individual acts in his own self interest, there is still a greater good to consider.

Let's assume we are all behind a Rawlsian⁵ veil of ignorance.⁵ Now you are asked a question. Do you want the managers in your society to consider the consequences of their actions before they make decisions or just act in their own self-interest? As you don't know which group of society you will be part

³ Text from welcome part of: <http://mbaoath.org/>

⁴ See <http://mbaoath.org/list-of-oath-signers/>

⁵ See http://en.wikipedia.org/wiki/Veil_of_ignorance

of, your answer will have to be, yes. Now, we all know the Rawlsian world is not reality. But it does help us understand that the least we can do is ask the people in our society that go through an official management training to face such a question.

We know from social science research that people do not always act rationally.⁶ We also know that they live in constant struggle between their need to see themselves as good people and their need to act on their own self-interest. And given an opportunity, most people will cheat a little bit.⁷ However, as the Business Ethics class of the AGSM MBA class 2009 has discussed ~~in-class~~, the big ethical dilemmas and corporate scandals usually start with a small decision that later, like a ~~snow~~ avalanche, grows in dimensions.

Social science has also taught us this. The tendency of people to cheat can be over turned, *First*, by introducing into their minds the idea of morals and honour. Just the mention of an honour code has reduced people's tendency to cheat. *Second*, by a herding effect.⁸ There is some kind of tipping point, if enough people act according to rules or in ethical ways, the probability that people will break the rules reduces and vice versa. When some norms just become unacceptable in a society.

While I agree there are some doubts regarding the direct applicability of these experiments to the question of the MBA oath, there can be no doubt regarding the potential of the MBA oath to have effects on people's behaviour. This also means that the oath is only a first step in taking issues like ethics, accountability and consequential thinking into the business world. In other words, it is a much needed symbol in the MBA curriculum.

⁶ For an elaboration of experiments, see: Dan Ariely, *Predictably Irrational – The Hidden Force That Shape Our Decisions*, (1st Ed., HarperCollins, New-York)

⁷ See *Predictably Irrational*, 195-216.

⁸ See http://www.ted.com/talks/lang/eng/dan_ariely_on_our_buggy_moral_code.html from minute 11:00.

Mr. Cynical

No, there is no need for an MBA oath. I believe that the MBA Oath is, at best irrelevant, but worse it is potentially more problematic than having no oath at all. The MBA oath is a warm fuzzy motherly statement that does nothing to really change the apparent lack of ethical standards of some MBA graduates, or influence day-to-day behaviour of oath takers.

For the record, I am strongly against unethical behaviour in business or life. I too detest the immoral, illegal and unethical behaviour that has led to many of the financial and social problems facing the world at present. However I believe that the hope this oath is a silver bullet that will resolve the ethical deficit of MBA graduates is naïve. *apparent?*

The notion that this oath will prevent future unethical behaviour is shaky. People do know right from wrong when making decision. So in essence this oath says nothing more than "don't do bad things". **Is this really necessary?** It is important to remember that in all communities there are always a small ^{number} ~~amount~~ of people ^{who} ~~that~~ are by nature unethical. Whether these bad apples take the oath or not will be ineffective at stop^{ping} this minority of people from continuing to make ethically questionable decisions. ✓

Ethics is such a subjective matter, anyway. Whose ethical standards are we to hold these new MBA graduates to if they stray? Someone who prescribes to the Kantian⁹ ethical framework may be appalled by the decisions being made by someone else who uses a Utilitarian¹⁰ framework for their ethical decision making. It's just not possible to keep everyone happy and on the same ethical playing field.

It's also worth noting that the MBA Oath is not even technically an oath. It's more of a declaration or affirmation than an oath. An oath is a statement of fact that starts out by swearing upon something or someone that the oath maker considers sacred, usually God, as a witness to the binding nature of ✓

⁹ <http://en.wikipedia.org/wiki/Kantianism>

¹⁰ <http://en.wikipedia.org/wiki/Utilitarian>

the promise.¹¹ The MBA Oath has no such preamble, so why call it an oath? Perhaps it is being called an oath to give it the false veil of having some sort of heightened moral authority or accountability. ✓

On a sceptical note, something worth pondering is why this oath originated from Harvard. On the surface, it might seem that Harvard graduates have now changed and are now more concerned with the ethical problems that have crippled the world and want to prevent them from ever occurring again. However, is it possible that this oath is nothing more than a cleverly constructed piece of self and professional promotion, aimed at giving society the false perception that Harvard graduates are now entering the business world with a new ethical authority on a new moral high ground? Could this be nothing more than a case of a wolf in sheep's clothing?

Round 2:

Dr. Ethicist:

While I admire the enthusiasm of my cynical friend, it is evident that his enthusiasm is misdirected.

As I mentioned in round 1, we know from empirical evidence that "fuzzy motherly statements", as my dear misguided friend calls them, do have an effect on human behaviour. The extent of this effect varies due to different reasons, but to claim that these kinds of statements do nothing to change behaviour is not only wrong, but misleading.

More than that, nowhere in the oath or the explanation is the claim that the oath should be a clear silver bullet that will resolve the ethical deficit of MBA graduates. It was my expectation from Mr. Cynical to be more cynical of any attempt or intention to create such an approach and his lack of mention of statements as such is the proof that this intention does not exist. As I mentioned in round 1, the importance of the oath will not be found in its effectiveness, but in its symbolism and the approach that it represent. Change will not be immediate, as change never is.

¹¹ <http://en.wikipedia.org/wiki/Oath>

My dear friend makes two completely accurate statements, but unfortunately draws the wrong conclusions out of them. *First*, people usually know right from wrong, "usually" being the important word. As empirical evidence from social science has shown¹² us, people's decisions sway due to circumstances that they sometimes can't even explain.¹² The notion that all people are rational and choose rationally to do wrong when faced with a decision has been proven wrong. Thus, every tool we can elicit to fight people's tendency to choose "wrong" and nudge them to choose "right" should be used, as if this oath will have such an effect, then it is important.

Second, my friend talks about the bad apples in the bag. It is true that there will always be some bad apples. But that does not mean that we have to throw away the whole bag. More than that, as I mentioned in round 1, the mere effect of social norms and herd mentality¹³ will discourage these bad apples and will act as a regulator for their activities. There may be bad apples but they will have a harder time spoiling it for the rest of us.

As I mentioned in round 1, the question of how we make the decision (Kantian or Utilitarian) is less important than stopping and considering the questions. *First*, because in those cases where there is no doubt, a right vs. wrong situation, stopping will lead to the right decisions. *Second*, where there is right vs. right decision,¹³ the process of the decision making will include weighing in all the relevant considerations instead of making rash decisions. On aggregate, these decisions will be better.

Finally, as my cynical friend ran out of relevant arguments, he decided to side-step the discussion to irrelevant subjects. Does it matter how we call it – oath, declaration or statement?² Yes, the name oath makes it widely accepted and easier to understand. Is there something wrong with that? Let's leave the semantics aside and concentrate on the substance instead of on the form. Similar things could be said regarding the claim about the origins of the oath

¹² See:

[http://www.ted.com/talks/lang/eng/dan_ariely_asks_are_we_in_control_of_our_own_decisions.htm](http://www.ted.com/talks/lang/eng/dan_ariely_asks_are_we_in_control_of_our_own_decisions.html)

¹³ For a detailed discussion of Right Vs. Right and Right Vs. Wrong Framework see: Rushworth M. Kidder, *How good People Make Tough Choices – Resolving the Dilemmas of Ethical Living* (1st Ed., ?

at Harvard. I am willing to go with my friend and assume that the oath was created out of all the wrong intentions, even though I don't actually believe that, as there is no evidence for this conspiracy claim. Even so, does that really matter, if it is an effective symbol that has a chance to improve our society? ✓

Mr. Cynical

While my friend preaches from his moral high horse, I feel that I need to bring this debate back down to the cold hard reality of the day-to-day business environment that we all operate in. The problem with Dr. Ethicist's argument is that the MBA Oath is an untested and ineffective tangential solution that even Dr. Ethicist admits may take years before the ethical osmosis becomes effective and it spreads into the broader business environment. I suggest that Dr. Ethicist stop wasting his time and energy pursuing the MBA Oath as the solution and instead adopt a more immediate and proven solution to the problem at hand. Laws.

Put simply, if the law was effective and comprehensive, these loopholes and shady opportunistic areas would not have existed in the first place and we wouldn't be in the global mess we are today. It seems to me that Dr. Ethicist feels that the MBA Oath is needed to add an ethical clarity in the grey areas businesses operate in. However if we simply fix the laws to eliminate the existence of these grey areas and loopholes, then the problem is effectively eliminated. No more sub-prime mortgages, no more CDO's, no more Ford Pinto. Problem solved.

Round 3:

Dr. Ethicist:

I obviously need to step off my horse and into the "real world". By real world, I mean, of course, a perfect world, where my dear friend lives. In this world, every situation could be solved by law, as there have never been people who found way to circumvent laws. It is also a perfect world where the government is as fast as the business world in understanding innovative ✓

technologies, business models and financial tools, in order to regulate them, before they are used in the economy. Indeed, I would hate to take the role of the Cynic from my friend, who is supposed to be the expert at it, but I find it amusing to find a silver bullet argument in my friend's response when he is the one who condoned such measures to begin with.

In his book, *Code and Other Laws of Cyberspace*¹⁴, Lawrence Lessig claims that there are four categories of regulating behaviour: law, norms, market and architecture. Law tells us not to do something, and if we do it, we get punished. Norms will get us shunned socially instead. Market forces will cost us money, and architecture will simply not permit us to do it. For instance, to prevent somebody from breaking into our house, we can pass laws threatening to put them in jail if they do, we can threaten to shun them, or we could put locks on our door to prevent them from doing so (architecture).

* market?

Laws are sometimes a good solution, but are not the only solution. Laws have their own problems of being the result of a political compromise, being ineffective due to laggardness and are prone to circumvention. If we want to try and improve the world, we need a number of measures. Laws might be one of them. Norms are another. That is what the MBA oath is all about.

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Finally, as we know, some of the problem is not of legality but of judgement. Thinking of the short-term profits is should not be illegal per se, as sometimes it is a needed move. It should be a decision made out of the understanding of the role of business in society and of a robust thinking process.

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Mr. Cynical

I agree with Dr Ethicist's statement about how norms provide clarity in circumstances where the law has been slow to provide official guidance, however one problem still remains. For the MBA Oath to be effective as a norm, it has to be top of mind at all times. What Dr. Ethicist still hasn't addressed is how the MBA Oath will be kept in the top of the decision maker's mind, while resides there most of the time are his concerns for the bottom line or the company's shareholders. Until a solution is proposed that stops the

¹⁴ Lawrence Lessig, *Code and Other Laws of Cyberspace* (1999, Basic Books, New-York)

MBA Oath from fading and becoming a distant memory, the problem remains unsolved.

The concept of an oath sounds appealing and an easy way to address the deficient laws that have led us into so much trouble right now. However, in the world of fast paced business, the MBA Oath will quickly fade to a far dark corner of our memory unless there is a way to actively keep it top of mind at all times. Dr Ethicist has failed to suggest a solution to address this fundamental flaw with the MBA Oath he supports. ✓

Conclusion

With the GFC apparently fading and talk of a recovery gaining momentum, people are justified in asking, how this all happened and how to avoid it happening again in the future. MBAs have certainly received a large amount of criticism for their roles that brought the world's financial markets to its knees and quite rightly so.

The MBA Oath has been presented as a way to help raise the moral and ethical standing of MBAs in the community and help guide MBAs to make better ethical business decisions. As we find ourselves on the cusp of a financial recovery, the risk now is that much of the debate that led us to the formation of the MBA Oath and that provided much of the initial momentum may quickly fade as prosperous times return. However to ignore lessons from the past, is a perilous mistake, as doing so will almost certainly see the same problem re-occur again. ✓

Is the MBA Oath the solution that the world's business community needs to safe guard against future GFCs? Perhaps.

Will it succeed in this goal? Only time will tell. ✓

Very good!