

Forswearing greed

MBA students lead a campaign to turn management into a formal profession.



Illustration by Peter Schrank

They did not actually say that “greed is not good”, but the oath taken on June 3rd by more than 400 students graduating from Harvard Business School amounted to much the same thing. At an unofficial ceremony the day before they received their MBAs, the students promised they would, among other things, “serve the greater good”, “act with the utmost integrity” and guard against “decisions and behaviour that advance my own narrow ambitions, but harm the enterprise and the societies it serves.”

You may snigger. Yet with around half of this year’s graduating class taking the pledge, Max Anderson, an MBA student himself, saw it as a triumph for a campaign that he launched only last month. He had hoped to get 100 of his classmates to sign up at best. The economic crisis seems to have been behind the rush. Students want to distance themselves from earlier generations of MBAs, whose wonky moral compasses were seen to have contributed to the turmoil, especially on Wall Street, the biggest employer of Harvard MBAs in recent years.

It may seem ridiculous that students who have spent over \$100,000 on two years of study in an effort to get very rich are now so keen to rebrand themselves as virtuous. Such naivety, if that is what it is, will not survive long beyond the university’s walls. But the students may just be putting their marketing lessons into practice. They are entering the worst job market for graduating MBAs in decades. Many see non-profit and government jobs as their best bet. So embracing the “values agenda” could prove useful.

The popularity of the oath might also reflect a broader change, with huge implications not just for business education but for management as a whole, says Rakesh Khurana, a professor at Harvard Business School. Mr Khurana and a colleague, Nitin Nohria, have been among the few faculty members to encourage Mr Anderson’s campaign. “Students are saying they want business education to operate in a different way and that they want higher expectations from faculty,” he says. “Just telling them to maximise shareholder value does not satisfy them any more. They want to get away from the cartoon image of business that they are taught in the classroom, to get useful practical advice on how to lead a firm in the 21st century.”

The student oath is part of a larger effort to turn management from a trade into a profession—a crusade that Messrs Khurana and Nohria proposed in a much-discussed article last October in the Harvard Business Review. When the business school was founded in 1908, the goal was to create something along the lines of Harvard’s medical and law schools. But the mission was

soon abandoned, not least because there was no agreement about how managers should behave.

A set of shared values is one of the defining features of a profession. Lawyers and doctors have their own codes, but business-school professors tend to embrace Milton Friedman's claim that the only responsibility of business is to maximise profits. They have told their students that as managers their sole mission should be increasing shareholder value.

One of the two main criticisms of the oath and of the whole idea of turning management into a profession, particularly in business-school faculties, is that it is either unnecessary or actively harmful. Crimes such as embezzlement are punishable by law. Shareholders who feel that managers have not acted in their best interests can sue them. Meanwhile, by promising to "safeguard the interests" of colleagues, customers, and society, are the future captains of industry simply short-changing their shareholders?

Defenders of the oath reply that the goal of maximising shareholder value has become a justification for short-termism and, in particular, rapid personal enrichment. They are concerned about managers doing things that drive up the share price quickly at the expense of a firm's lasting health. Management gurus such as Jim "Good to Great" Collins argue that shareholders are likely to earn better returns in the long run if firms are led by managers with integrity and a desire to play a constructive role in society.

The second complaint is that the oath's fine words are toothless. There are few clear-cut injunctions along the lines of the Hippocratic oath for doctors, which commands physicians: "First, do no harm." It is hard to define, let alone measure, managing "in good faith" or acting "in an ethical manner". But the oath-taking MBAs' pledges to avoid corruption, to represent the performance and risks of their firm accurately, to educate themselves continuously and to allow their peers to hold them to account are all meaningful and can be monitored, says Mr Khurana.

The campaign for an MBA oath dates back to 2004, when Ángel Cabrera, president of Thunderbird, a business school in Arizona, suggested that his students write one. It soon became an official part of the school's MBA programme. The oath, Mr Cabrera says, has been "a phenomenal change-management tool". Students constantly use it to question things they are taught, he says, citing those who took a faculty member to task for breezily asserting that paying bribes is a normal part of doing business in India.

But it is what happens when the student enters the real world that counts. Mr Cabrera says he has anecdotal evidence of graduates who have challenged unethical behaviour successfully in their new jobs. He is also working with Messrs Khurana and Nohria, the Aspen Institute, a think-tank, and the World Economic Forum, among others, to try to work out a way to add teeth to the oath. They have discussed ideas such as trying to keep managers apprised of the latest thinking in their field, developing a professional licence for them and setting up an organisation to punish unprofessional behaviour.

Even these cheerleaders admit there are differences between practising management and, say, medicine. They concede that no self-regulating professional body for managers could possibly monopolise entry to the profession, given the long list of entrepreneurs such as Bill Gates who have created oodles of shareholder value without any formal training. Hardly any entrepreneurs have MBAs, Mr Khurana admits. But he believes a professional licence could still be a useful qualification even if it was not a requirement for all managers.

As for punishing unprofessional behaviour, Mr Khurana is inspired by the internet rather than by a closed council of grandees. From open-source software to eBay and Wikipedia, new

systems of self-regulation are emerging based on openness, constant feedback and the wisdom of crowds. These could be adapted, he thinks, to provide effective scrutiny of managers.

Don Tapscott, co-author of "Wikinomics" and "The Naked Corporation", says that in today's increasingly "transparent world, where every stakeholder has radar, accountability becomes a requirement for trust. In fact, for those who embrace it as a value, it is a powerful force for business success." In addition, the financial crisis and the recession will doubtless spark more scrutiny of managers. So embracing a more sympathetic agenda may not be so naïve after all.

FORSWEARING greed. **The Economist**, New York, June 4th, 2009. Disponível em: <www.economist.com>. Acesso em: 9 jun. 2009.

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