

THE MBA OATH

RESPONSIBLE VALUE CREATION



THE CHAPTER KIT

HOW TO MAKE THIS HAPPEN ON YOUR CAMPUS.



Designed for the MBA Class of 2010

PURPOSE OF MBA OATH



Make a difference in the lives of students that take the oath.

Challenge other classmates to work with a higher ethical standard, whether they take the oath or not.

Create a public conversation in the press about professionalizing and improving management.

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Make management a true profession

You

CAN MAKE IT HAPPEN ON YOUR CAMPUS.



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MBA OATH

Preamble

As a manager, my purpose is to serve the greater good by bringing together people and resources to create value that no single individual can build alone. Therefore I will seek a course that enhances the value my enterprise can create for society over the long term. I recognize that my decisions can have far-reaching consequences that affect the well-being of individuals inside and outside my enterprise, today and in the future. As I reconcile the interests of different constituencies, I will face difficult choices.

WWW.MBAOATH.ORG

MBA OATH

Therefore, I Promise

- ◆ I will act with utmost integrity and pursue my work in an ethical manner.
- ◆ I will safeguard the interests of my shareholders, co-workers, customers and the society in which we operate.
- ◆ I will manage my enterprise in good faith, guarding against decisions and behavior that advance my own narrow ambitions but harm the enterprise and societies it serves.
- ◆ I will understand and uphold, both in letter and in spirit, the laws and contracts governing my own conduct and that of my enterprise.
- ◆ I will take responsibility for my actions, and will represent the performance and risks of my enterprise accurately and honestly.
- ◆ I will develop both myself and other managers under my supervision so that the profession continues to grow and contribute to the well-being of society.
- ◆ I will strive to create sustainable economic, social, and environmental prosperity worldwide.
- ◆ I will be accountable to my peers and they will be accountable to me for living by this oath.

This oath I make freely, and upon my honor.

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HELLO.



If you choose to do this, you'll have your work cut out for you. Many in the media and the public distrust MBAs. While some have seen hope in this movement, others have seen darker motives (like MBAs trying to get jobs and this being a PR activity only). Your job is to prove them wrong. Moreover, many of your classmates cannot easily be convinced to sign on. Some will be apathetic, some distracted, some outright skeptical. Your job will be to persuade them.

The good news is that you have the opportunity to be at the forefront of something truly significant, and possibly historic. This is a moment in history, like none in our lifetime, when the world is looking for a change from business. Because we are graduating into this financial crisis as MBAs, we have a unique opportunity to lead that change. The MBA Oath movement has received praise and support from many of the world's leading newspapers, business schools, and business leaders. We have momentum and 2010 will be the year that the MBA Oath turns into an ongoing widespread movement.

This is what it means to start a "chapter" of the MBA Oath on your campus.

Research shows that individuals have difficulty adhering to personal commitments of behavior like the Oath unless 30% of their peers are also committed to the same values. If only a couple people from your campus sign the oath, it won't have the personal social reinforcement needed to make the oath meaningful. Therefore we are encouraging the development of local student-run chapters of the MBA Oath at the world's top business schools.

Each campus that gets an approved chapter will receive this support from the national MBA oath movement:

- A landing page on the website (e.g. mbaoath.org/Stanford)
- Marketing materials (flyers, business cards, etc)
- A "coach" from the national team to help you get started
- A seat on the International Student Leadership Council
- Discounts to conference on business professionalism (proposed)



HELLO. (CON'T)

There are a few requirements to get your chapter approved. To officially launch a chapter, we'll require some things of you personally and of your campus group.

Personal Requirements

- Be a member, in good standing, of the 2010 or 2009 class at your business school
- Write 300 word essay on why you think the oath is important and why you think you would be a good leader (drawing on your personal experience).
- Ability to commit at least 5 hours a week to working on the oath
- Interview with the MBA Oath national committee

School Requirements

- Accredited MBA institution
- Minimum student leadership team of 5 MBAs (with each leader fulfilling the “personal requirements” listed above)
- Use the same oath as the national MBA Oath
- Get at least 30% of the graduating MBA class to sign the MBA Oath*
- Hold an Oath-taking ceremony at graduation*
- Designate 1-2 leaders to represent your campus on the national Oath Student Leadership Committee*

*For approved chapters - needed to renew chapter status.

What you need to do:

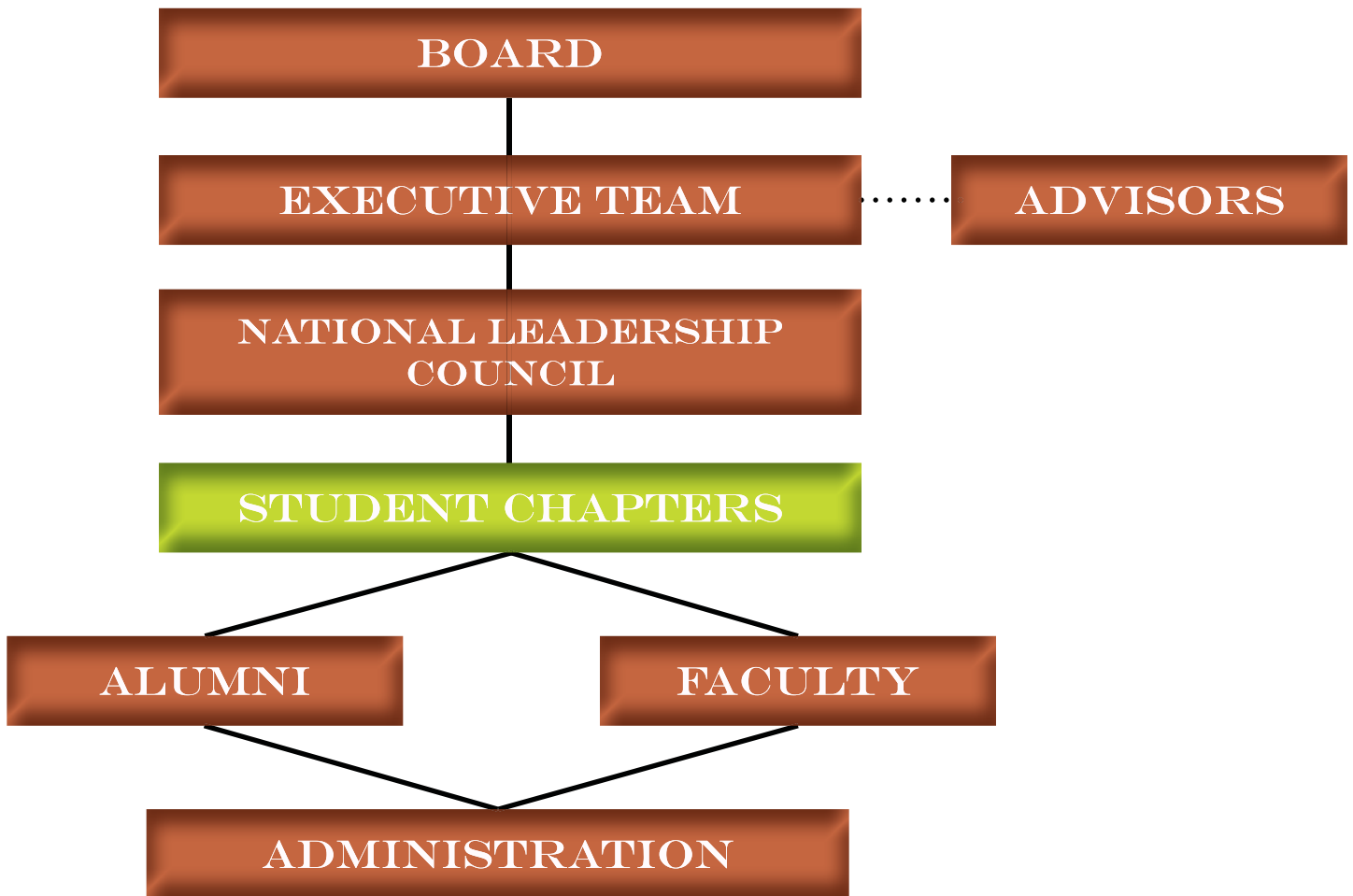
1. RSVP by August 28 to our national conference call on Sunday August 30.
2. Write your 300-word essay on why you want to lead and send to chapters@mbaoath.org.
3. Recruit at least 4 other students to join you.

Thanks for your interest. Please contact us if you have any questions!

Best regards,

-Max

ORGANIZE.



REASON.



 Harvard Business Review

IT'S TIME TO MAKE MANAGEMENT A TRUE PROFESSION

by Rakesh Khurana and Nitin Nohria
Published | October 2008



Rakesh Khurana is a professor of business administration at Harvard Business School in Boston. He is the author of *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton University Press, 2007).



Nitin Nohria is the Richard P. Chapman Professor of Business Administration and senior associate dean and director of faculty development at Harvard Business School. He has published 12 articles with HBR, the most recent, “Are Leaders Portable?” with Boris Groysberg and Andrew N. McLean, appearing in May 2006.

Managers have lost legitimacy over the past decade in the face of a widespread institutional breakdown of trust and self-policing in business. To regain society’s trust, we believe that business leaders must embrace a way of looking at their role that goes beyond their responsibility to the shareholder to include a civic responsibility and a personal commitment to their duty as institutional custodians. In other words, it is time that management finally became a profession.

True professions have codes of conduct, and the meaning and consequences of those codes are taught as part of the formal education of their members. A governing body, composed of respected members of the profession, oversees members’ compliance. Through these codes, professional institutions forge an implicit social contract with other members of society: Trust us to control and exercise jurisdiction over an important occupational category. In return, the profession prom-

ises, we will ensure that the members of our profession are worthy of your trust -- that will not only be competent to perform the tasks they have been entrusted with, but they will also conduct themselves with high standards and great integrity. On balance we believe that a profession, with well-functioning institutions of discipline, will curb misconduct, because moral behavior is an integral part of the identity of professionals – a self-image most are motivated to maintain.

The idea of management as a profession is not new. It was launched in the United States with great hope a century ago with the founding of the nation’s university-based business schools. A vanguard of institutional entrepreneurs, both academics and enlightened business leaders, saw the rise of the large corporation as a profound challenge to the existing social order. When large corporations began to sell shares of their stock to the public, thereby dispersing ownership and con-



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trol, myriad stakeholders (shareholders, labor groups, government officials) all proclaimed the right to direct these powerful new entities.

The university-based business school, in turn, was invented as a way of legitimating another claimant's right to control the publicly owned corporation: a new group known as managers. The strategy for advancing management's claim was to ally the leaders of the business school movement with three institutions viewed as the pillars of the Progressive Era: science, the professions, and the new American research university. The university-based business schools proposed to ensure, through this network of alliances, that large corporations would be run in the interests of society by turning the occupation of management into a bona fide profession.

That ambition has so far gone unrealized. The claim that managers are professionals does not withstand scrutiny when you compare management with true professions such as medicine and law. Unlike doctors and lawyers, managers don't need a formal education, let alone a license, to practice. Nor do they adhere to a universal and enforceable code of conduct. Individual companies may write and enforce corporate codes or value statements, but there's no universally accepted set of professional values backed up by a governing body with the power to censure managers who deviate from the code.

In principle, there's no reason why management couldn't strive to become a profession. The institutional arrangements are easy enough to put in place. What's more difficult is determining whether to push in that direction. Would formalizing management education make individual managers more effective? More generally, how would creating a professional pool of consistently trained managers affect the entrepreneur-

ial activity that drives economic growth? Could we reach a consensus on a set of common professional standards that would be plausibly enforceable? Would having such a code have any impact on behavior? In the following pages we explore the differences between management and the true professions, describe how the institutional framework of a professional management system might work, and examine whether such a system would be desirable.

Does Management Education Add Value?

Thanks to television and films and books such as Scott Turow's *One-L*, the education of doctors and lawyers has become the stuff of legend. Typically, true professionals undergo an intense three- to four-year postgraduate degree immediately following their undergraduate course work. On graduating, they then have to obtain a formal license to practice by passing a comprehensive state or federal exam designed to test their mastery of the body of knowledge their educational degree ostensibly trained them for. Once the professional passes this test, he or she has to invest in a certain amount of continuing education to stay abreast of evolving knowledge. In some fields, licensed professionals must periodically pass further exams in order to re-certify their licenses.

Managers don't face any such challenges. Although the MBA degree has been the fastest-growing graduate degree for the past twenty years, it is not a requirement for becoming a manager. Managers do not have to sit a formal exam to demonstrate their knowledge even at the end of an MBA, let alone stay current with evolving knowledge in their field. There is no obligation for them to know anything about investing in innovative new financial derivatives or special purpose vehicles, for example, even if they serve on boards required to approve such potentially risky transactions.



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To the contrary, data on enrollment in executive education programs offered by business schools suggest that those who already possess an MBA are less likely to invest in “lifelong learning” in the form of continuing education.

Management today could easily adopt the more stringent knowledge and competency standards required by the true professions. The Association to Advance Collegiate Schools of Business (AACSB) already sets modest accreditation requirements for business school programs, and the Graduate Management Admissions Council administers the GMAT admissions exam in an effort to gauge a potential MBA student’s intellectual ability. It also examines and accredits the MBA curriculum of most schools granting this degree. The AACSB or another similar body could devise and administer an exam that all graduating MBAs would have to pass before they were “licensed” to practice. Imagine a Certificate in Business Administration (CBA) that was granted if you passed this additional requirement beyond the MBA degree granted by any school. The same body could also devise the necessary standards for mandatory continuing education to maintain the CBA license over time. Professionalizing management in this way would have the additional benefit of making it easier for firms and employees to invest in continuing education and development. The costs would no longer be borne by just a few employers who provide such training, which can then be appropriated by the employee who moves on to another employer.

The bigger challenge is gaining acceptance of the idea that educational standards will improve the practice of management. Many management scholars and practitioners believe that management is as much art or craft as science, better mastered through experience than formal education. The softer skills of management (interpersonal effectiveness, communication, leader-

ship) are hard to learn through formal education and harder yet to test for in a standardized exam. Some people, notably Jeffrey Pfeffer of the Graduate School of Business at Stanford University, go so far as to argue that experience is the only valid teacher. In other words, those who possess a management education are no more effective than those who don’t. Even if few people go quite that far, many agree with Nobel-prize-winning economist A. Michael Spence that higher education is simply a signaling device: going to a business school allows individuals to credibly signal their greater commitment to a career in management – (admittedly useful information to employers that must select people they have to invest in and count on). And many MBA students have yet a different perspective: They believe that business school is simply an opportunity to develop a robust network of relationships with peers and alumni.

In the absence of empirical evidence, the idea that the practice of management can be improved by mastering some body of knowledge rests on faith. If you believe that the only value in management education is derived from signaling dedication to the field or building networks, it makes no sense to advocate the professionalization of management. It also calls into question the legitimacy of all current management education, which does entail studying a broadly similar curriculum across all schools offering management degrees.

But if you believe, as we do, that the practice of management can benefit from judgment that draws upon a coherent body of formal knowledge, then pushing management in the direction of the true professions makes a lot of sense. That’s not to ignore or underestimate the importance of experience or of other skills (that can’t be easily taught) in exercising better judgment and becoming a more effective manager. Indeed, the importance of experience and soft skills are



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highly valued in professions such as medicine and law. A belief in the value of professionalizing management does not even require us to endorse the current management curriculum and methods of teaching. A good profession will always challenge its existing paradigm and be open to changing it. For instance, the relevant bodies of knowledge in medicine and methods to teach it have continuously evolved and at times have changed dramatically.

Will Professionalism Choke Creativity?

Even if we accept that the average professional manager will be better than the non-professional, the real engine of a capitalist economy is not in the middle of the competence distribution, but in the tails. As acolytes of the political economist Joseph Schumpeter might argue, the true hero of the capitalist system is the rogue entrepreneur, who defies existing conventions and through a process of creative destruction reinvents them. If professional managers were solely entrusted with the management of economic enterprises, we might choke off the creative genius of people like Bill Gates and Sam Walton, who were unschooled in management but have had more impact on economic progress than the vast majority of professional managers.

But would Bill Gates and Sam Walton really have been worse off if, in addition to their entrepreneurial talents, they had received professional management training? Or to take another example, would the medical profession have made more creative progress had it not been professionalized? What we know to be true is that the pace of discovery and creative progress rapidly accelerated in medicine once it became a profession. The requirement to master a body of knowledge did not stymie or choke off bold new pioneers. The medical equivalents of Bill Gates and Sam Walton successfully fought against existing ideas and introduced new ones

even as the field became increasingly professionalized. Indeed the existence of a common body of knowledge may actually have accelerated and spurred innovation. Professionalizing medicine has also greatly diminished the harm that could be done by untrained doctors. The harm to society that untrained managers could cause—particularly in this age of globalization and climate change—cannot be underestimated or ignored.

The persistent skeptic may yet argue, what about the negative effect that professionalizing medicine has had on alternate forms of therapy and healing? Would the next Bill Gateses and Sam Waltons of business be similarly stifled under such a system? In response, we point to the growing success of alternative medicine as proof of the opportunity for “rogue” entrepreneurs to challenge the existing order (in the case of medicine, a professionalized order) in an open democratic society. Even if all management jobs were professionalized, creative destruction would always be open to any entrepreneur, whether certified or not, who could mobilize the resources to launch a venture. It is also a matter of choice how restricted management jobs need be. In medicine and law, entry into the profession is totally closed. In the case of medicine, hospitals will hire only licensed doctors, and the state and insurance companies will reimburse for care provided by licensed professional doctors only. The system, however, is not closed from the standpoint of consumer choice. Consumers are free to go to any medical practitioner, licensed or not, if they are willing to pay for services themselves and bear the risk of the outcomes. (Note: The state does protect minors, who must be treated by licensed doctors because they can’t make independent choices in their own interest.)

In management, one could imagine a closed system for certain sectors – for instance, the state might restrict investment of public and state pension funds or tax-pro-

An illustration at the top of the page shows several hands of various colors (red, yellow, white, grey) raised against a dark brown background. Below this, the word "REASON." is written in a large, bold, serif font, followed by "(CON'T)" in a smaller, sans-serif font, all in white. A horizontal orange bar runs across the page below the text.

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tected retirement savings to “professionally” managed public enterprises. Even in this closed system, much as in medicine, individual investors could choose to invest their personal money in any enterprise (professionally managed or not). One can also imagine an entirely open system in which management positions are open to individuals with a varying credentials, depending on the job responsibility: none; experience only; experience plus education; MBA only; MBA + CBA; CBA only (which may be granted to an experienced manager who can pass the certification exam without having completed the MBA, as lawyers are allowed to do to pass the bar and practice in some states). In this system, the market would determine the value of a professionally certified manager relative to those with other qualifications, as it does today for MBAs. We believe that the added confidence in the intellectual capabilities of certified professionals (that they have mastered a body of knowledge and are current in their knowledge of new ideas in business) would enable them to command a premium.

Could Management Embrace a Code?

Most successful codes, such as the ancient Hippocratic Oath for doctors, establish the ideals and social purposes that members of the profession embrace. As the sociologist Robert K. Merton has argued, such codes have enormous influence because they provide guidelines for how an occupant of the role ought to behave. They can trigger strong positive emotions such as pride (when one acts in a manner that exemplifies the code) and equally strong negative emotions such as guilt or shame (when one acts in ways that transgress the code). The influence of such emotions in shaping behavior can be as significant as the expected material or reputational consequences of a professional’s behavior.

Codes and their supporting institutions also help to establish an implicit social contract among the members of the profession. By establishing a standard for inclusion, they create and sustain a sense of community and mutual obligation that members have towards each other and to the profession. These bonds shape the social capital of a profession; capital that builds trust and significantly reduces transaction costs between the members of the profession and between the profession and society.

Could the management profession be governed by a code akin to those embraced by true professions such as medicine and law? Again, just as in the case of competency standards, managers could be required to sign and adhere to a code of ethics; in several cases, formal institutions to monitor compliance are already in place, such as an ombudsman at a company or a governing body for an industry (as is true for the U.S. defense contractors industry).

There’s no mystery to the process of establishing a professional code for management: articulate the code (as so many other professions have done); educate students during their formal management education so that when they become managers they are familiar with the code; require students to embrace the code as part of their professional license or certificate to practice; and establish peer review bodies that monitor adherence to the code, establish protocols for due process to review infractions, and administer sanctions as necessary.

The challenge in writing a code lies in forging a broad enough consensus on the proper aims and social purpose of management and the guiding norms to pursue these aims. There appear to be two deeply divided schools of thought on this topic. One school, anchored by economists like Milton Friedman, would argue that management’s aims should simply and exclusively be



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to maximize shareholder wealth using means consistent with prevailing laws and customs. Let markets and the state take care of the rest. The other school argues that the corporation should properly be thought of, as executive Chester Barnard wrote long ago, as a social institution designed to enable individuals to come together to create value they could not create individually. The proper purpose of management is therefore to judiciously balance the legitimate claims of all stakeholders whose joint effort creates value. The means of achieving these aims are not simply those allowed under the law, but those that ensure due consideration and attention to the potentially competing claims of different stakeholders.

It's clear that the extreme approaches won't work. The flaws in a dogmatic adherence to the doctrine of "maximize shareholder value to the extent permitted by law" have become very clearly visible. On the other hand, the stakeholder approach has drawbacks as well. Stakeholder interests can diverge sharply and managers who attempt to keep everyone happy when there is no sensible compromise can do more damage than managers who put the shareholder first. Some Japanese firms are textbook cases of this. During the 1990s, for example, in their effort to avoid layoffs or even the collapse of insolvent banks, many Japanese banks refused to write-off real estate loans that would never be paid back. Because of management's unwillingness to make difficult short-term choices, an enormous amount of economic value was destroyed. To succeed, a management code will have to steer a middle course between these two extremes so that we lose neither the value-creating impetus of the shareholder concept nor the accountability inherent in the stakeholder approach.

What Should a Code Look Like?

In that spirit, we have written a code that might

govern a formalized profession of management. The resolution of this code is inspired by the way doctors and lawyers, members of true professions, define their purpose. Doctors seek to further the health of their patients. By doing so, they honor not only the sanctity of each individual life; they also meet society's need for healthy citizens. A society of unhealthy, infirm citizens would inevitably be a weak society. Similarly, lawyers seek to ensure justice that is done by their clients. In doing so, they honor not only the rights of each individual to due process under the law; they also meet society's need to prevent lawlessness.

What is the parallel for managers? Modern societies have a huge interest in creating organizations that enjoy the public trust and can mobilize resources that create economic value greater than the opportunity cost of the resources used. Managers, in our view, must be agents of society's interest in this endeavor. We further contend that society grants to corporations the status of legal persons in order to hold them accountable for their conduct, as any individual citizen would be.

We hope this formulation will appeal to proponents of the shareholder perspective because it explicitly affirms the importance of ensuring that the enterprise creates value. Firms that destroy value not only hurt their shareholders, but the broader social trust in the ability of firms to create value. Our code should also appeal to those who take a stakeholder perspective because it explicitly recognizes that to ensure ongoing legitimacy, an enterprise must meet the legitimate claims placed upon it. Moreover, our definition of value creation is broad, capturing the opportunity cost of all the resources consumed by the firm, including public resources such as the natural environment. By turning managers into agents of society's interest in thriving economic enterprises, we get out of the bind of viewing them as agents of one master (shareholders) or many masters

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(stakeholders). Indeed in most modern corporations, the interests of stakeholders are inextricably intertwined. Employees, for instance, are shareholders (through investment in their pension funds) as well as customers. Given these multiple interests, a simple maximization principle is hardly helpful, because it is not readily implementable. If a manager downsizes an organization believing that this will maximize the interests of the firm's shareholders, the same action can easily hurt shareholders' interests as consumers or employees. It is thus best for managers to have a higher-order purpose—viewing society as their ultimate client and society's interest in vibrant, sustainable, value-creating enterprises as their foremost objective.

The specifics of our proposed code for management should be less controversial than the basic resolution. It is hard to argue that managers should not embrace the spirit rather than the letter of the laws that govern their enterprises. As Warren Buffet reminded Salomon Brothers' employees after he took over the troubled firm, there is plenty of money to be made by playing well within the lines. And the importance that managers should place on greater transparency and disclosure to all stakeholders was brought painfully home by the collapse of firms like Enron and WorldCom. As Supreme Court Justice Louis. E. Brandeis put it : "Sunshine is the best disinfectant." The economic value of that sunshine is evident in the higher cost of capital in economies that lack it.

Who would argue with our requirement that managers provide fair opportunity to all, free from bias, as a measure of their respect for the basic equality of all human beings? Freedom of opportunity is not only emblematic of a just society; it is also at the heart of more economically vibrant societies. Managers must wield their power with humility and respect – ensuring that the interests of those who do not have power are pro-

tected and the voices of those who may not enjoy decision rights are heard.

Our code underlines society's expectations that managers will bring their most informed judgment to bear in making decisions. Such informed judgment, which is essential to a professional ethic, can only be exercised by a discipline of lifelong learning and a willingness to listen and learn from others. While we encourage managers to honor the lessons learned from those who came before them, we encourage them to be innovative, so that the process of creative destruction, which Schumpeter viewed as the vital force that sustains a dynamic capitalist society, continues.

Finally, our code reminds managers of their professional obligation to honor and further the reputation of the profession as a whole by their actions as managers as well as by their commitment to develop and enforce the code. Managers today are among the least trusted members of society. Regaining this trust for the profession of management must be regarded as an important responsibility for all individual managers.

Would the Code Make a Difference?

Even if a code, such as the one we have proposed, were to garner sufficient support to be broadly adopted by the profession, you might argue that codes are merely motherhood and apple pie statements that carry no credible moral force to reliably shape behavior. Look at Enron, one might say: The company's code of ethics was widely lauded; now it has become a symbol of the firm's deceit. If a company, a relatively small and coherent social group, can't enforce such codes, why would one imagine that a larger collective such as a profession might?

The answer can be found in the work of political sci-



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entist Robert Axelrod. He has shown that the presence of a shared ethical orientation and set of common ideals at the professional level is crucial in guiding the behavior of individuals at the company level. The ideals, or meta-norms as Axelrod calls them, emerge partly out of an inward sense of vocation—a conviction that one is doing work that is meaningful— but are also grounded in a commitment to peer sanctions and monitoring. For example, U.S. military cadets promise “not to lie, cheat, or steal”; they also promise “not to tolerate those who do.” In this way, according to Axelrod, meta-norms contribute to the self-governance capability of a profession: Managers who swear to uphold a common professional code, understanding that if they violate the code they might suffer sanctions administered by their peers, are more likely to adhere to individual company codes.

Would instituting a code make it more likely that acts of gross management malfeasance would be brought to light? Whistleblowing or bringing attention to the misconduct of a peer is arguably even rarer in a true professional setting than in nonprofessional settings. In some professions, such as the police, exposing a colleague is almost taboo. It can also be argued that the costs of drawing attention to infractions of the code may be higher in a professional setting because of the relatively closed nature of the professional labor market. A corporate whistleblower today may more readily find another job in an open labor market, by moving to another firm in another industry, for instance. This could be difficult in a tightly knit professional labor market.

Both arguments have some merit, but on balance we believe that professionalizing management will greatly curb misconduct, because moral behavior is an integral part of the identity of professionals – a self-image most are motivated to maintain. Though we are often shocked when doctors or lawyers misbehave or condone the misbehavior of their own, at least we are

shocked. We expect better from them. In the case of comparable malfeasance in business, we are no longer even shocked that it occurs or that it is not more commonly reported. Although the implicit contracts that society has with true professions—we grant you privileges because we trust you to self-govern -- aren't always upheld, they do establish a higher expectation of self-governance than in a non-professional setting, and thereby a higher degree of censure when these expectations are violated. We know from social science that the behavior of human beings is greatly influenced by the expectations placed upon them. If management were to be seen as a true profession, our expectations of the moral conduct of managers and their expectations of themselves would rise. While this would not eliminate malfeasance, we believe it would significantly reduce it

We don't pretend that this essay or our code is anything like the last word on the topic. The debates around management education and the regulation of businesses will never go away, and in a constantly changing world there is no perfect solution. The U.S. constitution is arguably the finest and most durably written constitution that has ever existed. Yet its approval was the result of much wrangling and debate between two sharply opposed philosophies of government. Over the years, the document has evolved out of all recognition through the passage of amendments and the interpretation or the courts. The debate has been more than verbal, as the dead at Gettysburg would testify. And while the process of agreeing and changing a code of professional management is unlikely to be bloody, in a global world it could be even more difficult.



BusinessWeek

Harvard's MBA Oath Goes Viral

What started as a pledge to do no harm by 2009 graduates of the elite business school has quickly gone global, but not everybody's on board

By Anne VanderMey

When most people think of professionals whose “purpose is to serve the greater good,” MBAs don't leap to mind. That's probably part of the reason authors of a new oath for MBAs, which uses those words in the opening sentence, set such modest goals for the project. Started by 33 second-year MBA students at Harvard Business School as a way to bolster B-school ethics, the group originally hoped 100 of their classmates in the Harvard class of 2009 would sign up to “act with utmost integrity.” At the time, it seemed like a stretch.

But something about the project struck a chord. Maybe it was the desire to distance themselves from B-school villains of the financial crisis, or an effort to get a head start on their future careers in the non-profit world, or maybe it was genuine idealism. But whatever the cause, the oath has quickly taken on a life of its own. Within weeks, more than half of Harvard's class of 2009 had signed. Perhaps more interestingly, it didn't stop at Harvard Yard. MBAs around the world forwarded the oath to friends, gathering nearly 800 signatures to date. Max Anderson, the 2009 Harvard graduate who came up with the idea, said he received requests from people at more than 25 schools around the world about bringing it to their campuses. He still sounds a little awed: “Our inbox has just exploded.”

So far, people from 115 countries representing 49 languages have visited the MBA Oath Web site, where visitors can also find links to some of the articles that helped to spread the word. While some campuses have asked for help adapting it, e-mails have been circulating independently at others. About 40 students at Northwestern University's Kellogg School of Management (Kellogg Full-Time MBA Profile) have signed on, along with more than 30 students at Oxford University's Saïd Business School (Saïd Full-Time MBA Profile). Anderson says the group plans to translate the code into German, French, and Spanish because of multiple requests. And representatives of schools in Iceland and Norway have expressed interest in adapting it.

This isn't the first time the MBA industry has made a stab at establishing a code of morality, but it does seem to be the first effort that has the potential to catch on with a broader audience. Critics of



MEDIA. (CON'T)

the movement say that the oath is simply an effort by students to shield themselves from the populist rage at the role MBAs played in the current financial crisis and that the ethics push will fade once the economy stabilizes. But some B-school leaders caution that such a conclusion underestimates the younger generation. There's a possibility, they say, the oath is only the tip of the iceberg, and that a bigger change – in student sentiment, business school programs, and what it means to be an MBA – is poised to hit the business education world.

Management as a Vocation

Despite their modest short-term goals, the oath's creators have big plans for the future of the project. In addition to eventually having hundreds of thousands of MBAs sign the pledge, they want it to be part of a much more ambitious agenda to professionalize the occupation of management, transforming it into a vocation much like medicine or law. The idea was proposed by Harvard professors Rakesh Khurana and Nitin Nohria in a paper last year that called for a "rigorous code of ethics" for managers. Anderson and his teammates worked with them and used some of their analytical framework while developing the text of the oath.

As Khurana says, there was "nothing novel" about the idea of management as a profession. A moral compass was built into the original proposals for business schools more than a century ago, though it has rarely been fully fleshed out. Other programs and organizations have some existing form of the MBA oath. The University of Western Ontario's Richard Ivey School of Business has a class ring that graduates wear to remind them of their commitment to honesty. And at the Thunderbird School of Global Management, graduating MBAs have recited a moral pledge at commencement since 2006.

But the idea of a code wasn't always noncontroversial. Three years ago, when the economy was booming, Thunderbird President Ángel Cabrera said instituting the pledge drew harsh criticism. One journalist, he recalls, called the practice "positively cretinous."

That was then. Now that the nation has lived through Bernie Madoff and AIG bonuses, prevailing opinion seems largely to have come around to Cabrera's point of view. Ethics classes are filling up, campuses are starting to consider their carbon footprint, and there has been a proliferation of conferences and clubs devoted to corporate social responsibility. Much of this, Cabrera says, is in answer to growing student demand that was present even before the meltdown. One big reason: an influx into business school by members of the Millennial Generation, whose youthful idealism has already begun affecting a shift in B-school priorities from high finance to higher purpose.

"It's not just a temporary thing," Cabrera says. "I really think there's also a generational shift... There is a demand, a thirst for this type of value-based ideology." He sees the events of the last month



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as setting the stage for a larger overhaul of what he has often said is a failed system of management. Business education, he says, has reached a “tipping point.”

Just Words

It does seem like the rush to the oath was waiting to happen. Scott Osman, an executive MBA student at New York University’s Stern School of Business said his class had been working on drawing up something similar when he got wind of Harvard’s project. He said he sent an e-mail to his class, and within six hours, about 70% of the students had taken the Harvard pledge. Osman credited his class’s enthusiasm to a “growing desire among MBAs that we want to do more than just make money.”

At Northwestern, where the oath also went viral, graduating MBA David Hobbet says he was impressed by the large number of Kellogg grads who signed up, given the “minor effort” he and others put in. “Just a couple e-mails to friends,” he says, generated dozens of Kellogg signatures.

But part of the worry surrounding the oath’s popularity is just how easy it is to sign on. And how, once the pledge has been taken, there’s no mechanism for enforcement. Even some MBAs who signed admit they won’t hark back to the pledge religiously when confronted with ethical dilemmas as managers. “There’s no cost,” says Scott Holley, a 2009 Harvard grad who is both an oath signer and skeptic. “You say the oath, and you’re done.” He doesn’t see the code having “any type of an impact on people’s behavior.”

Holley also worries that the oath could become another symbol of MBA hypocrisy if one of the signers turns out to be a bad egg – which he sees as a distinct possibility. The only people likely to sign the oath, he says, are those with no intention of complying, or those who don’t need an oath to make them honest.

Another criticism is that the oath’s broad scope makes it almost impossible to fulfill. What business leader can serve the interests of shareholders, while at the same time “strive to create sustainable economic, social, and environmental prosperity worldwide”? It’s easy to envision a situation in which shareholder interests and the environment would be at odds.

Most critics, Holley among them, cede that the oath is a first step in the right direction. Even its proponents recognize that the project has a long way to go if it’s not to be easily forgotten. “Just like in the post-Enron environment these things become fads and then quickly fade away,” says Harvard’s Khurana. To make sure that doesn’t happen, he’s working with Cabrera, the Aspen Institute, the World Economic Forum, and other organizations to develop a form of the oath. As for the restructuring of B-schools, that fight is a “multiyear effort,” he says.



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Like Khurana, the oath's founders seem committed to continuing the larger effort. "I'd hate for this to be a flash in the pan," says Adam Heltzer, who worked with Anderson to develop the MBA Oath site. "I'd hate for it to be like: 'This is a great publicity stunt. Way to go HBS, that was a funny joke.' I think whatever form it takes I want it to be meaningful and lasting. And I'm going to work hard to make sure that happens."

For now, the number of signatures on the site continues to grow – even if it does represent only a small percentage of business grads globally. As for the rest, including the half of Harvard's Class of 2009 who didn't take the oath, they could conceivably find themselves at a competitive disadvantage as the nation turns its collective attention to MBA ethics, for better or for worse. Says Khurana: "All things being equal, I prefer going to the surgeon who took the Hippocratic Oath vs. the one who didn't."



The Economist

A Hippocratic oath for managers Forswearing greed

Jun 4th 2009 | BOSTON
From The Economist print edition

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

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 Har-



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vard 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.



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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.

THE CARD.



The card. Yes, it may seem kind of cheesy. Yes, we did get made fun of for producing it by a few blogs.

However, it is a powerful statement. We all carry it in our wallets, we show it to our parents and neighbors. We are now card-carrying members.

The next two pages are PDF's of the card layout. Please write to jpswan@gmail.com to get the Adobe Illustrator files to get to your local printer or simply add a school logo.

MBA OATH

Preamble

As a manager, my purpose is to serve the greater good by bringing together people and resources to create value that no single individual can build alone. Therefore I will seek a course that enhances the value my enterprise can create for society over the long term. I recognize that my decisions can have far-reaching consequences that affect the well-being of individuals inside and outside my enterprise, today and in the future. As I reconcile the interests of different constituencies, I will face difficult choices.

WWW.MBAOATH.ORG

MBA OATH

Therefore, I Promise

- ❖ I will act with utmost integrity and pursue my work in an ethical manner
- ❖ I will safeguard the interests of my shareholders, co-workers, customers and the society in which we operate.
- ❖ I will manage my enterprise in good faith, guarding against decisions and behavior that advance my own narrow ambitions but harm the enterprise and societies it serves.
- ❖ I will understand and uphold, both in letter and in spirit, the laws and contracts governing my own conduct and that of my enterprise.
- ❖ I will take responsibility for my actions, and will represent the performance and risks of my enterprise accurately and honestly.
- ❖ I will develop both myself and other managers under my supervision so that the profession continues to grow and contribute to the well-being of society.
- ❖ I will strive to create sustainable economic, social, and environmental prosperity worldwide.
- ❖ I will be accountable to my peers and they will be accountable to me for living by this oath.

This oath I make freely, and upon my honor.

WWW.MBAOATH.ORG



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