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Law School Report

GERALD S. LIPPES SPEAKER SERIES

Conscience of the company

Author argues that corporate America is a force for good

A high-profile book author and *Fortune* magazine writer came to the University at Buffalo to make a provocative argument: that corporate America is changing for the better, and making a better world in the process. The appearance by Marc Gunther, author of *Faith and Fortune: How Compassionate Capitalism Is Transforming American Business*, drew an enthusiastic crowd, mostly students, to the Screening Room of the Center for the Arts on March 27.

Gunther cited companies as diverse as Nike, McDonald's and the Texas energy company TXU – which canceled eight planned coal-fired power plants in response to environmental concerns – as evidence that American companies are embracing sustainability.

"You cannot run a business successfully today in the 21st century if what you are doing has values that are out of sync with the wider society and your customers, suppliers and employees," he said. As well, Gunther said, companies are finding that it helps their bottom line to be responsive to consumers' concerns. For example, McDonald's, after complaints about the nutritional value of its food, discovered that "if you offer salads, the suburban mom will bring the kids and have a salad, and the kids will eat burgers."

Fraud scandals and sky-high executive pay grab the headlines, but Gunther said corporate America is becoming more environmentally friendly, more diverse, more open and more compassionate.

The author's interest in this subject stems from 2001, when he wrote a cover story for *Fortune* examining the role of spiritual values in business. "I found that people who live their faith and values, who brought their whole selves to work, were successful," he said. "I believe there is often alignment between living your highest values and success in the workplace."

That article led to the book *Faith and Fortune*, an examination of several "values-driven" companies including Southwest Airlines, Timberland, United Parcel Service and Starbucks.

But isn't profit the final arbiter of corporate behavior? Not according to Gunther.

Quoting a priest who teaches business at the University of Notre Dame, he said, "The purpose of a company is to enable human flourishing. Profits are essential to a company the same way air and water and

food are to us. But companies have a meaning and purpose about their work, in the same way that people have a meaning and purpose for our lives."

Google, for example, expresses its purpose as "to

organize all the world's information and make it accessible to everyone."

"That's a reason to get up and go to work in the morning," Gunther said.

In substance, the transformation has been from looking at the work of a company as a series of win-lose transactions, oriented to maximize profit today, to a series of relationships and longer-term, win-win transactions. Forces that are pushing this transition, he said, are the need to motivate employees; the power of activist groups such as Greenpeace and Amnesty International; the transparency of the Internet; pressure from socially responsible investors; and pressure from customers.

The lecture was peppered with real-world examples, such as Dell, the computer giant. In 2003, Gunther said, investors approached the company over the issue of the toxic waste generated when computers are thrown away. Dell thought little of the issue, but agreed to organize a computer recycling day in Denver, in the parking lot outside Mile High Stadium. "By the end of that Saturday," Gunther said, "that parking lot was literally full of computers. Michael Dell realized that there was a constituency out there that cared about their computers when they are done with them." Now, he said, customers can ship their old computers to Dell postage-paid; "the company is taking responsibility, but also connecting with customers at the end of the computer's life and trying to sell them a new one."

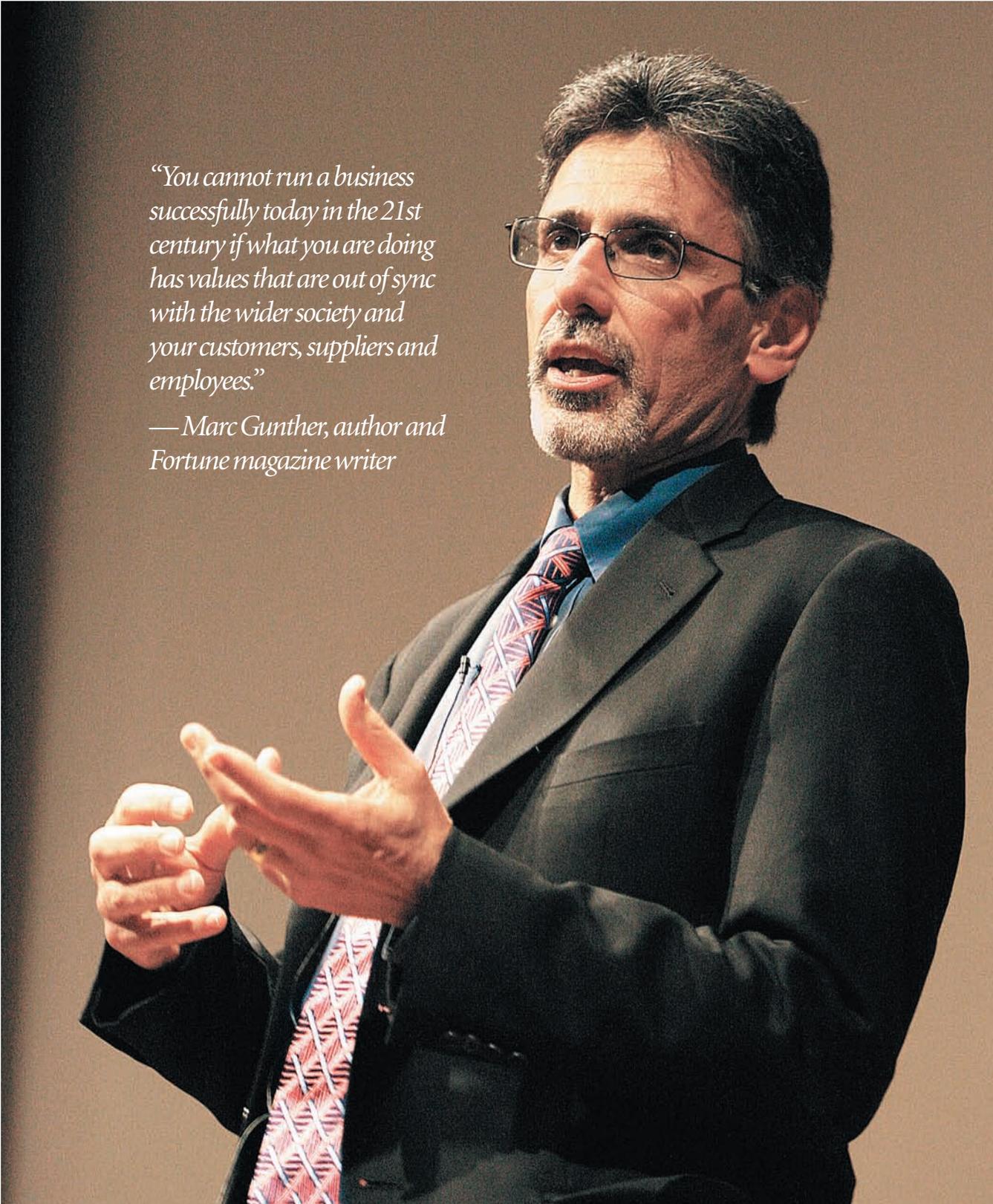
Another example is Wal-Mart, which saw that standard liquid laundry detergents, which are mostly water, take up voluminous shelf space, are expensive to ship and produce lots of waste plastic. The retailer approached manufacturer Unilever, commissioned it to develop a smaller, more concentrated product now called Small and Mighty All, and featured the product prominently in its stores – a "win" for manufacturer, seller and consumer.

In the end, though, Gunther said, "There are limits to what companies can do, and those limits essentially are set by us. Ford, for example, would like to sell more hybrids, but the market is for sport utility vehicles. For these changes to continue to happen, we all need to be part of it. The way for this to happen is that all of us need to live our values every day."

The lecture was the second annual event in the Gerald S. Lippes Speaker Series, a joint venture of UB Law School and UB's School of Management. It is funded by Buffalo attorney Lippes, a 1964 graduate of the Law School.



Left to right: Clinical Professor Thomas F. Disare and Marc Gunther.



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— Marc Gunther, author and Fortune magazine writer