

EDUCATING FOR A NEW ETHICAL COMPASS

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An Ethical Compass for the Digital Age: Ethics in International Business and Finance

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I. INTRODUCTION

A. THESIS:

The New Ethical Compass required for the education of business leaders as well as other professionals is not all that different from the traditional humanist and liberal arts tradition championed by the Society of Jesus for the last 500 years.

In particular, I hope to emphasize three points:

First, we need to teach our future professional leaders in business as well as in other professions sound ethical principles drawn from our humanist and liberal arts tradition. Compliance with legal regulations will simply not do in the new digital age. Frequently, contemporary regulatory frameworks cannot keep up with unforeseen, rapidly changing new innovations brought about in our new digital age. In many of these situations there will simply be an absence of guidance, while occasionally, situations may arise that require a more heroic stance when the regulatory framework is not only inadequate but can be completely undermined by new digital innovations.

Second, we need to encourage our students to take an active role in the public square regarding the ethical debates of the day, which was the purpose of the traditional Jesuit focus on rhetoric.

Third, we need to promote and support the strengthening of professional trade societies that promote ethical behavior. In the past our large network of Jesuit sponsored Sodalties played this critical role among our students and alumni. Fortunately, today there are many professional societies that consider the promotion of ethical standards and behavior to be at the core of their mission. They include organizations such as the Catholic Finance Association here in New York and the various Societies of Chartered Financial Analysts around the world, as well as the sponsors of today's lectures, the *Fondazione Centesimus Annus Pro Pontifice*.

B. PREVIEW:

In the current tradition of business school education, I would like to demonstrate these three points by using a case study. The case study I will examine is based on the article by David

Segal that appeared recently in the Business Day section of the *New York Times* on February 4, 2018. It was entitled, “How Bell Pottinger, PR Firm for Despots and Rogues, Met Its End in South Africa.” Bell Pottinger is a PR Firm that was able to greatly exploit various social media innovations of our new digital age, initially for their own benefit but at a great cost to the public good in South Africa.

Then I will use the work of Professor Robert D. Putnam, a political scientist at Harvard, and the work of Professor Paul Collier, an economist at Oxford, on the importance of social capital to protect the common good of society from the predations of unethical, self-benefiting private behavior. Putnam is most famous for his book, *Bowling Alone*, which examines the rise and fall of American civil society. Putnam began his work using game theory to study international trade negotiations. To better understand those negotiations he used game theory and developed a model of two level strategic games. He found that he not only had to consider the strategic interactions between diplomats in the actual trade negotiations, but to fully understand what was happening he had to also understand wider strategic interactions that were going on outside the negotiating room between various outside stakeholders. Building on this foundation, Putnam, as well as Collier, see Social Capital as that larger set of social interactions within civil society that guide our more personal actions. They argue that our membership in various intermediate social groupings such as family, community association and professional organizations effectively condition our private actions to promote the common good. Collier is most famous for his book, *The Bottom Billion*, but more relevant to this conversation is his more recent and more controversial book, *Exodus*, where he uses the concept of Social Capital to better understand the difficulties and importance of assimilating immigrants. Their work will allow me to further analyze and generalize this case study in order to demonstrate the critical, but not exclusive, role that ethical standards, public activism, and professional trade societies can now play in protecting the common good in our new age of rapid and unforeseen digital innovations.

II. CASE STUDY: DRIVING RACIAL TENSIONS IN SOUTH AFRICA

The people of South Africa are held dear here at Fordham. For over a decade Fordham’s Graduate Program in International Political Economy and Development has sponsored a graduate exchange program with the University of Pretoria in South Africa on Emerging Financial Markets. During that time we have had the fortune to have helped educate many South Africans from historically disadvantaged backgrounds that have gone on to successful careers with South African financial firms and businesses. It was with great concern that I read about Bell Pottinger’s public relations work in South Africa.

Let me outline the history of Bell Pottinger in South Africa. They were hired by the three Gupta brothers in South Africa. In the words of the *New York Times* journalist, David Segal, the brothers had built a multibillion dollar corporate empire in South Africa by “leveraging their friendship with President Jacob G. Zuma.” Clearly in an attempt to keep their man in power, the brothers wanted Bell Pottinger to create a modern digital media campaign that supported their political goals with twitter bots, websites, and sophisticated data mining.

We all have the right to promote our political candidates and policies. What went beyond the normal boundaries of ethics and decency was the secrecy of who was ultimately behind these twitter bots and hate-filled websites, as well as their push for “a highly toxic narrative” that “helped drive racial tensions to levels not felt since apartheid.” Francis Ingham, director general of Britain’s trade association, Public Relations and Communications Association, is quoted in the *New York Times* as saying that, “Bell Pottinger may have set back race relations in South Africa by as much as 10 years.”

There was four key steps in the demise of Bell Pottinger:

Step 1 – Bell Pottinger’s role in this social media campaign became public.

Step 2 – Protestors rallied against the company both in South Africa and in London.

Step 3 – The British Trade Association, Public Relations and Communications Association, began an investigation that ended with the ejection of Bell Pottinger.

Step 4 – Once removed from membership in the trade association, clients fled the firm.

The death of the firm came in September 2017 when all 250 employees were laid off.

III. ANALYSIS: SOCIAL CAPITAL AND THE COMMON GOOD

My analysis relies on the work of Professors Putnam and Collier and their understanding of the importance of social capital in promoting the common good by restraining unethical behavior by smaller actors. The presence of sufficient social capital in the practical forms of ethical norms, public activism, and a civil society with a free press and active professional trade associations, is what led to the downfall of Bell Pottinger.

What created the problem that enabled Bell Pottinger was new digital innovations in social media that initially allowed the public relations firm to act in secrecy. Step one in the fall of Bell-Pottinger was the discovery that they were behind the various twitter bots and hate-filled websites. While the prevention of this kind of secrecy demonstrated the importance for government to provide a regulatory framework that reveals the true identities of agents operating on the web and in social media, it also demonstrated the importance of robust investigative journalism as well as the need for the technical expertise to identify who really is who in our new digital world.

Step two is that the demise of Bell-Pottinger highlighted the role of ethical and moral outrage among some in the general public. These public demonstrations in both South Africa and in London presume an accepted ethical code as well as a commitment to activism by some to publicly raise any serious infringements against the accepted ethical code.

Step three in their fall showed the critical importance of an organized and established professional trade association committed to an ethical code of conduct. The trade association

had the legitimacy to investigate the malfeasance as well as the authority to bar from membership any firm found guilty of violating their code of conduct.

Step four in their demise showed how once the malfeasance is credibly established, the market place can drive the offender to financial ruin. Hopefully, such an example will guide other firms in the future to correctly judge the trade-off between short term illicit gain versus long-term licit gain and thereby choose the common good over short-term benefits.

IV. BUSINESS AND PROFESSIONAL EDUCATION

Higher Education in general and professional education in particular play a critical role in strengthening the social capital that our society depends upon to promote our common good by providing critical components to our social fabric. My analysis has identified three critical components. They are: ethical norms, public activism, and intermediate social organizations, such as a free press and professional trade associations.

Ethical norms.

Our classrooms are filled with ethical discussions from the first year of college to the last year of professional school. Drawing from our deep humanist and liberal arts traditions, Catholic schools have an exhaustive depth and wide breadth of resources to draw from in our robust examinations and discussions of ethical norms.

Public Activism.

Universities are also well known for being places of activism. Typically our professional schools socialize our students by requiring *pro bono* work on behalf of those who are marginalized and who lack the resources to address their marginalization. We hope that students who are socialized in such a manner will in their future professional lives act when they see that something is wrong.

Professional Associations.

Normally our professional schools are closely linked to their relevant professional associations. Sometimes these associations are involved with our academic accreditation. Other times they assist in the career placement of our students. All professional associations to my knowledge promote ethical behavior as a critical part of their core mission. It is through these mutual linkages between academe and the profession that we strengthen the social fabric that binds us all to do what is right, good and proper.

V. CONCLUSION

A. SUMMARY:

In the pursuit of short-term self-interest a public relations firm took advantage of new digital innovations in our social media and behind a wall of secrecy succeeded in raising racial tensions in South Africa. Because of the strength of the social capital and social fabric in South Africa and in London, the firm met its demise once its identity was discovered. Some key elements of the social fabric that facilitated this firm's demise were an accepted standard of ethical norms, activism on the part of some in the general public, and the presence of an established professional trade association committed to an ethical code of conduct. The robust discussion of ethical norms, the cultivation of public activism on behalf of the common good, and the promotion of professional associations need to be key components of the educational mission of any professional school.

B. RESTATEMENT OF THESIS:

The New Ethical Compass required for the education of business leaders as well as other professionals is not all that different from the traditional humanist and liberal arts tradition championed by the Society of Jesus for the last 500 years.

- First, we need to teach our future professional leaders in business as well as in other professions sound ethical principles drawn from our humanist and liberal arts tradition.
- Second, we need to encourage our students to take an active role in the public square regarding the ethical debates of the day.
- Third, we need to strengthen our mutual ties with our relevant professional trade societies that promote ethical behavior.

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