

# Corporate Political Responsibility Taskforce

*Expert Dialogue with Karthik Ramanna*

## Karthik Ramanna - Module #3

**Elizabeth Doty:** Thank you. for joining us today. My name is Elizabeth Doty. I'm the director of the Corporate Political Responsibility Task Force at the Erb Institute at University of Michigan, and I'm delighted to be moderating today's conversation with Oxford Professor Karthik Ramanna.

The Corporate Political Responsibility Task Force, or CPRT, is an initiative of the Erb Institute. A 25 year long partnership between the Ross School of Business and the School for Environment and Sustainability at the University of Michigan. Led by Managing Director Terry Nelodov [04:19:00] and Faculty Director Tom Lyon, the Erb Institute is known for its leadership in three areas.

Teaching and Learning, Business Engagement with groups like the CPRT, and Scholarly and Applied Research. The CPRT's mission is to help companies better align their approach to political influence with their commitments to purpose and values, sustainability, and stakeholders. As we're seeing, corporate political responsibility is an increasingly pivotal element in managing stakeholder trust, addressing systemic issues, and rebuilding public trust in institutions.

I'm very excited to have someone who's thought so deeply about this. Professor Ramanna or Karthik, if you don't mind as we, as we do in the seminar style conversations really has the perfect background for this conversation. I know this will just be the start of something I hope will continue as the task force does its work.

He is a professor of business and public policy at the Blavatnik School of Government and at University of Oxford. It's a new school. He's an [04:20:00] expert on business government relations. Sustainable capitalism, corporate reporting and auditing. He has studied how organizations build trust with stakeholders and the role of business in designing sensible and responsible rules of the game.

And that's going to be really important in our conversation today. He directs their master public policy program, a new program, a flagship for current and prospective leaders in government, and I suspect not just in the UK he has taught leadership, corporate governance and accounting at Harvard Business School consulted to companies leading organizations like Fidelity, KPMG, McKinsey, Pricewaterhouse, and State Street.

Dozens of research articles case studies. Numerous awards and serves on the editorial boards of several scientific journals. And I just learned that his book was endorsed by both Elizabeth Warren and Charles Koch. So we're going to have an interesting perspective today, I think, more foundational rather than picking a side, right?

So that's going to be fantastic. Karthik, thank you for joining us [04:21:00] today.

I'm going to go to our third topic area now. Picture somebody is concerned, right? Picture somebody in, in fact, you're speaking more to the long term value functioning of the

economy and I just saw a report that said short termism is one of the biggest barriers to acting on climate inequality or anything else.

If someone were truly concerned about the system and situated in a management role, say in government affairs, say in sustainability, Say you're a stakeholder advocate, an activist. Say you're an investor, and you're truly concerned. What could you do? Who can do what will be most effective?

**Karthik Ramanna:** That's a great question.

So look, and the answer I'll give is not always satisfying to business school audiences, because I'm not saying that I mean the punchline is, I'm not saying that businesses are going [04:22:00] to solve all these problems. In fact, that's part of my whole spiel, this field that, that we need governments to play a role here and civil society to play a role here, et cetera.

So, so in fact, I say, look, the role of business in solving this is actually quite limited and modest. And it'd be great if businesses humble about that rather than, you know, assume that it has sort of this grander role to solve all of the world's problems. And there is obviously a role that business can play.

And that's really sort of about these, you know, obviously in these win wins and so forth, but, but even beyond that so I teach a course now here at Oxford called Managing in the Age of Outrage. I mean, you know, my students are master public policy.

They're, they're aspiring public leaders from 120 different countries around the world. So, you know, they're very different perspectives, et cetera. And, but no matter where you are in the world, you're dealing with very, very polarized societies with a few notable exceptions and countries. And, and so this is a course really, how do you navigate these if you are, so it's a, it's a course for organizational leaders.

So we're not [04:23:00] looking at, you know, In this course at legislative solutions, and we're not looking at regulatory solutions. In that sense, we're looking at organizational managerial solution. So for instance, our speaker yesterday and yesterday's class was the commissioner of the police in London. And our speaker next week is the head of Oxford University hospitals.

The speaker the week after that is the head of the Nigerian tax commission, federal tax commission. So these are, I mean, because we're a public policy It was policy school. These are public, but they're all organizational leaders. They're not legislative people there. And then we also have some business leaders as well that that come in and, and, and in that context you know, the, the course syllabus has its own sort of, I, I don't want to rush through it, but, but one of the questions that we do focus on is the balance between sort of doing nothing and turning into an activist.

And how do you sort of find that balance? And there are two frames we use in particular. One is the frame of capability asymmetries. And the other is the frame of shifting expectations. And what do I mean [04:24:00] by both? So capability asymmetries by that, I basically mean and we give people a series of four questions to ask, but Oftentimes, when you encounter outrage, it is not of your own doing.

It's not something that you might have directly caused, and as an organization, you might say, therefore, you know, this is not something that I need to respond to. But very often, you are seen, even if it's not your cause, As having the capability to alleviate the suffering, and the greater the harm in the moment.

This is sort of an extension of what philosophers call the rescue principle, the greater the harm in the moment, and the greater your perceived. asymmetric capability to solve that problem, the more likely it's imperative on you, both from a sort of long term reputational perspective, but also from sort of an ethical perspective to act in that, even if it's not a problem of your making.

And so that capability is symmetry lens. is something. And then we use some case studies of say Nestle having done [04:25:00] that maybe less well, and some other companies having done it more, you know, better, et cetera. And by shifting expectations, we mean that when you do act in the context of these capability asymmetries, you might say, okay, well, in this moment, the harm is really high.

And I have effectively, The capability or the capacity to alleviate the harm because even if it's not my fault, I'm going to act when you do that, whether you like it or not, you're shifting the expectations of stakeholders around you and often in a way that is to your disadvantage. So it's sort of like, you know your, you know, no good deed goes unpunished because you act and then next time people are going to expect more of you.

So, so when you act, it's really important that you a, appreciate how that shifts expectations around you. And b, when you act that you also simultaneously bound those expectations, because if you don't appreciate that they're going to shift and you don't bound them at the same moment. Then, you know, you set yourself up for failure in six months or one [04:26:00] year or something like that.

And we give some examples and cases of Ikea, Google and Facebook, et cetera. There are many cases of this that you can see. So, so those are just in a nutshell, I'd say. We talk about sort of the balance between these capabilities symmetries and legitimate expectations, but of course, there's a lot more in the course.

It's a, it's a course that covers everything from, you know, behavioral models of anger to the social psychology of inequality to we even have a little bit of Shakespeare in there. We, we read Coriolanus and we do a little bit of play.

**Elizabeth Doty:** People thought it wasn't relevant anymore.

**Karthik Ramanna:** No, no, it's hugely relevant in this day and age.

So, so we do, I do make them read Coriolanus as part of the of the course. So that's the course I'm teaching rather. And, and it's, it's, it's hopefully we're, we're, we're addressing some of these challenges.

**Elizabeth Doty:** Thank you very much. Let's open it up to the, to the group now for any thoughts, reactions, inspirations takeaways from this or questions.

**Guest:** I do have some things in the chat that I can bring up. So earlier on in the session, Maren had a great question about how do we approach companies to convince them that it's like in their self interest to address these issues. And that goes along with a pre question we had about the role of stakeholders in getting businesses to kind of take on these issues.

Can I just jump in and say for, you know, first of all, this has been really, really great and very. Very thought provoking. And I know you've effectively addressed this, this question throughout the conversation. But I, when I talk with CEOs and other business leaders, and I think someone mentioned this earlier that, you know, there, there's a lot of concern around,

you know, Workforce polarization, you know, they're, they're seeing, they're seeing these issues kind of come home to roost in their own companies.

And at the very least, I think there's a role for business to play in at least aligning their, their corporate, you know, values with their actions that [04:28:00] they're taking, as well as, you know, Recognizing the critical juncture that we're at right now. And you mentioned, you know, we were more polarized now than at any time in US history, other than prior to the to the Civil War.

So how do we sort of just raise that awareness and at least help Take the opportunity to rethink what they're, what they're doing in the, in the form of, you know, enlightened self interest as one part of the solution. I recognize not the entire solution.

**Karthik Ramanna:** It's a great question. And my one thing I say in friends, and one of the things we do in the book is in, sorry, in the course which I hope at some point will be a book, but it's very far from me is use your employees as a barometer for you know, where you want to sort of engage, et cetera.

Because if you find yourself constantly in the fire with your stakeholders, then chances are your employees are [04:29:00] feeling that way as well. And quite frankly, if they aren't, that means that your employees are out of sync with the people that they're there to serve and that itself suggests you're at a strategic disadvantage.

That means you have the wrong employees for the markets that you want to serve, for the people that you want to serve, the communities you want to create value in. And so using your employees as a barometer is actually a pretty useful thing. And so for instance, when Google you know, shut down its employee town halls because you know, they were just, they were, they were asking too many embarrassing questions.

I mean, that's actually a really dangerous thing to do because You know, effectively, those employees are like an early warning signal. They're the canary in the coal mine for the kinds of issues that you're going to as Google face. And actually, you would much rather hear them six months earlier in the employee town halls, as long as you've got a good process to sort of manage that and then, you know, use that feedback, people need to feel heard and in action.

[04:30:00] And so, you know, Because if you shut it down, that doesn't, you know, you shoot the messenger, the message isn't going to go away. It's just, in fact, it's probably going to come back even stronger. So, so employees as a barometer and, and, and, you know, I use this piece from Albert Hirschman's Exit Voice Loyalty, and he talks about how exit, voice, and loyalty are basically three pillars of great management.

And as a manager, he says, you're, you're dealing with on the one hand, so he uses the metaphor you know, from the Iliad of Scylla and Charybdis, the two monsters that have to be navigated you know, on, on, on the way home. And he says that sort of exit and voice are like the Scylla and, and, and loyalties like Charybdis and every organization basically has to navigate this tightrope between, you know, some employee resignation is actually a very healthy signal of, you know, what you're doing right, what you're doing wrong.

Some employee dissent is a very healthy signal of what [04:31:00] you're doing right, what you're doing wrong, you know, measure, manage that tension between the voice and the exits. At the same time, you need obviously some element of loyalty, otherwise you'll never

get anything done. So, you know, but if you have all loyalty and no exit and voice, then you're finished.

And you have all exit and voice and no loyalty, of course. So that's where the sort of the Scylla and Charybdis metaphor come in. And he talks about how management is about balancing those things. And say managers often forget about the value of that. Exit and voices early warning beacons for these kinds of sort of, you know emerging stakeholder concerns that, and it's not just businesses, by the way.

So in fact, I use this metaphor in yesterday's case study about the map, the metropolitan police here in the UK and London. And, and it's, you know, you just, you, you've got to use that signal. Are you losing your black police officers? What does that say about what your race relations are going to look like in six months, right?

And that's [04:32:00] something that you want to, for instance, be, be, be keep your eye on the ball. So those are sort of ways in which I think employees can be very helpful in this dynamic.

**Guest:** Thank you so much for this session. I resonated with most things that you said, because I am a sustainability grad at the University of Michigan.

And I do take classes both at the business school and the school for sustainability, and there are times when I do feel like, well, businesses don't really need folks like me to tell them about the win win situations, because I'm pretty sure they already have identified it. So my question is more of an advice seeking [04:33:00] direction than a direct question, because I want to understand from you, like, how should a student today going into an MBA program approach, you know, this sort of a landscape, especially for someone who wants to, you know, enter the corporate sector and target their, you know, corporate responsibility vertical.

What kind of skills should we particularly be looking at? What kind of values should we particularly be wanting to inculcate while we're at business school? And where should business schools really be taking this conversation on issues of sustainability, climate change, or corporate responsibility in general?

**Karthik Ramanna:** That's so that's a great question. And I mean, look, I clearly don't have all the answers on these issues. So I'll just offer a couple of pieces of advice that I offer my students in the space. Number one thing I say, look you know, whatever role or organization you want to be in, be sure you're at the [04:34:00] center of the organization that you're in the soul of the organization.

And oftentimes one of these things with like, you know, the sustainability office, et cetera, is it's sitting in like the PR department or next to the PR department, et cetera. If it, if it's sitting there, then you're not at the soul of the organization and don't waste your time doing that. That's just, you will quickly tire yourself out and you will quickly find that you're not having the value you want.

If the sustainability function is part of how the CEO thinks about creating value, about how it thinks, about how the CEO she or he thinks about the firm's purpose in society, then that's a very worthwhile thing. So whatever it is you do, find yourself at the soul of that organization rather than on its periphery.

This is the first sort of thing I say in these contexts. And the second sort of, which follows on from that is the idea that. When you're in these sorts of business roles, the, the, the, the

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instinct of business in, in each of these situations, as you already [04:35:00] alluded to is, is to find the profit opportunity.

And, of course there's enormous variants and there are enormously different ways in which How you can do that. And that's where your personal values, that's where your ability as an individual, as a citizen, can play in sort of shaping those conversations on the how, right? What you cannot do is swim against the tide and tell the business to make less money than it otherwise would.

Then you'll find yourself very quickly on those peripheral PR departments, etc. If you want to sit at the sole of the organization, you need to do what the organization is there to do. If, for instance, you're working for the police, as we were doing the case study yesterday, then the organization is there to protect and serve the community and, and public safety is there.

And if you're sitting in the police and you're talking about the importance of of letting violent crime go you know, unheeded, then you will always find yourself running, swimming against the tide. Similarly, you're sitting in a business and you're, you know, making the point that business needs to sort of forego profit opportunities, you'll always [04:36:00] be swimming against the tide.

But where you can add value is to is on the questions of how right so leveraging your tremendous intellect and talent. To be creative about how it is you make that money is where you really add value. And when people do that, they find themselves at the center of organizations. And every organization has a soul.

It may not be the one that you see posted on the wall. You know, the mission statement and all that, yada, yada. It's not that. It's the youth. When you spend, you know, two, two, three months in an organization, you'll know what the soul of the organization is. And then you say, okay, Does that resonate with who I am, what my values are?

If it doesn't, get the hell out of there. Don't waste your life being in an organization where it doesn't. But if it does, then find yourself swimming with that tide, right, rather than against it. And if you're in business, the tide is really to make money. So do that in a way, you know, the founding words of Edwin Francis Gay, founding Dean of Harvard Business School, where he said, earn a decent profit decently.

And, and, you know, there's just great value to be said about that.

**Elizabeth Doty:** It's a [04:37:00] great note to end on, and thank you so much, Karthik, on behalf of the Erb Institute and to all of you for joining the conversation today.

This is an example, this is a fascinating and brilliant example of the kind of dialogue and exploration we like to do in these expert dialogues every two weeks with the CPRT. And there are ways you can go further. We're bringing these into conversations with government affairs and sustainability and DEI executives.

So please contact us if you'd like to discuss membership in the kind of the inside. view of these conversations, or go to the website, sign up. If you were a guest at this one, sign up to find out about more. We have a resource list that grows over time. We'll be adding these articles, Karthik that you've just referenced today, I think is really important additions.