Gary: Welcome to *Sustainable Minds*, exploring the interplay of corporate brand, core beliefs, and ESG, brought to you by Baker. In every episode, we'll investigate how purpose, vision, and values can guide your company's sustainability, actions, behaviors, and mindsets.

Rocket: We'll discuss their impact with the help of ESG-focused guests from around the globe. I'm your host Rocket,

Gary: I'm your host, Gary let's get started. Today, we are speaking with Alison Taylor. Alison is the Executive Director of Ethical Systems, which is a part of NYU Stern School of Business, a collaboration between leading academics working on behavior science, systems thinking, and organizational psychology. She's an adjunct professor at NYU Stern School of Business where she teaches professional responsibility, sustainability, and leadership. She's an advisor at BSR, Business for Social Responsibility.

Alison has advised hundreds of multinational companies on strategy, sustainability, political, social risk, culture, and behavior, human rights, ethics and compliance, stakeholder engagement, ESG, and anti-corruption. If that's not enough, she regularly speaks and writes on all aspects of business and responsibility and ethics. Alison, welcome to *Sustainable Minds*.

Alison Taylor: Thank you so much for having me, Gary,

Gary: Are you still advising with Business for Social Responsibility?

Alison: Yes, that's right. I was a Managing Director at BSR before I joined NYU and so I'm still an advisor there. I have a few other advisory roles and I'm trying to write a book, but lots of different caps [crosstalk]

Gary: I want to talk about that. I have a note here also that you've advised hundreds of multinational companies on not just one or two things, but strategy, sustainability, political and social risk, culture and behavior, human rights, ethics and compliance, stakeholder engagement, ESG, and anti-corruption, that's fantastic.

Alison: That's right. I've had a lot of different jobs, I guess. I'm incredibly old and I've had a lot of different jobs.

[laughter]

Gary: How did you get into this field? When you began, was this your vision, was this your-- The road on or?

Alison: No, I'm really a historian and political scientist. I got involved in first of all in country risk and in how you can operate successfully in emerging markets. I worked in the Middle East and Africa and I worked in India. That was my interest originally back in the day. Then I became an investigator and I spent 12 years working in corporate investigations, that was really investigating fraud, investigating corruption, again, like working in the Middle East and Africa and then all over the Americas, Latin America, and North America. That was a lot more about ethics and compliance and lawyers and regulatory risk and risk, basically political risk, social risk, that kind of thing.

Then I moved into sustainability in 2015 and one of the things I found super fascinating was how little connection there is between the world of risk and ethics and corruption versus sustainability and ESG and corporate responsibility. The two worlds didn't at least five years ago, talked to each other very much. They used different terms, concepts, ideas, and I thought that was pretty interesting because as far as I'm concerned, they all have to do with ethical business. I think there are a lot of interesting questions we can ask about why that is. I got interested in those questions and I'm still interested in them. Then along the way, also, I picked up some qualifications in organizational psychology.

Then I also approach a lot of these questions from the perspective of culture and leadership and that kind of thing.

Gary: Very important issues. I want to ask you a little about ethical systems. When was it established and why was it established? What problem was it trying to solve?

Alison: It was founded by-- He's quite a famous social psychologist. He's a famous professor. He is called Jonathan Haidt. His most famous book is called *The Righteous Mind*. He also wrote a book called *The Coddling of the American Mind* and he works on moral and political psychology. He joined Stern, the NYU Stern School of Business, I think in 2011.

He set up ethical systems because what he noticed was that a lot of problems in business ethics, how companies try to tackle them is that they hire some consultants and they do some benchmarks and everybody copies everyone else. There's this idea that there's this solution out there. He noticed that none of those ideas had anything to do with the very good academic research on these topics. What he was really trying to do was bring the best ideas from academia into the business world. If that works, then academics spend less time writing papers that nine people read and companies can do better jobs than not just copy each other and spend far too much money on consultants.

One of the ways I think about my job, or I think about what I try and do in the world is that I'm a translator between a lot of different domains. I try to make ESG understandable to people in compliance. I try and make sustainability people understand topics like corruption. Then I try to help business people use really good ideas from research, and I try to make academics make their ideas practical so that they're not so obscure that no one can pay any attention. All of that seems worthwhile to me.

Rocket: [laughs[How do you suggest to people that you can build cultures that are ethical?

Alison: We would say that every culture is unique. Then the second thing we'd say is I think a lot of the ways that we think about culture in organizations, especially for Americans, because the very individualistic culture. We tend to focus on good people and bad people. If you have good leaders, you'll have a good company. What we really need to do is to find and remove the bad people and the bad apples. We think that only gets you so far because the reality is we're far more influenced by our surroundings than any of us like to admit to ourselves.

We would say that rather than saying just do the right thing and rather than laying out a bunch of rules, you also need to pay attention to how human beings behave in groups. A few really obvious examples, it's really, really difficult to speak up. If somebody has a lot of power over you and it's difficult, even if they don't have a lot of power over you. Companies spend a lot of time saying why don't employees, why aren't employees braver, and why don't they speak up more without thinking about why it's so difficult in the first place, or we put in place a lot of rules about what people can and can't do.

We don't think about things like the incentives and the pay structure and bonuses and how things like that might encourage unethical behavior. There's a lot of lecturing and there's a lot of empty hope out there. What we are trying to do is say, no, you can use ideas that are very well researched, and you can use those to design organizations with more ethical cultures.

Gary: I was thinking about that. I'm just curious when you're advising a CEO or the C-suite, and you see that there's a blind spot, or you sense their hesitation or slight resistance to what you're trying-- To the path you're recommending. What do you do or do you just say, so be it? They're asking you to bring certain things to the party, to the table. I'm just curious if you have anything that helps open them up.

Alison: This is a good question because in sustainability, as you will all know very well, there's a big focus on the business case. We should do this because it will be better for the bottom line over the long run. We should prioritize these issues because they'll make more money and they'll reduce reputational risk and that kind of thing. Now here's the thing, after I spent all this time working in ethics and compliance, I then went and worked in sustainability and I built sustainability strategies and reports in much the same way you did. In that job, people **[unintelligible 00:09:20]** would ask me over and over and over again, what the business case was for doing this. Can you give me some slides?

The CEO's a bit skeptical about whether there's a point, lay out the business case, provide me some evidence. I have never seen this persuade a skeptic in real life.

[laughter]

Alison: I've never seen it work.

Gary: I agree.

Alison: I think it might work if you have the CFO or someone with a lot of financial credibility making the argument, but what doesn't seem to work is the sustainability person trying to make a financial case to someone that's got more expertise than them. I think it's a myth, I think what does move the needle with leaders is actually what moves the needle above everything else is getting yelled at by their teenage children at the dinner table. I think there's something about your legacy and leadership and making a difference and feeling that you're doing something worthwhile in the world and having a focus, and then motivating, of course, and engaging your employees and having a purpose that the organization can get behind.

I've found all those arguments to be a lot more effective than, "If you do this, here's how you will make more money."

Gary: Yes, I totally agreed. One of my few opening questions with people that I really don't know if they view this as a risk mitigation situation or is it a value creation opportunity for them. Once they start talking about what you were just mentioning. Just afraid and trying to mitigate the risk rather than the opportunities that they have in front of them and what in our humble opinion, the world needs them to be doing out there. That's a kind of interesting dynamic.

Rocket: Absolutely.

Alison: Yes, it sure is.

Rocket: I know what you say that you teach part-time at NYU Stern. What advice do you give for teaching professional responsibility in leadership?

Alison: I find this class very funny. I think most business schools have this class, and it's called professional responsibility or ethics. The students always walk in thinking it's going to be the class where I tell them how to stay out of jail. I always start off with that, and I say, "This is not the class where I'm going to tell you how to stay out of jail." What I really try and do is say, "We're going to explore the big topics. We're going to talk about shareholder value. We're going to talk about stakeholders. We're going to talk about social psychology.

We're going to talk about philosophy and ethics. We're going to talk about obviously ESG, employee activism, political risk."

I just say, "Let's get it on the table. If you think this stuff is nonsense, let's have it out." I value debate. I value discussion, challenge me, tell me I'm wrong, and then we'll get into some really, really interesting conversations. One of the favorite exercises I give a class is is an article about Amazon. Then we normally have a really big debate, and it tends to divide the classroom quite sharply. The question, "Would you work at Amazon" is a very good question to use in an MBA class.

[laughter]

Gary: In 2018, you wrote about Culture, Behavior, and Corporate Integrity 2.0, so I'm curious here four years later, where is corporate integrity 2.0? Where does that stand today?

Alison: The arguments I think I made back in 2018, I think, I've doubled down on them. I see more and more what's going on. The argument I would tend to make is what we name ethical business is really it's a lot of PR, and it's a lot of effort to avoid litigation and reputational risk. What is happening, and it's really accelerated since 2018, is that those defense mechanisms, those efforts to put a shield around the corporation to control the narrative, to tell a really nice story, those are becoming less and less effective. Of course, the rise of social media means now we all look at glassdoor if we're going to figure out where to work. We don't look at what the company's saying, but leaking is the new whistleblowing.

This rise of employees saying, "I know this is what the company says it stands for. Here's what it's really like to work here, and we're going to embarrass the hell out of you." This has happened with Uber in the last few weeks. Obviously, it happened with Facebook. I think the weaponization of information by employees is a really key piece of evidence that treating all this as a defense mechanism, treating it as telling a good story, doesn't really work anymore. You can also think about non-disclosure agreements for sexual harassment are going away, so now employees can speak up about that. What's really happening is it's becoming much harder for a corporation to control the narrative.

The other thing that's of course, happened more and more since 2018, especially in America, is companies being drawn into really controversial social and political problems. It started with immigration, of course, gun control now women's reproductive rights, voting rights, now ESG. There's also this idea you see kicking around that all companies need to do is balance the interest of all their stakeholders. Well, good luck with that. I think that's got really, really hard, and I think a lot of the conventional wisdom out there is banal in that way. You can't please all of the people all of the time as Bob Dylan said.

You've got to make some tough decisions about who you're going to prioritize, what you're going to focus on. I think some companies get this. A lot of them are still trying to be all things to all people. Stand up when it seems convenient and when people are calling for it, and then do something different with their political spending. I think all of that's just becoming much harder to get away with. We are in this really interesting new era. I think it's quite threatening and frightening for a lot of corporate leaders. I don't blame them. There was an amazing quote from the former CEO of Aetna in the *Wall Street Journal* a few weeks ago, who said, "Running a business is now table stakes."

I thought that was pretty scary. If running a business, which is let's face it really, really hard, is now table stakes compared to figuring out what you're going to do about all these social problems, then we seem to be in a tough spot.

Gary: I like that you're doubling down on integrity 2.0. It needs to be doubled down on.

Rocket: Well, it seems like I know that you have-- What kind of guidance do you do tell them if somebody comes back at you lightly and says, "Oh, yes, I'm believer in shareholder and stakeholder capitalism," and you are advocating to them, "Good luck with that." What do you tell them to do to try to sort through it all and still end up in a holistic place or approach, and at the same time have a considered approach?

Alison: I do think it's really important to think about your values and have not too many but really stick to them. I think it's really important to focus and to have a few priorities. What you tend to see, and I guess, you help companies with these reports, but you tend to see these very glossy reports where everybody's on track with all their goals, and there'll be some smiling children and some smiling women in hard hats and three pillars and a really nice glossy view of what this company is doing. I don't think people pay a lot of attention to these things, and I don't think they believe them.

I would say, "Focus on a couple of things that are really important, both to your business and to your stakeholders, and do a really good job on those." Don't spend your entire budget on communications. Try and actually make a difference. I think a lot of the ESG reporting industry weighs against that because you're supposed to be just closing on and implying you're doing ambitious things on 30 or 40 issues. There is no company I've spent more than five minutes in that is really making a difference on 30 or 40 issues. I think the key is focus. Then I think for everything else, I think you've just got to push back. You've got to not be governed by Twitter.

You've got to resist having a social media team that's like, "Oh, here's who's yelling at us this week. Let's make a statement on that." I think you've just got to be much clearer about your values and stick to what you're doing. Now, that won't solve all problems because there are a load of things that are relevant to every business and that are controversial because they're relevant to employees, and they're about social identity. Issues around race and gender and women's rights and sexuality, I think those need to be dealt with in a different way because no company can say that they're irrelevant, and they're not going to get involved. They have become, especially in the American context, very, very fraud.

Gary: Great advice. I like that. I read yesterday or was it today, ethical systems in an article, The Concept of Net Zero is a Deceptive, Simple and Dangerous Trap, and I thought that was interesting. It talks about there's no magic bullet. We need to stop moving the problem around. For our listeners, can you elaborate on that a little bit? You commented on that, I think, this morning.

Alison: For your listeners to understand, the idea is you have net zero, which is that you trade off your carbon emissions, even if you're making a lot of carbon emissions, you trade-off, you do other things, you plant trees, you buy carbon credits, you do something and you end up with a balance of zero. What the point this article is making is that a lot of this idea of reaching net zero also relies on the notion that we'll find technological solutions to the climate problem. We will develop some technology. We'll develop some solution. We won't have to make any uncomfortable choices. We can just carry on living exactly as we did before and technology will solve climate change.

What these authors are arguing is that that's a dangerous fantasy, and it enables a lot of kind of saying, "Well, my balance is zero, so there must not be a climate problem anymore." One thing we can observe over the last few years is that there are a lot of companies making big net zero commitments, and then missing all their goals. You see again, the green ticks and everyone's doing a brilliant job, and yet the world keeps getting hotter. I think we need to ask ourselves why that is. A lot of it speaks, again, to this idea of we treating all these companies trying to get a better score rather than actually solving the problem.

We've prioritized reputation and appearance and what companies need to do to attract those ESG investors at the expense of solving the actual problem.

Gary: No, you talk about that in the article, incentivizing ESG, what does it really take? The takeaway is it's time for investors to stop being pressured about box ticking, something that you get to mention.

Alison: That's right.

Gary: Ticking the box, we did this, we did that, whatever they view the boxes as.

Alison: That also talks about investors all suddenly decided sometime in 2021 that what we really needed to do is incentivize ESG goals. That will be a counter to this short-termism and obsession with shareholder value, and that's all we need to do, is give people some ESG goals and the problem will be solved. A lot of these goals are box-ticking, and they're more about saying that the company's met the metric than actually trying to do something about the issues.

There are lots of examples in the article, but one example would be, if you give the senior leadership team a goal to have a certain number of women or people of color in the senior leadership team, that's something, that's a diversity goal, but that's not the same thing as the organization having a real commitment to diversity in every part of its operation. This is more evidence, I think for a fewer issues you can focus on the better. If you are really going to focus on diversity, you need to do a bit more than just make sure there's enough women in your senior leadership team.

Gary: Exactly.

Alison: Rather than trying to tick the box on bossy things, maybe we could try and do a good job on two things and we'd end up in a better place.

Gary: I live by the three rule. If you give me three things to do this week, I'll do one for sure. Maybe two, lucky if I get to do three. I work with corporations where they put out 40 goals for their executives. They have to accomplish these 40 goals over the year. I used to turn to the CEO. I go, "That's impossible. People can't do that on top of what they're doing." There's some reality. That pulls me into what are your articles why business integrity can be a strategic response to ethical challenges. You talk about a more holistic approach to ethical and responsible business. What is that holistic approach?

Alison: That paper is about what we are really seeing is that the different functions are having to come together to discuss the problems companies are facing. If you go back to the conversation where we're just having right now about what companies should be doing about gun control or immigration or climate change or women's reproductive rights, it's very easy to get into a situation where the sustainability team's doing one thing and writing a report, the human resources team's doing something completely different, meanwhile, the government relations team is spending money like the sustainability team never made those commitments, and then the risk teams filling out some spreadsheets, and the compliance teams got some policies. The result is completely incoherent.

The point here really is, if you've made a commitment to human rights in your sustainability report, you better not be union busting with the HR department and you better be paying a living wage, and you better not be undermining the minimum wage with your lobbying. That's what we're saying. If you're going to really have a value, you can't treat everything in a siloed piecemeal way, or you'll, again, end up with kind of different departments running around all thinking they've done a good job, and it doesn't add up to anything apart from hypocrisy. It's not deliberate, but it comes out looking like complete hypocrisy.

Gary: It's really important to tear down the silos.

Alison: Yes. I think it's just important to think, what are we really saying about this, and can we live by it? Again, the idea is not treating these value statements as cheap PR. Everyone's got a commitment to integrity and teamwork. What does that really tell you? Every corporation's like, "We have high integrity." Everybody says that. It's become a meaningless statement. Getting beyond those empty words is just something to something real is what--

Gary: Exactly. I want to know what this really means to you and how will you live those words, what this really means to you?

Rocket: What the actions are?

Gary: Yes. I think this is relatively new. You talk about it, I've talked to a few people, and that is the role of the chief integrity officer. That could be a very powerful position if they have power.

Alison: Yes. We're starting to see senior leaders emerge that have ownership of more of these functions. They don't just own sustainability or they don't just own compliance, but maybe they own compliance, and sustainability, and investor relations, and internal audit, or maybe there's some cross-functional team to think about, "What are we going to say or do about this particular issue of the day?" It doesn't need to be a single person. Somebody like Klaus Moosmayer at Novartis, he's a member of the senior leadership team and he owns risk and audit and compliance and human rights. He has a team of behavioral scientists. He is thinking much more holistically about integrity across the organization.

Gary: We work with companies small and large. Sometimes we work with companies that are just entering, they're small and they're just entering this world of sustainability, and then eventually ESG reporting. What advice would you give? What are the three things getting down to the simple-- What are the three things you would advise a company small, but they want to get into this world of-- They care and they want to get into this world of sustainability?

Alison: My first piece of advice, we've covered it already, but it would be prioritize. Don't try and boil the ocean, don't try and solve everything. Have an assessment process and find one, two maximum three priorities. The second one I would say is don't manage to the ESG report. That's for investors. That's so investors can score you and figure out how they can make more money. It has no benefit for you. You might want to think about reporting later on when you've got a solid strategy, but this is not why you are doing it, and you're not just trying to tick the box. Then my third piece of advice would be listen to your employees.

Don't set this top down, don't sit in a tiny boardroom and decide what the strategy's going to be. Ask employees what is important to them, ask them to weigh in on your values, consult them, then make a decision and draw a line in the sand. I think a lot of the time what companies are doing is they're getting direction from the top, then they're facing all this noise from the bottom, and then they're jumping every time someone yells at them, and employees end up feeling really annoyed because they're not consulted, and leaders end up feeling really annoyed because there are people yelling at them every day and seeing they need to do more.

I think you have to have a proper assessment review consultation process with everyone important, and you make a decision. You have your values and you really stick with them and try and demonstrate them. That would be my advice.

Gary: I love it. Very practical, very doable. Here's my copy question. It's five years from today, Rock and I are in New York City, and we're sitting down and having coffee with you. A lot has changed over the five years. Where has this world of ESG and sustainability evolved in the next five years?

Alison: I think the first thing we are going to be talking about at this imaginary coffee is, "Wow, that term ESG didn't last long, right? That seemed really weird that we were lumping together environmental and social issues. There were always those trade-offs we had to manage because if you close a factory, you cut your carbon footprint and you also cause a lot of social damage." I think the ideas are going to be just as fresh and just as salient. Companies need to generate stakeholder trust, they need to make money in a much more turbulent world. They need to manage social media. They need to manage pressure from employees that want different kinds of work.

They need to account for their impact on the world. All of that will be alive and well. I think corporate political responsibility will be alive and well. I'm not sure that we'll still be using the term ESG. I think will be like, "That barely lasted into 2023." That's my risky **[unintelligible 00:29:40]** there.

Gary: Thank you for that.

[laughter]

Gary: Thank you for that. Tell us about the book you're writing.

Alison: It's about everything we've been talking about. It's about how companies can figure out how to do the right thing in a turbulent world where half the advice out there seems to say just ignore all this nonsense and focus on shareholder value. The other half of the advice seems to be, "You have to solve every problem out there and be a perfectly sustainable company and if we find anything wrong with you, we're going to punish you," which feels completely overwhelming and unrealistic. I'm trying to provide some good practical advice that is neither one of those binary frameworks, neither of which I think is going that well.

Gary: We look forward to reading it. I'm sure. If it's okay with you, I'm sure I'll borrow some of your advice to share with people.

Alison: I will be more than happy to send you a copy and walk you through the main arguments as soon as I got it ready. It should be finished sometime this fall I hope and out sometime next year.

Gary: Good for you. That's a lot of work, I'm sure.

Alison: Don't talk about it.

[laughter].

Alison: [unintelligible 00:30:53] why I spend so much time writing all these other articles and procrastinating on social media. It's pretty painful but slow and steady and maybe it'll get done.

Gary: I was contemplating a book but I did a podcast instead.

[laughter]

Alison: That was a smart move.

[laughter]

Gary: Any lesson

Rocket: Oh, I think it's very interesting because essentially, there's so much talk in the ESG world right now about the frameworks and the consolidation of frameworks and what people-- I hear you preaching over on the side, look inward. Don't look outward to be told what you need to report on. Look inward. Show them the mirror of themselves and decide what's really important and go forward.

Alison: That's what I think. That's what I think. I don't think accurate and transparent data is a bad thing. I think it's worth some effort. Is it worth 95% of the effort and conversation? I'm less convinced about that.

Rocket: Interesting.

Gary: Great, Alison, [crosstalk]. Thank you for your time. Is there anything we didn't talk about that you would like to bring up or mention?

Alison: I don't think so. I think this has been a pretty wonderful conversation and we've covered a lot of ground in half an hour. It's been a pleasure to talk to you both.

Gary: Thank you so much.

Rocket: I hope we do it again.

Gary: Thank you. Bye-bye.

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Rocket: See you on the next episode of *Sustainable Minds*, exploring the interplay of corporate brand, core beliefs and ESG.

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