

Be a “Conscious Capitalist” for Your Benefit and the Benefit of Others

Several months ago, I read the phenomenal book *Red Notice* by Bill Browder. It is a hair-raising and eye-opening real life account of the cronyism in the Russian political and economic system. It is also a tale of heartbreaking injustice and one man’s struggle to right an unspeakable wrong that provides many insightful lessons for all business leaders.

In a chapter “The Magic Fish,” Browder, who was at one time the largest foreign investor in Russia, recounts an occasion when an oil oligarch named Potanin attempted to steal \$87,000,000 from Browder and his investors via an unscrupulous stock dilution scheme. The thing that puzzled Browder was that the move made no financial sense. Even if Potanin was successful, the resulting loss in investor confidence would certainly cause a massive decrease in the company’s stock price.

Then, Browder remembered why Potanin would do this: “because it is the Russian thing to do.” To illustrate this point, Browder recounts a famous Russian proverb:

One day, a poor villager happens upon a magic talking fish that is ready to grant him a single wish. Overjoyed, the villager weighs his options: “Maybe a castle? Or even better — a thousand bars of gold? Why not a ship to sail the world?” As the villager is about to make his decision the fish interrupts him to say that there is one important caveat: Whatever the villager gets, his neighbor will receive two of the same. Without skipping a beat, the villager says, “in that case, please poke one of my eyes out.”

Browder goes on to explain: “The moral is simple: when it comes to money, Russians will gladly — gleefully, even — sacrifice their own success to screw their neighbor.”

When I read this, I thought it was a moronic and irrational way to live and run a business. But, the more I reflected on this perverse economic mindset, the more I began to realize that it is one that is not unique to Russian corrupt oligarchs. In fact, if you look for it, you can see the same dynamic, to a greater or lesser extent, in many business communities.

You need not look for notorious scandals to see the “magic fish” mindset at work in business. It is commonplace that market participants engage in behaviors that are as self-destructive as they are harmful to others.

When Massey Coal cut corners on safety for decades, their actions endangered their workforce and caused many deaths and injuries. But it also crippled Massey Coal and CEO Don Blankenship who is now facing criminal charges and possible jail time. When Enron, WorldCom, Tyco and many other firms too numerous to list here, engaged in financial statement fraud, they wounded themselves as well as their investors. When real estate appraisers, banks and rating agencies engaged in systemic fraud for short-term gain, they hurt themselves in addition to sending the world economy into a tailspin.

You need not look for notorious scandals to see the “magic fish” mindset at work in business. It is commonplace that market participants engage in behaviors that are as self-destructive as they are harmful to others. Unlike the mindset described by Browder, the harm caused by corporate leaders to other market participants may often be inadvertent rather than intentional or malicious. It’s the rare CEO that goes out of their way to deliberately hurt their employees, suppliers, investors or the communities in which they operate. But this does not make the harm actually caused by actions taken to meet perceived shareholder demands for short-term gains at the expense of others any less real. Nor does it alter the fact that such short-term plays almost always cause long-term harm to the firms

Have a comment on this article? Visit ACC’s blog at www.inhouseaccess.com/acc-docket.



James A. Nortz
COMPLIANCE &
ETHICS CONSULTANT
AND EDUCATOR,
BUILT ON ETHICS
ADVISORY SERVICES

jimnortz@gmail.com

ONLY 1 IN 3

legal and compliance executives believe they have the right tools in place to reduce third party compliance risks.*

ARE YOU ONE OF THEM?

Continuously identify, assess, mitigate and monitor risks presented by your relationships with third party business partners.

Eliminate the need for manual due diligence processing through continuous monitoring, centralized data and automated research and analysis.

Contact Us to Learn How

NAVEX GLOBAL™
The Ethics and Compliance Experts

+1 866 297 0224

info@navexglobal.com

www.navexglobal.com

ACC ALLIANCE
Exclusive Savings for ACC Members

+1 202 293 4103

marketing@acc.com

www.acc.com

*According to NAVEX Global's Third Party Risk in a Global Environment: Key Survey Findings.



Call for Authors!

Tell Your (In-house) Story: WRITE NOW!

Interested in writing
for the *ACC Docket*?



Contact Editor in Chief
Tiffani Alexander
at alexander@acc.com

For more information
visit accdoCKET.com

DOCKET

ACC Association of
Corporate Counsel

Call for Authors!



that consciously or otherwise “screw their neighbor.”

As a general rule, I think it’s fair to say that anytime a market participant, be it a CEO, hedge fund, company or labor union, takes an action for its own benefit without consciously taking into account and seeking to mitigate the negative consequences of such an action on others, they are behaving like the villager in the Russian proverb — foregoing potential riches while harming both themselves and others.

It may be true that in the land of the blind, the one-eyed man is king. But, why would we choose to live in a land of the blind? Wouldn’t we all be better off in a land where everyone has good vision? The answer, of course, is yes.

Striving to achieve a “rising tide” for all is not a utopian dream, it is a general strategy for pursuing enlightened self-interest and widespread prosperity. As Robert Reich, Raj Sisodia, John Mackey and others have so convincingly proven — *when companies aim to help all stakeholders flourish, they optimize their chances of success as well.*

John Mackey, the CEO of Whole Foods, gives a great example of this in

a book he authored with Raj Sisodia entitled *Conscious Capitalism*. Mackey explains that for some time now, Whole Foods has had sufficient market power to increase its margins by driving hard bargains with their suppliers. Instead of exploiting this power, Mackey took a different tack. He worked to help his suppliers thrive by knowing that if he did so, Whole Foods would have access to the best meat, fish and produce over the long term.

This isn’t to say that Whole Foods does not strive to keep its costs under control. They must do so to survive. But, by deliberately taking steps to help their suppliers do well, their business has benefited far more than if they had chosen to “poke their suppliers’ eyes out” by squeezing them for every penny.

So, take a step back and examine whether you are, intentionally or not, “blinding” both yourself and your neighbors. In so doing, strive to run your business “consciously” by considering commercially reasonable options to improve everyone’s “vision” both for their benefit and your own. **ACC**

Q&A with **CONSTANGY BROOKS, SMITH & PROPHETE LLP**



Neil Wasser,
Chair of the Executive Committee



Roving Reporter



Q: You were 16 years old working in the mail room when your grandfather—firm founder Frank Constangy—passed away. What did he teach you that you use today in leading the firm?



A: My grandfather said you can tell a lot about people from the way they treat servers in a restaurant. Our lawyers treat each other, and our staff, with respect. Even when our clients aren't looking.



Q: The firm is nearing its 70th anniversary. Anything new going on?



A: Lots. We've added a new name to our door. Just upgraded to Microsoft 8.1, Microsoft Office 2013, and installed cutting-edge data security for clients. And we've opened three new offices!



Donald Prophete
Newly Named Partner



Piyumi Samaratunga
Minneapolis Office Head



Anjanette Cabrera
New York Office Head



Jim Goh
Denver Office Head



A wider lens on workplace law

www.constangy.com

Alabama • California • Colorado • Florida • Georgia • Illinois • Massachusetts
Minnesota • Missouri • New Jersey • New York • North Carolina
South Carolina • Tennessee • Texas • Virginia