Selfish or Self-Interest?

Where Did We Go Wrong?

In March 2012, an executive director at a global investment bank stunned the financial world by publicly resigning in an article he wrote for *The New York Times*. In his article, he decried the "toxic and destructive" environment that had overcome the Wall Street institution, a part of which he led.

Such sharp criticism of a Wall Street institution comes on the heels of increased cynicism and lack of trust in global business. In fact, the erosion of trust in business may be one of the consequences of the world's economic troubles.

During the Great Recession, triggered by the sub-prime mortgage fiasco, the public's feelings about business and business leaders took a sharp turn toward the negative. Corporate greed and selfishness dominated the headlines, and cynicism about the current state of capitalism spread. According to the Edelman Trust Barometer, an annual survey of public attitudes, trust in business plummeted in 2009. In 2012, trust in government similarly declined, and according to Edelman, "trust in the two institutions tends to move in sync." Trust in business around the world continued to drop, and in the United States, the level of trust did not reach the 50 percent mark. Banks and financial services firms remain the least-trusted businesses, with 47 percent and 45 percent ratings respectively, while the trust levels for CEOs dropped 12 percentage points, down to 38 percent, which is the lowest in the 12 years the Edelman has tracked such numbers.

Another recent poll, from the Pew Research Center, found that only 50 percent of Americans reacted positively to the term "capitalism," and that number was even lower among younger Americans, ages 18 to 29. The poll concluded that those in that age bracket viewed socialism more positively than capitalism. Writing

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in *The New York Times* about the harm rogue bankers had done, Nicholas D. Kristof made the startlingly point: "In other words, America's grasping capitalists are turning young Americans into socialists."

Have corporations pushed the rudimentary benefits of self-interest well over the line and into the realm of selfishness and greed? Are organizations continuing to reward the behavior that triggered the economic catastrophe in 2008 without regard for the consequences? Given the complexities of the global economy, is it possible, through reward systems, to reduce the level of selfish behavior driving so many individuals and organizations?

Steven Kerr, a senior advisor to Goldman Sachs and author of "Reward Systems: Does Yours Measure Up?" (Harvard Business School Press), has spent years in academia and at General Electric and Goldman Sachs, studying the impact of corporate reward systems. According to Kerr, finding the correct answer requires asking the correct question.

"The question is not one of selfishness," Kerr said. "It's not useful to say people are selfish. Human beings tend to be selfish. That's how we're wired. We would run into a burning building to save a child, but if our child was in one room and a stranger's child in another, we know where

Say What?

Likeonomics (n.): Personal relationships, individual opinions, powerful storytelling, and social capital that help brands and their products or services become more believable. SOURCE: OGILVY

we'd go first and where the other parent would go. That's just the way it is.

"If you put me in a work situation, I'm going to be selfish and concerned with my own goals and career. It's neither good nor bad, it's simply how we're wired. The question is not one of selfishness, the question is one of alignment.

Kerr, who served as vice president of corporate leadership development and chief learning officer at General Electric under CEO Jack Welch, was on leave from the University of Michigan to run G.E.'s Crotonville leadership center when, in 2001, he was recruited by Goldman Sachs to take on a similar role.

"I didn't need the job and I wondered what I'd be getting into," Kerr recalled. "I had Gordon Gekko and that movie in my head, but I also realized that people who join Goldman Sachs are not randomly selected out of some phonebook. These are people who are going to be required to work incredible hours and will be probably be let go; a majority don't make it. But if you do succeed, you will be rewarded with wealth. Before Goldman was vilified for the recent crisis, it was quite prestigious to work there. So you get fame and fortune and a great chance to learn, so there are certainly selfish motives behind a decision to go there."

What Kerr quickly encountered, as he began working with Goldman's top executives, was an illuminating example of alignment. The Goldman aspiration, perhaps unfortunately worded, was to be "long-term greedy." Contrary to Gekko's opinion that "greed is good," the Goldman philosophy is built upon the idea that decisions must benefit the client in the long haul, regardless of what it costs Goldman in the short run.

"It's not about worshipping greed," Kerr explained. "Not everyone gets it right, but the idea is that you do what is right for your client, your customer, and if it looks like it is costing you money, you still do it because in the long term, you will come out ahead. That to me is a better message than telling people to not be greedy and think of others."

In other words, Kerr said, companies can try to teach employees right from wrong but the stark truth is that by the time people reach a Goldman Sachs or a G.E., they know right from wrong — and if they are behaving badly, they are well aware of what they are doing.

"So the question is not whether you can turn these folks into noble people, the question is how do you align your goals so that in the course of them getting what they want, they also give you what you want, and if you are lucky, you give society what it wants," Kerr said. "It isn't easy, but trying to convince people not to be greedy is pointless."

People are motivated to pursue their goals, and smart organizations find ways to make the achievement of employees' goals contingent upon achieving the organization's goals. "You think back to World War II, when people were more noble and risked their lives for the cause," Kerr said. "Soldiers were told, 'You go home when the war is won and until the war is won, you don't get to go home.' The soldiers knew if they stayed long enough, the odds were they would get shot. So it paid for them to do whatever they could to help end the war because it was the way you got to go home. It's goal alignment."

In fact, Kerr said it is important that people are selfish, as long as there is a solid control system within the organization. In today's wired world, where getting away with cheating, lying and stealing has become more and more difficult, a company only needs to make it clear that an employee caught behaving unethically or illegally will pay the full penalty for their behavior. If you screw up, you have a great chance of being caught and if caught, nobody will protect you, Kerr pointed out. "With that, I'm not too worried about your motives," Kerr added. "It's amazing how quickly you get changes in behavior."

Given such alignment, selfishness morphs into self-interest that benefits the organization and the individual, and in the best of all scenarios, society as well. Kerr acknowledges there are no guarantees in a world where so many strive to scam the system. Indeed, if the leaders, like Bernie Madoff or Enron, aim to do harm for selfish gain, then aligning goals and getting people motivated to do what the leaders want will still create problems for society.

"I hope it's selfish," Kerr stated. "I hope you concluded that it's in your own selfish best interests to behave the right way because then I know I don't need outside control."

Hal Mayforth