



## **Defining the Arrow of Goodness**

**Compliance and Ethics**



The recent release of the movie *A Theory of Everything* chronicling the life and work of physicist, Stephen Hawking, reminded me of one of the most startling passages I've ever read. In his bestselling book, *A Brief History of Time*, Hawking has a chapter entitled "The Arrow of Time" in which he posits answers to the following two questions: "Where does the difference between the past and the future come from?" and "Why do we remember the past and not the future?"

The fact that a famous scientist was seriously asking these questions about something that appeared to me to be so obvious made a big impression on me. He was basically asking: "Why don't we die before we are born?" and "Why can't we remember the results of an examination before we take the test?" Aside from seeming nonsensical, these questions made me realize the importance of taking nothing for granted and seeking real answers to fundamental questions rather than dodging difficult issues by concluding "that's just the way things are."

In the succeeding pages, Hawking tackles these fundamental questions head on and provides cogent answers. As you might imagine, the answers he provides lead to a deeper understanding of reality and the universe in which we live. It is by applying such insights that science has achieved breathtaking advances in the last century that have had a profound and beneficial impact on our lives.

I think that business professionals can benefit from taking a similar approach in advancing our field by seeking an answer to the following fundamental question: "What defines the arrow of goodness?"

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In other words, what universal principle or principles define the difference between good and evil? What yardstick might we use to measure the goodness or badness of any particular act?

Like asking “What defines the arrow of time?” these kinds of questions can be a bit unnerving because they tend to expose our ignorance of fundamental principles we take for granted. However, if we were to succeed, even in small measure, to define the arrow of goodness in a business context, perhaps we would be in a better position to improve the ethical performance of commercial enterprises.

Before tossing an answer to these question at you to chew on, let me concede that I hesitate to wade into the waters of moral philosophy because they are so deep and murky. Thousands of great minds have posited and debated answers to questions about good and evil for millennia. Moreover, these efforts have not arrived at anything approaching the broad consensus that the scientific community has reached with respect to the arrow of time. Like many other business professionals who have sought answers in the sea of moral philosophy, I have had difficulty finding useful strategies for resolving real business problems. This is likely the reason that you don't hear the names of Kant, Bentham or Hume being bandied about the office very often.

Nevertheless, as I panned for gold on the shores of this vast sea of knowledge, I came across a nugget that I have found useful in defining the arrow of goodness and it is this: *The arrow of goodness is defined by the degree to which actions promote human flourishing.*

There are many reasons I'm drawn to this simple definition. First, it has a visceral appeal. It's hard to disagree with the general proposition that you should seek to act in a way that promotes the wellbeing of everyone over the long term. Although this is not all that can be said about the arrow of goodness, it certainly serves as a solid foundation for further refinement. Second, you don't have to be a scholar in moral philosophy to understand it or to seek to apply it. Instead, you need only strive to articulate how your contemplated actions will promote human flourishing in a manner that will withstand the scrutiny of the marketplace. Third, it focuses attention on the most important moral questions associated with any business decision that always relate to the impact they will have on human beings for good or ill.

Another reason I think that this definition of the arrow of goodness rests on solid ground is that Raj Sisodia and John Macky have demonstrated that a business strategy that strives to promote the wellbeing of all stakeholders is not only viable, it is optimal. In their book *Conscious Capitalism*, Sisodia and Macky use multiple case studies to prove that there is a direct cause and effect relationship between such a strategy and long-term financial performance. They back their thesis up by contrasting the financial performance of companies that hew to this principle (so called “firms of endearment”) with the general market. In so doing, they observe that when you compare cumulative 15 year returns, firms of endearment have outperformed the S&P 500 by a factor of over 10 to one.

Notwithstanding its potential utility, there are significant challenges in applying my definition of the arrow of goodness, the most obvious of which is that there is rarely universal agreement on the degree to which particular actions will succeed or fail in promoting human flourishing. There are many reasons for this. One is that it is sometimes difficult, if not impossible, to predict the long term impact of a particular business decision on multiple stakeholders. Another is the difficulty of balancing your duty of care and loyalty to your company with the interests and wellbeing of the broader community in which your business operates. A third is the fact that every business decision carries with it harm or risk of harm to one or more stakeholders.

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Despite these and many other challenges associated with navigating your corporate ship in an ethical direction, I think that you optimize your chances of success when you and your “shipmates” begin every journey by striving to set your compass heading in a direction that is consistent with the “arrow of goodness” as I have defined it. If business professionals go even further by working together to develop effective methodologies to systematically integrate this idea into strategic planning and routine decision-making processes, we might achieve a quantum leap in both financial and ethical performance akin to what our scientific counterparts have achieved in the last century.

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