

Chapter 8

Power

The Principle of Great Responsibility

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The engine of profit may be one of the few things alongside governments that have the scale to fix the world's problems.

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With great power comes great responsibility.

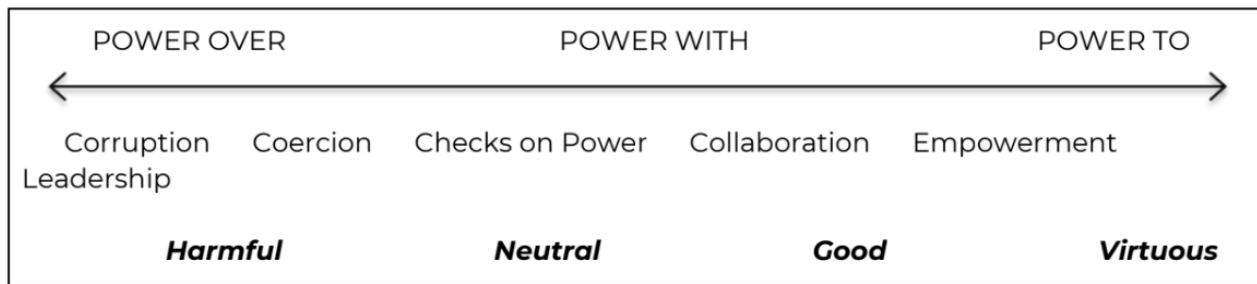
Thomas Francis Gilroy

Exxon Mobil has annual revenues larger than the economic activity in the great majority of countries.^[1] DuPont created a chemical compound that has since made its way into the blood of 99% of Americans.^[2] Walmart purchases from over 40,000 suppliers, many of which are dependent on Walmart's business to remain profitable and who have set up offices next to Walmart's headquarters.^[3] Amazon is able to regularly take on billions of dollars in shipping cost losses, thus enabling them to set new delivery expectations among the half of American households that have an Amazon Prime membership.^[4] Google has over one billion users of its search function, four times that of any of its competitors (Statista). Starbucks employs 238,000 people and recently made a public commitment to provide jobs for 10,000 refugees.^[5] Harley Davidson's customers are so invested in the brand that many of them get the company logo tattooed on their bodies. Even some of the small, local bakeries in the state of Utah have over fifty thousand followers on Instagram. These examples illustrate various sources of organizational power.

Organizations of all sizes can derive power from their resources, relationships, reputation, and reach. In this chapter, we will explore how to virtuously exercise that power. Then, given that power is inherently connected to your interactions with other organizations or individuals, we will dive deeper into how to use your influence within each of your stakeholder relationships to build or expand a virtuous system.

Understanding your organization's power and influence

Power can be organized into three prevailing types: power over, power with, and power to.^[6] Each type is successively more virtuous than the one before (see figure below). As you read through this chapter, take the first step towards helping your organization use its power in more positive ways by conducting a thoughtful and comprehensive assessment of your organization's power.



“Power over” is the use of coercion to limit the choices of other organizations or individuals. It is relatively easy to obtain as one gains control over resources that others are interested in or even dependent on. You may not be fully aware of your control over others, so ask yourself the following questions: Am I trying to compel people to do something against their will or against their knowing consent? Am I using my control over others to promote my own self interests at their expense?

Alternatively, you may be motivated to wield this type of power to create a positive impact beyond your organization. This form of “benevolent paternalism” is still tainted by the forceful and transactional nature of coercion, but it may also be a necessary step forward when working in an unvirtuous system. For example, in the fast-paced, highly-competitive tech industry, Microsoft uses its purchasing power to require its suppliers to provide subcontractors who perform work for Microsoft with 15 days paid vacation and sick leave and 12 weeks of paid parental leave. As a prominent leader in the tech space, Microsoft’s action prompts its competitors, who have millions of subcontractors, to emulate this new norm, thus serving as a catalyst for a more virtuous system.^[7] To evaluate whether you are only using coercion when necessary and in the most virtuous ways, ask yourself: When you use your power to require others to meet certain standards, are you working towards the greater good? Do they have the freedom to stop working with you if they do not want to meet those requirements? Does your organization have enough checks on power in place to prevent issues of self-interested coercion from occurring?

“Power with” is a more labor-intensive and enlightened version of power, in which a group works together to exercise influence to impact the entire group. By joining forces with others, you can fill gaps in your organization’s power and significantly increase your potential for positive impact. This shared-power approach presents the challenge of aligning organizations’ values and goals to form a multi-stakeholder agreement. While it is virtuous to sacrifice sole credit for action taken and solution achieved, it may also pressure you to abandon some of your company’s key values, if those with whom you are sharing power do not share those values. As your organization collaborates with other organizations or individuals, ask yourself: Are they enabling me to have more positive influence, or am I helping to perpetuate a coercive or self-serving power dynamic created by others?

“Power to” is the empowerment to achieve objectives on one’s own. While it may still incorporate some of the power that an organization has over or with others, it represents an ideal where the organization’s disposition and capabilities open up independent opportunities for action.^[8] What unique capabilities and opportunities to lead positive change do you see in your organization? This additional power comes with additional responsibility. When a company has the stand-alone power to take a stand on an important social or environmental issue, it should recognize and use that power for good. Doing so sets an important example. While this kind of power is individually initiated, organizations can invite others to join their efforts and thus create even more effective shared power to.

For example, with the vast majority of market share on internet search engines around the world, Google is currently in a unique position to either accept governments’ demands for censorship and surveillance of content around human rights, religion, democracy, and peaceful protests or, on the other hand, to refuse to provide its services in countries that do not comply with its principles of free speech. Because of how visible the actions of this technology giant are, not consistently using their power to champion those rights would send a message to other companies and countries that it is acceptable to prioritize threats to a company’s access to market over threats to press freedom for millions of citizens.^[9]

Exercising your organization's power to enact positive change is particularly critical when you are embedded in a non-virtuous system. It takes courage to speak out against the status quo, but your actions can have ripple effects and may have the potential to spark a movement against issues such as income inequality, racism, sexism, environmental destruction, human rights abuses, or obesity. On the other hand, failing to act on this power can validate or strengthen the market failures of the non-virtuous system. Virtuous organizations demonstrate an overall systems mindset, in which they simultaneously check and use their power for the greater good—in their supply chains, competitive interactions, public policy, community involvement, customer interactions, and financial transactions. As the next step towards that goal, we will explore what this spectrum of power, and the corresponding balance of avoiding harm and maximizing positive influence, looks like across each of your organization's stakeholder relationships and its points of influence with the broader industry and community—using Patagonia as a case study.

Great responsibility in the supply chain

One common way your organization may be exercising “power over” others is through its supply chain. Evaluate any steps in your end-to-end operations and logistics in which you exploit others or are complicit in their wrongdoings. Are you forcing your suppliers to lower their standards in order to reduce your costs or to increase the speed through which you deliver your organization's products or services? Are you failing to exert your organization's power to demand higher environmental or social standards from your suppliers? Do you leverage your power over your suppliers to make them wait a long time to receive payments, putting them at financial risk while you make additional profits off the money due to them?

On the other hand, good organizations set a positive example for their suppliers and then use their influence and “power with” to invite them to follow suit. For example, Patagonia discovered the harmful effects of the chemicals used in the production of its products on its employees' health and on the health of the planet; they then investigated and prioritized the use of company resources to make changes to their supply chain, developing Fair Trade, organic, transparent operations processes with suppliers around the globe.^[10] Furthermore, they provide a digital library full of information on their materials that other companies in the industry can utilize to achieve similar sustainability standards in their sourcing and manufacturing.^[11]

Virtuous organizations stand out for incentivizing and inspiring, rather than forcing, suppliers to take positive action and providing hands-on support for them to develop into those capabilities. They choose suppliers who not only meet their desired criteria but who are also eager to catalyze reform further down the supply chain as well. Virtuous organizations work with suppliers to coproduce virtuous products and virtuous means of manufacturing those products. Together, you can develop more environmentally friendly packaging, improved customer experience, and even industry standards on issues of human rights. Your influence will expand as you make the effort to develop deep, long-term relationships with suppliers, and consistently demonstrate your commitment to the values you ask them to share with you. Integrating vertically with your suppliers and developing the trust and efficient flow of information that comes with such a structure can enable greater power with those suppliers to achieve the greatest impact. Finally, choose to proactively and continuously improve your supply chain, rather than waiting for situations to push you to implement that power.

Great responsibility in competition

As your organization achieves scale and leadership in market share, it develops power over other actors in the competitive landscape. Misuse of this size advantage and market power over others often takes the form of monopolistic practices: coercing less powerful competitors out of the industry through heavy-handed mergers and acquisitions, predatory low pricing, and collusion with other dominant players. An organization also fails to meet virtuous standards if they simply do enough to meet parameters set by antitrust regulations, while contributing to an oligopoly or being complicit in peer organizations' efforts to drive out other competition. By doing so, they may inadvertently impede consumer welfare, considering that a consolidated market can lead to reduced service quality,

higher prices, decreased innovation, limited consumer choices, lower wages, and/or greater overall societal inequality.^[12]

So how can a company remain competitive in the market, while still granting others the freedom to compete as well? Consistent fairness is key. Rather than looking for shortcuts to market leadership by taking advantage of or eliminating less powerful actors in the competitive landscape, virtuous organizations strive to differentiate themselves by meeting customers' needs in a truly innovative way. They grow their business in ways that encourage sustainable industry growth and/or improvement. Returning to our case study, Patagonia provides a unique value proposition through unparalleled commitment to environmental protection. The outdoor retail company not only exercises its power to reduce and offset the environmental impact of its manufacturing and distribution processes, but it is also empowering customers to join them in these environmental sustainability efforts, by ensuring to provide products with enduring quality, free product repairs, and channels to purchase used products.^[13]

Furthermore, organizations can lead others towards great virtue in this area by publicly speaking out against anti-competition efforts. Look out for appropriate (and, of course, legal) opportunities to exchange information, ideas, and lessons learned with other organizations, so that you can collectively advance the industry in ways that improve the lives of your customers and community members. We can learn from the example of the technology industry, which encourages the sharing of open resources to help others discover issues in new applications.

Great responsibility in politics

Organizations also have tremendous power for good or ill through their involvement in political and civic affairs. On the negative side of the spectrum lies secretive political interference through unregistered lobbying of political figures to achieve your interests at the expense of others—trading livelihoods, and sometimes even lives, for increased profit.^[14]^[15] Unvirtuous companies may also make unlawfully large donations to political campaigns, using their resources to gain further power with key decision-makers at the expense of democracy. More neutral organizations avoid political involvement altogether, or they only engage in legally registered lobbying activities that are fully documented and transparently disclosed to the public on websites like [opensecrets.org](https://www.opensecrets.org). Despite the negative reputation typically associated with lobbying, lobbying can have its merits. On the more virtuous side of the spectrum, a company can provide useful information, expert insight, and diverse perspectives to policymakers on issues that have the power to improve the lives of their customers and community. They can set an example to other organizations by transparently accounting for all their political involvement on their website, as Microsoft does.

Corporate activism may take many forms other than lobbying—such as speaking out against public leaders' racism or intolerance, joining or stepping down from presidential advisory groups, challenging legislative requirements that clash with the organization's values, and terminating partnerships with groups that have adverse political affiliations.^[16] Political freedoms and equal rights are fundamental aspects of a virtuous system, and inaction on political issues may mean that one is complicit in building a non-virtuous system.

Patagonia has taken political activity further than most companies, joining conservation groups and Native American tribes in suing the United States president for the reduction of federally protected lands.^[17] The company views itself as "an emissary between environmental politics and [its] customers" and devotes prime space on its website and social media accounts to advocate for environmental issues, such as their one million dollar "Vote for Planet" campaign.^[18] These actions are inherently somewhat partisan, and thus not everyone will agree that they are completely virtuous. Nevertheless, Patagonia serves as an exemplar for courageously standing up for its company values and the issues that it feels responsibility to act upon, even at the risk of losing some customers. Patagonia also serves as a leader in non-partisan political action: it recently announced that it would do its part towards improving voter turnout by providing a paid day off for all its employees to vote during the US midterm elections, published a LinkedIn blog encouraging business leaders to take action as well, and then led the "Time to Vote" campaign with 150 companies participating in ways that align with their capabilities and goals.^[19] Through these actions, Patagonia has taken responsibility for its

sector's ability to prevent or enable employees to vote based on their work schedules, thus helping to remove a key barrier to democracy.

To increase the validity of your organization's involvement in political affairs, exercise this power collectively with a diverse coalition of other organizations and with strong support from citizens.^[20] For example, dozens of large, cross-sector U.S. corporations and nonprofit organizations have produced joint communications urging the president of the United States to maintain involvement in the Paris Agreement and encouraging Congress to prioritize passing immigration legislation that protects "Dreamers." Rather than just appealing to their interests, the organizations cite data demonstrating the benefits that the proposed actions would have on the broader business community, the U.S. economy, and their customers, investors, communities, and suppliers.^[21]

Great responsibility in community well-being

Organizations should respond to the increasing internal and external demand to use their "power to" to positively influence critical social issues. According to a recent survey, 78% of Americans believe it is important for companies to stand up for pressing social and environmental issues, and 70% believe that companies have an obligation to do so, even if the issues are not relevant to their everyday business operations.^[22] You can positively influence important issues by leveraging your access, visibility, industry leadership, resources, and social capital to raise awareness and call others to action. Such action helps demonstrate that you live your values.^[23]

There is a lengthy list of community challenges to address, including climate change, refugee integration, racial equity, women's rights, cost of higher education, data privacy, gun control, LGBTQ+ rights, community safety, and wage gaps. One cannot sit at every table and solve every problem, so virtuous organizations must prioritize which issues they take a stand on. To do so effectively, take stock of all the various opportunities for impact, and then review where you can make the greatest impact—based on the nature of your organization's resources, your influence among decision-makers, and where there are gaps in the efforts of others. For example, Levi Strauss decided to take action after a serious school shooting, because they felt that it was important to their community and their customers' well-being. They partnered with a group of business leaders for gun safety to set up a one million dollar fund for nonprofits and youth activists working to end gun violence.^[24]

To be virtuous, corporate activism must be genuine. Community interests should be the priority. Smaller organizations may actually have an advantage in this aspect of the work, because while they may have less access to decision-makers, they typically have greater access to the community members that they are advocating for. Regardless of size, virtuous organizations take the time to evaluate whether their messaging furthers the intended mission of the cause in an appropriate and sensitive way or if there is a risk of co-opting the cause to increase their profit. For example, Pepsi published an ad featuring a supermodel offering a Pepsi to a police officer to quell tension at a protest. While they claimed that they were trying to promote global "unity, peace, and understanding," they were ultimately capitalizing on the currency of public protests to sell soft drinks.^[25]

More virtuous organizations stand up for specific issues in campaigns separate from direct sales efforts. Patagonia illustrated this principle when they ran a full-page newspaper ad on Black Friday with the message "[Don't Buy This Jacket](#)," encouraging readers to consider the environmental impacts of their consumption habits.^[26] One way to assess how invested your organization is in a cause is asking by whether it measures the social impact of the awareness campaigns or only the increased sales and positive brand image that it brings. This will look different for every organization. Evaluate whether your organization's community involvement is founded on an in-depth understanding of the cause, thoughtful consideration of the best approach, and collaboration with other relevant stakeholders.

Great responsibility in protecting client data

Your customers rely on you to not only provide safe products or services but also to protect the personal data that they have entrusted you with. Facebook used this power for ill when they used phone numbers that users provided for

security reasons to target them with ads.^[27] Virtuous organizations go beyond just following legislation on this topic: they are transparent with customers about how they are using their information, establish necessary controls, and seek consent before monetizing that data. Evaluate how you can shift from exerting “power over” your customers to empowering them. Do you only collect and store data that you actually need in order to deliver and improve the customer experience?^[28] Do you respond to customer concerns, whether they were expressed publicly or privately, with prompt action? Do you conduct risk analysis on behalf of your consumers, as well as the organization itself?

Great responsibility in financial investment

Organizations also have great “power to” invest their funds in socially responsible causes. When making investment decisions, virtuous organizations not only factor in short-term financial rewards, but also the potential to strengthen social ventures that are building a more virtuous system in the long term. For example, Patagonia established a “\$20 Million & Change” internal venture fund “to help like-minded, responsible start-up companies bring about positive benefit to the environment.”^[29] The highest version of this investment portfolio selection includes both positive and negative screening processes. It requires transparency around the strategy, composition, and weightings of the socially responsible investment portfolio to ensure that it fits with Patagonia’s values and ethics.^[30]

But what if you represent a company that is still an investee, and does not yet have the resources to invest in others? This is a critical moment for you to virtuously distribute power within your organization. If you are a private company, carefully evaluate those who offer to invest in your organization: Do they respect your values and allot you enough remaining power to do what you think is right? If you are a public company, carefully consider how you distribute your stock options: Do you concentrate power in the hands of a few individuals at the top, or distribute ownership broadly throughout the company?^[31] For example, Airbnb requested that the SEC amends its policies to enable the company to offer partial equity to individuals that serve as hosts on their site—thus building stronger “power with” some of its most vital stakeholders.^[32]

Regardless of your organization’s size or structure, you can evaluate your organization’s power and ensure that it uses that power for good: to create a more ethical supply chain, healthy competition, civic freedom, and social well-being. Consider if there are any other types of stakeholders, unique to your organization, with whom you should explore these power dynamics. This virtuous use of power, will, in turn, enable you to gain greater community trust, be seen as a quality company, reduce risk, and increase innovation through collaboration. Most importantly, it will enable you to help shift the system to work towards improving the lives of people in your community and the world.

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This blog post outlines the proactive steps taken by CEO Yvon Chouinard to create a virtuous supply chain at Patagonia. I included this content to provide more insight into my case study of Patagonia.

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