

Future of Business – Episode 4

‘Imagine businesses that make the world a better place...’

Intro

Andreas

Hello everybody. And welcome to the future of business podcast, where we take you on a little journey to explore different sectors and stories embedded in the Oxford MBA cohort. We want to meet some of the people and tell their stories and how they are working to shape the future of business. My name is Andreas And I will be hosting our conversation today with Elzan Godlewski. Elzan and I are friends and classmates, and I am just very excited to get a chance to. Kind of dive deeper into what I was doing for business the other day. Somebody said Elzan is one of these people in the MBA where I cannot believe I'm sitting next to. So thank you so much for taking the time. Tell us who you are, where you're from.,

Elzan

sure. Uh, so I'll say on a I'm from the United States, I come from a state called Wisconsin, which is north of Chicago. Uh, I did the MPP last year, master's of public policy, and I'm thrilled to be here at Said this year. And my experience spans nonprofit, local government, small business, community building. And most recently I worked for state street, which is a large custody bank and asset manager.

What's your favorite thing about Oxford?

Ooh, I think I'm just going to say the bike trails and love getting out of the city, seen a little bit of, you know, the Oxfordshire area and enjoying the beauty of the town.

Amazing. Actually, that's a wonderful, um, wonderful pretty city that really looks like something out of a movie. it's crazy that we get to live here, but to be honest, I don't see that much of it. That's 200 libraries and I, I can't get over the fact and all this libraries together dont hold anything that couldn't be displayed in a single iPad. that's tragic. Um, and also the MBA kind of sets us up. So. And there are so many people. we meet 350 people from 70 different countries and it's, it's wonderful. It is really, it's exciting to be discussing with them different fields and where it's heading. Um, and we want to talk about, um, the future of business on this podcast and really kind of try to focus, um, on the future and what's ahead of us. Um, And we try to get the chance to look at it from different perspectives. So as for you, what do you think is the future of business?

responsible business? Generally? Um, in my last role, I got to work on some ESG related things, ESG standing for environmental, social, governance and for anyone who's in Impact finance lab. You'll have heard ESG described as kind of the gateway drug to true impact and impact investing. Um, so I think in general, I, my hope and, and what I am kind of putting myself towards in terms of my own career and energies is seeing a more responsible form of business that cares. Uh, the planet cares for stakeholders and cares for communities. And I think, you know, this is really a very baby baby intro to, and mayor's class that we'll take later on in the year. Um, looking

to, to think more broadly about impact on relative society and going back to more what the roots of corporation actually, where, um, back in the beginning,

Amazing. We will take the next couple of minutes to kind of dive deeper on. How does this going to look like? And also what the challenges associated with it are.

I think when many people struggle with it's the idea that the business and people are going hand in hand, and I think many of us. CSR against this is against people. Think obviously we are relying on businesses. Um, and we are struggling with businesses who are very upfront about using some of the words.

I mean, we all know about the customer centricity of Amazon. We all know about the free basics of Facebook and at the same time, secondly, the businesses. Some criticize is now for good reasons. There s a good and bad side, but today, so to discuss today. Um, but some of the fundamentals, they seem so, so simple. We're clearly not reinventing the wheel here. And yet it seems to be somewhat really difficult. Um, So how come, how come we're not doing a better job. And do you think we'll get there?

Yeah. Um, I have a lot of hope. I think ultimately we're not doing a better job because it's been allowed for it to, to be the way that it is. I think in many ways, this is absolutely laid at the feet of government, that this is a failure of policy to, uh, define the purpose of, of government to put appropriate boundaries around it. And this is why i did The public policy degree last year. I was very curious about, you know, we, like you said, we tend to kind of create us-versus-them dichotomies. And that is very much in certain areas of business. And I heard this around the business school and in fact, there's this sense of distrust with government and likewise with, with government, there's a very interesting relationship, oftentimes public policy makers, because. Ultimately the existence of this, the state and the happiness of your citizens is tied to them having jobs. And, um, for a lot of, uh, business regulation, I'm here, we're getting into, you know, corporate governance and taxation. Like these are niche topics for most, you know, most humans out there. They're not that interested in learning about it. So politicians have this, this a struggle, uh, which you can refer to as regulatory capture of, uh, this is. But there's not a lot of salience around it, meaning the public isn't necessarily terribly invested or interested, um, in the past and what happens with regulation around business and what they do. Um, and so it's easy for the experts to come in from the business and say, "oh, well, we want it to be done this way. This is the best way for us." And if the government doesn't do enough due diligence or, you know, doesn't, I would say, do its job and raise awareness amongst its populations of what's important for them to learn. You can wind up in a situation. Uh, the business just gets what it wants in terms of regulation. It doesn't even have to do necessarily with how much money they're spending on lobbying. There's a natural state capture that can occur...

Let me, let me just try to, to kind of break this down, understand it better. So I think the first thing that I hear from this is that the roots of what we are considering business corporations, legal entities, you know, business originates clearly in public policy. I mean the government, the state would be, did we not today that said the worlds in which this is, is happening exactly. Um, which may kind of makes it easier to kind of blame public policy. And be like,

it's, it's all their fault that they demanded one, even though they're not necessarily the active counterpart and that's kind of the second thing of, what do you think is just so sad is that.

Now it's the businesses driving forward, the conversations, the technologies, and also more and more to public administration. And the way regulatory bodies are interfering with this. And because they have better talent at the end of the day, because they pay better. And we did, we did good in hiring people. Um, most often than that, the business by and large shop employees, a lot more people, more people coming back. So they get to move this forward and continue to play a more active role in shaping this and kind of pushing the government back a little bit, unless we will, unless governments find a way to kind of step in and create nationalist, regular, simple rules, but kind of system.

Yeah, it's important to create coalitions and, uh, between, uh, the general public and policy makers and, and business. Uh, so that's how you kind of move past this situation. I'm more, I'm talking about these instances that the public doesn't care about. It's very easy for a business to come in and say, well, this is the kind of regulation we want and the government like, okay, no, one's no, one's putting up a fuss about this so We'll go forward with that. Um, but if you can create salience amongst the general populace, which I would say has been. For rather than, uh, you know, the standard model is, uh, we, the business are here to make profit for our shareholders. And that is, that is it. And that's been interpreted in more recent times, uh, very, in a very short term kind of way.

So. How do we get away from a shareholder driven economy, but as a short term, and I think kind of scope how, how we, how do we get away from this to a more holistic business sense? That is what we refer to as responsible business. How do we get that?

There's so many components. Um, and that is really the question that I think a lot of people are asking. There are many people who are far more qualified than I am to, to answer it. But, uh, I think first of all, is creating this awareness so that we're pushing our governments to investigate this. We're pushing businesses to investigate this. Um, so raising the salient second thing is figuring out what it is that needs to be regulated. What needs to be, what, what do we want to tell the businesses currently?

Like, um, for example, An example to make this compliance. So I think it just says a lot about, um, how marketplaces are created. So what I can think of is how app stores are being regulated right now. So, you know, initially it was government setting up marketplaces for people to operate in, to buy and sell, and now suddenly with technology, and it just, there's a new marketplace owner.

Government is kind of waking up and trying to regulate it by the way. They're not doing it as the companies themselves, it's all a different story. But, um, I think the second, but after we talked about awareness, the second point was kind of like to be more specific about where. Yeah, where the boundary lines and also where are the leavers we can pull to kind of make this work better and here's how you measure it. And that I think is the big question of sustainability counting and how. Actively get from the point of not just saying nice things, but doing things that actually matter.

And all of this has a, uh, unintended effect as well. So mitigating those externalities. So for example, really exciting change just the past year. I think it was back in March, president Biden, uh, publicly announced. He said, I think there should be a minimum global corporate tax rates. Huge because you know, uh, We have a criticism of these companies has been, they're not paying tax. They shipped off a bunch of their products or profits to, uh, you know, the Caymans and then they don't pay tax on them because the, the corporate tax law, uh, uh, rate is so low there. Um, and it's not fair because all of this money is being generated in these places, but we've studied this in class as well. So this is a game changer, but I have a friend from Bermuda in my MPP class. And Bermuda is one of, I think it's the third biggest Tax Haven in the world, they've built their entire economy around this and they, they will suffer as a result of this same thing. They are so forward going, moving forward. And it was just last month in October, uh, the OACD and a number of countries and 140 some all signed on and said, yes, we agree 2023 corporate minimum tax. Very exciting. Um, but this is not a bloodless transition. Ireland, for example, has been trying to ramp up their economy. They currently have, I think a like 12% corporate tax rate. This will mean they have to hike it up to 15% and basically there's this, uh, allegation, which is reasonable and very true that this favors large economies that already have so many services that corporations can take advantage of and takes away, um, a way that small island nations. Small countries. We're able to attract business in the past and attract, you know, jobs for their people. So there's, there's a give and take and, and it needs to be, uh, these things need to be taken hand in hand and thought through the concept.

Yeah. Clear. Yeah. I mean, at the same time we kind of are aware of a tax Haven. We know how it has come to be with all the effects of the global economy. And I think it's been quite transparent. Just sometime ago, there was discussion on this with European regulators coming in and actually suing Ireland and what to do with it. Um, not because the rules were so bending, not because the tax rate was low because actually there was like criminal stuff going on, but the point was, they asked them, do you not want businesses to be here? And they were like, of course we want business to be here, but don't want business to break the law. And, um, and I think at the end of the day, the same can be done to public policy makers. Uh, global tax rate also means that we, as a community of governments, decide that these are what we'll do about it here. But it's much more complicated. It's much harder to get down and to execute, but there's a way to hold them to account and a thing at the end of the day. And I kind of feel it coming so as much as I'm sorry of friend from Bermuda. I just think there's a good point. And trying to kind of, kind of drill this down and try to kind of level out the playing field here.

Of course. We are trying to take into account the consequences of health for the other players, which one could argue is what we didn't do with globalization and how we got, you know, swaths of people. like I'm from the Midwest where a lot of people, their jobs are displaced by globalization and the argument has been made, that All us are so much better off since then. And that's true, but all of the benefit has been going to the urban center. So actually an idea that. Sir, Paul Colyer, who's an economist here at Oxford. One of the things he puts out there, he said, you know, the taxes that are taken in cities, they're actually taking economic rents if you will, by taking people and resources and other things from rural areas, they should be made

to give some taxes back to those rural areas because they are utilizing their resources, but it's, it's not good getting back to those communities. So it's an actual, Uh, proposition.

Clear, I think it kind of ties back to the third point you made when we first started talking about what areas. Being more specific on which levers regulatory bodies can pull to form the rules. And the third one you mentioned briefly, we didn't talk about much yet what's metrics. And I think this could be a great example for this and say like, can we, we look at. Say for example revenues from taxation and we see them going up and we say, great, but we don't look at the other way. At other metrics. We don't look at poverty. That's breadth in specific reasons. We don't look at unemployment and in the rural areas, we don't look at effects on the environment. So can you maybe talk a little bit about the other metrics that can be used to get a more holistic view of responsible.

Yeah. Sure. Um, so some of my experience on this comes from a and, sorry, I'm I guess I'm probably name-dropping a lot, but the sustainable accounting standards board, which recently merged should become, I think they're called something like the international reporting standards or something like that. Now. Um, there are this group out of California: For many years they've been trying to put ESG, uh, specific. Uh, metrics down on paper for, I think, 16 different industries and sub-industries within that. Um, so it, it, the problem with that, I mean, the reason there's a need for this in some ways is, uh, you know, if you go back to the seventies before. Um, most of the valuation of businesses, 85% of the valuation was physical, tangible resources, their factory buildings, their inventory, all of that. And we flipped. And, um, as, as column mayor says in this book, we've become a country or Western. Western is a tricky term, but like industrialized countries have become about brand and brains. And so everything becomes intangible. So now about 85% of the company's valuation is based on this intangible things. So being able to get some sense on the sustainability metrics is much more important today.

Like what, like what metrics?

Uh, how much carbon a company is using as one factor. I mean, like, if it depends on what you're doing, so if you're, it's kind of looking at what's material in your company, so if you're using a consumer goods company, like Coca-Cola, they require a ton of water. So where are you getting that water? Is it coming from water stress regions? What percentage of that is, and making sure that all of the, um, companies that fall into that category are reporting the exact same metrics. So that you can compare across and get some sense of exactly how sustainable comparatively are you to your peers. And that's the very basis. Uh, sustainable accounting. How do we get to that point where you've got those comparable, standardized metrics across every end? And it's totally different. Like if you go to an oil company, totally different like swath of metrics, or if you go to a financial services company, their environmental footprint is negligible, but how they treat their employees, how they treat their customers. Are they overpricing? Are they taking undue risks in the market? All of these kinds of things that you need to measure.

That's a really good point. I'm also kind of see how these three things of raising awareness, developing sustainable metrics, and being more concrete on regulatory leavers, how they interact with each other.

It's frustrating, because I think ultimately the answer to a lot of this is we still don't know. We're still figuring it out. We don't know what it means to run a responsible business in the future. We don't know how. This barrel goes, if you will, but we're working that out together. We're working out together, just subtly is so much for us to figure out and to, and to kind of kind of tackle.

Um, but obviously we are here to grow and to learn and to, to network, to build to finance, uh, to promote. So I was kind of wondering. Looking at these global challenges as an how's, how's the Oxford MBA helping you. Why did you come here and how is this part of your quest to get it all wide?

Yeah, absolutely. I mean, I, I really fell in love with Said based on the emphasis and focus on these kinds of issues. I mean, Colin Mayer, kind of the, uh, the father of like, what's the purpose of a corporation and how should we be thinking about this and, um, ran into his book. And Sir Paul co-leaders worked before I applied and I'm just so thankful and grateful to be here. Um, so I think for starters, obviously the type of people that are drawn to this program, everyone. Some awareness of these issues. And I love that. Like, we need people who are going into all spheres. We need people who are going to go work for oil companies. I was a geology major. I'm all, I'm very supportive. We need the energy, we need the oil. We need that for now in our current economy, very important. And how much more important to have people who are going into those kinds of fields? Have been exposed to the stuff that we're learning in our classes and are sensitive to it, same thing with, uh, you know, banking and investment banking. All these places that people tend to think is not friendly towards these ideas, but I think the more of us are exposed and go into those fields the better. Um, so first of all, is the people and just being able to. The amongst such incredibly interesting and interested in these topics, sorts of sorts of folks. Um, but secondly, the curriculum, I mean, I was talking to people in last year's class and, uh, about, oh, you know, how much does it hype the sustainability thing about steadied and responsible business thing? And they're like, you know, at the end of the year, no, it's not hype. And now that I'm here, I'm experiencing it and saying, yeah, no, this isn't hype, it's embedded in every single one of our classes, uh, really been impressed with, with the level of Uh, thoughts and pushing, and again, not necessarily always answers. We are considering this and that is the first step. I mean, it's kind of a meditation practice. The first step is awareness. The first step is where, you know, what's really going on here. And I I'm so thankful that Said is putting a big stake in the ground for that awareness and the curriculum.

Absolutely. You already kind of mentioned the, the breadth of people here going from, I work in television. Some people work in oil, you know, tons of bankers. Um, we are going to step out. Very quickly got back to our offices. Really, really briefly. What can we do?

Yeah, I think first of all, let me put this out there. I was talking to a great mentor of mine that I met through the MBA PPA. Uh, who's a executive in a bunch of different

tech companies, but he came from nothing. He didn't have any, uh, family wealth or anything like that. I'm in a sort of similar position where I don't have a trust fund or anything to like fall back on. I think many of us in the program are in that position. And he said to me, you know, like love that your heart is for impassioned all of these things. But if you do need to work for a couple of years for a consulting firm or something, like do it, like take care of yourself, don't all of these opportunities and impact aren't going anywhere. They're going to be there for you. Um, no matter what. So, uh, just to put. Uh, you know, fears at ease, if you're like, oh, if I, if I don't do impact immediately, then I'll never do impact that's I don't know if people are feeling that, but, um, it's okay to take time, to take care of oneself. And I think that's a really important principle of being a smart giver. It's a society that you also, you put your mask on first, before you put the other person's mask on. As they say in the plane mask on first put other people's masks. I would quite like that. I kind, I was kinda like. Yeah, that's being something that's also kind of sustainable and looking at a different side and that's kind of trying to understand the system behind it. And it's not just, you can just push it one way. You have to make sure it ends meet. But the last thing I'll say is, um, I think taking these things, we're learning in class and applying them to the businesses that you're interested in applying for, um, and, and being. Uh, like doing your research, who's actually looking at their impact, not just saying they're looking at their impact. Like we know the project we just did was a really good practice for this. What's what are actually the metrics and things and use that because we're a talented group of people and we also have. Yeah, it was just putting on a nice article. It's oh, it was actually developing metrics and tracking that and reporting them to make changes. And how, how can we in our own decisions to where we joined, where we put our talent and work in, try to promote the white employers that are pushing responsible business today, things are really good ending.

Thank you so much Elzan for taking the time, et cetera for today. And to the rest of you. Thank you so much for tuning in. Thank you for being part of this podcast, the future of business. Tune in again for the next episode, there's many more wonderful people wanted to meet and until then take care!

Outro