

BETTER, NOT PERFECT



**A REALIST'S GUIDE TO MAXIMUM
SUSTAINABLE GOODNESS**

MAX H. BAZERMAN

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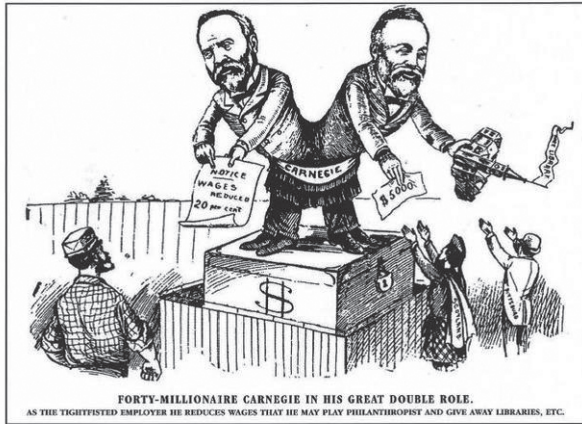
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CHAPTER 1

BETTER, NOT PERFECT

ETHICS ACROSS DOMAINS

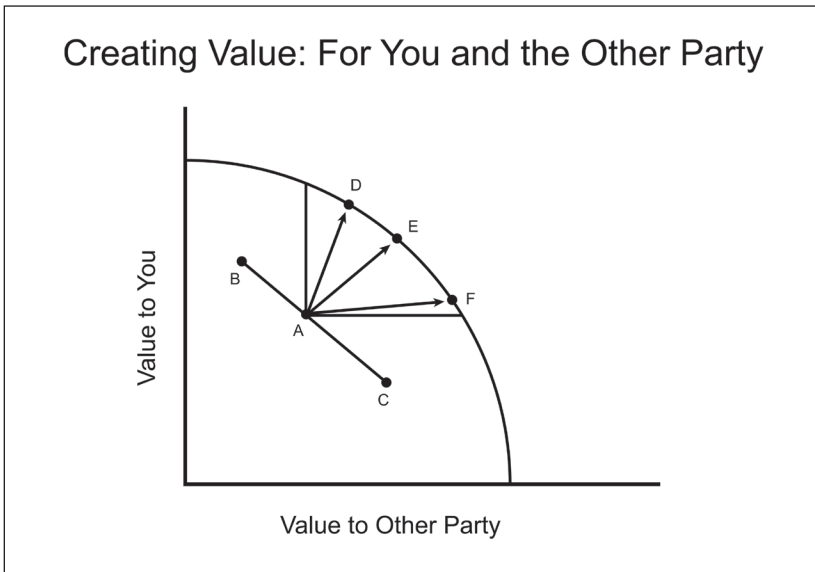
This 1892 cartoon captured the value-creating and value-destroying impulses of Andrew Carnegie.



MAKING WISE TRADE-OFFS

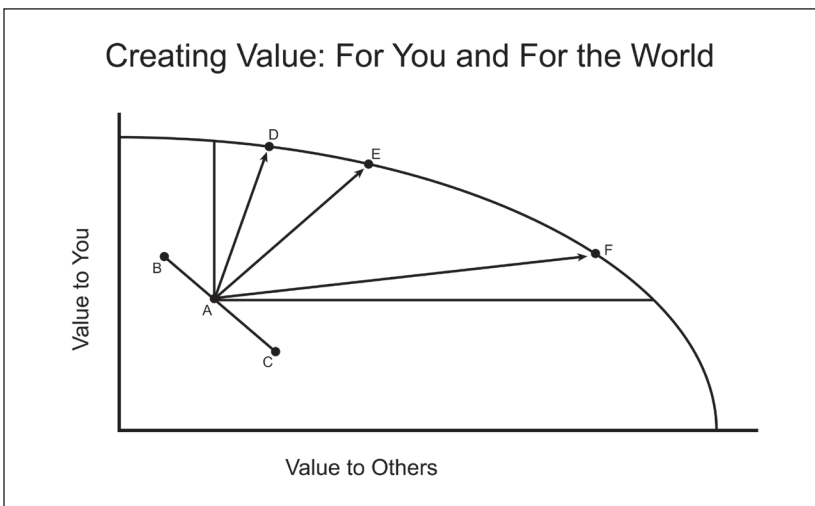
CREATING AND CLAIMING VALUE IN NEGOTIATION

The importance of searching for trade-offs in negotiation is shown in the graph below. Based on my many years of teaching negotiation and consulting executives, I can tell you that it is common for parties to settle on deals that resemble Agreement A: the parties have reached agreement, and both are getting value from the agreement, but there are many other agreements available that would provide them with more value. Note that Agreements D, E, and F are all better from both parties' perspectives than Agreement A, but that you would prefer D, and the other party



would prefer F. This tension between you and your counterpart on claiming value often prevents the wise search for value and leaves parties with the pathetic Agreement A instead.

Sticking with this typical error of assuming a fixed pie, let's look at a variation of the same graph. Consider your current state of existence, where you are creating a bunch of good for yourself and a bunch of good for the rest of the world. In the following depiction, we will call your current state of existence "A."



If you became less generous, you'd move from point A toward point B, and if you became more generous, you'd move from Point A to Point C. But what about the less costly and more powerful impact you can make by moving toward Points D, E, and F, where you can get more value for yourself while also creating more value for society? This chapter focuses on how you can do more good, not only by your generosity, but also by your effectiveness in moving to the northeast of this chart in how you make decisions, negotiate, and seek opportunities to find the trades that

create value.

Finally, note that the horizontal axis in this representation is longer than the vertical axis (and that line A-F is longer than line A-D). This highlights that the amount of good you can do for others is far larger than the good you can do for yourself with the same level of resources. As utilitarianism highlights, a fixed sum of money is far more useful for the needy than it is for someone well-off enough to be reading this book. For our purposes, and from a utilitarian perspective, suffice it to say that it would be a shame if your concern about moving a bit from Agreement A toward Agreement C kept you from moving dramatically in the direction of Agreement E.

Even if you sometimes lose value, focusing more on value creation works out in the end. What you lose by focusing on value creation will occasionally cost you a bit, but is far more than made up for by the value you can create for others. In the process, you are using one more strategy to make the world better.

MANAGING THE TRADE-OFF BETWEEN COOPERATION AND COMPETITION

The trade war story highlights another puzzle to solve in terms of trade-offs and the global good: the tension between cooperation and competition. Let's switch to some common choices you might confront. Should you help your peers at work succeed in their jobs or compete with them so that you are more likely to get the next promotion? Should you highlight the help you received from others when touting a success or claim the credit for yourself? These are just two examples of the very common trade-off we

face between cooperating and competing.

In fact, this trade-off lies at the heart of the most famous game theory problem ever created, one in which you and a “colleague” have been arrested. The police have enough evidence to convict you of a lesser crime and to send you both to jail for a year. However, the police believe (correctly) that the two of you committed a more serious crime. You, Prisoner A, and your colleague, Prisoner B, have been separated and placed in different rooms. The police have offered you a deal:

If you confess and your colleague doesn't, you can turn on your colleague, providing the police with the evidence that they need to convict your colleague. Your colleague will get three years in jail, and you will get no prison time.

Unfortunately for you, the police have offered your colleague the same deal (see the top figure on the next page). They also have clarified that if you both confess, you will each get two years. You and your colleague are facing the same problem: together, you are both better off not confessing (you each get one year) than confessing (you each get two years), yet each of you is individually better off confessing, regardless of what the other party does. That is, if your colleague confesses, confessing results in you getting two years rather than one year, and if your colleague doesn't confess, confessing results in you going free rather than serving one year. Thus, while you are collectively better off cooperating with each other, each of you has an incentive to defect, or compete.

This “prisoner's dilemma” game has become famous because it captures the essence of the trade-off between competing and cooperating. The game has become a prototype used to determine what factors affect the decision to cooperate and to identify how to think about trade-offs between cooperating and competing when

		Prisoner B	
		Prisoner B stays silent (<i>cooperates</i>)	Prisoner B betrays (<i>defects</i>)
Prisoner A	Prisoner A stays silent (<i>cooperates</i>)	Each serves 1 year	Prisoner A: 3 years Prisoner B: goes free
	Prisoner A betrays (<i>defects</i>)	Prisoner A: goes free Prisoner B: 3 years	Each serves 2 years

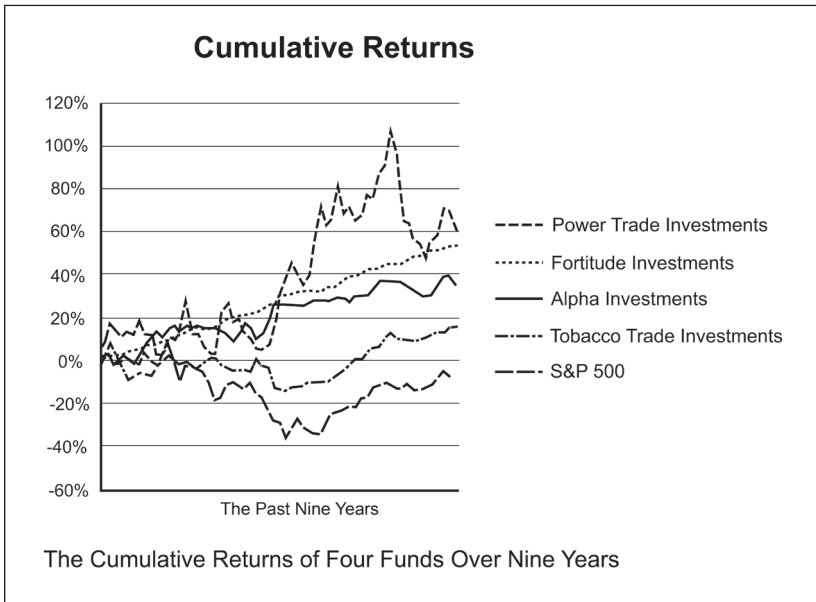
you are not sure what others will do. The prisoner’s dilemma has been the subject of thousands of scientific papers. In the process, it has been abstracted to look more like the following problem (it’s useful to think of the units as money, such as dollars):

		Player B	
		Cooperate	Defect
Player A	Cooperate	A: 3 B: 3	A: 0 B: 5
	Defect	A: 5 B: 0	A: 1 B: 1

CHAPTER 5

ACTIVATING YOUR MORAL OBLIGATION TO NOTICE

The figure below provides the returns for each of the funds over the last nine years, as well as the average returns for the S&P 500. Which fund do you recommend?

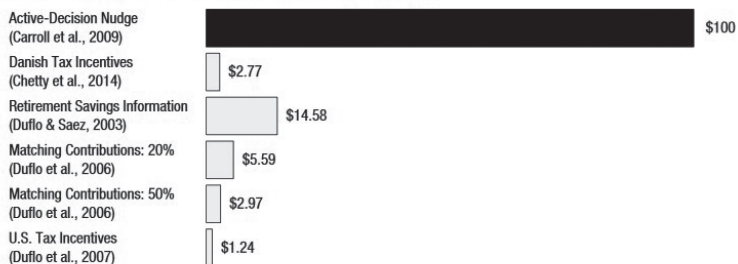


MULTIPLYING VALUE CREATION THROUGH OTHERS

MULTIPLYING BY NUDGING OTHERS

Not only does nudging allow you to influence a large number of people to be better, but it is a very cost-effective strategy. Shlomo Benartzi, John Beshears, Katy Milkman, and their colleagues compared the cost-effectiveness of nudging for increasing retirement savings, increasing college enrollment, improving energy conservation, and getting people to be vaccinated against a number of the most effective alternative strategies. (See the figure on the next page for details.) The evidence clearly supports the power of nudging to be an amazing multiplier in our ability to do good.

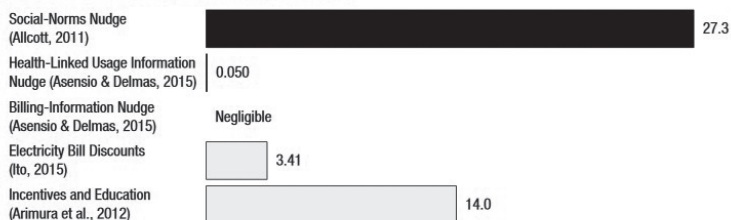
Retirement Savings (Increase in Contributions for the Year per \$1 Spent)



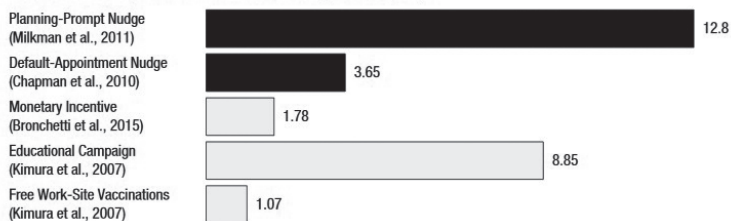
College Enrollment (Increase in Students Enrolled per \$1,000 Spent)



Energy Conservation (Increase in kWh Saved per \$1 Spent)



Influenza Vaccinations (Increase in Adults Vaccinated per \$100 Spent)



■ Nudge □ Traditional Intervention (financial incentives, educational programs, or some combination of the two)