
Philosophy, Ethics, and Capitalism: An Interview With BB&T Chairman John Allison

JOHN A. PARNELL
ERIC B. DENT

University of North Carolina at Pembroke

For 20 years John Allison served as CEO of Branch Banking & Trust Corporation (BB&T), the tenth largest bank in the United States. He retired as CEO at the end of 2008, but has remained with the firm as chairman of the board of directors. Allison attributes BB&T's success to operating by a set of principles that are embodied in the firm's statement of 10 key values. The BB&T Value Statement is a genuine source of guidance for decisions throughout the firm. For example, when the U.S. Supreme Court upheld a municipality's right to seize property by eminent domain for the purpose of economic development, BB&T issued a statement that it would not provide loans for any projects in which the land for the project had been taken in this manner. When making negative amortization loans became popular, BB&T also refused to participate.

In this interview Allison addresses philosophy, ethics, values, and how BB&T harnesses them to guide its business decisions. Characterized as a defender of capitalism and a "philosopher king," Allison often quotes the likes of Thomas Aquinas, John Locke, and Ayn Rand. He discusses leadership development and outlines his contention that successful leaders "evade less and focus more." Allison closes with suggestions for how business schools can address the topics of ethics and leadership.

INTRODUCTION

John Allison, 61, was elected CEO and chairman of the board of directors of Branch Banking & Trust Corporation (BB&T) in 1989. He retired as CEO in 2008, but continues to serve as BB&T's chairman. Primarily a farm lender with assets of approximately \$5 billion when he assumed the helm in 1989, today, BB&T is the tenth largest financial institution in the United States, a fast growing, highly profitable financial holding company with \$152 billion in assets and more than 1,500 financial centers. Allison has overseen the acquisition of 60 community banks and thrifts, more than 85 insurance agencies, and 34 nonbank financial services companies.

Allison received national attention for BB&T's stand in the *Kelo v. City of New London* case where the U.S. Supreme Court affirmed by a 5-4 decision a municipality's right to seize property by eminent domain for the purpose of economic development. Branch Banking & Trust issued a statement that it would not provide loans for any economic devel-

opment projects in which the land for the project had been taken in this manner (Ward, 2006). When negative amortization loans became popular and widespread several years ago, BB&T also refused to participate. In many respects, these decisions opposed the conventional wisdom of the time, but arguably strengthened the firm financially over the long term.

Allison served as CEO for 20 years. As a consequence, he saw many cycles in the banking and financial industries. He was president of BB&T at the time the savings and loan crisis resulted in a cost of \$125 billion to the federal government as 747 institutions failed. Allison was at the helm during "dot-com bubble" that wiped out \$5 trillion in market value of technology companies from March 2000 to October 2002. At this writing, the U.S. economy is in the midst of the collapse of a real-estate bubble. Throughout these incidents, Allison has provided steady, rational leadership to BB&T. He bristles at the notion that his corporation management is conservative and cautious, noting that few public companies can boast a 15-year compound

annual asset growth rate of 22% or a 15-year compound annual earnings rate of 23.2% (J. Allison, personal communication, July 18, 2008).

Allison is known for, and attributes BB&T's success to, operating by a set of principles that are embodied in BB&T's Values Statement. These ten values—Reality (Fact-Based), Reason (Objectivity), Independent Thinking, Productivity, Honesty, Integrity, Justice (Fairness), Pride, Self-Esteem (Self-Motivation), and Teamwork/Mutual (Supportiveness)—are not simply platitudes at BB&T but drive the decision-making process of the bank. He makes a strong case for the link between a clear values orientation—objectivism in his case—and leadership development. To Allison, leadership is not values-neutral, and effective leaders should have a strong values basis for their decisions. As will be discussed in the interview below, these values, and how they are specifically defined, can be traced to the work of philosophers such as Thomas Aquinas, John Locke, and Ayn Rand. Locke's influence, for example, can be found in the values of independent thinking and self-esteem.

Eric Dent and John Parnell sat down with Allison to discuss his views on philosophy, leadership, and ethics education in business schools.

THE INTERVIEW

Dent: John, you seem to discuss the subject of philosophy more than most CEOs. How did you first become interested in philosophy and Objectivism? That's probably a good place to begin our discussion today. Was *Atlas Shrugged* an assigned book in a philosophy course?

Allison: No, I stumbled across *Capitalism: The Unknown Ideal*, which is another book by Rand. After reading *Capitalism*, I decided to read *Atlas Shrugged*.

Parnell: What prompted you to take a course on philosophy?

Allison: I took the philosophy course several years before I read Rand. I had always been interested in ideas and how ideas impact human action. The philosophy professor taught us that, knowledge is a bunch of theories. He would go through each of the theories criticizing and pointing out where they are wrong. The underlying message was "you can't really know" or "none of these is right." The philosophy professor

shied away from any value judgments. This skepticism made no sense to me. However, during the course I was very impressed with Aristotle's ideas. Why should I accept this professor's critique of Aristotle? Based on this college course, it seemed to me that philosophy had regressed since Aristotle. I rejected much of modern academic philosophy. I concluded that I would have to read on my own.

After I went to work I began to read philosophy, in search for the answers to the big questions of life. I became interested in what I consider to be the great reason/reality based philosophers—Aristotle, Thomas Aquinas, John Locke, Thomas Jefferson, and Ayn Rand.

That philosophical background combined with my own observations, which I call my inductions from life, together with my family upbringing, formed my philosophical framework as a young adult and executive. In 1993 or 1994 I read *Objectivism: The Philosophy of Ayn Rand* by Leonard Peikoff. This book really integrated everything for me. It enabled me to focus my thinking. By this time, I had been CEO of BB&T for a few years and we were in the midst of a merger of equals. It was very important that we have a clearly defined value system. Two large organizations with cultures that had some differences had to come together with a single value system. Peikoff's book put everything together for me. We had some of the basics of a value system—honesty, integrity, traditional conservative business values, but we also held a number of contradictions. What Rand's philosophy did for me was to provide a framework for how to integrate all the disparate pieces. I could see everything in a different way than I had seen before. Rand's philosophy provided an ordering. It also clarified concepts. For example, people often mix up justice with mercy. From Rand I learned that justice requires that you reward those who contribute the

most with the most, which implied that paternalism is unjust; failing to deal with nonperformance is unjust. Also, rationality is the foundation for values, and rationality cannot be compromised.

Dent: **BB&T has a very strong, consistent, integrated values statement. You are an outstanding spokesperson for that statement. If we were to visit with some BB&T managers three or four levels below you, would we find that these employees would articulate and live the values statement also?**

Allison: I think you will find that our values are deeply ingrained within BB&T. The core values are embraced at the management level in a broad sense. You will find a very high level of integrity throughout our management team.

At entry levels of the organization, many employees would not be able to articulate the values as readily, but they would be aware of the influences of the values in the way they are managed. The values are partly present because we preach them, but they are mostly there because we live them. One way that we ensure this is by devoting half of their performance appraisals to an evaluation of the 10 values. In my observation, I have never found someone not performing where there wasn't an issue in the area of values.

Dent: **Many organizations that have had a values-driven leader such as you have found that the values were not sustained in the company once the leader left. Do you think these values will live on in BB&T after John Allison has retired?**

Allison: I think so. Maybe not forever, but certainly for a long time. I know who my successor is, and he concurs with our values as does our Executive Management team. We keep pushing the values constantly. The reason values don't work in many organizations is that their value system is inconsistent, just a hodgepodge. Every organization has values, but they are what people experience, not just what they say.

The good thing about our value system is that it works—it's not just a set of clichés.

Parnell: **How do the values come into play in the selection of managers at BB&T?**

Allison: At the manager level, we formally consider values carefully in the selection process. The managers we hire cannot be out of sync with our values or they wouldn't be selected or likely be interested in the first place. So, once they are on board, we are primarily reinforcing, integrating, and clarifying the values. Applicants have told us that they understand how values-driven we are simply by going through our application and interview process [because they are asked questions about honesty, integrity, pride, etc.].

Dent: **You received national attention for the position you took after the eminent domain Supreme Court case. Other than that example, how would we see a BB&T middle-level manager operating differently because of the corporate values than a counterpart at another bank?**

Allison: One good recent example would be negative amortization mortgages, i.e., mortgages where the payment is less than the interest expense, and therefore, the balance owed on the mortgage increases each month. Managers outside of Executive Management decided that BB&T should not be in this business. We wouldn't go into this business even though, at the time, we knew it would be profitable and low risk, because we could sell the mortgage loans in the capital markets. The reason we wouldn't do it is that we didn't think it would be the right thing for our clients. The real estate market had already experienced a long period of above-average appreciation. The probability of this appreciation continuing was not high. We would be setting up foreclosures for people who took out these loans. I think about my own son who was living in California. What if he went out and bought a house and financed the purchase with a negative amortization mortgage? What are the

odds of him owing more on the house in 5 or 10 years than it would be worth?

The reason we wouldn't do it is that we didn't think it would be the right thing for our clients. The real estate market had already experienced a long period of above-average appreciation. The probability of this appreciation continuing was not high. We would be setting up foreclosures for people who took out these loans.

When we made the decision not to do these loans, we got beat up in the market. We also lost a number of mortgage producers who could make more money working for Countrywide—of course a number of these producers would now like to come back to BB&T. We believe that doing our best to help our clients make the right financial decisions is good for BB&T. I believe that while there may be short-term trade-offs by sticking to your values, you are never making a sacrifice in the long run, if your values are rational.

Dent: **This is actually a better example than the eminent domain situation because many people believe you will get more business from that stand, whereas, clearly, you lost an opportunity for great profits in the negative amortization business.**

Allison: That's true. At the same time, when we made the decision about eminent domain, we didn't anticipate such a positive reaction. We didn't know that it would be positive to the market and the media, but we knew it would be positive for us. We did not want to use the power of government, i.e., the power of the gun to take an elderly person's home to build a Wal-Mart. If it takes the force of government, we don't want to be part of it. We believe in property rights and noncoercive trade. In the long term, the abuse of eminent domain is not what the culture of the U.S. is about.

Dent: **It sounds as though your employees really embrace the corporate values.**

What about your board of directors? Do they stand behind these decisions that may limit profits?

Allison: All our board members support BB&T's corporate values. When we recruit board members, values are important in the selection process. We look extensively into their backgrounds. Most of our board members have built their own businesses and have an appreciation for a rational philosophy.

I give the board books to read each year. Some are more technical or financial, but most are philosophical in nature. I give my management team similar books to read every 60 days or so. The books represent a wide range of topics, and all have philosophical underpinnings.

Parnell: **You mentioned that Rand's philosophy is the framework for BB&T's value statement. Are there any parts of her philosophy that you had to modify or that you found you disagree with?**

Allison: If properly understood, I accept her philosophy in total. However, Rand is often attacked for things she never said. Sometimes, I find that I agree with people who claim to be attacking her philosophy, but they aren't really attacking her ideas, because they do not understand her concepts.

Dent: **Rand was well known for being an atheist. She died in 1982. Since then, there has been a significant amount of research that provides more evidence for there being some power that transcends human reason. Do you think Rand would be open to considering such evidence?**

Allison: Rand is primarily a defender of reason. If you could prove the existence of God, she would change her position. However, she rejected faith as a means of knowledge. She places exactly the same responsibility for proof on religious advocates as on scientists.

Parnell: **It has been reported that the two most influential books for Americans are the *Bible* and *Atlas Shrugged*. Because of this impact, we have also**

learned that there are many groups of business leaders who get together in study groups to discuss Rand's work. Have you ever participated in any group like that?

Allison: I haven't. However, I have had many informal conversations with other CEOs about this issue. A large percentage of them would agree with much of what Rand has written and many have been influenced by *Atlas Shrugged*.

Dent: **When you spoke at the University of North Carolina–Pembroke, I was especially intrigued by your statement that two of the most critical leadership behaviors are to "focus more" and to "evade less." How do you assess whether BB&T leaders are improving in these two areas?**

Allison: I don't know that we've solved that problem. Measuring intentions is extremely difficult. However, we can estimate the price of evasion, i.e., behaviors. The way we do try to address the issue is with psychological assessment and development. I went through a program in this regard with Farr Associates a number of years ago. This program is a 5-day structured course that encourages self-awareness and potentially reduces the tendency to evade. Evasion is a psychological defense mechanism. An example of evasion is if someone thinks he isn't lovable. He will then do things, some of which will be irrational, to try to get love. When I went through the Farr program I learned that one of the challenges I had was that I experienced myself as never being good enough. This led me to never be satisfied with what I have accomplished—to always need to prove myself worthy.

All high-level BB&T executives take the Farr course. Although we can strongly encourage people to take the course, we cannot make them "play." In other words, participants can be in the room, but not do the deep introspection the process entails. To make it more likely that people will

play, they don't attend the same leadership training as their coworkers.

Practically every experience you have had is retained in your subconscious. As children we often draw irrational conclusions based on our relationship with our parents and bury these conclusions as psychological premises in our subconscious. Another example of destructive behavior is when people bring you bad news and you attack them. Intellectually, we all know we shouldn't "kill" the messenger, but we still do sometimes. Consequently, people will stop bringing you bad news, even though it is critical for you to know the information. Once you go through the Farr process, you have the capacity to evade less because you better understand the root causes of your evasions.

My wife and I went through a follow-up program at Farr together. I was stunned at how many things I had never told her and she had never told me, and I really didn't know that I hadn't told her. I buried something that was embarrassing at the moment. Maybe it wasn't something actually very embarrassing, but I judged it to be embarrassing at the time.

I also learned that in talking to my wife, I experienced the same dynamics as talking to my mother. And when she talked to me, it was like she was talking to her dad. But, her dad and I are very different people. When he said "no," he meant never, ever. When I say "no," I'm giving my judgment at the time, but I'm very willing to think about it, especially if she had said, "what do you think about this and I would really like to do this."

The purpose of the process is to help you think rationally. It is about not letting your emotions make decisions that are bad for you. It is the ability to make logical decisions based on the facts and to pursue our purposes that makes us happy.

Another aspect of the program is to improve communications. Often you don't hear what I say and I don't hear what you say. We both interpose psychological filters. While we hear part of what others say, we tend to add on and "hear" more than what was said. Because of this phenomenon, we need to be very cautious about acting on what we hear before making a rational evaluation and being aware of our psychological filters.

Parnell: I can see the link between Objectivism and this leadership program. Are there other leadership theories or thought processes that you use at BB&T to help guide you in making decisions?

Allison: We believe that leaders play four basic roles in organizations. First, they create a sense of purpose or mission; the organizing principle of human action is purpose. Second, they develop the strategies and processes to turn the purpose into reality. Third, they coach or teach the members of the team how to execute the strategy. And last, they create the context, i.e., the value system, in which the team operates.

Parnell: Is it fair to say that your managers have a wide variety of leadership styles, but with a common value system?

Allison: Yes, at the upper level, there is a common philosophy, but styles vary greatly. Two of my direct reports have very different styles, but both are highly regarded.

Dent: You have mentioned the leadership development program. Are there other ways in which you at BB&T try to inculcate "focus more" and "evade less?"

Allison: We have several other courses on leadership and management taught at BB&T University, which are basic skills and interpersonal relationship courses. There are other methods we attempt to use to deal with these issues. It shows up on our performance appraisal in the context of the assessment of adherence to our values. Also, after the members of a senior level team have attended the

initial Farr program, there is a team-building process for the team members and a follow-up course focused on turning psychological insights into more effective thinking. We also encourage individual coaching for some team members. An example of this type of assistance is someone who makes very sound decisions 95% of the time, but 5% of the time goes off on an emotional binge. The counseling and feedback he receives often helps.

Parnell: Do you think your activity in this area is giving BB&T a competitive edge? Are you onto something that other companies are not?

Allison: Some other companies are working at these issues fairly hard and some aren't. I think we're doing better than most. What has been effective for us in the combination of psychological self-awareness with an integrated and rational values system [the BB&T values statement].

Parnell: Do you think we should be teaching these types of concepts in university business schools?

Allison: Yes, but only if the professors can understand the principles of leadership. Most university professors have never been in leadership positions. I think if you saw the development that takes place with people, you would be encouraged. Most academics are fearful of this type of learning. It is not very quantifiable and doesn't easily fit into academic disciplines. In my experience, many faculty members don't personally want to go through this experience. I would recommend that faculty attend a course like Farr to actually experience this type of educational process. The psychological training is only fully helpful when it is combined with an understanding of rational values. The purpose of the psychological work is to help you make more rational decisions, i.e., to keep you from acting on irrational emotional premises you held at 3 years old because of some interaction with your parents.

- Parnell:** What did you think of how business ethics is taught in college?
- Allison:** I think most business ethics courses are not very effective because they contain a hodge-podge of inconsistent beliefs. Also, many business ethics courses encourage altruism, which is philosophically inconsistent with the principles underlying free markets. Capitalism is based on rational self-interest in the context of the "trader principle." The *trader principle* holds that we should not attempt to take advantage of other people, nor should we self-sacrifice. Life is about trading value for value, i.e., getting better together by creating win-win relationships. At BB&T we help our customers become more economically successful and financially secure, and they help us make a profit. Business ethics courses seldom, if ever, explicitly and uncompromisingly defend rational egoism in the context of the trader principle as the foundations for a rising standard of living for society and a successful, happy life for an individual.

COMMENTARY AND CRITIQUE

Although critics might question a number of his views, John Allison presents a cohesive, principled perspective of the business world. There is plenty to both compare and contrast when one juxtaposes his arguments with those of contemporary academics. Two broad sets of issues are analyzed in this section: (1) philosophy, ethics, and social responsibility, and (2) management and decision making. Time and again, a close look at Allison's points of view and supporting rationale demonstrate distinct similarities and differences.

Philosophy, Ethics, and Social Responsibility

Allison has been characterized as a defender of capitalism and a "philosopher king," often quoting the likes of Thomas Aquinas, John Locke, and Ayn Rand (Vardi, 2001; Vogl, Snider, Bradley, & Allison, 2007). His views on ethics, capitalism, and social responsibility are poignant, well conceived, and both challenge and support prevailing perspectives on the topics (Aguilera, Rupp, Williams, & Ganapathi, 2007; Giacalone, 2007; Giacalone & Thompson, 2006).

Allison's philosophical perspective is intriguing. In many respects, he is both a defender of the field of philosophy and one of its harshest critics. He frequently cites the likes of Plato, Socrates, John Locke, and others who sought to present what he views as a rational, coherent worldview (Vogl et al., 2007). At the same time, he questions the validity of philosophical perspectives he sees as contradictory or illogical.

His philosophical foundation results in clear perspectives on the contemporary issues of managerial ethics and social responsibility. Broadly speaking, *managerial ethics* refers to an individual's responsibility to make business decisions that are legal, honest, moral, and fair. Conventional wisdom in the popular business press suggests that many managers are by nature unethical. Arguing for ethics teaching in management education, Donaldson (2007: 299) identified a common belief that there exists a "general lack of ethics in management." Svensson and Wood (2008: 303) echoed this sentiment, noting that "newspapers around the world are littered with the names of corporations and their high profile senior executives who have fallen foul of the law." Allison acknowledges ethical concerns among managers, but does not castigate them as a group.

Allison also presents an alternative view of social responsibility, the expectation that business firms should serve both society and the financial interests of the shareholders (Campbell, 2007; Matten & Moon, 2008). From an economic perspective, businesses have always been expected to provide employment for individuals and to meet consumer needs. Many consumers in free market economies have accepted the notion that such a responsibility exists for firms, expecting them to engage in activities, such as taking steps to preserve the natural environment, training unemployed workers, contributing to education and the arts, and even revitalizing urban areas.

Contemporary thought on social responsibility is built on a critique of capitalism. In its purest form, capitalism delineates the relationships among capitalists, firms, and buyers, seeking the legal generation of profits with no additional obligations. The notion of social responsibility identifies additional duties. As such, the socially responsible firm benefits society by overcoming capitalism's limitations (Galbraith, 2004; Rand, 1986).

Allison's perspective on social responsibility, however, is built on a defense of capitalism rather than a critique of its presumed shortcomings. He unapologetically defends capitalism on both economic and moral grounds. As an extension of private property rights, a capitalist system defends

individual freedoms by respecting rights of individuals—capitalists, professionals, and workers alike—to seek the greatest return for their financial investments and labor in the free market. Following Rand (1986), Allison does not view ethics as the antidote to “unfettered capitalism,” but rather as a central component part of capitalism.

In a similar vein, Milton Friedman (2002) and others have questioned the notion of a social responsibility. They distinguish between social responsibility and managerial ethics and emphasize shareholders’ primary expectation that firms maximize profits. Allison’s views are largely consistent with those of Friedman, who argued for a number of years that economic problems—and to a lesser extent social problems—are not associated with capitalism’s limitations, but rather with the limited and incomplete application of capitalism. Indeed, other scholars have acknowledged his views on social responsibility. Fisher (2004) identified the primary reason for disparate views on the existence—or lack thereof—of social responsibility as the lack of a consensus about the purpose of business.

Allison’s perspective acknowledges that part of the moral argument against social responsibility is the fact that most large corporations are managed—broadly speaking—by managers who merely serve as agents of the owners and are challenged to evaluate conflicting self- and investor interests. Commonly referenced as *agency problem*, agency theory refers to the situation in which a firm’s managers—the agents of the owners—fail to act in the best interests of the shareholders.

Consider whether managers allocate resources to projects that have a presumed social benefit but do not contribute to the firm’s financial performance. Proponents of the contemporary social responsibility perspective would argue that such decisions may be appropriate even though they draw into question the manager’s responsibility to render decisions in the best financial interest of the shareholders. Allison, however, argues that the interest of shareholders—not society in general—represents management’s fiduciary responsibility. Moreover, Allison—following Rand—would contend that society ultimately benefits when firms follow this approach.

Allison’s references to Ayn Rand’s (1959) compelling novel, *Atlas Shrugged*, as well as her other works on objectivism, underscore this point. Underpinning Objectivism is the notion that truth is independent of cultural interpretations. It emphasizes rationality, rejects emotions, and suggests that decisions should be based on factors that can be clearly seen and identified. Although Allison

acknowledges the role of psychological filters, his objective is to have his team remove them to the extent that they interfere with rational thinking. Likewise, the role of a social responsibility is often minimized within the realm of objectivism because it requires firms to accept responsibility for the actions and state of society (Smith, 2006).

One should not infer from the previous discussion, however, that BB&T under Allison’s leadership is not widely considered to be a good corporate citizen. On the contrary, BB&T generously supports initiatives some might consider to have a social orientation when and where they are consistent with the bank’s value system. In addition, BB&T’s business decisions regarding issues such as eminent domain and negative amortization loans reflect an intriguing and more direct way of thinking. From Allison’s perspective, corporate citizenship is not just about socially oriented decisions made above and beyond those directly affecting firm performance. Rather, being a good corporate citizen requires that leaders take principled stands on issues directly related to the firm performance.

BB&T is widely viewed as a socially responsible firm by those whose conceptualizations of the concept differ from those Allison purports. From a pragmatic perspective, however, the social responsibility debate may not be as relevant as it once was. Even if one accepts Friedman’s argument, firms should act in a socially responsible manner for two primary reasons: First, not doing so can increase the likelihood of more costly government regulation. A number of regulations over business operations were enacted because some firms refused to be socially responsible. Government regulation is always possible when companies operate in a manner contrary to society’s interests, even if doing so is clearly within the legal jurisdiction of the firm.

Second, stakeholders affected by a firm’s social responsibility stance—most notably customers—are also those who must choose whether to transact business with the firm. Prospective customers have become more interested in learning about a company’s social and philanthropic activities before making purchase decisions. Those who believe a firm is not socially responsible may take their business elsewhere. Many executives—especially those in large firms—have concluded that their organizations must at the minimum appear to be socially responsible or face the wrath of angry consumers. As such, they are greatly concerned not only about the actual behavior of the firm, but also about how it is perceived. Evidence suggests that consumers want the firms that produce the prod-

ucts and services they buy not only to support public initiatives, but also to uphold the same values in terms of the daily decisions of running the company. A recent study suggests that not only will customers pay a premium for responsibly produced products and services, but that buyers with high ethical standards offer the highest potential profits on these products and services (Trudel & Cotte, 2008). In the latter concern, BB&T appears to perform exceptionally well.

The notion of sustainability as an extension of corporate social responsibility has received considerable attention in recent years. Specifically, scholars across disciplines have become increasingly frustrated with what is often viewed as an apparent incompatibility between profit-seeking enterprises in free market economies and the effective management of limited global resources (Stead & Stead, 2004). Broadly speaking, *sustainability* refers to the extent to which an action deemed successful in one time period can sustain or enjoy similar success in future time periods. *Market sustainability* refers to the extent to which a strategy's success can achieve a desired level of financial performance while enduring current and potential changes across competitors and markets. In general, this form of sustainability is consistent with the notion of "sustainable competitive advantage" inherent in the resource-based theory of the firm (Barney, 1991). In contrast, *environmental sustainability* refers to the extent to which a strategy's success is compatible with the firm's general environment over the long term. Environmental sustainability considerations include such issues as the natural environment and the ecology, political-legal and regulatory concerns, and crisis management.

One could argue that BB&T is doing well in both arenas. From a market perspective, BB&T has delivered strong growth and financial performance since Allison's appointment as CEO in 1989. From a broad environmental perspective, BB&T's business decisions defending eminent domain rights and eschewing negative amortization loans reflect support for a sustained society that respects personal property rights and responsible mortgage loan practices.

The link between ethics and social responsibility notwithstanding, Allison argues for a strong sense of ethics, while rejecting the conventional countercapitalist wisdom on social responsibility. Although such an argument can be logical, it is further confounded by the integration of ethics and social responsibility in the management literature. Svensson and Wood's (2008) comprehensive model of business ethics, for example, begins with soci-

ety's expectations and ends with society's evaluations. Hence, ethical management—by definition—is responsive to the broader needs of society and the firm's stakeholders. From this perspective, ethics cannot be separated from the conventional perspective on social responsibility.

Fisher (2004) has explored the relationship between ethics and social responsibility. At one extreme the two constructs are tightly integrated, with social responsibility viewed as ethics in an organizational context. At the opposite end of the spectrum, the two concepts are seen as unrelated. Following Fisher's approach, Svensson and Wood's model would fit neatly at the integration end of the continuum, whereas Allison's approach would be found at the opposite end.

Allison's strong support of capitalism and lack of enthusiasm about social responsibility should not be misconstrued as a lack of interest in ethics. To the contrary, he is a strong proponent of ethics education in both universities and organizations. His concern is shared by numerous scholars (Donaldson, 2007; Ferrell, 2004; Kimball, 2007; Henle, 2006; Weaver, 2004), although some question which entity, if either, is best equipped to carry out the mandate (Locke, 2006).

Allison has strong and clear views concerning how business ethics and corporate social responsibility should be taught. Although he agrees with most academics that both should be addressed in business schools, he questions the lack of an internally consistent set of guiding principles in many business programs. Although capitalism is based on a rational self-interest, contemporary views on ethics and social responsibility suggest that this self-interest should be tempered with a social interest. Academics in many business schools assume that individual and social interests are necessarily compatible. Because academics disagree among themselves on these issues, courses tend to discuss multiple disparate viewpoints or philosophies, some even antagonistic to capitalism as an economic system. Hence, it is conceivable that many students might leave such an experience with more questions than answers.

Management and Decision Making

BB&T's 10 key values are internally consistent, understood by managers, and guide decisions in both daily and strategic contexts. The legitimacy of organizational value statements is often questioned both by academics and the popular business press. In the case of BB&T, however, there appears to be a genuine commitment to base managerial decisions on these principles.

Allison argues for a rational, philosophical basis for managerial decision making. He expects strong performance from his managers at all levels. Allison recognizes the challenges they face, but expects them to develop and follow a clear, principled approach to decision making. He also expects his top management team to address the agency problem by representing the investors with integrity. The extent to which the agency problem adversely affects most firms is widely debated, and factors associated with the problem can vary across nations (Ramaswamy, Veliyath, & Gomes, 2000). Some argue that management primarily serves its own interests, whereas others contend that managers share the same interests as the shareholders (Lublin, 2003).

Allison's view of management effectiveness is significantly based on the field of psychology. Specifically, he believes that managers often evade unpleasant realities when they evaluate business problems. His notion that effective managers "focus more and evade less" is built squarely on objectivism. In her myriad writings, Ayn Rand (1986) frequently chastises those who "evade" both objective reality and logical inconsistencies. Characters in *Atlas Shrugged* are repeatedly challenged to reconsider their assumptions and discard the incorrect one whenever they confront a conflict where the appropriate course of action is unclear. Likewise, Allison advises managers to face reality when addressing problems, and take the road less traveled when necessary.

BB&T's acquisition of the leadership development firm Farr Associates reflects Allison's view that management development is built on the foundation of understanding oneself. BB&T managers populate many of the developmental sessions and are encouraged to correct their unique blind spots and tendencies to avoid facing the core issues they encounter in their jobs.

CONCLUSION

John Allison has enjoyed considerable success as a chief executive. His strong foundation in fundamental academic disciplines—specifically philosophy, psychology, and economics—is exceptional. His respect for the classics and search for a coherent, rational worldview reflects the values that most business schools possess when they seek to develop tomorrow's leaders. The BB&T value system is consciously, openly held, and appears to serve the firm well from a financial performance standpoint.

Allison's views are not entirely consistent with conventional wisdom, however. He articulates and

defends a pure form of capitalism and reason, however. In an era when the popular press demands principled leadership and accountability, Allison responds with clarity, consistency, and logic. His critics notwithstanding, Allison's commitment to values-based management and rationality reflects the type of principled leadership many business schools seek to develop.

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John A. Parnell is the William Henry Belk Professor of Management at the University of North Carolina at Pembroke. He earned the BSBA, MBA, and MA degrees from East Carolina University, the EdD degree from Campbell University, and the PhD degree in strategic management from The University of Memphis. Dr. Parnell has penned current textbooks in strategic management and crisis management, and his research and teaching interests include business strategies, crisis management, and the moral foundations of capitalism. He speaks and lectures frequently to audiences in the United States and abroad.



Eric B. Dent is presently professor of management, University of North Carolina, Pembroke. He earned the BS. and MS. degrees in computer science from Emory University and the MBA and PhD in organizational behavior from The George Washington University. He is committed to an interdisciplinary research agenda that has resulted in publications in behavioral science, complexity theory, systems science, education, consulting, history, communications, spirituality, organization development, and philosophy journals. Dr. Dent is a consultant to Fortune-500, government, and nonprofit organizations as well as an invited speaker to national audiences.

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John Allison.

AUTHOR QUERIES

AUTHOR PLEASE ANSWER ALL QUERIES

1

A—We would prefer that Objectivism be capitalized throughout the manuscript. Objectivision is an established philosophical school of thought.
