Education for Managing Existential Risks of Humanity

https://2021.aom.org/meetings/virtual/OkdEFMPrp9E/Pnjkj

90 minute online session Monday August 2, at: 12hrs UK time;

05hrs US West; 08hrs US East; CET 13hrs; Delhi: 17:30hrs; Tokyo 21hrs; Sydney 22hrs

Organizers

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Abstract

Management scholars have neglected teaching how to establish polycentric self-governing organisations described by Ostrom as a way for sharing life-sustaining common resources among competing interests. Teaching this knowledge is urgent to quickly counter tragedies of the global commons arising from pollution, biodiversity losses and from many other existential risks.

Short description:

We are not aware of any education program to teach executives how to establish polycentric self-governing organisations. BlackRock has created a global demand for such organisations by wanting "A new model of corporate governance". As the largest asset manager in the world, BlackRock stated, "companies must benefit all their stakeholders". This would convert corporations into what Ostrom describes as a "Common Pool Resource" (CPR).

Examples of polycentric bottom-up self-governing organisations are provided by:The John Lewis Partnership in the UK, VISA International Inc in the US, and other stakeholder governed firms like the cooperatives located around Mondragon in Spain. Polycentric self-governance also exists in civic, sporting and agricultural organisations.

Polycentric self-governed organisations, demonstrate that no changes in public law need be required. Changes are required in the private law of corporate charters to introduce multiple control centres. How and why these provide operating advantages are presented in Table 1. This is another neglected area of management education. Figure 1 presents a generic illustration of polycentric self-governance.

Ostrom identified how the tragedy of overexploiting natural resources has been avoided between competing interests to deny them for everyone since pre-modern times. In her 2009 Nobel Prize speech, Ostrom presented eight design principles for introducing polycentric self-governance for CPRs without the need for markets or a State.

Many social science scholars find it difficult to comprehend how any organization could be reliably managed efficiently and sustainably for any time without any central controller. Neurologists understand because our brains have no CEO neuron. Different parts of our brains are designed to make different decisions. They both compete and cooperative for relevancy according to our internal needs and external risks and opportunities. Australian Aboriginals have self-governed their CPRs longer than any other existing culture.

System scientists also understand how to simplify complexity with distributed decision-making centers. This is how they design software and self-governing automobiles. It is this knowledge that management scholars need to adapt and teach to executives.

To maximize opportunities for Caucus participants to explore and develop such ideas over half the time will be Q&A. Breakout sessions could explore how participants' own research could be adapted, how the design of course materials need to be modified, and how to

develop the political attraction of enriching and localizing bottom-up democracy around the world by citizen stakeholders privatising regulation.

The Caucus objective is to encourage the development of the emergent topic of global risks and so expands the conference theme by providing a global context for the role of managers. The topic introduces to management education the idea of polycentric governance with the need for scholars to teach the theories and practices of System Science developed by natural scientists. In this way it forces interdisciplinary collaboration and the free exchange of ideas. Existential risks not only concern AOM members but all humanity. The outcome is to educate scholars and the global public how to participate in the control of existential risks to achieve the goal of future sustainability for the environment and humanity.

Keywords: Existential risks, **Polycentric self-governance**

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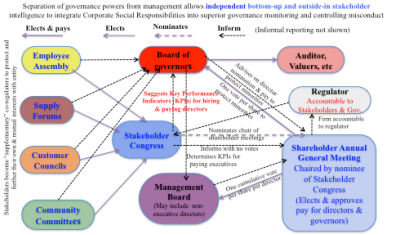
Table 1. How mimicking nature can mitigate systemic problems of hierarchies
(Suggested mitigation architecture presented in Figure 1)

	Toxic problems of hierarchies	Mitigation by mimicking nature
1	Society assumes top-down control is natural	Nature uses bottom/up control & top/down guiding
2	So no education about ecological governance with distributed control to simplify complexity	Complexity simplified with almost self-governing sub-systems dependent upon contrary guiding
3	Unitary boards obtain absolute power to identify and manage their own conflicts of interest to allow absolute corruption of directors, the business and society	Shareholders appoint one board to manage the business and another board to become integrity guardians to govern the corporation and represent all stakeholders & community views for investors
4	Group think arises from directors captured by CEO to hide risks, misconduct & malfeasance	Guardians of stakeholder voices obtain contested "requisite variety" of data for checks and balances
5	Corporations can lie and/or mislead themselves about director independence	Directors independence becomes irrelevant except for their relationship with Guardians
6	Directors capture auditors who judge their A/c	Guardians control auditors who judge directors A/c
7	Auditors lie that they are independent	Auditors kept independent by Guardians
8	Accounting doctrines hide how investors get overpaid beyond their investment time horizons with surplus profits creating hidden sources of inequality and stakeholder exploitation	Ownership of surplus profits distributed by corporations issuing shares to citizen stakeholders that democratizes wealth and power. Reduces the need for corporate taxes and welfare programs
9	Directors control advisors to shareholders	Shareholder advisers controlled by Guardians
10	Directors nominating themselves for election	Director nomination by shareholders & Guardians
11	Directors control their own pay after setting and marking their own "exam papers" aka KPIs	Guardians determine director pay from Stakeholder Key Performance Indicators (KPIs)
12	Directors control reports about corporate impact on the environment, stakeholders and community welfare and their own governance	Stakeholders provide guardians with reports for shareholders on Guardians pay, corporate impacts on stakeholders, the environment and society.
13	Directors control how they are held accountable to shareholders at AGMs and control the voting processes on own election and remuneration.	Stakeholder nominee controls conduct of AGMs. Guardians determine AGM agenda, location, acceptance of proxy votes, vote counting, etc
14	Directors ignorant of shareholder identities, etc.	All ultimate owners and/or controller made public
15	Share trading relationships and price manipulation hidden from directors and public	No shares traded without prior disclosure of any related derivatives and identity of counter parties
16	Shares traded covertly by third party exchanges	Corporations directly execute all share transfers
17	Directors not held to account by various stakeholder groups who may have conflicting interest but on who directors rely upon to improve the quality, reliability, and efficacy of continuous operational improvements	Each common interest stakeholder group obtains rights to form their own non-profit associations to appoint advocates/supplementary regulators/ management mentors that avoid directors and shareholders being kept in a cocoon of ignorance
18	Directors of simple command and control hierarchies lack systemic process to cross check management actions and misreporting	Directors obtain stakeholder communication and control channels independent of managers to cross check integrity of operations and outcome reports.
19	Impossibility of controlling complexity directly	Complexity controlled indirectly by stakeholders
20	Self-regulation/governance is impossible	Self-governance shrinks costs & size of government

Table 1 is grounded in system science and a behavioural model of individuals not commonly used by economists and financial scholars as is discussed in Section 4.3 of Working Paper, Turnbull, S. 2020. ***Do we need "A new model of corporate governance?"*** https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3735205 It describes how the author created a polycentric constitution for a civic and a sporting organization.

Figure 1

Ecological "polycentric governance", identified by Ostrom, makes corporations a "Common Pool Resource" benefiting all stakeholders with shareholder primacy



For publicly traded, large private firms, non profits and government corporations:
To make Shareholders and Regulators accountable the wellbeing of stakeholders