Merck’s Ken Frazier Just Gave Other CEOs a Blueprint for Standing Up to
Trump

By DAVID M. MAYER August 14, 2017

Merck CEO Kenneth Frazier recently stepped down from President Donald
Trump’s manufacturing council amid concerns that the president did not
sufficiently condemn the behavior of white nationalists this past weekend in
Charlottesville, Va.

Not only did Frazier step down, but he offered a powerful statement:
“America’s leaders must honor our fundamental values by clearly rejecting
expressions of hatred, bigotry, and group supremacy, which run counter to the
American ideal that all people are created equal.”

In addition to positive responses on social media, Merck’s stock price rose
approximately 1%, its biggest improvement in nearly a month. Given the
positive response to Frazier’s courageous actions, why are many business
leaders reticent to speak up about issues of social justice?

Research demonstrates that when people in organizations speak up about
moral issues, they are often castigated. For example, employees who take a
moral stand when others do not are often viewed as holier than thou. Research
also shows that most whistleblowers often face scorn and retaliation from their
employers rather than being celebrated for their courage. Given that speaking
up can also open someone up to claims of hypocrisy if they ever act in a less
than virtuous manner, many people in organizations are hesitant to voice their
opinions on ethical issues.

But there’s an important caveat: Research I coauthored, led by W.P. Carey
School of Business professor Ned Wellman and including Ross School of
Business Dean Scott DeRue, finds that although lower-level employees may be
vilified for raising issues, organizational leaders are generally praised for
taking a moral stand. Given the legitimacy of their roles as organizational
authorities, we want leaders to speak up and respect them when they do.

Further, research demonstrates that a CEO’s moral values are positively
associated with firm performance. CEOs who focus on doing good for all
stakeholders—including society at large—are more likely to be seen as visionary and have employees who exert extra effort not formally required in their job descriptions. Ultimately their companies perform better financially, as compared to those of leaders who focus almost exclusively on economic outcomes.

Fortunately, Frazier is part of a new generation of CEOs who have the courage to speak up about moral issues. After hearing a shareholder complain that Starbucks had lost customers for supporting gay marriage, then-Starbucks CEO Howard Schultz said, “Not every decision is an economic decision. ... The lens in which we are making that decision is through the lens of our people. We employ over 200,000 people in this company, and we want to embrace diversity.”

Similarly, Sheryl Sandberg, COO of Facebook, recently instituted a 20-day bereavement leave policy for employees to grieve losing an immediate family member. She has also made great strides to not only have equal pay for men and women at Facebook, but to encourage top leaders in other businesses to do the same.

As I write this article, 422 new full-time MBA students at Michigan Ross are beginning the Impact Challenge—a four-day project aimed at inspiring future business leaders to have a positive impact on society through business. Much like Frazier showed the courage to speak out against racism, I am hopeful and optimistic that our future leaders will have valor to stand up for their principles.

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