

### Case Study Part 2 – “Profit”

#### 2.3 Do Not Conform to the Ways of the World

Gaining acceptance into the inner circle of powerful and influential individuals and business networks often requires us to align our actions with theirs and be identified as one of them, fostering a sense of camaraderie among like-minded peers. Such connections, associations, and relationships benefit our business by enabling us to accomplish tasks and secure new business opportunities. They also enhance our social status within the business community.

Some of us may find certain activities and entertainments - such as indulging in tobacco and alcohol, frequenting nightclubs, or participating in regular weekend golf outings - unappealing; however, we often feel unable to escape from this cycle of entrapment.

**Romans 12:2** “Do not conform to the pattern of this world, but be transformed by the renewing of your mind. Then you will be able to test and approve what God’s will is – His good, pleasing and perfect will.” (NIV)

**Psalms 20:7** “Some trust in chariots and some in horses, but we trust in the name of the Lord our God.” (NIV)

**Proverbs 29:25** “Fear of man will prove to be a snare, but whoever trusts in the Lord is kept safe.” (NIV)

**James 2:1** “My brothers and sisters, believers in our glorious Lord Jesus Christ must not show favouritism.” (NIV)

#### Case Study: The story of Elon Musk – world’s richest man

The Wall Street Journal (WSJ) reported (3 Feb 2024) that Elon Musk has used LSD, cocaine, ecstasy and psychedelic mushrooms, often at private parties. His use of illegal drugs was common knowledge among several current and former directors of Tesla Inc and SpaceX.

Some friends and directors felt that they had to partake in illegal drugs alongside Musk to avoid upsetting him, citing certain individuals. They also did not want

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to jeopardise or risk “losing the social capital” associated with being part of his inner circle, WSJ stated on 3 Feb 2024.

WSJ also reported concerns about the volume of Musk’s illegal drug use among some of his board members. The relationship between Musk and the directors was slammed by a Delaware judge in February 2024, who cited the board’s conflict of interest in her ruling that deemed Musk’s \$55 billion pay package excessive. (Bloomberg, 4 Feb 2024).



### Musk’s \$56 billion compensation award

Tesla's critics argue that a Delaware judge's ruling to void Musk's record-breaking \$56 billion stock compensation was highly critical of its board for being beholden to Musk, they hope to garner more support from big index funds and other investors to prevail in shareholder votes.

Judge Kathaleen McCormick, presiding over the Delaware case, said that neither the compensation committee nor the Tesla’s board acted in the company's best interests when negotiating Musk's compensation plan. "In fact, there is barely any evidence of negotiations at all," she said in the court ruling.  
Reuters, 2 Feb 2024

Chancery Court Chief Judge Kathaleen St. J. McCormick agreed with a Tesla investor who claimed the 2018 pay package failed to clearly show what was required of Musk to earn the money and that the board was rife with conflicts of interest when it approved the deal to retain him as Chief Executive Officer.

### **Biggest Payday Ever**

“The plan is the largest potential compensation opportunity ever observed in public markets by multiple orders of magnitude,” McCormick wrote. It was 250

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times bigger than the median of his CEO peers. It was more than 33 times the runner-up plan — Musk’s 2012 compensation. The judge called the payout “an unfathomable sum,” “historically unprecedented” and “incredible.”  
Bloomberg, 31 Jan 2024

### **Like a Defective Car**

In the end, the judge concluded that Musk and Tesla had failed to properly justify the huge pay package, which she compared to a flawed car design.

“In the final analysis, Musk launched a self-driving process, recalibrating the speed and direction along the way as he saw fit,” McCormick wrote. “The process arrived at an unfair price.” The investor suing to block the plan, on behalf of Tesla and its investors, “requests a recall,” she said before granting it. “The plaintiff is entitled to rescission.” Bloomberg, 31 Jan 2024

### Discussion

1. Do we find ourselves in situations where we feel obligated or beholden to certain individuals, causing us to feel pressured to conform? Or are we dependent on certain buyers or suppliers who are so critical to our business that we cannot afford to upset or “offend” them? If so, how can we find a way out?
2. Do we find ourselves in a conflict-of-interest situation that clouds or obscures our ability to make just and fair decisions? If so, what steps should we take?