

# The moral fibre of management

An understanding of the deeper purpose of business does not come from basic intelligence alone or from the capacity to work hard



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sole definition of success and this erroneous belief guided its conduct. Examples like these are aplenty these days.

They take us to the third 'C', which stands for character. It is only character that drives and channels courage and conviction to the right ends, meeting goals that bring about a positive change in society. Character is the litmus test, the fire through which courage and conviction must pass if they are to be steered into a recipe for success that is replicable and sustainable.

ness and its management will come into disrepute. The media and the society at large question managers who in spite of earning high compensation demonstrate poor corporate governance and are low on ethics. The society wonders — 'What do they learn in business schools?'

The currency of growth and progress can never be material wealth. Growth can only be rooted in the well being of society, because, as someone has correctly pointed out, we do not live in an economy, we live in a society.

tween doing good and doing well, should not come as a surprise. Indeed, it is impossible to resist the calling of an individual who is driven by a larger cause or a purpose and not for personal gain. An individual who is committed to the cause can fire up all others, overcome resistance and march ahead with an army that is ever growing because of the sheer power that flows from working for the collective good.

The foundation on which a person's future rests is his or her belief system. If that belief system itself is flawed, then

**T**HE global financial crisis unfolding now is only the latest in a series of corporate failures that have hit America, and has now spread to various corporations across continents. It is but natural that questions will be asked about the calibre and capacity of managements that bring tragic consequences for consumers, shareholders and society at large. At the heart of these crises has been the failure of leadership that compromised means to achieve an end, which in itself was often suspect.

Businesses must make money and grow, but the role of a business cannot be to make money at all costs. At its core, all business is about people and an underlying understanding of the needs and aspirations of all people in society is what will make a business thrive in the long run. An approach any narrower than this may bring short term dividends but will come at the cost of long term value.

Unfortunately, the understanding of the deeper purpose of business does not come from basic intelligence alone or from the capacity to work hard and show goal directed behaviour. So, while these traits are prevalent in a large proportion of corporate executives they are by themselves insufficient determinants of success.

In addition to the above, there are three traits that are key to achieving true success. I call them the '3Cs of success', the first two of which are courage and conviction.

Courage is the quality you need to act on your beliefs, to take accountability, to accept failure and learn from it and to do all this even in the face of adversity. Such courage, of course, stems from the second 'C', which is conviction. And conviction flows from knowledge; one's deeply held beliefs and world view.

There are several examples of individuals with courage and conviction who have made a material difference in large corporations. In fact, some of the most significant changes are often a result of courageous individuals with the willingness to question the status quo and to experiment. They come with the conviction to complement the courage, to stay the course when faced with resistance from the status quoists.

But courage and conviction do not tell the full story of long-term, sustainable success. Despite all these ingredients, we find many instances of corporate failures. Enron Corporation remains a classic example; boosting the share price was the

When personal success becomes an end in itself and when progress is measured in the uni-dimensional currency of material gains, then intellect and judgement get clouded. Fatal flaws will follow, and they do. The response to the spate of scandals that shook corporate America was quite predictable: more oversight and tighter laws and the introduction of the Sarbanes-Oxley Act. The Act was believed to bring in transparency in business conduct and thus ensure prevention of such corporate failures.

But laws cannot fix greed; regulation can never instil character. Unfortunately, the Sarbanes-Oxley Act did not prevent further collapses and we have landed in the midst of a crisis in the financial sector. In fact, this time the contagion is worse — it is more widespread and is growing. Predictably, the reaction again is more regulation. The suggestion here is not that we don't need regulation. Of course we do, but we must never forget that regulation is not enough to stop greed and avarice.

When the basics are forgotten, busi-

ness and its management will come into disrepute. The media and the society at large question managers who in spite of earning high compensation demonstrate poor corporate governance and are low on ethics. The society wonders — 'What do they learn in business schools?'

One is tempted to recount, in this context, the absolutely inspiring quote of Lord Leverhume, the founder of Lever Brothers who said: "I believe that nothing can be greater than a business, however small it may be, that is governed by conscience; and that nothing can be meaner or more petty than a business, however large, governed without honesty and without brotherhood." This belief has stood Lever Brothers, and now Unilever, in good stead through its over 100 years of existence.

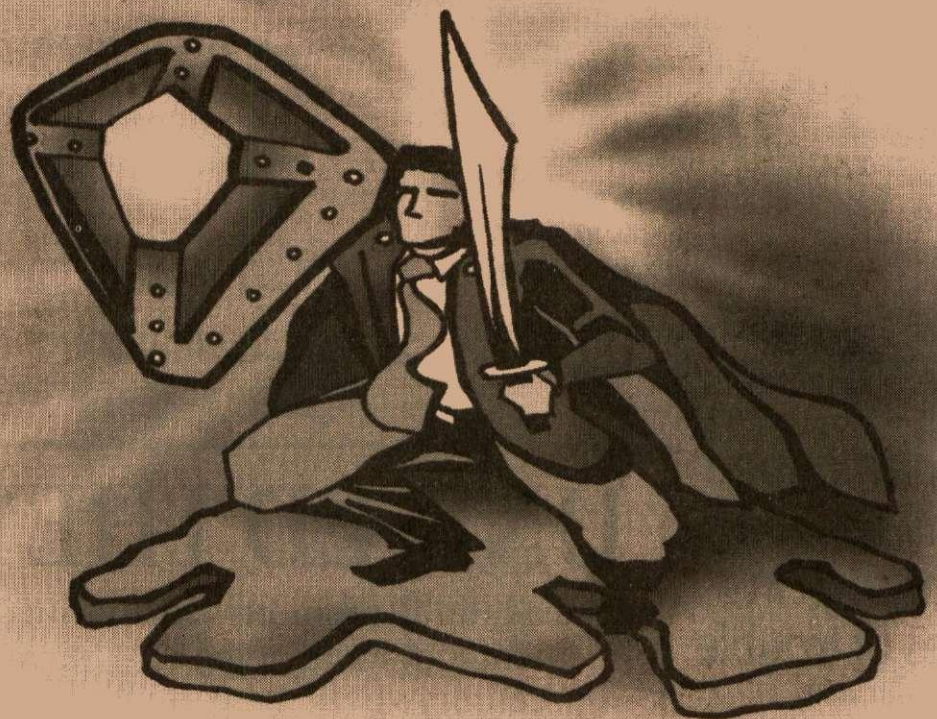
There are other illustrious examples of built-to-last business organisations founded on such values.

And come to think of it, the connection between long-term value and profits, be-

long-term success will be elusive. The real need, therefore, is to sharpen one's intellect not so much as to learn new models but to be able to answer in any difficult situation, the one simple question that many leaders fail to: "Is it right or wrong?" That should be the guiding light and then one can never really go wrong.

More often than not, I find that the idealism and romance of youth getting tempered with age, responsibility and time. I wish this were not the case. In some cases, idealism gets replaced with pragmatism, which, more often than not, is a euphemism for expediency. When we do that, we trade long-term value for short-term results and end up with a bad bargain. This is a fundamental flaw in leadership and is responsible for having taken many great businesses down the path of doom. While there is a role for pragmatism and compromise, it is never in the space that violates one's core beliefs.

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There is no trade off between doing well and doing good. It is possible to do both, and indeed, the only sustainable way to do well is to do good. If we find it difficult to see it that way, it is because of our myopia.