

The Moral Advantage

How to Succeed in
Business by Doing
the Right Thing



William Damon

An Excerpt From

***The Moral Advantage:
How to Succeed in Business by Doing the Right Thing***

by William Damon
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Preface

This book describes what I consider to be the most rewarding pathways to success and satisfaction in a business career. I have drawn my conclusions from extensive interviews with men and women who have forged extraordinary business careers while focusing on their loftiest purposes and deepest convictions. Readers who are hoping to thrive in the business world will find useful guidance in the examples set by these men and women.

I could have used such guidance early in my own life. When I was young, I got two different kinds of career advice, pretty much at odds with one another. The first was idealistic: Aim high, do what you believe in (or what you love, mostly amounting to the same thing), always act in ways that you'll be proud of, and so on. The second kind was gritty and more "realistic," sometimes to the point of cynicism: nice guys finish last; you need to go along to get along; don't bite the hand that feeds you; remember what side of your bread the butter is on; if you want to really make it, you'll need to have sharp elbows and maybe be a bit of a thief. Memorable as they were to me, these conflicting maxims indicate the confusion that many young people feel when thinking about the "right" way to ori-

ent their careers. Nor does the confusion end by midcareer. Most ambitious people continue to look for the most fruitful directions to take throughout their entire working life, and many never stop feeling conflicts between their highest aspirations and the temptation to compromise those aspirations for the sake of survival and success.

This book describes a way of doing business that makes such conflicts and confusion unnecessary. The mode of doing business that I describe is highly successful, yet it requires no trade-offs of principle or conviction. Rather, men and women who operate in this manner gain their competitive edge by strategically employing their convictions. I call this edge “the moral advantage.”

At a time when many people in business have become convinced that the road to success is paved with compromise, this message is urgent and necessary. Few people ever *want* to compromise their principles or standards: they do so because they believe they must. When they do, they compromise gradually, chipping away bit by bit at the dreams they had when they first decided on their life’s work. And before long, like the doomed frog in a pot of water that heats up one degree at a time, their dreams gradually expire.

If selling out our deepest beliefs and principles were truly necessary for success, we might need to recognize that and somehow come to terms with it. But what if it is not only unnecessary but counterproductive? What if staying true to your highest purposes and convictions actually offers the surest route to the most satisfying and rewarding kind of success? I make that case here, and I chart this direction for those who have the courage to take this route.

One clarification at the outset: I do not mean by “the moral advantage” that those who act morally necessarily make the most money. If we create a two-by-two contingency table laying out all the possibilities, each box would have cases in it: crooks who makes lots of money, crooks who make little or no money, moral people who make little or no money, and moral people who make lots of money. All of these possibilities do in fact happen in the real world.

In this book, I am only interested in the fourth possibility—moral people who succeed—and even here, my interest goes beyond moneymaking per se. My interest, really, is in how people succeed in

the broadest possible sense: how they can achieve their financial goals, build satisfying and enduring careers, make a positive difference in the world, and feel proud of the work they do and its contribution to society. All people, if they think that they have the choice, want this kind of total success. And of this I am sure: only people who take a moral approach, staying true to their convictions and highest aspirations, have careers that are fulfilling in every sense of the word. The examples that I have assembled in this book offer evidence that people in business do have this choice.

From 1998 to 2003, in collaboration with my colleagues Mihaly Csikszentmihalyi and Howard Gardner and our research teams at Stanford University, Harvard University, the University of Chicago, and the Claremont Graduate University, I interviewed forty-eight men and women who have had, or are having, success in the business world. Many of these men and women were founders or heads of large companies, others are leading smaller companies, and others still are now climbing up the corporate ladder or growing their own businesses. These business leaders have demonstrated excellence in entrepreneurial or managerial skills, and this excellence has been rewarded with recognition and financial success. As I demonstrate in this book, the mastery of business skills that these leaders have shown has been sustained by a sense of moral purpose and high ethical standards, and these have been key elements in their continued achievement and life satisfaction.

Throughout the book, I quote from many of the interviews that my colleagues and I conducted as a way of bringing life to my points. When I do so, I identify the subject with the position that he or she held at the time of the interview, or in a few cases, with the position that he or she held when experiencing the event referred to in the quotation. Because the business world is fluid, and because lives of busy people change, I am sure that many, if not most, of these interviewees will have moved on to other challenges by the time this book is published.

I began this project when CEOs were still held high in public esteem, seemingly a lifetime ago. By the time my research was completed, in early 2004, *moral* may indeed have become the last word

in the English language that the public uses to describe its contemporary business leaders. Yet in the careers of the men and women whom I interviewed, I found a vast amount of “good work”—that is, work that is both excellent and ethical. One of my colleagues, Csikszentmihalyi, has written about how people in business, including some in our study, can use processes such as “flow” (Csikszentmihalyi’s own widely known term for optimal motivation) to accomplish their good work.¹ Another colleague, Gardner, has written about the cognitive processes that leaders in business and other fields use to change directions when good work requires it.² My focus is how successful businesspeople use their convictions to build careers marked with distinction. My own conviction is that all men and women in business, whatever their age or status, can use these same moral strategies to put their careers on track for success and personal satisfaction.

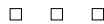
In this book, I identify the key strategies of a moral approach to business and show exactly how these strategies can be used to promote personal and professional success. I examine the moral center of business in a more complete—and a more positive—manner than the standard “business ethics” approach that has been prevalent in business schools and corporate training seminars. I draw this contrast in Chapter 5. For now, I simply note that the compelling examples of the men and women whom I have interviewed made it easy for me to emphasize the positive as well as the prudential contributions of the moral advantage.

Whenever I use the word *moral* in my writings, some readers naturally ask me what I mean—or, to put it another way, to whose morality am I referring? I mean nothing fancy or controversial by the word; I am simply referring to the morality shared by people of goodwill everywhere. This includes aspirations to make the world a better place, to act decently, to care for one’s family and one’s neighbors, to live honorably, and to be kind, fair, honest, and responsible. As I have discussed in detail in my other books, these aspirations are lifelong and universal: even young children feel the tugs of empathy, compassion, and social obligation, and people all over the world resonate toward similar moral urges.³ To be sure, there are con-

tentious issues that divide people, but when it comes to the core moral goals and codes of human conduct, there is a broad consensus among all the world's great religions and civilized social orders. I draw on this widespread consensus whenever I write about moral commitment.

My study of the moral route to business success originally grew out of a broader exploration of how it is possible for any professional to acquire moral integrity and excel in one's work during times when the strongest incentives seem to be pushing him or her in the other direction. With my colleagues Gardner and Csikszentmihalyi, I have examined such good work in several professional fields, and two years ago we wrote an initial book on the topic, focusing on good work in science and journalism.⁴ The present book on morally based success in business is the next step in my efforts to identify the pathways to leading a career that is both satisfying to the individual who pursues it and essential to the society that supports such careers.

Good work means work that is both successful and responsible, both masterful and moral. Too often in today's world, ambitious people feel pressured to cut corners or give up their loftiest goals to get ahead. But good work resists such compromises. It has a moral center. It always aims to fulfill a noble purpose. People who do the best work hold onto all their dreams and standards, knowing that this is the surest way to achieve real and lasting success.



Many individuals and funding agencies have supported the Good Work Project and its present extension into the business arena. First and foremost, the John Templeton Foundation supported the business study from which the main conclusions in this book are drawn. I would like to thank Arthur Schwartz of that foundation for his most gracious and helpful feedback on my work over the years. The William and Flora Hewlett Foundation was the original major funder of the broader Good Work Project, beginning with the domains of journalism and science. The Hewlett Foundation has continued to support the project generously, especially with respect

to the area of philanthropy, and I would like to thank its president, Paul Brest, for his help, advice, and interest. In addition, the Atlantic Philanthropies has funded the philanthropy study generously, and I would like especially to thank Joel Fleishman for his gracious support. I discuss findings from our philanthropy research in Chapter 6. The Carnegie Corporation of New York and the Ford Foundation also have given the Good Work Project much appreciated support.

I also offer special thanks to the King family and their Thrive Foundation for generous support of my research as well as for many stimulating conversations and spiritual guidance. In a similar vein, I wish to thank Courtney Ross Holst for her early support of the Good Work Project through the Ross Family Foundation and for support of many other kinds, including a most welcome stay at the Ross Institute on Long Island, New York, where I had the opportunity to finish this manuscript.

An early version of sections of Chapter 2 was published in *Optimize* magazine in January 2002. Although I have since reformulated many of the notions that I expressed in that article, I appreciated the opportunity to try out some ideas that I was developing in that vigorous publication. At Stanford, my research assistants Barbara Wang Tolentino, Mollie Galloway, and Peter Osborn contributed greatly to the interviews and analyses reported in this book. Susan Verducci and Liza Hayes Percer helped with the analyses and offered highly intelligent feedback, and Tanya Rose, Kathy Davis, and Taru Fisher also provided invaluable support. I thank the staffs of my colleagues at Harvard, the University of Chicago, and the Claremont Graduate University for their assistance in the interview process and for many useful discussions about the project's results.

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1 Leading Lights

Lars Kolind, named Denmark's Man of the Year in 1996, is one of the world's most admired businessmen. When he was in charge of Oticon Corporation, a high-quality manufacturer of hearing aids and other technologies, he helped transform the company into a knowledge-based organization in which new ideas could be generated and tested without being blocked by the kind of bureaucratic hurdles that are common in large corporations. Within seven years after taking the company public, Kolind increased its market value by a factor of fifty. After leaving Oticon, he founded his own business discovery fund (PreVenture A/S), served on several boards of multinational corporations, and started The Copenhagen Centre, a government agency that fosters partnerships between the public and private sectors.

I reached Kolind by telephone in Copenhagen. Earlier that same week, I had noticed his picture on the cover of a prominent weekly Danish magazine. Kolind's celebrity status in Denmark is a result of the "spaghetti organization" concept that he defined and promoted as Oticon CEO and board member. (During our interview, he half-complained to me about being known as "the spaghetti man"



Lars Kolind

throughout Denmark.) The so-called spaghetti structure reduces hierarchy, opens up multiple channels of simultaneous communication among workers, and exposes employees to some of the responsibilities that other workers deal with.

Developing and implementing the spaghetti organization was a creative act on the human resource level. But even before Kolind arrived at this managerial solution, he had improved his company's most important product, hearing aids, through another act of moral imagination. His sources of inspiration have much in common with those that the other business leaders in this book have drawn upon for their innovations.

When Kolind became the CEO of Oticon Corporation, after many years in operational roles such as production planning, logistics, operations research, and middle management, he took a fresh look at the company's chief line of products. Oticon long had a reputation for producing the most powerful and scientifically advanced hearing aids on the market. The company's high-quality hearing aids had been called nothing short of "wondrous" by experts on sound waves and the ear's auditory capacities. But Kolind was less interested in technical quality than in the client's needs. He told me that he was thinking along these lines at the time: "The ear itself is not our client; it is not our customer. Our client is the whole person. And our goal is to make our clients smile. That's what we want to do."

Kolind emphasized that from early in life his "values were all

about respecting [people] for what they were,” a perspective closely aligned with his moral beliefs. Kolind’s passion outside the realm of work is scouting, which in Denmark, he says, is “pretty much associated with the church, and church is part of being a scout.” The moral commitments that Kolind acquired while engaged in service to church and scouting shaped his moral imagination, which in turn gave Kolind the creative insights that he needed to reform both the products and the organizational structure of his company.

Kolind’s love and respect for people “as they are” led him to question whether the powerful hearing aids that Oticon was selling best served the human needs of hearing-impaired people. “We actually went out for the first time and asked real people,” he recalled. “Just ordinary questions of quality of life. What is it that disturbs your quality of life? What is it that you really want?” Kolind’s intuitive insights into the real needs of the hearing impaired had given him a sense that they were not comfortable with even the best of Oticon’s products, and these intuitions were confirmed: “No one ever asked for the world’s most advanced hearing aid. People asked for quality of life.”

Quality of life for the hearing impaired called for a device that could be worn with minimal attention, not one that gave maximum sound to the ear: it is the whole person that counts in the end, not some technical measure of auditory performance. Although the technical excellence of Oticon hearing aids remained essential, this standard was now accompanied by another priority, one that came directly from the consumers’ own wishes: “They did not want maximum speech intelligibility in noise. They wanted a combination of good speech intelligibility, small instrument, and comfortable sound. Until then, the method had been to measure the sound that actually hits the tympanic membrane. And if that matches a theoretical curve, then the hearing aid is perfect. And if it does not, it’s not perfect. I figured out that the only disadvantage of that method, which is quite scientifically wonderful, is that it works equally good whether the patient is dead or alive. And I said, ‘I’m not sure that’s the right criterion for quality. So now let’s develop something that works on live persons.’”

Naturally Kolind's new approach met stiff resistance among some technicians, engineers, and board members at Oticon, but he persevered and won the argument in the end. The results for the company were nothing less than spectacular: Oticon's smaller, sleeker hearing aids with the more "comfortable" sound became the industry standard overnight. The Oticon hearing aids won overwhelming market share by combining the technical excellence that they were known for with a new consumer appeal. Kolind was on his way to becoming a legend in the European business community.

What sealed Kolind's renown was the "spaghetti" organization that he designed to transform employee relations at Oticon and other companies that he later directed. During his struggle to make Oticon more attuned to its customers' "whole-person" needs, Kolind realized that he needed to think about the structural reasons that his company was overlooking such crucial concerns, and why it was resistant to constructive feedback and change. "I realized that Oticon would have functioned not because of its structure but despite its structure," he said. "And we would have functioned better with no form of structure whatsoever, because there was a very, very efficient informal structure. And why not make that one the formal structure? So that was the spaghetti organization, basically—it was a structure in which there was lots of freedom."

Some of the features of the spaghetti organization were installed as a direct response to problems that Kolind had run into while fighting for his "revolutionary" (his word) hearing aid concept. For example, he introduced a management strategy of requiring employees to serve in multiple roles (engineers as marketers, accountants in customer service, and so on) as a way of sensitizing everyone in the company to the entire complexity of a client's needs. "I had a lot of conflict with everybody," he noted, "so I said, 'Let's turn more jobs into multi-jobs.' And [with] multi-jobs . . . you have a portfolio of functions . . . because we want you to understand the whole business and not only your aspect of the business."

Other features came from Kolind's knowledge of people. He tore down the company hierarchy to liberate the most talented people, allowing them to do their best work as well as inspire others. "I know

we lose some coordination, we lose some focus by abandoning the hierarchy,” he said. “But we will gain 50 percent, and all our most valuable people can now start to do something productive. And that was why I abandoned [a formal hierarchy] and substituted for it a very un-hierarchical structure . . . where everybody had a mentor and they chose themselves who should be their mentor . . . and these ‘gurus’ would have a right to command, but they would create an atmosphere around them, a professional atmosphere that should inspire everybody to do better from a professional point of view.”

Giving people this kind of freedom requires some basic assumptions about human potential, a vision reflecting optimism and trust. In flattening and extending the company’s organization, Kolind treated employees more like peers than underlings, spreading responsibilities throughout the company in unprecedented ways. This is not done lightly by any CEO. That Kolind was able to stick with his creative vision indicates how deep-seated his sense of trust was in fellow employees. It also indicates the extent to which his passion for Denmark’s church-linked scouting movement influenced his thinking. The moral imagination that enabled Kolind to invent and implement his spaghetti model sprang directly from his faith in the scouting way of operating. “I, frankly speaking, got 90 percent of the inspiration [for the spaghetti organization] from scouting. . . . Scouting has been my whole life,” he said. “And what struck me was that we could do anything with minimal resources or no resources fundamentally. Because we agreed on the fundamentals, and there were some very simple fundamental rules . . . the Scout Law, the Scout Promise. So we had a common ground, and we were committed to get things done.”

Kolind appropriated the scouting approach to the high reaches of corporation management because he was convinced that the fundamentals of human relations were the same: if people can be given freedom and trust, they will work to their fullest potential—provided, of course, that they are committed and talented people. Kolind carefully selected and retained such people and then built his organization in a free-flowing manner that unleashed their best work. His own moral commitments gave him the insight to do this

and the temerity to see it through in the face of severe skepticism. “So, while many people within the company and outside the company said, ‘This will never work,’ I, frankly speaking, never doubted it would work. This doesn’t mean I wasn’t afraid we wouldn’t fail from a commercial point of view, because we didn’t have enough money or whatever it was. But it was fundamentally right. And you might say, ‘Why was that?’ I think it was like that because decisions of that sort, fundamental decisions, have been made more by the heart than by the brain.”

When the heart and brain are in alignment, powerful forces are unleashed, forces of creativity, purpose, persistence in the face of skepticism, strong ethical commitments, compassion, and leadership. I will discuss these forces in detail throughout this book. One revered business leader who not only has exemplified these forces in his own career but also has written about some of them (in particular, leadership) is Max DePree, whom I interviewed at his lakeside home in northern Michigan.

In addition to being one of the most revered businesspeople of our time, Max DePree is a best-selling, insightful writer on moral leadership in business. Among his many other honors, DePree has been elected to *Fortune* magazine’s Business Hall of Fame. In 1980 he became the chief executive officer of the Herman Miller office furniture company, and on his watch the company was ranked seventh out of the *Fortune* 500 in profitability (return to investors) and first in productivity (net income generated per employee). How did DePree squeeze so much productiveness out of his workforce? Not exactly through blood, sweat, and tears. Early in his tenure as the CEO, DePree convinced the company to introduce an employee stock-ownership plan, sharing a part of its capital wealth with its workers. At the time, this was a revolutionary notion and would not have been an easy sell in many corporate boardrooms. It took the business world some time to recognize that directly including all workers in a company’s financial prospects can be an enlightened way of promoting company interests, with propitious effects on morale, loyalty, and ultimately (as in Herman Miller’s case) productivity.

When I spoke with DePree about his career, he identified the stock-sharing plan that he created at Herman Miller as his proudest



Max DePree

achievement. Of his four-decades-long career as a top executive, legendary CEO, and best-selling author, it was this early initiative during his chairmanship that DePree recalled as his finest hour:

Oh, one of the things that I'm most proud of is that almost everybody at Herman Miller is a stockholder. That's one thing that gives me real, real pleasure today. I ran into a guy at a drugstore a few months ago. I hadn't seen him in maybe ten years. He works in the factory at Herman Miller, and I said, "I'm glad to see you."

He said, "I've been planning to give you a call." And I said, "Well fine, what about?" He said, "Can we talk here?" We were both waiting for a prescription to be filled, and I said, "Yeah, sure." He said, "I wanted to tell you, years ago when you started that program of stock ownership for all of us . . . I thought, 'Oh that's *another* one of Max's "ideas."' We sat around the coffee table and we laughed about it." [The man] said, "I want you to know today, I'm really well-off and I'm going to have a retirement I never dreamed I could have, because you made me a stockholder."

But you see, I never gave him anything; he earned it all. I mean, the stock they get, they can buy at a discount, but the quarterly profit-sharing is paid in stock, since we're a public company. So nobody gave him anything. He just got the opportunity to earn it.

DePree's modest perspective on his own contribution to his workers' well-being ("I never gave him anything; he earned it all") indicates the sense of humility that, perhaps paradoxically, charac-

terizes many top business leaders. One of the essentials of good leadership is keeping perspective on the power that your position grants you. The best way to do this is to remember that the power is in the position, not in your own intrinsic superiority to others; and that it is a power meant to serve others, not to dominate them.

We shall return to this view later in the chapter, when I discuss the case of Robert Greenleaf, the founder of an enlightened model of business management called “servant leadership.” DePree has long been a fan of Greenleaf’s writings and the servant-leadership model. In DePree’s own book *Leadership Is an Art* he urges readers to think about leadership as “stewardship as contrasted with ownership.”¹ He cites two sources of personal inspiration: the Gospel of Luke, where the leader is described as “one who serves,” and Greenleaf’s work *Servant Leadership*, commenting that Greenleaf “has written an excellent book about this idea.”² Greenleaf, in his own modest manner, always credited previous sources with the idea, even though it was his own writings that first introduced people in business to the servant-leader approach.

True to the ethic of humility, DePree acknowledges debts to his intellectual mentors for initiatives such as the employee stock-ownership plan. DePree sees such ideas as growing naturally out of his deep respect for all the company’s employees, a view that embodies the servant-leader model. While this may be a moral imperative in biblical and other religious traditions, in DePree’s hands the notion carried great practical value as well.

In this concept, the leader learns from subordinates just as they learn from him or her. Indeed, a company’s prosperity depends on its staff’s capacity to learn in *both* directions, from supervisor to subordinate and vice versa. When DePree reflects on this two-way process, his account is imbued with a double dose of humility: he attributes his realization that his subordinates often knew more than he did to a mentor, the industrial psychologist Carl Frost; and the realization itself centers on the benefits of a humble stance toward those who report to a leader. “I don’t think I would have figured it out,” he said, “You know, maybe Einstein figured out the theory of relativity by sitting on his duff and musing on it, but I think most

of us learn by interaction. We teach each other a lot and if we're open to it, we really learn a lot. One of the crucial things in my management training was when Carl Frost . . . told me when I was a young manager one time, 'When you have problems running a factory and you don't know what to do, you go out in the factory and you ask the people who are working in the factory.' He said, 'They always know what to do, but nobody ever asks them.' And I thought, well, the least I can do is try that, and it works!"

In *Some Do Care*, the book that Anne Colby and I wrote about living American moral exemplars, we found exactly this kind of learning from followers among the leaders whom we studied.³ At the time, this amazed us, because we had assumed that it was leaders who defined moral causes and initiated social action. But instead we found moral leadership to be a back-and-forth, two-way street, much like the kind of "interaction" that DePree describes in the servant-as-leader approach to business management.

We noted that one of the characteristics of inspirational moral leaders was their "capacity to take direction, as well as social support, from their followers."⁴ For example, Andrei Sakharov, the Nobel Prize-winning human rights spokesperson, commented that his followers sometimes had to bring him "kicking and screaming" to a new cause that he had been slow to recognize. Once he adopted the cause, however, his own leadership skills galvanized the group and were key in carrying the day for the cause. But he would not have discovered the issue unless he had been willing and able to take direction from those who normally took direction from him. This temporary role reversal, the capacity to listen and learn as well as to inspire, is the paradox of the servant-leader.

The employee stock-ownership program that DePree instituted at Herman Miller was of great practical value to the company. As noted, however, DePree did not see this share-the-wealth plan simply as a moral imperative. If the plan had not been in the enlightened self-interests of those who controlled the company, DePree could never have persuaded the board to go along with it—and indeed it would have made poor business sense. But DePree was not oblivious to the salutary moral implications of the plan. He under-

stood that good acts and good business go hand in hand. A successful business leader uses good acts to promote the company's interests, rather than needing to trade them off against one another. In another paradox, *both* moral goals and business goals are primary and inviolable: the leader is always committed to the promotion and integration of moral and business goals. This is what I referred to in the book's introduction as the necessarily mixed motives of those who are able to succeed in business over the long haul.

In yet another extension of Herman Miller's innovative employee stock-ownership program, DePree developed what he called a "silver parachute" to discourage hostile takeover attempts. As with the stock-ownership program, this had a highly practical intention, namely to keep control of the company in the hands of its current board. But at the same time, DePree was compelled by the plan's moral basis in fairness. Unlike other executives at the time, he did not support a "golden parachute" plan that rewarded only a few of the top bosses. DePree's "silver" solution better addressed both the moral and the business goals that he was committed to. In his explanation of the program below, note the way that DePree fully integrates the two types of motives:

Then another thing we did that's a variation on that theme, you know Herman Miller at [that] time was exposed to hostile takeovers, in the late seventies, early eighties, like a lot of companies were. There's a lot in the literature about golden parachutes. So we invented a silver parachute. What we did is we said you can't defend the equity of having five or six people at the top who get a golden parachute in the case of a hostile takeover; you can only defend it if a whole category of people in the company get some kind of a parachute. So we said, once you've been at Herman Miller for a year, you join the silver parachute group. If there's a hostile takeover, you'll be compensated in relation to how long you've been with the company and how much you were paid.

Now, this did two things actually. I mean, it was the fair thing to do in terms of all those people. It also put an extra cost on the back of the acquirer. If they really wanted to take you over, they had to pay that cost, which helped to inhibit the idea that you

could take us over. But you see, it wasn't primarily designed to prevent a takeover. It was primarily designed to bring equity.

When a person is able to integrate moral and business goals in so thorough a manner, it is a hallmark of what is commonly called *integrity*. (After all, the root term in *integration* and *integrity* are the same.) No one acquires personal integrity overnight. It is achieved in small steps, over years of character development. Integrity develops as part of an entire awareness of what matters in life—a setting of priorities that positions purpose and meaning in their rightful places, as the overall goals that should drive everything else. DePree speaks for many of the subjects detailed in this book when he describes how this awareness gradually dawned on him during his career:

I had a lot of the normal focus and let's say "driving attributes" that most younger people have when they set out in a business career. I can remember a time, standing in front of all the management team at Herman Miller, and talking about how important it was to have a good quarter. And, of course, nobody gives a hoot today how good the quarters were when I was CEO, nobody ever asks me, "What kind of quarters did you have?"—and I don't worry about it either! But I think that, for me, one of the very important things that happened in the course of a business career was the slow discovery that business and businesspeople have to be a positive part of society, and that I had to be very serious about the human side of all that was happening in the business world.

You see, that comes back to the question in life, not just business, but in life, which is "What will you measure?" And money is fairly easy to measure. . . . But leadership is a function of questions. And the first question for a leader always is: "Who do we intend to be?" Not "What are we going to do?" but "Who do we intend to be?"

DePree's "Who do we intend to be?" is one example of the "why" questions that I began this book with: Why pursue this objective? Why behave in this manner? Why aspire to this kind of life? Why become this kind of person? As DePree rightly says, these are broad questions that are not as easy to answer as might be a quanti-

tative question such as “What can we measure?” For this reason, they are often dismissed or relegated to marginalized, compartmentalized occasions in life, such as meditation or worship. But for DePree and the other leaders highlighted in this book, the big questions permeate everything, including all the day-to-day decisions about how to manage a business.

It is not that quantitative measures are overlooked—business, after all, is about making money, and none of the leaders in this book would have succeeded without keeping close track of that—but rather that the significance of the quantitative measures is understood in light of the big questions, *rather than the other way around*. This is not merely an academic distinction. It changes the entire way in which the company makes decisions. Keeping the big questions in mind enables a company to resist the inevitable pressures toward short-term results in favor of a more beneficial long-term perspective. When temptations to act unethically arise, the “why” questions help people keep their bearings, placing the ill-gotten gain in the context of their real goals and interests. Sometimes this is the only way that businesspeople can find the strength to resist an easy but shady profit; and it can literally save the day, preventing eventual damage that would far overwhelm any gain that had been made.

At the company level, the best work a leader can do is to communicate the importance of the big “why” questions throughout the ranks. This is what it means to make sure that employees not only understand the company’s mission but also that they know how to act in a way that promotes that mission. When such understanding is widely distributed in a company, leadership itself becomes shared, because workers can be counted on to make good decisions without constant supervision.

DePree, in his conversation with me, noted an example of this. He commented on how simple a matter it was for one of his employees to turn down a commonplace unethical proposition that has snagged huge numbers of companies in painful scandals. Resisting this alluring trap was easy because of the clear standards that DePree set for Herman Miller behavior: “One of our senior

salespeople was dealing with an important decision-maker at [unnamed company]. We were talking about it, and my recollection is that it was about a \$12 million order. And the guy said, 'Well, I can arrange for you to have this order, but we have to talk about what my share is going to be.' And our man said, 'Well, there isn't going to be any share for you. Our company doesn't do this.' 'Sure,' the guy said, 'everybody does it.' 'No,' [our man] said, 'we don't.' And [their man] said, 'Well, I'm going to have to call your boss, and you'll probably lose your job.' And [our man] said, 'Oh no, we just lose the order.' Because he knew that's what I would say."

This story had a happy financial ending: the unnamed company made the deal anyway. Yet DePree would have accepted his employee's actions even if they had not been accompanied by an immediate monetary victory: "And we got the order, because the guy couldn't go back to his superior and explain why he wasn't able to give the low bidder the order. But in a case like that, [our man] had to know me quite well in order to just put that on the line, and say, 'Well, we can lose the order. We can live with that.' I think one of the jobs of leaders is to make that very clear to people in the organization."

"Making things clear to people in the organization" is an elementary skill expected of any executive, DePree suggests. In business-school language this is known generally as "communication skills." While it is certainly that, there is something about the "skills" language that fails to capture what it really takes to convince one's business colleagues—even if they are subordinates—to share one's vision of a company's best path forward. No one stays inspired for long merely on the basis of a skillful presentation. The message must have a center that holds, a moral center that addresses the company's responsibilities to the entire community of stakeholders, a center that has an interest in how the company operates. More than rhetorical skills, communicating such a message requires a deep understanding of how the company serves its customers, what the company offers to its investors, how the company should treat its employees, what kind of corporate citizen the company should be, and what the company contributes to society at large.

Such a comprehensive moral sense permeates essentially every communiqué issued by a great business leader. This is no accident or public relations trick. Rather, the moral sense is the source of the ideas that move one's colleagues to pull in the right direction, and in this sense it is the heart and soul of one's leadership.

In his interview for this book, DePree shows how the direction that he set for Herman Miller, and then powerfully communicated throughout the company ranks, reflected his sense of what best served *everyone* affected by the company's work. Consistent with the fundamental theme of this book, DePree refused to accept trade-offs between the interests of different stakeholders—or, to put it in a broader sense, between the company's quest for profits and its responsibility to treat all the people it dealt with fairly:

You've got your customers, and you've got your shareholders, and you've got all the people who work in the corporation, and you've got your communities. You're always a part of a community. I don't think that I ever had the feeling that in order to solve the needs of one group, you hurt the needs of another. I never felt that that's where it ended up. I always felt that a lot of that is fairly rational and, you know, when we talked about establishing a pension plan for instance, we didn't see it as taking away something from the shareholders, or as being a cost we couldn't collect from a customer.

We made some decisions about costs in the company on the basis of whether it was in some cases ethical to charge a customer for it. But I don't remember those as being a difficult problem. In the contest between how much an employee gets out of the company and how much a shareholder gets out of the company, you know there are pretty rational ways to think about that, because after all you're all pretty much in the same boat. Everybody needs to have a certain level of performance in order to be able to continue as a part of the team.

Not only must the leader's directives be morally centered in the sense that they consider the company's responsibilities to all those whose lives are touched by the company but also they must conform to the moral imperative of honesty. Truthfulness is the greatest divider of businesspeople who accomplish something real in their careers and

those whose work adds up to nothing more than pretense, fakery, or just getting by. It is the most demanding standard in good business, because the pressures to misrepresent results are never-ending. But in the long run, honesty is also the most rewarding standard, providing the incomparable moral advantage of trustworthiness.

Benjamin Franklin was right: "Honesty is the best policy." Although he was expressing an unequivocal moral standard, he was being neither moralistic nor idealistic. Franklin's explicit point in *Poor Richard's Almanac* was that honesty has a proven *practical* value. He was offering his young readers the best way to get ahead, not a sermon.

Another iconoclastic American who was just as clear about the practical value of honesty was P. T. Barnum. Although he gained notoriety for his avid pursuit of fame and wealth, in fact he introduced a number of clean business practices to the tawdry circuses of his day. In a Barnum circus, unlike virtually all the others, the games of chance were run fairly, pickpockets were arrested rather than sanctioned by the management (who were typically on the take), and customers were given correct change when they made purchases. The success of the Barnum circuses flowed directly from what became known as their "Sunday school" reputation. Barnum's explanation: "As a matter of mere selfishness, honesty is the best policy." His advice to aspiring businesspeople was far from the cynical maxims falsely attributed to him (for example, "There's a sucker born every minute"). Instead, Barnum warned, "It is the most difficult thing in life to make money dishonestly . . . [because] no man can be dishonest without soon being found out. When his lack of principles is discovered, nearly every avenue to success is closed against him forever."⁵

In a similar vein, DePree explains the importance of honesty in all of one's communications. He notes that trust is the essential aim of which a businessperson must never lose sight. But DePree's experience made him realistic: honesty is easier said than done in the business world. That is why it is crucial to always keep in mind the practical value of truth-telling, as well as the real and irreversible penalties, to one's career and one's sense of self that inevitably follow deceit. This is a theme that I shall return to many times in this

book, as leaders and followers alike grapple with the pivotal challenge of maintaining honesty and integrity in the face of severe pressures to distort, conceal, exaggerate, and even lie or cheat. DePree describes how he repeated this theme over and over to the workers who reported to him when he was Herman Miller's CEO:

Another thing that I deal with is people who say to me, "I've been trying to communicate the best I can but people don't seem to understand." And I say, "Well, are you telling them the truth?" They say, "Well, you know, you can't always tell them everything." I say, "That isn't what my question is. My question is 'Are you telling them the truth?'" Well, then they start to deal with that problem and they often confess, "Well, I haven't told them the whole truth." And then I say, "Well, why not?" I mean, these are people you trust and they trust you. Why aren't you telling them the whole truth? How can the truth hurt you? And if the truth can hurt you, then you have another problem." So that's the kind of thing that comes up often. People say, "Gee, it's a communications problem." I say, "No, it's a truth problem."

DePree, like most who make it to the top of the business world and manage to stay there for more than a few shaky moments, understands clearly the inextricable coupling between truthfulness and trust. He knows what too many fallen leaders have forgotten—or perhaps never truly realized: "Well, you can't run a good organization without trust, and you can't have trust without truth. People are not dummies. They always know what's going on."

In the business management literature, there have been reams written about strategies for effective communication as a prime leadership tool. But effective communication is far more than a strategy: it is a way of imparting genuine insight and inspiration to people with whom one shares a relationship of mutual respect. It is a moral act, driven by the intent of all parties to traffic in the truth and thereby define and strive for a goal that benefits all. Communication for a great leader like DePree derives directly from such moral concerns, including his respect for the people with whom he is communicating. It is his way of getting them on board a ship that will take them to where they all want to go. It is *not* a means of manipulating them to act in ways that serve one's narrow, immediate inter-

ests—a self-defeating trap to which “strategic thinking” without a moral center can lead. Communication is a means of building human relationships that are valued in themselves, not a way of using people merely as a means toward some other end.

DePree credits two of his intellectual mentors with this insight that guided his personnel practices as a corporate executive: “I think the thing that I learned primarily from Carl Frost and David Hubbard, over the years, was that in organized activity, you can be technically competent, and that’s a wonderful advantage, but you can’t realize your potential until you know how to establish and nurture relationships. I think that the problems in organized activity have much more to do with the relationship side of life than with the technical-competent side of life. I think that leadership really requires the ability to develop really good relationships, because then you can manage the trade-offs and the disagreements.”

The capacity for such leadership certainly draws on managerial skill and what DePree calls “the technical-competent side of life.” But that is only part of the story, and an insufficient part at that. At its core, the capacity comes from the firm and abiding moral sense that since the days of the early Greek philosophers has been named *character*. Quite literally, the Greek root of the word means “imprinted” or “stamped upon.” A person with moral character acts as if virtues such as honesty and compassion had been stamped into his or her personality—that’s why we feel that we can rely on that person to do the right thing, day in and day out. Integrity, or “wholeness” in its root form, is a direct function of moral character. People who are always in touch with their moral sentiments, and who are committed to acting in accord with these sentiments, behave with an almost tangible coherence in their daily lives. Their character and integrity drink from the same moral spring.

When considering sources of personal inspiration, it is impossible to speak of morality without bringing up the matter of religious faith. Many people—not all, but many—find their moral guidance from a religious doctrine, either learned as children from their parents or discovered in midlife. In some populations, morality and religious faith almost always go hand in hand. For example, when Anne Colby and I studied living American moral exemplars who

had dedicated their entire lives to good works, we found that more than 80 percent of these people credited their extraordinary moral commitments to their religious convictions.⁶ In a study of American journalists who display a strong moral sense (yes, highly moral journalists do still exist, and in significant numbers), however, we found relatively few who said that their religious beliefs have influenced their work.⁷

People in business may be on the higher end of the spectrum in their linking of morality with religion. Many men and women profiled in this book, for example—not all, but many—describe themselves as people of strong religious faith. Often this is not something that is widely known about them, especially around their offices, because these leaders resist using their positions in ways that might seem discriminatory or otherwise inappropriate to their subordinates. But they speak about their faith with close friends and peers from the ranks of the business leadership community. My conversation with DePree shed light on this phenomenon, both in the way he attributes his character to his faith and to the way he has used it—quietly—on the job to shore up his moral commitments. As illustrated in the interview excerpt below, DePree's experience in the business world at large suggests that many other business leaders share his orientation, if not his particular doctrinal faith:

DePree: Church was a very important part of our social life growing up. Sure, that has a lot to do with the character side of it. These beliefs strongly influence the practices later on in life. . . . I pray about decisions, I pray about problems, and I pray about the problems that other people have, more for other people than for me. Over my working life, I would pray about things.

Interviewer: You did mention right at the beginning [of the interview] too about the relationship between work and faith.

DePree: Yes.

Interviewer: You know, it is interesting because it comes up a lot from a variety of different faiths in business leaders, whether it's Judaism or Christianity or whatever.

DePree: Sure, yes, one of my experiences that I have always found kind of interesting is that when you are at conferences and continuing education programs of senior leaders and CEOs, when you get together over a cocktail or dinner in the evening, there's a lot of talk about that.

Interviewer: Is that right?

DePree: Yeah, there's a lot of congruence, whether you're Jewish or Catholic or Protestant or whatever. The discussions about beliefs and faith are—you know, with the inside guys, there's a lot of it. That's been *my* experience.

As mentioned earlier in this chapter, Robert Greenleaf was the pioneering spirit behind a revolutionary management approach known as “servant leadership.” Simply put, Greenleaf’s idea was that leaders—including the most powerful corporate bosses—should think of themselves as servants first and foremost. Their leadership must be conducted in the spirit oriented toward service if it is to be beneficial and effective in the long run. Greenleaf did not mean this only as a moral statement, although he was concerned with ethics. More pointedly, he made it as a claim about what makes a successful and enduring leader.

Greenleaf’s radical notion was that adopting an attitude of service can help leaders gain the capacity to accomplish what they want, both for themselves and for the groups that they lead. There should be no trade-offs between service and success, between authority and democracy, between power and humility—in Greenleaf’s imagination, all these horses pull together. His visionary writings have influenced many cutting-edge management theorists, from Peter Senge to Max DePree, and they have spawned a Center for Servant-Leadership in his name. This is all the more remarkable given Greenleaf’s late start as a writer. He began putting his thoughts to paper only after a long management career at AT&T. Greenleaf retired at age sixty and began the most productive phase of his theorizing after a five-year period of study and reflection. Although the revolution in leadership attitude that Greenleaf imagined is still a long way from becoming a universal reality, it has made



Robert Greenleaf

solid inroads among the managerial ranks of many important corporations.

I interviewed Robert Greenleaf, when he was eighty-four, two years before his death. To see him, I traveled the back roads of rural Pennsylvania to an assisted-living community where Greenleaf was well cared for but mentally restless. Active of mind and still eager to contribute his wisdom to the public good, he was unhappy with the way our society puts its elderly on a shelf to dry up and wither away. Nor was he pleased with the direction that corporate America was taking. At that time, there had been some highly publicized scandals, and everyone was trying to revive business ethics; indeed, Greenleaf's own writings on ethical behavior in business were receiving increased attention. But whatever impact he may have had, Greenleaf told me, there was still much to be done. "I guess part of the problem I have in the modern resurgence concerning this business of ethics," he said, "is that we don't really know how to deal with it any better than we did twenty-five years ago."

I learned two insights from Greenleaf that have stayed with me since that interview. The first is that real success can be achieved only by aiming to accomplish a big and elevated purpose—one that goes beyond self-advancement and material gratification. Greenleaf aimed for success in every possible sense: sense of accomplishment, sense of self-fulfillment, sense of satisfaction, sense of moral contribution, and sense of personal pleasure that one gets from a job well

done. Personal and material successes are parts of it, but these always must be kept in perspective; and they are truly satisfying only when they come along with all the other accomplishments. Greenleaf did not even distinguish between moral and personal goals: he believed that good work in business brings both kinds of rewards.

The second great insight is that the path to this kind of all-around success begins with an act of discovery. We need to get in touch with *all* our motives, from the mundane to the spiritual, to know how to pursue them *all* without giving up—or, as Greenleaf might say, “losing focus” during those inevitable high-pressure times when things seem so complicated that we become tempted to let go of our most noble aspirations. Greenleaf’s focus, that which he urged people to never lose, was on a *why* question and a *what* question, considered simultaneously: *Why* are you doing this? *What* do you really want to accomplish, or *what* is your true purpose here? In the fast-paced flux of today’s business world, this essential focus is often lost, or perhaps never even achieved.

Greenleaf told me, more with a tone of regret than criticism: “There are an awful lot of people around wondering why they’re here. And I just wonder how they got into that state, but they did. And I sometimes feel that they get a little lost, a little unfocused. They forget why they are doing what they’re doing, or they give up on it. They may decide that it’s more realistic to just get by. I don’t really think much that way [myself] . . . but I’m aware that there’s a lot of these people around who need this kind of focus.” Greenleaf started with questions of purpose—*Why* are you in business? *What* do you want to achieve?—and assumed that sensible answers to such questions must include a sense of service. Business is always about serving someone, and in the end the success of any business is measured by the value of that service.

Greenleaf was by no means alone in pointing out the importance of purpose and service for aspiring business leaders. The value of aiming high and pursuing big, noble, larger-than-life goals was trumpeted loud and clear by James Collins and Jerry Porras’s *Built to Last*, the classic comparison between growing and declining businesses. Collins and Porras identified the “BHAG” (a “big, hairy,

audacious goal”) as the most essential ingredient for achieving enduring success.⁸ And capitalists back to Adam Smith often have noted that an ethic of service lies at the heart of any good business.⁹

But what Greenleaf in particular showed us was the *personal* consequences that accrue when businesspeople pursue noble purposes and adopt the ethic of service. Such choices may require a transformation in how you understand the priorities of your career, a view more toward the far horizon than the immediate bumps in the road. Happily, the transformation does not require sacrificing any of your work ambitions: to the contrary, it creates a win-win condition that enables people to meet all their career goals. But it does require steady commitment, strong values, and a genuine belief in the importance of what you are doing—something akin to an act of faith, repeated each time you go to work.

By the time I interviewed Greenleaf, he already had become a guru for business leaders inspired by his vision of the servant-leader, and his reputation was still growing rapidly. Yet Greenleaf went out of his way to tell me that he had not originated the concept for which he had become famous. Rather, he said that he got the idea for servant leadership from Herman Hesse’s *Journey to the East*, and he pointed out that the same idea could be found in many sources of traditional wisdom, including the Bible. As for his own contribution, Greenleaf said, “I don’t feel that I’ve done that much with it except sort of give a new twist to servant as leader.”

Of course Greenleaf’s “new twist” was responsible for the concept’s applicability to modern business management; and without his reworking of the idea, few in business today would have any inkling that leadership is best understood as a form of service. But Greenleaf was not showing false modesty when he made that comment. It was real humility, not some disingenuous act. He did take credit for one virtue that made all the difference in getting the business world to take notice of the vision that he held dear: “I just don’t get discouraged easily.” True humility does not imply shyness or self-deprecation; rather, it goes hand in hand with confidence and purpose.

Service, humility, ethics, faith—these are hardly the qualities

that the public has come to associate with successful business leaders. Yet they have been recognized and recommended by observers of business before, especially by those who have experienced business from the inside. Why these recommendations have been so often ignored or resisted is a matter that I shall take up in subsequent chapters.

In this chapter, I have identified some of the personal characteristics that endow a business career with a “moral advantage.” I have discussed these characteristics in the context of three “leading lights” of the business world: Lars Kolind, Max DePree, and Robert Greenleaf. The three are different from one another in a host of ways, including their particular talents and interests, and they each took their own path to self-discovery and building moral character. But they shared the sense that this was their ultimate aim, and that business success would come as a result of their loftier aspirations rather than in disregard or in spite of them. Each leader shared commitments to humility, trust, leadership as a service, truth in communication, and to authority based on respect for those whom one leads. Each man shared a dedication to ethics, integrity, and in the cases of Kolind and DePree, to their faith.

These leaders also shared a devotion to the entire community within and surrounding their businesses—the investors, partners, clients, customers, employees, neighbors, and the broader society that their work has served. In this regard, Kolind, DePree, and Greenleaf personify the age-old notion of “work as a calling,” the unique service to the world that every person is given the privilege to perform. When people are able to think about their work in this way, they are already on their way to finding their work meaningful and rewarding. The sense that work in business has significance beyond survival and gain provides an advantage that endures through all the ups and downs of a career. In the forthcoming chapters, we shall now explore the many faces of that “moral advantage.”

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How to Succeed in Business by Doing the Right Thing***

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