

**University of Notre Dame  
Mendoza College of Business  
John A. Berges Lecture Series in Business Ethics**

**Tuesday, November 17, 2009  
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***The Key to Business Happiness: Aligning Personal and Professional Values***

Thank you, Pat. I am pleased to be here at the University of Notre Dame, and thoroughly enjoyed joining the classes this morning to hear your discussion on the Veridian case. I want to thank Professors Pat Murphy and John Halloran for inviting me to participate, and to all the students. I am also honored to take part in the Berges Lecture Series in Business Ethics.

I will admit that it has been a challenge thinking about what to say to you today. I daresay, you can go to any business school campus today and hear a lecture on ethics. The two questions before me, therefore, are:

- If everyone is talking about ethics, and has been for a while, why do we seem to have such a problem with the lack of business ethics in the way business is practiced today; and
- How do I make a talk with you over the next hour interesting, thought-provoking, at times uncomfortable, and therefore hopefully relevant?

My answer is to make my comments blunt, and personal. My advice to you at the end will be breathtakingly simple, yet hard to do. And, I will bring in the voices of others – simply to illustrate that the issues that I will discuss are being, and have been discussed by many others over centuries, not just weeks. I will conclude around the title of this lecture -- notion of personal happiness, or fulfillment which – I know, sounds trite – but which is actually quite important.

I want to start, though, by talking about a fundamental value: courage

There are at least two kinds of courage: physical courage – whether strength or fortitude; and mental courage – one’s strength of mind, conviction and resolution to face truth, or do what one believes is right.

I will focus on mental courage, and explore it on both individual and institutional levels. On the individual level it takes us to a discussion of principles – or values; and on an institutional level, it forces us to consider purpose. Both are lacking to the extent they are needed in business today.

Institutional courage, and purpose.

First, what is courage? Plato and many other secular and religious philosophers cite it as one of the four core virtues, along with temperance, justice, and wisdom (or in some cases, prudence). Aristotle talked about courage as ‘the mean between two vices’, recognizing that courage taken to either extreme is bad: cowardice on one hand, and recklessness on the other. There is a sense of balance to courage – a

sense that judgment needs to be applied. In some instances, the courageous act is to confront; in others, the courageous act may be to acquiesce.

Hegel, in his *Philosophy of Right* published in 1821 stated:

*“The true courage of civilized nations is readiness for sacrifice in the service of the state, so that the individual counts as only one amongst many”.*

Most of you, I gather, will go into business, so permit me to take liberties with Hegel. My point will apply to any institution – whether not-for-profit, NGO, or other enterprise. What that leaves us with is the idea that:

*‘the true courage of the good corporation is readiness for sacrifice in the service of society’; or, ‘the true courage of employees is readiness for sacrifice in the service of the corporation’.*

Rephrased in this manner, the statement begs the question: Why? For what purpose?

We should consider ‘purpose’ at the macro level, that is, the purpose of the corporation, and at the micro level, which questions the purpose of any one corporation.

In the larger context, we like to talk today a great deal about a corporation’s rights, but not its responsibilities. The corporation, as I understand corporate law, was never created with an intent to be “just” for its shareholders; it was conceived in the context of a responsible contributor to society.

Consider the recent, or current, financial crisis. Are the problems we are experiencing a function of bad management, of poor regulation, or a failure of business ethics? There are certainly problems on all fronts, but I would argue that a failure of ethics ranks near the top. I believe this failure of ethics can be explained, in part, by the fact that most corporations – the people who lead them – seem to have lost their sense of purpose and an understanding of their responsibility to society.

Two quick examples:

- First, consider the behavior of Arthur Andersen in the case of Enron. It became so focused on the fees that drove revenue and profit growth that it forgot that its fundamental purpose was a fiduciary one -- to serve as a check on business behavior, and to assure the public that a company’s accounting was accurate. That’s what public accounting means!
- Second example: The CEO of a major money center bank, when asked recently whether his primary loyalties were to his shareholders or to his depositors, answered without hesitation: ‘shareholders’. Think about that answer! Where is an understanding of fiduciary responsibility? If this is the thinking on Wall Street, is it any surprise that we have the problems we do! What does it mean to be a bank?

At the individual corporate level, company boards and CEOs need to ask the fundamental question: what is it for? Companies need to have a sense of purpose – of mission – that goes beyond shareholder returns. How many times have you heard executives say: “our goal as a company is to maximize profit for our shareholders”? What kind of a goal is that?

My experience, having built and run a professional services company, is that clarity of purpose matters. It is the key to unlocking employee commitment, building loyalty and a positive operating culture, enhancing productivity, and therefore, overall performance. I will have more on this point in a few minutes.

The ones who “get it” now may be those involved in ‘social enterprise’. I am trying to understand why we have a category called social enterprise. What sets these companies apart, other than they have a clear and explicit sense of purpose as their dominant focus, defined in the context of society, not just its financial shareholders. And, they place equal emphasis on the ‘how’ work is done, and not just the ‘what’ they do.

All companies should have a similar sense of purpose.

I believe that two of the root causes of the current financial collapse can be traced to this inadequate sense of purpose:

- First, we have seen the triumph of the notion of shareholder dominance: Companies have forgotten that they exist for society, and therefore a multiplicity of stakeholders; they have forgotten their responsibilities. They lack the grounding that a sense of purpose, and the values implicit in that purpose, would have provided. An adequate understanding, and practice, of fiduciary responsibility has been lacking. If, as previously noted, corporate law never established the primacy of the financial shareholder in the first place, we need to have the courage to rethink how we are interpreting and applying these laws.
- Second, we have witnessed the triumph of short-term thinking, and short-term profit, over long-term creation of sustainable value: Boards of directors have been too complicit with regard to CEOs focused on meeting quarterly targets, or maximizing near-term stock price at the expense of the creation of real and sustainable value. Purpose and strategy are absent. By insisting on purpose, we re-introduce consideration of the long-term back into the discussion, for most missions cannot be accomplished in a quarter, or even a year!

In short, we need to be focused on creating sustainable economic value, and not short-term shareholder value. There is a difference. From society’s standpoint, we need to be clear as to what we want, and what we should expect from the corporation.

It comes down to this point: if companies don’t have a sense of purpose, there is nothing to be courageous about! I believe that if more companies understood the importance of purpose, and committed to earn the trust of society by how they do their work, we might have avoided many of the problems we are experiencing today.

Before leaving the examination of courage at the institutional level, let me connect a few dots that by this point may be fairly obvious to you, and which help us segue to a look at courage at the individual level.

Having a committed institutional purpose that is honestly and pro-actively embraced enables a company to build its values around its purpose. I would suggest that there are four very tangible reasons why this alignment of purpose and values is important:

First, it motivates people, and therefore enables a company to better retain its people, and attract new employees;

Second, it leads to better business results. Read the new book by Michael Beer, at Harvard, entitled 'High Commitment High Performance', which provides ample evidence of the fact that companies that are able to realize high commitment by its employees deliver better operating results.

Third, having a strong set of values, and the culture that develops from them, around a clear purpose grounded in the needs of society will help keep you out of trouble. It doesn't surprise me that a CEO doesn't know what her employees are doing in all parts of the company. At Veridian, I had over 7200 employees in nearly 100 locations. I couldn't know what everyone was doing. But, as a national security company, we had a clear sense of purpose; and our values were explicit and aligned. Employees knew they could speak out if they saw problems, and that we would act in accordance with our values. Our company values and culture would spotlight inappropriate behavior, giving us time to address situations before they became problems. Our culture and values became our first defense, acting as an early warning system.

Finally, the alignment of purpose and values creates an environment where work is more fulfilling, and employees are happier.

So, let's turn to the individual and I'll develop this point....

Back to Hegel.... Instead of citizens and state, let's talk about individuals and principles. Therefore:

*'the true courage of an individual is readiness for sacrifice in the service of his or her principles'.*

What are they? For you?

My message is simple: stand for something!

Be specific... be explicit.... figure it out....

People tend to believe they have it figured it out, but more often than not, it is either at the 64,000 foot level, or so buried within that it fails to guide and influence one's actions. You need to know the answer at ground level... at the level that drives, or changes your behavior.

I believe the implications of not standing for something are huge. It will impact your enjoyment at work, your relations with family and friends, and your own sense of self. Without knowing what you stand for, you are like a ship without an anchor – or a corporation without a purpose; you have no basis for your own ethical grounding. Without knowing what you stand for, you will fail as a leader.

One of the toughest situations you can find yourself in business is being faced with a set of actions which make you uncomfortable, and being met with the comment: 'why not.... It's perfectly legal'. It is easy to stay in the realm of what is legal.... But that does not excuse you from having standards. Yet, you see it all the time. There seems to be an acceptance of the idea that if something is legal, you don't have to think about it. An ethical standard is higher than a legal standard. Following the law doesn't take leadership; meeting a higher standard does.

I daresay that you all have a sense of your own values. You learned them before you were twelve years old. The key, though, is to bring them forward in your consciousness, and commit to them in practice. Be present. Without them, you have no basis for ethical decision-making.

I stated that without knowing what you believe, and what you stand for, you will fail as a leader. We all have our own definitions of leadership... here's mine. And, I might caveat my comments by noting that my focus is on *sustainable* leadership.

I believe there are four primary characteristics a leader must have:

- Vision – know where you are going... provide a meaningful purpose;
- Communication skills – the ability to articulate, and the humility to listen;
- Values – know what you believe, and the principles you won't violate; and,
- Courage – the guts to act

Back to courage... It is interesting, in my experience, how many people have the first three, but fail on the fourth. In the end, talk is cheap... you must execute, make decisions, and lead by example.

Note that integrity is not on my list. As I think about it, integrity is not a primary value, but a derived value. It must be earned. My definition of integrity is the alignment of your actions with your values. If you can be counted on, consistently over time, to act in accordance with your values, you earn integrity.

Integrity feeds another critical 'earned' value: trust. I can't demand that you trust me; you have to give it to me; I must earn it. I earn it by building a track record, and reputation, for integrity.

A few minutes ago, I said that I would get back to the importance of personal fulfillment, and happiness. We can talk all day about corporations, and states, and have a totally intellectual consideration of rights and responsibilities. In the end, however, these enterprises are led by people. They will be led by you. How they will behave is a direct function of how you will think, believe, and act.

Richard Sennett, a professor of sociology at the London School of Economics, and at NYU, wrote an extremely thought-provoking book entitled *'The Corrosion of Character: The Personal Consequences of Work in the New Capitalism'* that had a huge impact on me as I was building Veridian. He looked at the conflict between one's personal and professional values. Writing in 1999 about the internet economy, Sennett observed a business culture where there was no long-term... where decisions were made based on short-term impact or profit. It was a culture where flexibility, innovation and risk-taking ruled, with companies 'spun', repositioned and reinvented in a fast-changing world. It was a world of networks and teams constantly forming, disbanding, and reforming again. Short-term, build to flip, personal gain were the rule. Sennett was talking about the internet boom ten years ago... but it sure sounds familiar now.

The internet boom -- before the crash -- delivered stunning economic results; likewise, the world of sub-prime mortgages and unregulated derivatives delivered stunning financial results -- before the collapse. Does that make it ok, even if there had been no collapse? In Sennett's view, there are a lot of negatives to this new capitalism: an erosion of the sense of sustained purpose, a loss of a sense of integrity and understanding of self, an erosion of trust in others, and an increase in individual anxiety. Correspondingly, you hear less about long-term commitment, a sense of right and wrong, the notion of a career, or larger meaning, or relevance of personal character.

Sennett examines these issues and conflicts through a number of individual situations, including the successful, high technology consultant son of a Boston janitor. The son 'fears that the actions he needs to take and the way he has to live in order to survive in the modern economy have set his emotional, inner life adrift.' He goes on to say that 'his deepest worry is that he cannot offer the substance of his work life as an example to his children of how they should conduct themselves ethically. *The qualities of good work are not the qualities of good character*'.

Think about that statement: 'the qualities of good work are not the qualities of good character'.

Is this true?

How do you fight it?

I offer two thoughts:

First, know yourself. Know what matters to you; know what you believe, and then hold yourself to the simple standard of acting in accordance with what you believe. Set for yourself the goal of being your own best friend; a person you like, and above all, respect. As I mentioned earlier, this alignment of your actions with your principles is the source of personal integrity.

Second, find a place to work – or create it yourself – which has a clear purpose that you can embrace, and where the purpose and values of the enterprise match your own.

This alignment in your personal life, and subsequent alignment of your self with your work will enable you to avoid the trap that Sennett describes. It will bring to you a sense of personal satisfaction and fulfillment that no one can take from you.

This dual alignment is the foundation of happiness. Happiness, or success, is not about money, fame, or what you can buy. It starts with being your own best friend, respecting yourself, and living and working in an environment of shared purpose and values. These are the factors that tie families together, and that make communities strong. Where we work is a community as well. These same factors apply.

John Bogle, the founder of the Vanguard mutual funds, tells the story in his book called '*Enough. True Measures of Money, Business and Life*', of Kurt Vonnegut and Joseph Heller at a party hosted by a billionaire hedge fund manager. Vonnegut points out to Heller that their host '*has made more money in a single day than Heller had earned from his wildly popular novel, Catch 22, over its whole history.* Heller responds, "*Yes, but I have something he will never have.... Enough.*"

Bogle goes on to note, and I quote:

*'... the rampant greed that threatens to overwhelm our financial system and corporate world runs deeper than money. Not knowing what 'enough' is subverts our professional values. It makes salespersons of those who should be fiduciaries of the investments entrusted to them. It turns a system that should be built on trust into one with counting as its foundation. Worse, this confusion about 'enough' leads us astray in our larger lives. We chase the false rabbits of success; we too often bow down at the altar of the transitory and finally meaningless and fail to cherish what is beyond calculation, indeed eternal.'*

When Veridian was bought by General Dynamics, what I knew and treasured about Veridian was lost. To this day, I have people comment to me that Veridian, as a stand-alone company, was different; it marked the best time of their professional lives. I believe that if I could boil it down to one factor that made Veridian so successful, it is this one: clarity of purpose, and corporate values that reflected that purpose which were consistent with the kinds of values by which people want to live their lives. They were proud to work at Veridian. They didn't have to park their personal values to work at Veridian.

You don't get this environment by accident. As CEO, I constantly had to think about whether our actions were reinforcing our commitment, or undermining it. There are times when it can be quite uncomfortable – where the easier thing to do is to make an exception – just this one time! Maintaining this philosophy takes constant attention and effort. It must be purposeful.

Let me close with a few points of practical advice, and then a last comment.

First, talk about this stuff! Here at Notre Dame, with family, with friends. Talking about these issues will strengthen you.

Second, find colleagues at work with whom you can talk about these issues. It is important to build your professional network of support -- not just around functions and skills, but around ideas and values.

Third, find your voice. One of the persons who connected Professor Murphy with me, Mary Gentile, is coming out with a book entitled '*Giving Voice to Values*'. Her research indicates that people who literally role-play difficult ethical situations in practice are more able to find their voice when confronted with such problems in reality. The point is, you need to develop your own source of courage to speak up when it becomes necessary.

Fourth, for those of you at the beginning of your professional careers, pick your first boss well! No matter how talented they may be, don't go work for someone you can't respect. I was fortunate in this regard, and to this day, when confronted with a difficult situation, I reflect on how my first boss would have handled it.

Fifth, don't ever fall into the trap believing that the ends justify the means. If this happens, you have lost – for values, and principles (for the most part) live in the realm of the 'means'. Values are about how you act more than what you are pursuing.

In closing, I think all of what I have been talking about is going to be harder for you than it has been for any recent generation, with one caveat.

You are living in a technology-driven world that is more connected and networked than ever before in history. In many respects, you are living in Sennett's world, on steroids! You need to find a way to engage in this frenetic, interconnected world on terms acceptable to you.

It's even more complicated: as a global community, we are finally becoming aware that we are one community. John Gardner, a great author on leadership (among other things), asked the question (and I paraphrase): '*How do we create the good society in a world of conflicting good values?*' Choosing right from wrong, at times, is hard enough; but how do you choose right from right when they are in conflict?

Whose values? Yours.... Or theirs? How do we address this issue when the 'good society is defined as our globe? Finding a common ground will require true leadership and humility in the years ahead.

You are dealing with a world – certainly in the US -- that, in many ways, has gotten off track. The metrics of success we have now are the wrong ones. You have to engage in a new conversation – one that questions the *kind* of capitalism we want to have. So here is the caveat I mentioned: If there is a silver lining to the recent financial crisis, it is that people are willing to have this conversation. You need to join into this conversation, and let your voice be heard. The Financial Times has already begun the dialogue. British philosopher Philip Blond has challenged us to rethink what we want in a good society; for him, it is

*"... one that people want to live in: empowered, secure, and sustainable communities of shared virtue and prosperity."*

Others have written about the need to elevate the value of arts, and music, in society. Pritam Singh, a British Lecturer of Economics, has written of "*capitalism lacking a soul.*" Harry Lewis, former Dean of Harvard College, is making the same point about education in his book, '*Excellence without a Soul -- How a Great University Forgot Education*'. He notes:

*'The loss of purpose in America's great colleges is not inconsequential .... These places drive American education, on which so much of our future depends. It is time to ask whether they are doing the job we want them to do.'*

This is exactly the question we need to be asking about our corporations!

We have lived with a blind faith in the benevolent impact of market forces, and in Adam Smith's 'invisible hand' – that society will benefit if we don't interfere with natural market forces. People didn't read their Smith, and understand what even he pointed out as the consequences of unchecked free enterprise. In *Wealth of Nations*, Smith says:

*'The man whose whole life is spent in performing a few simple operations....generally becomes as stupid and ignorant as it is possible for a human creature to become'.*

Is this the kind of capitalism we want? Even Adam Smith knew that a rising tide, in fact, would not raise all boats!

More recently, but still 35 years ago, Art Okun – Economic advisor to President Johnson, warned us that "the market needs a place, and the market needs to be kept in place. Given the chance, [the market] would sweep away all other values and establish a vending machine society." Guess what? Again, is this the kind of capitalism we want?

You need to join in this discussion, and give thought to what 'Capitalism 2.0' might look like – because how these issues are resolved will shape your world. You have the opportunity to introduce a new morality into the marketplace. Without such a new morality, and clearer sense of purpose, ethical business leadership may well remain on the sidelines, as the exception.

And, does it strike you as curious that today we are not hearing from one voice? Where are the business leaders? We can get into a long second lecture on the absence of the businessman and the

lack of business leadership in these important discussions. Unfortunately, their absence makes my point!

My final thought for you probably won't make me many friends among your faculty. Ralph Waldo Emerson stated:

*'Character is higher than intellect. A great soul will be strong to live as well as think.'*

Today, you are here, at business school – gaining knowledge, and strengthening your intellect. Don't forget that you are developing only one part of who you are, and what you will be; and, as Emerson notes, it is the lesser part. In the end, what will make you a great business person, a great leader, a good person – and your own best friend – is not just what you have here (head), nor what you believe here (heart) – but how you align the two. As our newest 'old' philosopher, Albus Dumbledore, may have said it best to Harry Potter:

*"It is our choices, Harry, that show what we truly are, far more than our abilities."*

Thank you.