

Nasty Capitalist Myths Gurcharan Das

For more than a decade now we in India have been moving in the direction of some form of capitalism. It is a much misunderstood and much reviled system, which seems to put everyone on the defensive, and one of our defense mechanisms is to use euphemisms like "the market" to describe it. The governance scandals involving Enron, WorldCom, Arthur Anderson and others have confirmed to its detractors its evil nature. Although I am an apologist of this system, I too have been deeply concerned about some nasty myths that have taken hold inside the corporation in the past 15 years, which Henry Mintzberg and others have recently written about, and which might explain its recent failings.

The first myth is that since we are all self-interested human beings, intent on maximizing personal gain, our only duty is to the bottom line, implying that everything goes and everyone has a price as long as one stays within the narrow limits of the law. This myth ignores that a company exists in a social space and that man is a social animal, as Aristotle reminded us more than two thousand years ago, and integrity, self-respect and cooperation have always been equally important values to the system's success. Leaders of the enduring companies have always known this and tempered dogmatic individualism with social engagement as a form of enlightened self-interest.

I have found that the lives of most entrepreneurs and senior managers is characterised by an ethic of ceaseless work combined with a ceaseless renunciation of the fruits of their toil. They work so hard that they have no time to enjoy their money. Aditya Birla, JRD and Rattan Tata, Azim Premji, Narayana Murthy the more successful they became, the more they tended to live frugally. Max Weber had called this "secular asceticism", and had used it to characterise Protestant entrepreneurs, but it can easily define most outstanding businesspersons (and outstanding lawyers, doctors, artists, scientists.) Hence, the spirit that took hold in the nineties on Wall Street and in the dotcom world was pathological, and for the critics to characterise the system as synonymous with greed and selfishness is wrong.

Another myth is the notion that the corporation exists only to maximize shareholder value and the claims of other stakeholders in society customers, employees, suppliers, and the community at large are subordinate. Again, enduring companies have always believed that shareholders must receive a good return, but they are able to balance shareholder's expectations with those of other constituencies. Successful companies know that they exist because of their customers; they don't serve customers by serving themselves, but serve themselves by serving their customers, and the more selflessly they do it the more successful the enterprise becomes.

Another fabrication is that the chief executive *is* the enterprise and he must be rewarded disproportionately. This explains why CEO pay in the U.S. rose 570% in the decade of 1990s, while profits rose 114% and average worker salary went up 37%. Leadership is obviously important, but enduring companies understand that good leaders are often more quiet than heroic; they foster teamwork, and work towards smooth succession and getting the best out of all employees. As Bertolt Brecht aptly put it, "Unhappy is the land that needs heroes."

These myths are seductive partly because they contain a kernel of truth; but they are in the end half-truths. The governance failures of the past two years have highlighted the excesses that resulted from glorifying self-interest in the decade of the nineties, and that is why only 34% percent of employees worldwide feel a sense of loyalty to their employers according to a recent study, and only 47% view the leaders of their companies in the United States as persons of high integrity. As a result of the present churning I expect the balance in the system will right itself over time, as it usually does, and the old truth will re-emerge that capitalism, like democracy, is by no means perfect, but it is better than any of the alternatives.