ULYSSES AND MODERN BUSINESS ENTERPRISE

Public confidence in individuals, organizations, business and government today is at unprecedented low levels; and that affects attitudes toward how one sees the world. This loss of trust is neither parochial nor national; nor is it limited to any one social class, ethnic or religious group or geographic region.

Fidel Castro reports that over half of Cuba's state-controlled petroleum supplies are stolen by Cubans each year; international bankers estimate the billions of dollars donated to Nigeria by the world community are almost equal to the secret deposits in Swiss banks made by Nigerian government officials and their families; the oil-for-food scandals of the U.N. stimulate joking references to "Ali Baba and his 40 diplomats"; Russia's political system has been described as "kleptocracy"; the U.S President's credibility has rarely been so low; and in the United States and in Ireland, the Catholic Church is seen as more protective of its priests than of its young male acolytes; and on and on.

In the business world, the scandals of Enron, Tyco and WorldCom were bad enough; even more heartbreaking (and unexpected) was the complicity of the world's leading public accounting firms, from whom the public expects standards higher than those of church or government.

High standards are important in all areas of life, but particularly in business, because large-scale business requires public trust for success. The stakeholders in large-scale modern business organizations—stock owners, employees, suppliers, customers, the government and the general public—will lower substantially the "transaction costs" of businesses they trust.

Google, Inc., for example, is better able to resist international controls because three quarters of the American public give Google in particular, but technology firms in general, high ratings for "innovative, reasonably-priced products that enhance their daily lives."

Companies like Johnson & Johnson, Coca Cola, 3M and Sony have real economic advantages because the public trusts them. Companies like UPS and FedEx are regarded as more reliable than government services; and although governments may still echo the comment of Herodotus ("Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds"), the public increasingly puts its trust in, and its cash on, FedEx.

That is negotiation writ large; FedEx and UPS have made promises to the public; the public recognizes by its shift of package business to these firms that the firms keep their promises; and millions of transactions a day are the result. (Employees of those companies with "bad press," on the other hand, like Halliburton or Philip Morris, find themselves needing to prove why they are not to be distrusted.)

In the long run, "accountability" is the key concept of the modern business enterprise. This has been the stated position of business and economic thinkers since Adam Smith, in *Wealth of Nations* and *Theory of Moral Sentiments*. But this is not just a matter of theory or principle. It is demonstrably advantageous for business to operate in a climate of trust; even hard-nosed business schools increasingly emphasize that in their curricula.

Not all business functions in this way. Among private individuals, small firms, start-ups and others that feel they are below the radar screen of public awareness, some do anything they like to succeed; their unscrupulous, even illegal, behavior reflects Immanuel Kant's "crooked timber of humanity from which no straight thing can be made." It is easy to overlook the principle that the larger, the more visible and more subject to public scrutiny an organization is, the more likely it is to strive for public approbation.

It is unfortunate that our culture's view of business was formulated before the evolution of the modern business enterprise, because moral dealings for most of these enterprises are dictated by real-world pressures. Employees want to feel proud of their companies; customer loyalty (acquired by perceptions of reliability and fairness) is "money in the bank"; and public condemnation is likely to be followed in time by legal regulation. In modern business, it pays to be and seen to be, on the side of the good guys.

Distrust of business has deep and ancient roots. The warrior class was traditionally ennobled; professionals such as doctors, lawyers, architects and the like were presumed to be motivated by more than self-interest; the clergy were guided by God; the farmer or small artisan earned his bread by the sweat of his brow. It was the money-changer, by contrast, who was driven from the Temple. Economic exchange was seen as a "zero sum game," in which one person's gain was someone else's loss; the modern concept of "value added" was unknown. It is easy to see why, in such a climate, the rich man's chance of Heaven and the camel's of passing through the needle's eye were similar.

Yet, even in the ancient world, there were those who thought and acted like modern business leaders. Ulysses demonstrated in the Odyssey an ability to think creatively with a long time horizon; to recognize opportunities not seen by others; to listen and to learn, to share knowledge with his team, and to lead by example. He knew that to be trusted he must be trustworthy. Commitment, passion, courage and the ability to negotiate successfully and credibly with an array of stakeholders were Fortune 500 CEO traits which Ulysses in Homer's epic demonstrated two and a half millennia ago. They still work today.

The best modern leaders try to function in a climate of tangible integrity, with "self-interest" seen as "enlightened self-interest." They know that when they fall short, the public is watching. Just as Sarbanes Oxley regulations—now a major nuisance and significant expense for all business—was the government reaction to public accounting failures, so future abuses will lead to additional regulation and possible prison terms.

Every business needs a profitable "bottom line" to justify its existence. Profit, though not sufficient, is necessary; and transparency and public spiritedness are meaningless for an enterprise in a free market economy that does not give its stockholders an appropriate return on their equity, provide employees with competitive salaries and benefits, and offer its leaders sufficient incentive. The optimizing of income and expenses is management's continuing challenge.

To achieve these goals, in some situations management will act like poker or chess players, following the rules but using any permissible strategy to overcome an opponent. In others, they will win by acting like team members with common goals. In some relationships, they perform like farmers fattening livestock for the butcher; in others, like farmers nurturing sheep for their wool. But in each case, accountability and enlightened self-interest are what you expect from the best firms.

Gamesmanship, Stephen Potter's classic, had as a subtitle, How to Win Without ACTUALLY Cheating. Winning by "gamesmanship" is okay; cheating is not.

Negotiators in business—like those in labor disputes, nuclear arms treaty discussions, international trade pacts and the like—think of themselves as adversaries, but also as colleagues. Their goal is to advance their own interests, of course, but to do so in a context of continuing relationships and an acknowledgment that one's opponent should come away with enough so he will continue to play the game.

Self-interest is not to be confused with selfishness, as Adam Smith reminds us in perhaps the most famous passage in economic literature, "It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own self-interest." Their interest, yes, but our dinner; and each of us wins.

Good will and a favorable reputation may be intangibles not reflected on corporate ledgers, but their value is indisputable. Every business field has stories of individuals or companies whose actions went above and beyond the call of duty at short-term expense but long-term repayment.

In the New York real estate field, for example, the 9/11 catastrophe provided occasion for the demonstration of company values that were not reported in the press, not conducted with an eye to formal public relations, but that engendered trust and loyalty. In one high rise residential building a few hundred yards from the World Trade Center site, tenants were prevented by police from returning to their apartments for ten days, their dogs and cats and plantings unattended, with windows left open to the soot and fly ash from nearby fires. Senior building personnel never left the structure, used master keys to enter apartments to feed cats and canaries, walked dogs, watered plants, closed windows and in some cases vacuumed furniture and washed down soot-covered walls. Tenants in the building were notified by e-mail that no rent would be charged from 9/11 until ten days after re-occupancy and anyone wishing an immediate lease cancellation would be accommodated with the option open until the end of January.

The pride that the company's far-flung employees took in those actions, the goodwill and loyalty aroused among tenants, the warm feelings from mortgagees, bankers and professional colleagues (not to mention the profound satisfaction of the company's leaders) are remembered years after the profit and loss statements of 2001 were filed.

Question: Are these factors in "negotiations?"

Answer: Yes; they are intangible, but real.

At the other extreme of the negotiation spectrum is outright fraud, which in law has six characteristics:

a) Knowing
b) Misrepresentation (of)
c) Material
d) Facts

e) On which the victim reasonably relies

f) Resulting in damages

Threats, bribes, kickbacks and other forms of corruption are not unknown. Avoiding negotiations with such perpetrators is best. If that is not possible, one should try to enlist the services of experienced third parties, seek independent sources for facts and evaluations, use standardized contract procedures, and check applicable laws and regulations. Verify what you can; have claims stated precisely in writing; if possible, request bonds or warranties.

Bad adversaries appear from time to time; fortunately the majority of highly-regarded business practitioners "march to the beat of a different drummer"; and they set the tone and establish the standards of "what is done" and "what is not done."

Thank heaven for that, for those standards establish the level of trust that a modern society requires to function successfully.

In *The Moral Consequences of Economic Growth*, Harvard professor Benjamin Friedman points out that improving economic conditions in a society strengthens democracy and the prospects for freedom, and that the modern business enterprise is the key vehicle to achieve that growth and well-being.

Economically effective and socially responsible business organizations are fundamental parts of modern society. The values they espouse, the standards they set and the degree to which they implement them have profound ramifications. The aged Ulysses, as portrayed in Tennyson's poem, would have loved the challenge of running such a corporation.

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