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Character, governance and conduct

A reminder from family business

The field of management has for the last several decades been preoccupied with theory and technique. Where that pursuit has been scholarly, theories have gravitated towards the macro-social and economic; where it has aimed towards practice, often in the world of consulting, there has been too much in the way of administrative quick fixes and fads. Missing in much of this discourse is the human element, specifically the degree to which moral character and personality, more than economic incentives and institutional forces, shape behavior in and of organizations. I am referring here not to typical human resources concerns regarding, for example, motivations that drive absenteeism or commitment on the job. Rather, I am addressing the ethics and behavior of those who own and manage organizations, large and small.

It is no accident that the focus of political commentary in the press is as much on personality as politics. The journalists seem to have it right: the character of a country's politicians has a great bearing on its fate. The same can be said of most enterprises: it is not only the personalities but the moral character of those at the top that has an enormous impact on the conduct of a firm and its consequences for all stakeholders.

Certainly, there are recent trends in scholarship that have highlighted the importance of character among those in power on firm outcomes. Studies of agency abuses, hubris and even narcissism have revealed how minority shareholders are taxed by the ethics of some leaders (Yermack, 2006; Malmendier, Tate, 2009; Chatterjee, Hambrick, 2007). Indeed, there is growing evidence that character at the top orchestrates not only the strategy of a firm, in many of its aspects, but also how it treats all of its stakeholders – employees, clients, and even the community at large. In short, the people who govern "make the place". They invoke a thematic, self-reinforcing configuration with a momentum of its own that may be socially responsive, or skewed towards selfish reward (Miller, 1996).

This becomes especially clear in the case of closely held businesses where voting control and management are vitally shaped by one or more family members (Miller, Le Breton Miller, 2005). In recent years there appeared articles in the US press on metals fabricators in the same neighborhood of an American city. The first had the lowest accident rates, the best employee benefits, the lowest turnover, the most modern methods, and the least pollution. The second was opposite in every respect. It was not geography, industry, institutional context or technology that mattered nearly as much as the character of the owners. Given the importance of concentrated ownership and powerful leadership in many of today's organizations, and the concentration of wealth and power into relatively few hands, the character of those who govern is every bit as important in many of today's non-family corporations.

Unfortunately, personal character is hardly the emphasis in most business schools which continue to focus on technique and bottom line expedients – this, despite the corporate excesses and short-termism that have become global phenomena. CEOs reap massive rewards during their ever shorter tenures, while growth through financial machinations, globalization, externalizing pollution, weapons of financial mass-destruction, and ruthless cost cutting often dominate an emphasis on quality, innovation and contribution (Freeland, 2012). The year 2008 is not long in our past.

Certainly, it is not the principal task of business schools, business academics or consultants to develop character and moral education. One suspects, however, that the wisdom and character of prospective leaders have more to gain from education in the classics of philosophy, literature, and history, than from immersion in the latest managerial "techniques". To consume the latter without exposure to the former may only protract today's selfish trends.

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